# ORGANOCLICK

**ANNUAL REPORT**

Corporate identity number: 556704-6908

Financial period: 2019-01-01 - 2019-12-31

OrganoClick®

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# ORGANOCLICK IN BRIEF

Every year, more than 8 million tonnes of plastic and hundreds of thousands tonnes of toxic chemicals are released into the world's oceans and nature. Many of these are not degradable, but accumulate in the form of microplastics or persistent pollutants. Plastics and environmental contaminants have thus become one of the major global challenges of our time. The result is visible along the seashores as well as in the alarm reports about poisoned watercourses. OrganoClick AB (publ) is a Swedish cleantech company that develops, produces and markets functional materials based on environmentally friendly fiber chemistry, which addresses several of the these problems. The products marketed by OrganoClick include: the durable water repellent technology for textiles OrganoTex®, which can substitute hormone-disruptive fluorocarbons (PFAS); the fire and rot-resistant timber technology OrganoWood®, which can substitute heavy metals used in traditional wood protection; eco-labelled surface treatment and maintenance products for homes and properties, under the brand BIOkleen®, and the biobased binder OC-BioBinder™ which, together with the company's bio-composite OrganoComp® can substitute fossil-based plastic. OrganoClick was founded in 2006 as a commercial spin-off company based on research performed at Stockholm University and the Swedish University of Agricultural Sciences. OrganoClick has won a number of prizes, such as ”Sweden's Most Promising Startup” and ”Sweden's Best Environmental Innovation”, and has also received a number of awards, such as the WWF ”Climate Solver” award, and has also appeared for two years on the Affärsvärldens and NyTekniks list of Sweden's top 33 hottest technology companies. OrganoClick is listed on Nasdaq First North Growth Market and has its head office, production and R&D located in Täby, north of Stockholm.

### TECHNOLOGY

OrganoClick's core technology is based on so-called 'biomimetics', where the company's products are developed with inspiration from natural chemical processes. By attaching organic molecules to the surface of cellulose fibers in materials such as wood, textile, paper or nonwoven, new features such as fire resistance, rot protection, water resistance and changed mechanical properties can be achieved. This technology opens up for renewable materials that for example can replace oil-based plastics and traditional, toxic wood protection methods.

### ORGANOCLICK'S MARKETS AND CUSTOMERS

The Group's products are marketed and delivered to a number of application areas. The Group's largest market to date is the building and property related industry, where the Group's wood modification technology is used to manufacture ORGANOWOOD® timber which is sold through hardware retailers to both major construction companies and end consumers. The retailers of ORGANOWOOD® timber include, among others, Beijer byggmaterial, K-rauta, XL-BYGG, Optimera, Bygma, Woody and Derome in Sweden. The product is also sold in the rest of Northern Europe. The Group's additional surface coatings and maintenance products for wood protection and maintenance of homes and properties are sold through hardware retailers as well as through a large network of paint dealers such as Happy Homes, Colorama, Bolist, Nordsjö Färg & design, Caparol, Granngården and Ahlsell.

Within textile and nonwoven, bio-based binders that replace plastic binders and water repellent products (PFAS substitutes) are sold to customers that manufacture nonwoven and industry textile. To consumers, the Group offers OrganoTex® Textile waterproofing, a biodegradable impregnation that is sold through more than 170 Nordic sports and outdoor retailers, including Naturkompaniet and its Finnish sister company Partioaitta. Fredahl Rydéns, the leading Nordic burial coffin producer, and Baux, supplier of sound-absorbing acoustic panels, were the first customers to implement the company's biocomposite OrganoComp®. Projects are also underway together with operators in healthcare and furniture with the aim of replacing different plastic products with OrganoComp®.

### THE GROUP'S DEVELOPMENT AND OBJECTIVES

The Group has made fast progress since the first product was launched in 2012. Net sales of the Group has grown from MSEK 20.9 in 2014 to MSEK 85.5 in 2019, corresponding to an average annual growth rate of 32.5 percent. The Group has built up a sales and marketing organization and its own production facility to be able to continue to grow operations rapidly with only minor increases of fixed costs, which makes the business model highly scalable. As volumes have increased, productivity in the factory has improved, and the product mix gradually has changed which has improved the Groups gross margins as well. Gross margin (after variable costs) has increased year by year, from 32.7 percent in 2014 to 41.0 percent in 2019. OrganoClick has continuously made heavy investments in product and production development, and this effort is now bearing fruit in the form of a product family with sales within a large number of different application areas. The focus and goal of the Group is to at least double sales by 2021 compared with 2018 levels (sales amounting to at least MSEK 157 by 2021), to continue to improve gross margin (after variable costs), and, with only minor increases of fixed costs, this shall result in a continuously improved result for the Group during 2020 and 2021. At the same time, the Group shall become climate neutral by 2023 at the latest, which means zero emissions of greenhouse gases and 100 percent use of bio-based raw materials and packaging.

**SEK 85.5 million**
Net sales

**9%**
Revenue growth

**39**
Number of employees

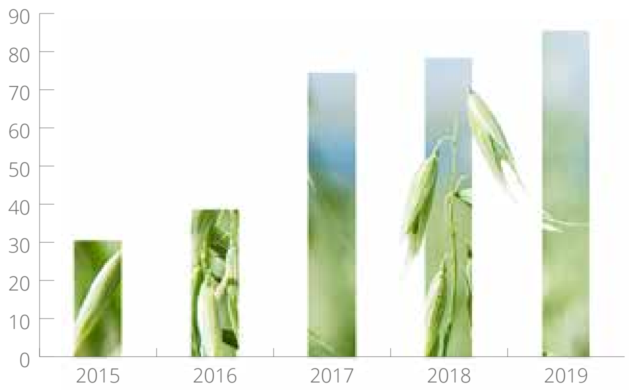
# FINANCIAL DEVELOPMENT

The OrganoClick Group has undergone a rapid development in the last five years, making it twice to the top fifty list of fastest growing technology companies in Sweden as presented by Affärsvärlden and Deloitte. During this period, the group has improved its net sales from MSEK 20.9 in 2014 to MSEK 85.5 in 2019, for an average annual growth rate of 32.5 percent. During the establishment of the group's production facility and marketing organization 2014-2017, fixed expenses increased; in the last two years, they have been kept constant thanks to internal efficiencies in production, distribution and marketing. At the same time, gross margin has improved from 32.7 percent in 2014 to 41.0 percent in 2019. In combination with the growth in sales, the result has been a rapid improvement of the operating result (EBIT) over the last three years - from MSEK -29.7 in 2016 to MSEK -15.1 in 2019. The group's goal is to double net sales by 2021 compared with the 2018 level, to at least MSEK 157, and to continue to increase the gross margin by a change in the product mix. With fixed costs increasing only moderately, this shall result in a continuously improved result for the group during 2020 and 2021.

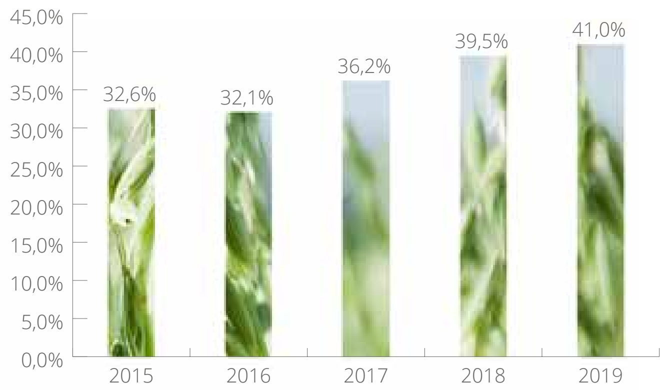
### FINANCIAL DEVELOPMENT ORGANOCLICK GROUP 2015-2019 MSEK

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Net sales | 30,462 | 38,847 | 74,682 | 78,395 | 85,480 |
| Operating profit/loss | -20,793 | -29,041 | -23,456 | -17,822 | -15,131 |
| Total assets | 82,313 | 81,201 | 101,778 | 88,103 | 173,199 |
| Total equity | 59,481 | 41,671 | 54,286 | 34,798 | 102,470 |
| Total liabilities | 22,832 | 39,530 | 47,491 | 53,306 | 70,748 |
| Revenue growth, % | 45.8% | 27.5% | 92.2% | 5.0% | 9.0% |
| Gross margin after variable costs, % | 32.6% | 32.1% | 36.2% | 39.5% | 41.0% |

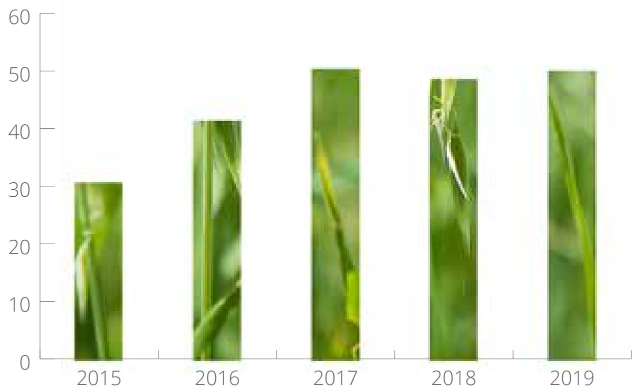
### SALES DEVELOPMENT ORGANOCLICK GROUP 2015-2019




### DEVELOPMENT GROSS MARGIN (VARIABLE COSTS) 2015-2019 (%)




### FIXED OPERATING EXPENSES ORGANOCLICK GROUP 2015-2019




### OPERATING PROFIT/LOSS ORGANOCLICK GROUP 2015-2019

# THE YEAR IN BRIEF

The year 2019 has been eventful for the OrganoClick group. We have launched a number of new products and signed important agreements. The Group's sales grew by 9.0 percent organically, but growth fluctuated considerably over the year, from 20.4 percent in the first quarter to -4.1 percent in the third. Nevertheless, the year finished on the same note as it started, with a sales growth of 14.8 percent. A number of the Group's novel products have shown solid growth, while the established products related to construction experienced slightly lower growth. Thanks to increasing sales and the changes to the product range that improved the gross margin, the Group's operating result (EBIT) improved to MSEK -15.1 from MSEK -17.8 in 2018.

The Functional Wood business unit grew by 7.2 percent and provided MSEK 58.7 of the net sales. The increasing sales in combination with close cost control contributed to a strong improvement of the business unit's profitability over the year. In particular, the sales towards the professional construction sector, where the public sector is an important end final customer, have continued to grow well. Geographically, both Sweden and Finland have seen a positive development while Norwegian sales have been weaker. The international expansion has continued, however, and the business unit has entered into significant distribution agreements with leading wood distributors in Germany, Austria, Switzerland and Italy in view of 2020.

The Group's second largest business unit, Green surface coatings & maintenance products, experienced an 11.6 percent sales growth during the year to MSEK 24.5 in total. The PFAS-free textile impregnation for consumer products, marketed under the OrganoTex® Textile waterproofing brand, had a strong growth on the Swedish market as well as in Finland where it was launched. The Group's paint customers contributed to the business unit's growth as well. Several cost efficiencies implemented by the business unit together with a stronger gross margin resulted in a positive contribution from the business unit.

The Biocomposites business unit achieved a significant milestone in May 2019 when the burial coffin 'Saga' was launched by our customer, the leading Nordic coffin producer Fredahl Rydéns. The coffin is manufactured from the group's biocomposite OrganoComp®, using OrganoClick's technology for 3D moulding of fiber composites. During fall, Fredahl Rydéns's sales organization initiated the marketing of Saga to Swedish funeral parlors. The customer Baux launched sound-absorbing acoustic panels, made using OrganoComp®, at the Stockholm Furniture & Light Fair in February. The first deliveries of these commenced in the second quarter, and the product saw rapidly rising demand thereafter. The sales for the business unit's first commercial year amounted to MSEK 1.2, with close to half the net sales arriving in the fourth quarter.

Within nonwoven and technical textiles, the deliveries of the group's bio-based and biodegradable binders OC-BioBinder™ to the group's first customers have grown over the year for a total sales volume of MSEK 0.9. Following the EU's new plastic directive, where plastics must be phased out from a number of disposable items, demand has gone up substantially for bio-based and biodegradable binders. New customer projects have been initiated during the year, together with a number of the world's leading nonwoven manufacturers. Eight customer projects were taken from laboratory testing to production tests with customers in Sweden, Finland, Germany, and the United Stated during the year, all of them with significant commercial potential.

- Net sales totaled MSEK 85.5 (78.4)
- EBIT amounted to MSEK -15.1 (-17.8)
- OrganoClick carried out a directed share issue of MSEK 90 gross to Swedish and foreign institutional investors, including Handelsbanken Fonder, Länsförsäkringar Fonder, 4:e AP-fonden and Finnish Aktia Asset Management
- New distribution agreements for ORGANOWOOD® timber covering Germany, Austria, Switzerland and Italy as of 2020
- Agreement with leading Nordic paint manufacturer for the group's maintenance and surface cleaning products, worth between MSEK 3 and 5 per annum as of 2020
- Agreement with COOP Norway (Obs! Bygg and COOP Byggmix) for the ORGANOWOOD® wood protection system as of 2020
- Launch of ORGANOTEX® waterproofing in Finland with Partioaitta and Reima as the first retailers
- Eight customer projects with global nonwoven manufacturers in production tests
- Fredahl Rydéns, the leading coffin manufacturer in the Nordic launches the burial coffin 'Saga' made from OrganoComp®
- Customer Baux launches sound-absorbing acoustic panels in OrganoComp®, with a seasonal order worth at least MSEK 2 for 2020.

# A WORD FROM THE CEO

**DEAR SHAREHOLDER,**

2019 has been an eventful year during which the Group achieved several important milestones. Our customer Fredahl Rydén's launch of its burial coffin 'Saga' – manufactured using our biocomposite OrganoComp® – became the highlight of the year following roughly a decade of development! We are now looking forward to seeing how sales for this product develop over the coming years. During the year, we've seen growth across all our business units, even though sales didn't quite meet our expectations. However, I can conclude that we've seen sales growth every year since we launched our first products in 2012. Our transformed product range, in which we sell more and more products with higher margins (with almost wholly unchanged fixed operational costs), resulted in continued improvement in profits. Thanks to a successful directed issue of MSEK 90, we now find ourselves in a good financial position, enabling offensive growth initiatives.

”we've seen sales growth every year since we launched our first products in 2012 ”

## First products launched using our biocomposite OrganoComp®

In February, Baux launched a sound-absorbing acoustic panel, the first product manufactured using our biocomposite OrganoComp®. The product was very positively received and Baux's stand, fully clad in their sound absorber, won the award for best stand at the Stockholm Furniture & Light Fair. Sales have commenced, and during the autumn we received a seasonal order for deliveries of a minimum of MSEK 2.

In May, 'Saga' – a new burial coffin from Fredahl Rydéns – was launched, following around 10 years of product development. During the autumn, sales continued to increase in Sweden. Fredahl Rydéns will launch the coffin in Norway and Denmark in the spring of 2020 and is also working on expansion into the Finnish, German and Dutch markets.

## International expansion of OrganoTex® Textile waterproofing

OrganoTex® Textile waterproofing was launched in Sweden in 2018 with Naturkompaniet as its first retailer. In May 2019, the product was launched in Finland with Naturkompaniet's Finnish sister company, retailing at first through Partioaitta. Subsequently, Finnish Reima also started selling the products and contracts in Sweden were signed with Team Sportia and Sportringen. At the end of 2019, we had around 120 retailers in Sweden and 50 in Finland.

At the beginning of 2020, a distribution agreement was also signed with Norsk Fjellsport for the Norwegian and Danish markets. Our focus during 2020 will be on supporting our distributor in their market penetration across Norway and Denmark, but also on prioritizing continued international expansion into Germany and the Alpine countries.

”interest in our 100% bio-based and biodegradable binders for nonwoven has increased substantially”

## Strong interest in our bio-based binders

In March 2019, the EU adopted a new plastic directive, ordering plastics be phased out from several disposable nonwoven articles. As a result, interest in our 100% bio-based and biodegradable binders for nonwoven has increased substantially, as it is capable of replacing today's plastic-based latex binders. During the year, we started new development projects with a number of the world's largest nonwoven companies across applications such as napkins, tablecloths, hygiene products, agricultural fabrics, medical articles and cleaning cloths. Eight projects have so far moved from the lab to production tests. Our ambition is that some of these projects will result in new product launches by our customers during 2020/21. There is major commercial potential in these projects, as most of the factories we work with buy binders to the value of MSEK 20-50 per year.

## Improved sales of ORGANOWOOD®

Following a weak year for Swedish construction in 2018, our sales of ORGANOWOOD® timber recovered somewhat in 2019. Sales grew by double-digit figures in both the Swedish and Finnish markets, but were weaker in Norway and Denmark. Our focus during the year was to find a viable partner for the launch of ORGANOWOOD® timber in Germany. In November we signed an agreement with the leading German timber distributor Carl Götz for distribution in the German, Austrian and Swiss markets. For the Italian market, we also signed a distribution agreement with Pircher group. Market penetration in the German market is now our highest priority in this business unit.

### Big uncertainty caused by Covid-19

The global pandemic with Covid-19 creates a big uncertainty among our customers and suppliers of how their sales and supply capacity will develop during 2020. So far, we only see a minor effect on our domestic sales, but we see a negative effect on several of our export markets of which several have closed down almost completely. In particular, we believe the pandemic will have a negative effect on our export initiatives in Norway and Germany which are both in a partial lock-down at the moment. We will also see an effect on our supply chain where some of our European suppliers will have prolonged delivery times. In our own operations, we have some problems in our production due to a higher sick leave and because of the problems in our supply chain. However, we don't believe our markets will be the most affected in the short term but the risk is high that it will affect our sales in a negative direction as well as delaying some of our customer projects during the next six months.

### Sales growth towards profitability

Thanks to the directed emission of shares, which genererated SEK 90 million in September, the Group now has a solid financial position which enables us to make a number of offensive growth initiatives in 2020. Not only have we added extra resources for our industrial development projects within nonwoven, but we're also initiating investment in export of our wood protection and maintenance products. Our Functional wood and Green surface treatments & maintenance products business units both show profitability, and we will now take our other business units to profitable growth over the next two years. The goal is to achieve a continuing sales growth in 2020 and 2021 as well as a continuous improvement of our result. We're also continuing our efforts to become a climate-neutral company, producing products that can replace fossil plastics and petroleum-based chemicals. We are looking forward to delivering on contracts signed in 2019 and continuing our growth journey!

Sincerely,

Mårten Hellberg

Mårten Hellberg
CEO, OrganoClick AB

# OUR TECHNOLOGY: BASED ON NATURE'S OWN CHEMISTRY

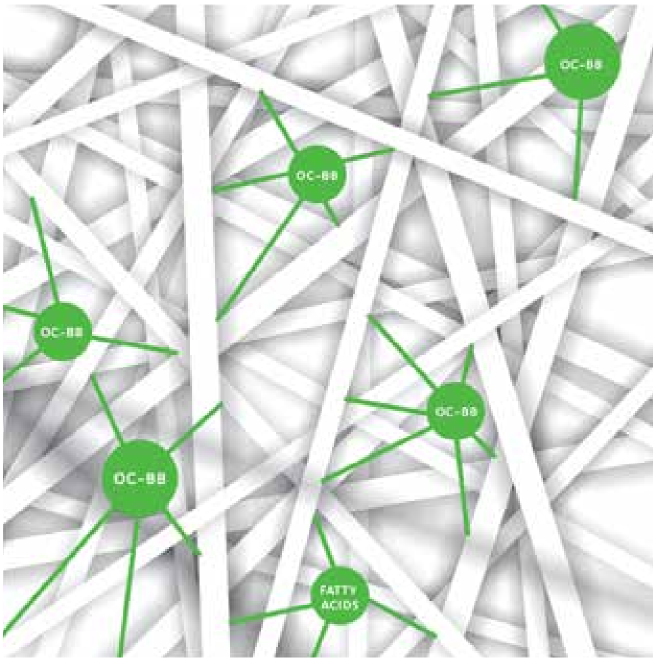
Issues with plastics and toxic oil-based chemicals are increasing around the globe. Cellulose extracted from forests and plants, as well as the molecules and polymers found in the plant kingdom are not only renewable, but also have the potential to replace most of today's chemicals and plastics. Unfortunately, many of these petrochemical and often toxic chemicals are used in the traditional fiber-based industry. Chemicals that cause major health and environmental problems are used in the timber industry, the textile industry and other fiber-based industries. Through its technology for modifying cellulose fibers, OrganoClick has developed alternatives to a number of problematic chemicals, as well as developing techniques to imbue cellulose with properties that enable it to replace plastic materials. The techniques developed by OrganoClick address key functions such as water repellency, mechanical strength, flame protection and protection against rot and fungal decay.

## OUR BIO-BASED BINDERS AND BIOCOMPOSITES - A REPLACEMENT FOR PLASTIC

Modern society relies heavily on various plastic materials. The development and use of plastic has accelerated since the 1950s and is now all-pervasive in our everyday lives. Over time, the greatest merit of plastic in its durability has also become its biggest problem. Once plastic has made its way into the environment, it simply does not break down. Instead, plastics accumulate as litter and waste throughout the natural world, but above all in our waterways. In our seas, unimaginable volumes of plastic waste have been created, poisoning oceans and beaches. At present, about eight to ten million tons of plastic are released into the sea every year. It's then ground down over time into micro-plastic particles, making its way into fish and eventually ending up on our plates. A person who eats a normal amount of fish is estimated to ingest approximately 10,000 microplastic particles per year, the same amount as one credit card per week.

The problem is largely down to single-use plastic items. These are available in the form of purely plastic products, but also within products that consist of mixtures of cellulose fibers and plastic polymers. In nonwoven, technical textiles or composite materials, so-called binders are used to bond the fibers to create strength combined with rigidity or softness. These are almost always based on petroleum-based latex molecules in the form of ethyl vinyl acetate (EVA), polyacrylates, polypropylene (PP) or other plastic polymers. The binders are normally added to nonwoven-based products such as napkins, tablecloths, agricultural textiles, surgical robes, filters and diapers in concentrations between 10 and 30% of the total weight of the material. In composite materials, as much as 80 to 90% can be plastic-based binders. Consequently, many nonwoven products such as napkins consist of between 70 and 90% renewable and biodegradable cellulose fibers and 10 to 30% fossil-based and non-biodegradable plastic polymers that then accumulate in nature and break down into bioplastics if they are not recycled.

As an alternative to today's petroleum-based binders, OrganoClick has developed bio-based and biodegradable (tested according to OECD 301C) binders that take their inspiration from how the mechanical strength of plants, fruits and seafood is built up. The binders mainly use waste products and side streams from the food and forestry industries, for example polymers from orange peel, shrimp shells and oat husks. OrganoClick has developed OC-BioBinder™, a product range of bio-based and biodegradable binders, through a solid knowledge of the properties of these polymers, and via OrganoClick's technology for modifying cellulose fibers. These binders can be used for nonwoven, technical textiles and composite materials, enabling production of 100% bio-based and biodegradable materials. In combination with the company's fiber moulding technology, materials can also be manufactured that can replace rigid plastic materials such as polypropylene by compressing cellulose fibers together with the binders under high pressure and heat to create 3D shaped biocomposites. As a result, OrganoClick's technologies offer replacements for a host of products containing soft plastic as well as hard plastic materials.




*Our binders create strong chemical bonds between the celullose fibers and biopolymers in the nonwoven materials.*

### SILICON - NATURE'S OWN WOOD PROTECTION THAT CAN REPLACE BIOCIDES AND TOXIC HEAVY METALS

Traditional wood protection is based on the use of biocides and heavy metals. These act according to their fungicidal effect, i.e. by killing the fungus. Common substances in use internationally are copper, chromium, arsenic and creosote. Unfortunately, these substances are also toxic to humans, animals and the environment, as well as being bioaccumulative. In the Nordic region, about 5,000 tons of heavy metals are used per year to pressure-impregnate timber; globally there are hundreds of thousands of tons in use every year.

OrganoClick has developed a new technology in which the natural protective properties of silicon have been used. Silicon is Earth's most common element, and ordinary sand consists primarily of silicon. Several plants also absorb silicon in order to provide protection against their surroundings: rice husks for example are rich in silicates as protection against fungal attack. The silicon provides protection against fungal attack as well as against fire, as it is non-combustible. This property is used by a number of plants to create a higher resistance to forest fires by absorbing and storing silicon in their outer layers.

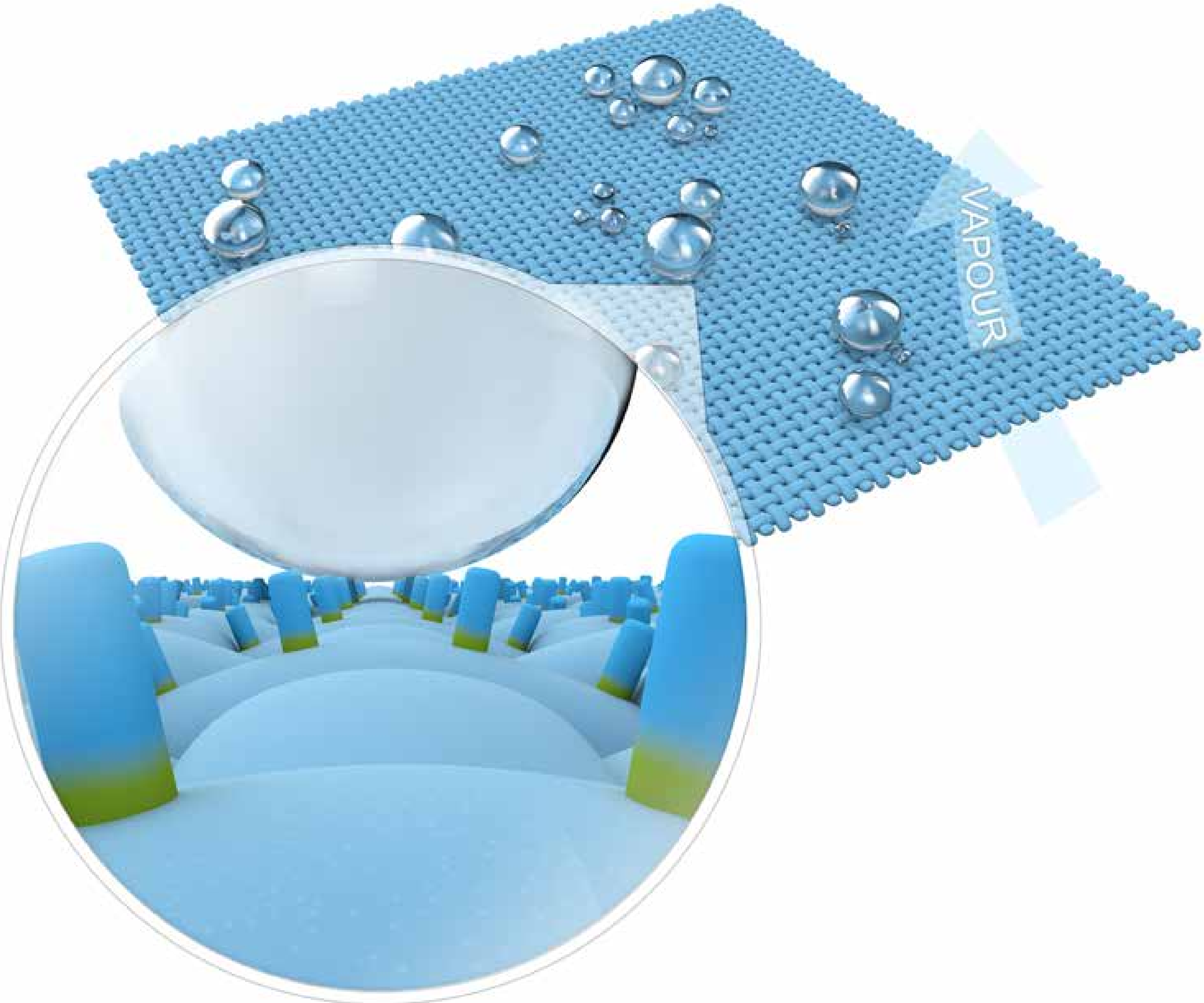
Using the company's technology for modifying cellulose, silicon compounds are attached to the wood fibers, thus providing improved protection against rot and fire. This technique can therefore replace some traditional flame retardants made using toxic halogenated chemicals (such as bromine), or phosphate-based flame retardants, which are harmful to the environment. Several of these substances are included in the EU's phase-out list or are being investigated for their environmental impact.

### BIODEGRADABLE WATER REPELLENT TECHNOLOGY AS A REPLACEMENT FOR HORMONE DISRUPTING FLUOROCARBONS

So-called durable water repellents (DWRs) are often used in the creation of water repellent materials. These have been the focus of increasing media attention for how they often consist of fluorocarbons (PFCs or PFASs). The functional properties of PFAS are excellent, but several have been shown to be hormone disrupting and carcinogenic. In addition, they are bioaccumulative and decompose extremely slowly. In animals, PFAS accumulates in the fat, which has led to their accumulation in the food chain. For several years, the concentration of PFAS found in fish has been on the increase, and the same is now the case in humans. This has led both environmental organizations such as Greenpeace as well as regulatory authorities to launch campaigns and regulatory investigations around PFAS. Norway has taken the lead by already banning several PFAS molecules, and the EU is working towards a ban. In the United States, residents of areas in which the water has been poisoned by nearby factories manufacturing PFAS have brought several notable lawsuits against chemical companies.

As a result, several commercial players have begun to take these problems seriously, and are looking to get a head start on regulators. H&M, Adidas, Puma and Nike, among others, are included in the Zero2020 program, which aims to phase out toxic textile chemicals, including PFAS. Interest in replacing PFAS has also begun to spread to other industries such as technical textiles, nonwoven, paper and wood.

As a replacement for persistent and hormone-disrupting fluorocarbons, OrganoClick has developed a new technology, drawing inspiration from the water-repellent properties of leafy plants. By creating a network of biodegradable, water-repellent silicon-organic polymers, tightly bonded to the fibers, a durable water repellency of the material is created. The products OrganoClick sells are rapidly biodegradable (tested according to OECD 301A) and classified as non-toxic according to CLP. This technology has been used to develop a product range with hydrophobic (water repellent) products adapted to wood, textile, nonwoven and composite.




*Biodegradable, water repellent molecules are attached to the textile fibers which make the fabric water repellent.*

# OUR BUSINESS

Oil-based plastics and other toxic chemicals present one of the greatest challenges of our time. We see pictures of plastic floating in the oceans and fouling our beaches almost daily, and we hear alarming reports about new environmental toxins. This problem is becoming more and more apparent to companies, consumers and politicians alike and so we're beginning to see the phasing out of toxic chemicals and plastics, as well as an increased use of renewable and biodegradable materials. OrganoClick's business concept is to develop new products using our material technologies, which are based on natural chemistry. Through these nature-based chemical technologies, bio-based and biodegradable materials can be manufactured, capable of replacing toxic and petroleum-based chemicals and plastic polymers.

## LEADING TECHNOLOGY BASED ON BIOMIMETICS: NATURE'S OWN CHEMISTRY

OrganoClick was founded in 2006 as a spin-off company from Stockholm University and the Swedish University of Agricultural Sciences. The company's core technology is based on many years of research in so-called 'biomimetics', studying how different natural chemical processes take place. By studying how nature has solved various functional problems, OrganoClick's researchers have developed a technology for modifying fiber-based materials such as wood, textiles, nonwoven and paper. By attaching functional organic or inorganic molecules to the surface of the fibers, the properties of the materials can be changed. From this core technique, four different techniques have been developed, capable of providing water resistance, mechanical strength, rot protection or flame protection to the materials. Chemical products or fiber-based materials with one or more of these functions are currently the basis of the company's offering. The materials the company works with are functional wood materials, technical textiles, nonwoven, paper and 3-D moulded biocomposites.

## ORGANIZATION AND CORPORATE STRUCTURE

The OrganoClick Group consists of parent company OrganoClick AB (publ), subsidiary Biokleen Miljökemi AB and partly-owned (60% ownership interest) subsidiary OrganoWood AB. OrganoWood also has a sales company in Finland and one in Norway. The business is divided into the four business units of Functional wood, Green surface coatings & maintenance products, Biocomposites, and from 2020, the new business unit Nonwoven & technical textiles. The Group has a joint Finance and administrative function, Marketing department, R&D unit, Operational unit and Quality & Environment department.

The business units Functional wood and Green surface coatings & maintenance Products sell and market the Group's wood and chemical engineering products to consumer and professional markets respectively. The Biocomposite business unit sells the company's 3D moulded biocomposites to industrial customers, and the Nonwoven & Technical Textiles business unit supplies bio-based binders and hydrophobization products to nonwoven and textile manufacturers. The operational unit produces and delivers chemical products internally to other business units. At the end of 2019, the total number of employees in the Group was 39.

In addition to its own expertise, the company collaborates with partners in, among other things, marketing, IP and regulatory issues. Cooperation also takes place with Bergs Timber AB for the production of ORGANOWOOD®-modified wood. The company has its own R&D unit with 5 Ph.D. chemists and chemical engineers working in the Group's modern and well-equipped lab. Some projects also take place in collaboration with reputable universities and institutes such as KTH, Stockholm University, RISE and Borås Textile University.

## BUSINESS MODEL

Based on its technology platform, OrganoClick has developed offers that target both consumers and industrial customers. OrganoClick mainly sells and markets its products under its own brands, but some manufacturing takes place for private label customers in the Green surface coatings & maintenance products business unit. The products are offered either as a finished material (for example, biocomposites as substitutes for hard plastics) or a chemical product to create a certain property (e.g. nonwoven adhesive). In all cases, OrganoClick manufactures the critical components and liquid-based formulations used to process the materials while production partners or customers process the finished materials.

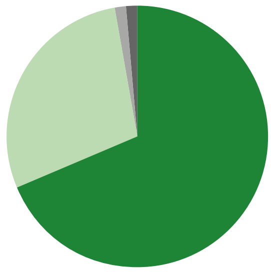
However, biocomposites are manufactured in-house because OrganoClick has also developed the production technology used. The first production line has been built in the company's factory in Täby. In the long term, licenses for this moulded fiber technology will be offered to industrial customers, but where OrganoClick will continue to supply critical components for the manufacture of moulded fiber products.

By using all of OrganoClick's chemical technologies on wood, textiles, nonwoven and composite materials, great synergies are achieved in the production of chemical products, as the same production equipment and plant can be used. This business model has excellent scalability in that the largest investments have been made for future increased production volumes. In addition, it increases OrganoClick's focus on sales, marketing and product development, which are the primary value-creating activities of the company.

## BUSINESS UNITS

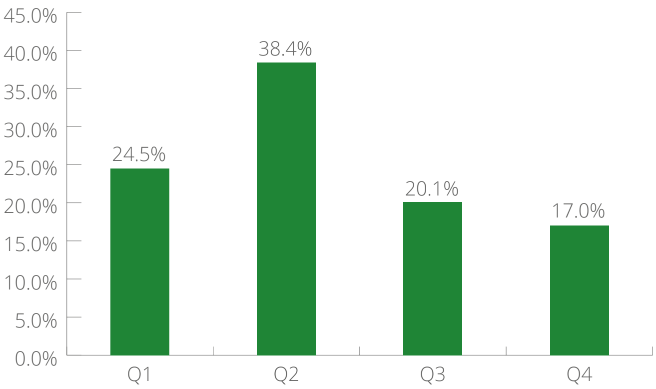
The Group conducts its work in four business units: Functional wood, Green surface coatings & maintenance products, Biocomposites the newly established business unit (from 2020) Nonwoven & technical textiles. During 2019 stood Nonwoven & technical textiles for a smaller part of the business why it was not presented in a separate business unit. Each business unit has its own sales organization, while production, research & development, finance and accounting, marketing, and quality & environment take place centrally within the group. Functional wood and Green surface coatings & maintenance products are currently the largest business units in terms of sales.

**Net sales / operating segments**



OrganoClick's sales are currently strongly seasonal owing to a dependency on the Nordic building and do-it-yourself market (see diagram of the business units' sales below). This has begun to even out as we expand sales of our building materials and surface coating products geographically to Central Europe, and also partly because the Group has begun to increase sales of industrial products, which have a more even level of demand across the year. The assessment is that the Group's sales will continue to become more consistent over the year based on increased sales to industry customers not as dependent on seasonal market activity.

**Group sales/quarter[1] (%)**




1) Pertains to sales during 2017-2019

Within the Functional wood business unit, the Group sells and markets modified wood, protected from rot and fire without biocides or toxic heavy metals. This is done via part-owned (59.6% of votes, 54.5% of capital) subsidiary OrganoWood AB. The timber is sold under the ORGANOWOOD® brand, primarily to the professional construction sector, but also to consumers through building wholesalers and hardware stores. In terms of sales, this is the largest business unit, which in 2019 accounted for 68.7% of the Group's external sales.

Within the business unit Green surface coatings & maintenance products, a number of environmentally adapted products for maintenance and surface treatment of houses and properties, clothing, and vehicles are sold and marketed. The largest product group is the Group's eco-labeled wood preservatives and cleaning products for exterior maintenance of facades, roofs and balconies. The main customer group is consumers and the products are sold and marketed under the own brand BIOkleen® through building suppliers and paint resellers. The business unit also includes a product category of car care products sold to wholesalers and distributors who market these under Group's brand BIOkleen® or under their own brand (a so-called private label). The Group's car care products are then sold to consumers through dealers in the form of fueling stations and car care chains, but a fairly large volume is delivered for professional use by car washes and haulers. However, the fastest growing product group in this business unit is OrganoTex® Textile waterproofing, a PFAS-free and biodegradable textile impregnation for consumers. This product was launched in the spring of 2018 and has grown strongly over the past two years and – one year after launch – is sold at over 170 retailers in sports, outdoor, and fashion retailers in Sweden and Finland. In 2019, Green surface coatings & maintenance products were the second largest business unit in terms of sales, accounting for 28.6% of the Group's sales.

During this year, the third business unit – Biocomposites – launched the first products manufactured using the company's biocomposite OrganoComp®. The first products launched, made from OrganoComp® are a burial coffin launched by customer Fredahl Rydéns in May, and sound absorbing acoustic panels launched by customer Baux in February. OrganoComp® consists of cellulose fibers together with the company's proprietary 100% bio-based binders. Through a newly developed, patented fiber moulding production technology, the company is able to manufacture large 3D moulded biocomposites that can replace plastic materials or particle board containing high levels of synthetic adhesive. In manufacturing, the materials are pressed and dried in 3D molds under high pressure and heat. The business unit focuses on developing biocomposites for products that have high functional requirements for water resistance, strength or flame protection, for example. Hence, the Group's expertise in fiber chemistry can be utilized to the maximum, creating unique materials with high customer value. An example is Baux acoustic panels. They are used to dampen the noise level in office landscapes, restaurants and cafes, or public indoor environments. The materials are aesthetically appealing and have good sound absorption, long durability, the ability to withstand moisture, and, for some environments, a high flame protection. Other applications for OrganoComp® include the furniture industry, special packaging in healthcare and lightweight materials for the construction industry. In 2019, the business unit's sales accounted for 1.4% of the Group's sales.

The Group also markets and delivers bio-based and biodegradable binders and hydrophobization products to industrial manufacturers of nonwoven and technical textiles within its Nonwoven & Technical Textiles business unit, established in 2020. The bio-based and biodegradable binders OC-BioBinder™ is used to improve the mechanical properties of nonwovens, and replace today's plastic-based binders. The hydrophobic additive OC-aquasil™ Tex is used to manufacture water-repellent fabrics (a so-called DWR technology) and replaces PFAS and plastic-based hydrophobic chemicals. This product segment is characterized by relatively long sales cycles, where development projects with customers often take 1-3 years before a new product is put into commercial operation. At the end of 2018, products with the Group's binders were launched by two global leaders in nonwoven manufacturing for personal hygiene products and textile interlinings for the fashion industry. In 2019, deliveries to these customers have gradually increased. The interest in biodegradable binders for nonwoven has also increased strongly in 2019, driven by the EU's new plastic directive, where plastics in disposable articles should be phased out successively. This plastic directive has a direct impact on several nonwoven applications such as wet wipes and hygiene applications, while a number of others are affected indirectly. During the year, several customer projects with world-leading nonwoven manufacturers were initiated and eight of these went from lab scale to production testing in less than a year.

## RESEARCH & DEVELOPMENT

The Group's innovative, environmentally friendly and high-performance materials technologies, as well as its natural chemical products, form OrganoClick's DNA. Since its inception in 2006, the Group has focused on environmentally friendly materials technologies.

With its base in academic research having started in the mid-1990s, OrganoClick was one of the first new innovation companies focused on replacing fossil-based materials and chemicals. As OrganoClick was early in its focus on high-performance, environmentally friendly materials technologies, a competitive edge has been created. In order to remain a leading player, the Group conducts active R&D work. The focus is on the development of new or improved products based on the current technologies for water resistance, mechanical strength, and flame and rot protection. Synergies are thus created between the company's business units Functional wood, Green surface coatings & maintenance products, Biocomposites as well as Nonwoven & technical textiles in that the same functions and technologies can be used on different materials.

Many of the products the Group develops for industrial applications often require customer-specific customization. Most development projects involving industrial applications are therefore carried out together with customers who are responsible for co-financing and provision of technical and business knowledge. Development of new technologies or products aimed at consumers takes place on its own but is often based on the Group's industrial products.

The Group's R&D work is carried out in the Group's own well-equipped lab, which is adjacent to the Group's head office and production facility. Collaborations take place with well-respected universities and colleges such as KTH, Stockholm University and Borås Textile University, as well as with research institutes such as RISE. Together with the Group's suppliers, new bio-based raw materials are also explored, where the Group collaborates with bio refineries that purify various biopolymers and biomolecules from different biological residual streams in, for example, the food industry.

## PRODUCTION

OrganoClick's business model is based on the Group's own production of the critical components for the Group's various materials and chemical products. For the treatment and modification of wood, the Group cooperates with production partners, but for the Group's niche biocomposites, where production technology is unique, production is carried out internally. The Group's wood production partners carry out manufacturing on contract assignments from the partly owned subsidiary OrganoWood AB. In nonwoven and textile, the Group sells its natural chemical products to industrial customers who then use them in their production. Within surface coatings and maintenance products, water-based products are filled in bottles and cans and sold to consumers and professionals in the building supply and paint trade.

The Group manufactures its water-based natural chemical products in the form of mixtures or emulsions. In some cases, polymerization reactions are also performed. At the Group's production facility in Arninge, Täby, the Group is authorized to manufacture up to 10,000 tons per year of its natural chemical products. The plant is approximately 4,000 m2 and includes offices, a new R&D laboratory and a production and storage unit of 3,000 m2. The plant contains four production lines that produced a total of about 2,000 tons in 2019, but which has a capacity to produce more than 10,000 tons per year.

In addition to chemical production lines, the plant also contains the first production line for the production of the company's 3D-moulded biocomposite OrganoComp®. Initially, the capacity of the machine is approximately 100,000 production cycles per year at five production shifts. The machine is currently used to manufacture coffin materials as well as sound-absorbing materials for interior design products. In each production cycle, one coffin lid or bottom can be manufactured per cycle. This means that materials for a total of 50,000 coffins can be manufactured using the current machine. For current sound-absorbing materials, two panels are produced per production cycle, giving a capacity of about 200,000 panels per year. However, molds can easily be changed, which means that several different products can be manufactured using the same machine. In the manufacture of smaller products, several products can be manufactured per production cycle with the pressure surface being 2.5x1.5 m. For example, for a product with a base of about 30x30 cm, 28 products can be manufactured per production cycle. This gives a very high productivity, which can thus compete price-wise with injection molding of plastic parts. The plant has been designed for a total of three machines that together can run approximately 300,000 production cycles per year.

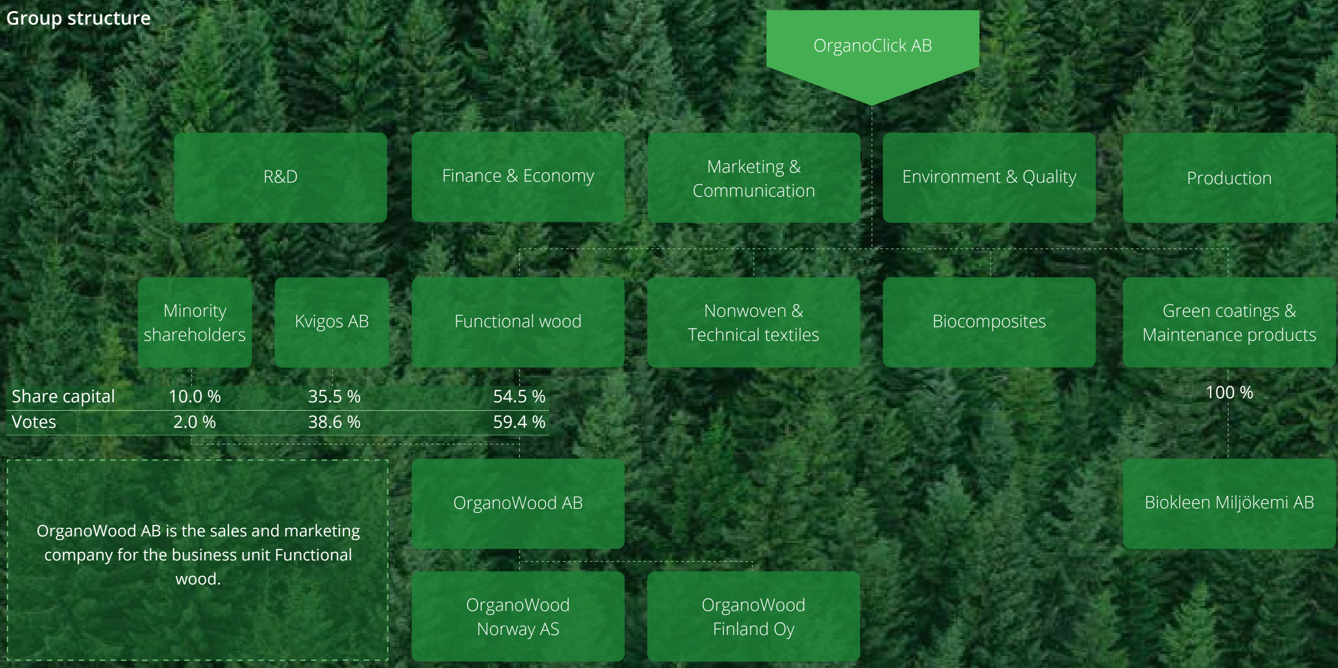
## HIGH ENVIRONMENTAL AND QUALITY REQUIREMENTS

During 2014 - 2015 OrganoClick set up its first quality and environmental management system. This was certified in accordance with ISO 9001 and ISO 14001 in connection with the move to the new plant in 2015, and has since been upgraded to ISO 9001:2015 and ISO 14001:2015. The Group's operations now work according to the stringent requirements set by the quality management system and according to the strict environmental requirements the Group itself set for the business. OrganoClick's goal is to pass the toughest eco-labeling of all its products, while ensuring products are best in class in terms of functionality and features. By 2023, the Group will also be climate neutral, which means that all raw materials and packaging will be bio-based and that all energy used by the Group or the Group's suppliers must be renewable. With products and operations that meet these criteria, it is our belief that we create high customer value that will continue to drive demand from our customers and thus continue strong sales growth.

**OrganoClick's business model & value chain**

| | Functional wood | Green coatings & maintenance products | Nonwoven & Technical textiles | Biocomposites | |
|---|---|---|---|---|---|
| Suppliers | Planing mills and chemical companies | Chemical companies | Chemical companies & biorefinaries | Pulp suppliers, chemical companies and biorefinaries | |
| Technology | Patented OrganoClick-technology which enables bonding of different functional molecules to cellulosic materials. | | | | Business model and mutual technology platform which gives great synergies between the different business units |
| Chemistry | Same chemistry and technology platform are used for producing different functional chemistries which are used to treat the different materials within the different business units (e.g. water repellency, mechanical strength, flame protection, etc.). | | | | |
| Production | » Chemical formlutaions (liquids) which adds functionality to the fiber based materials<br>» Moulding of biocomposites<br>» Wood modification (via production partner) | | | | |
| Offering | » An industrial chemical product supplied in bulk<br>» A chemical-technology product for consumers supplied in cans or bottles<br>» A ready-to-use material (e.g. a durable wood or a biocomposite) | | | | Scalable business model with production in place |
| Customers & distribution | Building supplier & distributors | Building suppliers, paint dealers & distributors | Textile and nonwoven manufacturers | Manufacturer of fiber-based end products | |
| Business segment | | | Furnitures | | Several similar business segments |
| | Construction & building | | | | |
| | | Car care | Automotive industry | | |
| | | | Retail | Funeral industry | |
| | | | Helathcare and medical applications | | |
| | End consumers | | | | |

## Group structure



# GOALS & STRATEGY

### Vision

Nature and water free from plastic waste and chemical pollution

### Mission

Replace plastics and fossil-based chemicals with bio-based solutions

## AIMS

OrganoClick works to develop and sell new bio-based materials and green chemical products that can replace fossil-based plastics and chemicals. The ambition is for the Group's products to become customers' first choice thanks to their high performance, quality and environmental profile. In this way, the Group will grow rapidly with continuously increasing sales and improved profitability. To achieve our long-term vision, the Group has set the following short- and long-term goals:

- From 2018, sales (MSEK 78) have doubled the Group's sales to 2021 to at least MSEK 157
- Continuous improved result during 2020 and 2021
- In the long term, achieve a gross margin (after variable costs) of 50%
- In the long term, achieve an operating margin (EBIT) of 20%
- Certified as a carbon neutral group by 2023, including 100% bio-based products and packaging as well as 100% renewable energy

## STRATEGY

To achieve the Group's long-term goals and vision, OrganoClick has set a strategy based on the Group's business model and current position, which is based on the following:

### Sales to customers capable of providing high volume and good profitability across our industry sectors

The Group will focus its sales and marketing work on the nonwoven, technical textiles and biocomposites industry sectors, primarily on customers capable of providing high volume and good long-term profitability.

### Premium brands with high environmental and technological content

In the consumer market, the Group will offer eco-labeled product solutions with high technical performance. Strong premium brands are to be built around these products in order to achieve solid, long-term profitability and high customer loyalty.

### Market-driven innovation where considerable environmental benefits can be achieved

By continuously asking our customers and ourselves what creates value, we will drive our innovation work forward. Our business teams will work closely with our R&D department to ensure that we always are close to the market, helping us develop products based on market demands. Innovation work will be focused on areas where the environmental benefits of our products are so substantial that the customer is prepared to pay for a solution.

### Business-critical production in-house

The Group will manufacture its critical natural chemical products in-house, while material production will be carried out primarily by customers or licensees. Materials currently produced in-house by the Group shall be long-term licensed to industrial customers for whom OrganoClick will produce and deliver critical natural chemical products necessary for the manufacture of the materials. With this strategy, we maintain control over our business-critical elements, foster customer loyalty, enable high scalability thanks to low capital ties and create synergies between our various business units.

# FUNCTIONAL WOOD

To protect wood from rot, biocides and heavy metals have traditionally been used as fungicides. Substances such as arsenic, chromium, copper and creosote are used globally in the most common wood preservatives. The problem is that they are also toxic to other organisms and humans. In the same way, traditional flame-retardants consist of environmentally harmful substances such as bromine, boron and phosphates. OrganoClick has developed a method by which silicon compounds are attached to wood fibers using the company's cellulose modification technology. Instead of acting as a poison, the silicon substances form a physical barrier that makes the fibers more difficult for the root fungus to attack. By pressure impregnating the wood with silica liquid, its protection penetrates deep into the wood. In addition to improved protection against rot, silicon substances are non-combustible, thus offering an improved flame protection in the treated wood. This technology was the first that the Group commercialized in 2012, and the modified timber is sold and marketed under the ORGANOWOOD® brand via the company's part owned subsidiary OrganoWood AB.

## THE YEAR IN SUMMARY

- Turnover totaled MSEK 58.7 (54.8)
- Operating profit of MSEK 3.3 (1.1) at part owned subsidiary OrganoWood AB
- New dealership agreement signed with Ahlsell and Bolist for the Swedish market
- New distribution agreement signed with Carl Götz for the German, Austrian and Swiss markets ahead of 2020
- New distribution agreement signed with Pircher group for the Italian market
- COOP Norway to begin selling ORGANOWOOD® wood protection products in 2020 at Obs! Bygg and COOP Byggmix

## PRODUCTS

Within the Functional Wood business unit, OrganoClick markets flame and rot protected timber as well as wood protection products for the DIY market through its part owned subsidiary OrganoWood AB. Timber marketed under the ORGANOWOOD® brand is environmentally classified and completely free of biocides and heavy metals. 2012 saw the launch of ORGANOWOOD® modified timber, manufactured at the industrial level together with the company's production partner Bergs Timber AB in Nybro. ORGANOWOOD® timber can be used to build, for example, decking, pool decks, landing stages, facades, fences, etc. and has a 10-year rot protection guarantee. In addition to ORGANOWOOD® timber, a wood protection product using the company's technology is also marketed, which was eco labeled in 2014 as a 'Good Environmental Choice' by the Swedish Society for Nature Conservation; the first wood preservative ever to receive the distinction. Applications include wood materials needing surface protection, without the same in-depth protection obtained in industrially treated wood. Other application areas include facades, fences and maintenance of decking.

ORGANOWOOD®
Fire & rot protection

ORGANOWOOD®
Dirt & water protection

## MARKET OVERVIEW

### Market size

The wood products and wood protection products offered by OrganoWood operate in a number of market segments within the market for durable and flame retardant wood and wood preservatives. The most common form of durable wood is that which has been pressure impregnated with biocides and heavy metals. In the Nordic region, about 2.5 million m3 of pressure-impregnated timber is produced annually at a value of about SEK 5 – 6bn. Major Nordic impregnation companies include Bergs Timber AB, Derome Timber AB, SCA Timber, Moelven AS and Iivari Mononen Oy. Large amounts of wood preservatives are used for impregnation and surface treatment of the wood. The global market for wood preservatives is estimated to be worth about $1.5bn.

### Our current markets

OrganoWood is currently represented across the entire Nordic market. In 2012, OrganoWood launched its products in Sweden using its own sales organization. Operations are conducted in Norway through a subsidiary (OrganoWood Norway AS). In Finland, sales are conducted through distributor Sarokas Oy, and in Denmark by the leading Danish wood distributor Frøslev tre, which also operates in northern Germany. In 2020, OrganoWood will be launching a broader market initiative in Germany through distributor collaboration with leading German wood distributor Carl Götz, which will also distribute the company's products in Austria and Switzerland. For the Italian market, OrganoWood has also signed a distribution agreement with Pircher group for 2020.

In 2015, a broader market launch of the company's wood preservatives was initiated through a distribution agreement with Welin & Co in Sweden, followed by Sarbon Woodwise in Finland. In 2016, a distribution agreement was signed with Woodex Ltd in the UK and Ireland. In 2017, distribution agreements were signed for the Benelux countries with Osmo Netherlands, and in 2018, cooperation began with the Baltic distributor Osmo Baltic. Through distributor collaboration with Alanor for the Norwegian market from 2020, COOP Norway will sell OrganoWood's wood protection range in their approximately 110 hardware stores (Obs! Bygg and COOP Byggmix).

### Market plan

The focus of the business unit in the coming years is the launch of ORGANOWOOD® timber in Germany, which the company sees as a particularly interesting market. Concurrently, the business unit will continue with establishment across the Nordic market, with focus on continued sales growth and increased profitability. Focus in all markets is on the professional 'object and project' market, which is currently the company's most important market, accounting for approximately 75% of sales.

Both ORGANOWOOD® timber and the wood protection products require brand-building and well-considered marketing to gain a foothold in a new territory. Hence, a well-coordinated plan for each market is of great importance and sufficient financial resources must be allocated for marketing. As a result, the business unit's continued international expansion will be based on a thorough analysis of each new territory and will be financed through self-generated capital.

## SALES AND MARKETING

### Sales strategy

The business unit sells its timber products to the building trade partly through its own sales organization and partly through distributors. In Sweden and Norway, the business unit has built up its own sales force for ORGANOWOOD® timber in the part owned subsidiary OrganoWood AB. In Denmark and Finland, timber products are sold to construction retailers and directly to construction companies through distributors Frøslev tre and Sarokas. Canned products are sold to hardware and paint retailers via distributors in all markets. The business unit's strategy is to carry out sales work outside the Nordic region through distributors and strategic partners for both the ORGANOWOOD® timber and wood protection products in order to reduce initial sales costs. In the German, Austrian and Swiss markets, the business unit has signed a distribution agreement with Carl Götz ahead of 2020, and for the Italian market a distribution agreement has been signed with the Pircher group.

However, marketing of the brand will be controlled and implemented by the business unit in collaboration with distributors across all markets. Marketing work is carried out to strengthen the ORGANOWOOD® brand among consumers, construction companies, property owners and architects. This takes the form of traditional and digital advertising, collaborations with various key stakeholders, information meetings with architects and participation in construction fairs and exhibitions.

### Our customers

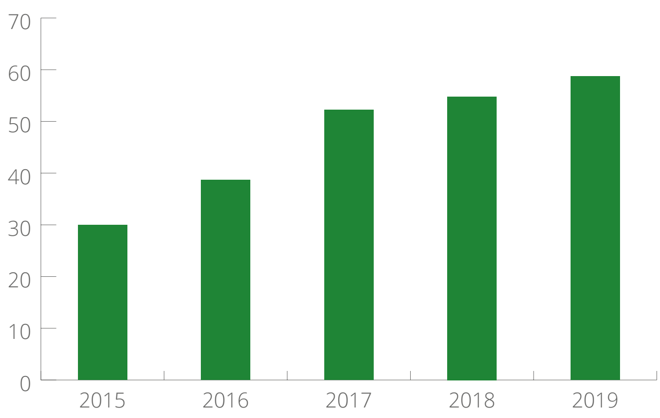
The business unit's products are sold through hardware retailers to end customers. In Sweden, the company has a broad network of approximately 180 retailers stocking ORGANOWOOD® timber, and around 400 retailers for wood protection products. Central framework agreements have been established with leading construction chains such as XL-BYGG, Woody, Optimera, K-rauta, Bygma, Nordström Group, Derome Group, Beijer byggmaterial and Karl Hedin. End customers for the company's products are both the professional construction sector, – accounting for a majority of the company's sales – and consumers. Construction companies large and small such as Skanska, PEAB, NCC and JM use ORGANOWOOD® wood in their projects.

In Finland, the business unit's products are sold through, among others, S-group, which consists of construction retail chains Kodin Terra, S-rauta and Rauta-Prism with approximately 30 stores. In Norway, the business unit's products are sold through the building chains COOP Norge, Optimera Norge, Maxbo and Byggmakker, which are four of Norway's largest building chains with a total of more than 250 building warehouses.

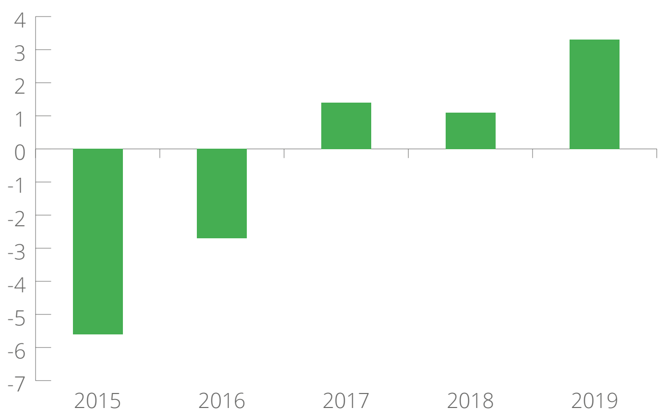
## PRODUCT DEVELOPMENT

The focus of product development in the business unit is to improve and further develop existing products for use in new application areas. This requires a degree of in-house product development work in the form of completing authorized tests for new application areas. A new potential application for ORGANOWOOD® timber is wood in ground contact, which includes, among other things, electricity poles and railway sleepers. A long-term project to further develop the business unit's technology in this area of application was launched in 2016. This will, however, last at least five years, as extensive and exhaustive field tests are required to be approved for these areas of use. Another project underway is improved flame protection for cladding timber. Today, the company has class Cs1,d0 for cladding timber, but many projects carry a requirement for flame retardant class Bs1,d0. A project with the aim of certifying and launching a cladding timber with this class is in progress with the aim of having a product on the market in 2021.

### Sales development OrganoWood AB (MSEK)




### Operating profit OrganoWood AB (MSEK)



PROJECT EXAMPLE 1 **2019**

### Tångeröd Eco Village, Tjörn

An entire eco-village of wooden houses has been built at Tjörn in Bohuslän. Paneling was created using ORGANOWOOD® panels.

*Facts:*

- Built: summer 2019
- Architects: Inobi and Röd Arkitektur
- Developer: Jemmett

PROJECT EXAMPLE 2 **2019**

### Sjölunda School, Lidköping

The newly-built Sjölunda School in Lidköping was built using natural materials such as wood, brick and sedum roofing. The wood paneling was created using ORGANOWOOD® panel. The building has been given silver certification by the Sweden Green Building Council's 'Eco Building' scheme.

*Facts:*

- Built: summer 2019
- Architects: LINK Arkitektur
- Contractor: MVB Astor Bygg AB
- Developer: Lidköpings kommun

# GREEN SURFACE COATINGS & MAINTENANCE PRODUCTS

Within the business unit Green Surface Coatings & Maintenance Products, OrganoClick sells, markets and delivers coatings for wood materials and textile products, as well as maintenance products for wood, houses, properties, textiles and car care.

The products are sold through retailers in the building and paint trade, as well as in outdoor and sports shops for the company's textile impregnation. In total, the Group has more than 700 retailers in Sweden and has distributors across the Nordics, the United Kingdom and the Netherlands.

### THE YEAR IN BRIEF

- Net sales totaled MSEK 24.5 (21.9)
- New contract signed with leading Nordic paint company for maintenance products for the DIY market
- Launch of the OrganoTex® Textile waterproofing textile impregnation on the Finnish market via Naturkompaniet's sister company Partioaitta and Finnish company Reima
- New reseller agreement for OrganoTex® Textile waterproofing with Team Sportia for the Swedish market

## PRODUCTS & BRANDS

### OrganoTex®

OrganoClick has, for several years, marketed its water-repellent textile technology to industrial textile manufacturers under the OrganoTex® brand. The technology was developed taking inspiration from the natural water repellency of leaves, based on their surface structure in combination with the water-repelling molecules found across their surface. Since 2018, OrganoTex® Textile waterproofing is also sold to consumers in the form of spray-on and wash-in products. The products are completely free of fluorocarbons (PFAS), isocyanates and cyclic siloxanes, several of which are suspected to be hormone disruptive, carcinogenic and bioaccumulative. OrganoTex® products are classified as harmless to health and the environment and are all classified as readily biodegradable according to OECD 301A.

*OrganoTex® Textile waterproofing*

A biodegradable textile impregnation, applied by spray or by washing machine.

*OrganoTex® BioCare – textile wash*

A bio-based and biodegradable detergent, adapted to preserve textile impregnation in functional clothing for longer.

### BIOkleen®

Under the BIOkleen® brand, the Group sells a number of maintenance and cleaning products for property maintenance and car care. Product categories include the maintenance and cleaning of decking, facades, roofs, paving, painting, textiles and car care where the products are labeled with the Swedish Society for Nature Conservation's eco-label '*Good Environmental Choice*'.

*BIOkleen® Decking Products*

A complete range of eco-labeled cleaning and wood protection products for decking maintenance, including 'Decking Cleaner Eco', 'Decking Protect Eco', 'Surface Seal' and 'Decking Shampoo Eco'.

*BIOkleen® Facade Cleaners*

Facade maintenance range which cleans and counteracts algae and mold growth, consisting of the products 'Facade Cleaner Eco', and 'Algae & Mold Remover'.

*BIOkleen® Roof Cleaners*

Roof maintenance range which cleans and counteracts algae and mold growth, consisting of the product 'Roof Cleaner'.

*BIOkleen® Paint Wash*

A complete product range for painting-related work, including products such as 'Paint Wash Eco, 'Paint Wash Glove Eco', Brush Wash' and 'Paint Remover'.

*BIOkleen® Textile Products*

Garden textile maintenance products range for cleaning and treating textiles, including 'Awning and Canvas Wash Eco', and textile impregnation.

*BIOkleen® Car Care Products*

A car care product range consisting of degreaser, car detergent and car wax sold under the own brand BIOkleen® through wholesalers to professional car washers and haulers, but also to consumers through distributors using their own brands (private label).

Bra Miljöval

## SALES

### Sales strategy

The Group sells and markets its wood protection and cleaning products for outdoor uses (facade, roof, patio) to paint retailers, the building supply retailers and to the company's distribution partners. The Group has its own sales team that sells and markets products to the Swedish paint dealers and building supply retailers, and currently takes care of approximately 600 retailers.

For OrganoTex® Textile waterproofing, customers are primarily outdoor, sportswear and fashion retailers. The company sells the products through distributors in the Swedish, Finnish, Norwegian and Danish markets. The strategy is to expand sales to new territories through partnerships with distributors. In Sweden, OrganoTex® Textile waterproofing is sold through approximately 120 retailers and in Finland through around 50 retailers. In early 2020, the Group signed a distribution agreement with Norsk Fjellsport for the Norwegian and Danish markets. In Sweden, collaboration with distributor Ultimate Nordic began in early 2020, and there is also an agent in Finland. During 2020, the goal is to continue establishment of the brand among sports and outdoor retailers in the Nordic region, as well as expansion to Germany and the Alpine countries.

The company's car care products are delivered to distributors who sell them under their own brand name (private label) to consumers via gas stations, while products sold under our own brand BIOkleen® are sold through wholesalers to professional car washers and haulers. Focus during 2020 is to increase sales of the BIOkleen® brand in the Swedish home and residential market.

## PRODUCT DEVELOPMENT

The business unit's product development will focus on improving and further developing existing products for new application areas, as well as to develop new complementary products. Work is ongoing to ecolabel all products sold under the BIOkleen® and OrganoTex® brand. The company's R&D unit will also continuously work to improve the performance of the business unit's products, thereby improving competitiveness.

# BIOCOMPOSITES

More and more companies and consumers are demanding products made from biodegradable and renewable raw materials. With the right technology, raw material from plants in the form of wood fibers, recycled fibers and other cellulosic fibers can become a very interesting alternative to oil-based plastics in many products.

OrganoClick has developed a new, patented 3D moulding production technology that, when combined with the company's patented fiber chemistry, enables the production of advanced, large format 3D moulded biocomposites. Applications include sound-absorbing acoustic panels, furniture, and medical applications. However, the company's first application was a burial coffin, the material for which was developed in collaboration with the Nordic region's leading manufacturer of burial coffins, Fredahl Rydéns.

OrganoClick's biocomposite OrganoComp® consists of cellulose fibers combined with the company's bio-based binder OC-BioBinder™, adding mechanical strength to the materials. By adding the company's other fiber technologies, features such as flame retardant, rot protection and water repellent can also be added to OrganoComp®. This allows design, environmental and advanced material properties to be created in a cost-effective way. Within the Biocomposites business unit, OrganoComp® is manufactured and marketed to a range of industrial players.

### THE YEAR IN SUMMARY

- Sales totaling MSEK 1.2 (0.2)
- Launch of burial coffin 'Saga', manufactured using OrganoComp® by Group customer Fredahl Rydéns
- Launch of sound-absorbing acoustic panels in OrganoComp® by customer Baux
- Projects to develop a hazardous waste container for the healthcare industry are underway with a number of Swedish authorities and regions, with a full-size prototype in development, planned to be certified during 2020
- Several customer projects surrounding interior design products and furniture applications are underway in collaboration with Offecct, Lantmännen, and a number of other stakeholders.

## PRODUCTS

Through the use of newly developed production technology for 3D moulding of cellulose fibers, OrganoClick can manufacture significantly larger 3D moulded biocomposites than are currently available on the market. This approach opens up entirely new markets where wood fiberboards, chipboards or plastics would previously have been used. The OrganoComp® biocomposite offered by OrganoClick has customizable features such as water resistance, flame retardant or other special functions based on the company's natural chemical techniques.

### OrganoComp® for burial coffins

The first version of OrganoComp® that the company has developed is a material for a burial coffin. The coffin's design is similar to ordinary coffins, but on account of the strength of OrganoComp® and using a patented sandwich construction, 50% of the raw materials have been saved, reducing the weight from 40 to 20kg. In addition, with the new automated 3D moulding technology, productivity in production is high. The burial coffin 'Saga', made using OrganoComp®, was launched by the leading Nordic coffin producer Fredahl Rydéns in May 2019.

### OrganoComp® Wheat for sound-absorbing materials

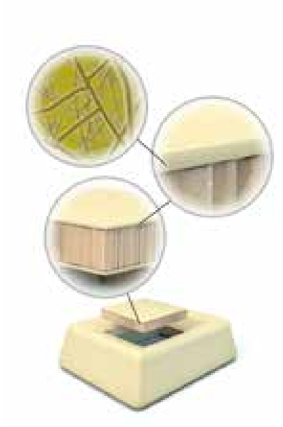
Since 2017, projects have been underway to produce a sound-absorbing material for acoustic panels. A first sound-absorbing, 100% bio-based material combining cellulose fibers, wheat bran and the company's binders was completed in 2018 and launched as OrganoComp® Wheat in February 2019. The first customer is Baux, which supplies sound-absorbing acoustic panels for office environments, restaurants and public premises.

### OrganoComp® for hazardous risk waste containers

Since 2016, a project to develop a hazardous risk waste container using OrganoComp® has been underway with two Swedish healthcare regions. During 2018 and 2019, a number of other stakeholders joined the project, including a number of new local healthcare regions, several recycling companies, and Vattenfall, the company responsible for incinerating the hazardous waste. A full-size prototype has been developed in a Vinnova-financed project that will be certified and put into production during 2020.

### New applications

During 2016, the company initiated feasibility studies and development projects with potential customers in both the furniture and healthcare industries. The company's goal is for further new products to be fully developed and ready for launch in 2020 and 2021.



*OrganoComp® technology*

## MARKET OVERVIEW

### Market size

Within the Biocomposites business unit, OrganoClick will operate across a number of markets. The market for the first product manufactured in OrganoComp® is the coffin material market. The Nordic coffin market is estimated at approximately MSEK 650 per year, while the European market is estimated at approximately SEK 12.5bn per year. OrganoClick will act as a subcontractor, supplying materials to coffin manufacturers. The Nordic market in our part of the value chain is estimated at approximately MSEK 250, and the European market at approximately SEK 5bn per year.

The company's second market is in sound-absorbing materials for interior design products. The Nordic market for these products is estimated at approximately MSEK 100 - 200 per year. The world market is estimated to be several billion SEK per year.

### Our current markets

In the coffin production market, the company will initially focus on the Nordic market through deliveries to the company's first customer Fredahl Rydéns, which enjoys a majority of the Nordic market (excluding Finland). In 2019, in-depth contacts were also made with both American and European coffin manufacturers. The North American market is of particular interest as the price level of burial coffins there is considerably higher than in the Nordic countries.

The furniture market is a natural next step in that the functional requirements for furniture are similar to the requirements for a burial coffin. The furniture market in which OrganoComp® can be used shows huge earning potential, and the company is currently working on several customer projects with the ambition to – within a year, together with the customer – be able to launch a first furniture product manufactured using OrganoComp®.

## SALES AND BUSINESS DEVELOPMENT

### Sales strategy

The first product for which OrganoComp® has been developed is a burial coffin. The customer Fredahl Rydéns started test sales of the coffin 'Saga' to selected customers in 2018. In May 2019, the coffin was launched in Sweden with subsequent sales work taking place in the autumn of 2019. In the spring of 2020, 'Saga' will be launched by Fredahl Rydéns in the Norwegian and Danish markets.

A number of other customer projects have been underway in 2018/19 for applications other than burial coffins. In 2018, the sound-absorbing material OrganoComp® Wheat, for use in acoustic panels, was completed. Our first customer – Baux – launched its first acoustic panels made using OrganoComp® at the Stockholm Furniture & Light Fair in 2019, with sales starting soon thereafter.

### Product Development

In the coming year, focus will be on customer projects that OrganoClick currently has in its pipeline in the furniture industry and with hazardous risk waste containers. The goal is for the hazardous risk waste container to become certified and enter production in 2021, and for the first furniture product to be ready by the end of the year. Common to these applications is that they demand different levels of mechanical properties, water repellency and, for some furniture applications, flame and heat resistance. All of these functional requirements can be achieved by OrganoClick using our chemical techniques. The company's biobased binder OC-BioBinder™ can give various mechanical properties to the composite, the hydrophobic product OC-aquasil™ can give water-repellent properties, and with the company's flame retardant technology, the flame protection and heat resistance of OrganoComp® can be improved. The company's R&D department will be working towards adapting the materials' properties to fit the requirements and wishes of various customers.

*For our biocomposite OrganoComp®, we use e.g biopolymers from wheat bran in order to create stronger materials.*

*User areas for nonwoven are for example napkins and table top applications.*

# NONWOVEN & TECHNICAL TEXTILES

OrganoClick has used its patented technology platform to develop a product range of bio-based binders that replace traditional plastic binders. These are marketed and delivered under the OC-BioBinder™ brand to manufacturers of nonwovens and technical textiles within the Nonwoven & Technical Textiles business unit. The Group's binders replaces the plastic polymers traditionally used in nonwoven and technical textile binders. The biodegradable water repelling product OC-aquasil™ Tex is also supplied to nonwoven and textile manufacturers.

### THE YEAR IN SUMMARY

- Sales of OrganoClick's binders and industrial water repellent products totaled MSEK 0.9 (0.2)
- Increased delivery of binders and water repellent products to the Group's current industrial customers
- The Group retained an R&D grant of MSEK 3.7 from Swedish innovation agency Vinnova to develop biodegradable nonwovens for medical applications in conjunction with a Swedish/Finnish consortium
- Eight development projects were taken from lab scale to production tests with customers in Sweden, Finland, Germany, and the USA.

## PRODUCTS

### OC-BioBinder™: 100% bio-based and biodegradable binder for nonwoven and technical textiles

OC-BioBinder™ is a product group consisting of bio-based and biodegradable binders – an alternative to today's fossil plastic based latex binders. It is used to bond the fibers in nonwoven, making materials stronger in both dry and wet states. Some nonwovens are meant to increase in rigidity thanks to the binder, while other materials should retain or increase their softness. Nonwoven is used as the main component in napkins, disposable cloths, agricultural fabrics, hygiene products such as diapers and sanitary towels, air filters, medical textiles such as operating robes and mouth guards, textiles in the automotive industry and as insulating material in the construction industry. Most nonwoven materials made with airlaid technology and several made with wetlaid technology consist of 70-90% fiber and 10-30% plastic-based latex binders, giving the products their mechanical properties. With OrganoClick's 100% bio-based binders, nonwoven materials can be manufactured with 100% bio-based and biodegradable components as OC-BioBinder™ replaces the plastic binders. OrganoClick's binders are based on biopolymers obtained from waste and side streams in the food and pulp industries. Biopolymers used are extracted and purified from e.g. orange peel, lemon peel, shrimp shells and oat husks. The first customers to implement OC-BioBinder™ have proven applications in tablecloths, hygiene articles and home textiles.

### OC-aquasil ™ Tex - a biodegradable product for water repellency

OC-aquasil™ Tex is the trademark of a family of industrial products used to create water repellent materials. The products are completely free of fluorocarbons, classified as harmless to health and the environment, and are also biodegradable. Uses of the products include functional textiles, technical textiles and nonwoven. The first technical textile customer is a manufacturer of cable socks and functional textiles.


*Our binders can add strength, softness, stiffness, water repellence and water absorption to nonwoven materials.*

## MARKET OVERVIEW

### Market size

The company markets its products to manufacturers of nonwoven and technical textiles. The textile chemicals market has sales of about $8.5bn and grows by about 3 per cent annually [1]. The binder market on which OC-BioBinder™ operates is estimated at approximately $400m per year [2]. The total DWR market for textiles in which OC-aquasil™ Tex operates is estimated to be worth approximately $1bn annually.

### Our current markets

In our Nonwoven & technical textiles business unit, the Group operates in a global market. The company aims towards industrial customers manufacturing technically advanced nonwoven or technical textiles. The manufacturing companies are split across two segments; manufacturers of woven functional textiles and nonwoven manufacturers. Manufacturers of functional textiles are mainly found in Asia, with emphasis on China, Taiwan, Japan and South Korea. They are often larger, integrated textile manufacturers who weave, dye and finish textiles. Nonwoven manufacturers are found all over the world, with an especially strong presence in both Europe and the US. Among the world's largest nonwoven companies are several Nordic players such as Ahlström-Munksjö, Suominen, Essity and Duni. In this segment and at this time, the business unit focuses on the European and American markets.

### Competition

In the bio-based binders market, competition is so far non-existent. No other known company can offer bio-based binders that provide wet strength while retaining the softness of the material. Demand from nonwoven manufacturers of disposable articles has increased considerably in the past year as a result of the EU's new plastic directive adopted in March 2019, where plastics must be phased out from a number of nonwoven items, including wet wipes. OrganoClick currently has a very good opportunity to gain a large market share in this market before new competitors emerge.

Competition in the fluorocarbon-free DWR segment for functional textiles where OC-aquasil™ Tex operates is, however, considerably tougher, making the market situation increasingly challenging in this area. The business unit therefore focuses on sub-segments of companies looking to position themselves as the most environmentally friendly players where recycled materials or organically produced materials are used.

## SALES AND MARKETING

### Sales strategy

OrganoClick is primarily aimed at manufacturers of nonwovens and technical textiles, as well as at certain segments in the functional textiles space. The main focus of the business unit is in the nonwoven market, where several world-leading companies are to be found in Europe. To these manufacturers, the Group sells both the OC-BioBinder™ binder and the OC-aquasil™ Tex hydrophobization product. Customers in this segment are industrial manufacturers of nonwovens that use large volumes of binders. Each nonwoven material tends to be unique and therefore requires customization of the company's chosen binder. Thus, the customer relationship is often initiated through joint customer projects where the properties of the binder are adapted according to the customer's requirements.

In recent years, the company has been conducting between five and ten customer projects across various phases. At present, four of the projects have led to finished products and their commercial delivery. Lead times for all projects have been two to four years from initiation to launch. The reason for this time frame is that customers' products must be tested in a number of different phases (lab, pilot and production scale). Each phase has to meet firm criteria in any customer's processes regarding what must be fulfilled in order to proceed into the next phase. Furthermore, in some cases, third-party certifications are required before a product may be taken to market. OrganoClick's role in these projects is to assist with technical support during pilot and production runs, as well as with optimization of the products. The company's current pipeline of customer projects has grown over the past year due to the EU's new plastic directive and today consists of more than 15 projects, eight of which have entered the production phase. The Group has projects with several of the world's largest nonwoven manufacturers, several of which can lead to significant volumes upon approval of the product.

## PRODUCT DEVELOPMENT

In the coming year, focus will be on completing further customer projects within nonwoven where customers want OC-BioBinder™ as a replacement for their plastic binder. The company is also working concurrently on developing new variants of OC-BioBinder™ in order to have as wide a knowledge base as possible from which to start as customer projects are initiated.

1) SCUP report: Textile chemicals, http://www.sriconsulting.com/SCUP/Public/Reports/TEXTI000/ (2008-08-20)
2) IFAI Expo 2003. http://ascouncil.org/news/endusermaterials/presentations/IFAI03-AdhesInTextiles_Nick.pdf25

*Applications for nonwoven include wall paper, insulation materials in automotives, plaster and wound care products, air filters, home textiles, diapers, femine hygiene products, agricultural mulch films, tee bags, food packages, surgical gowns, hair and mouth covers, and napkins and table top products.*

*We often use waste products and side streams as raw materials i our products, e.g. biopolymers from orange and lemon peels, oat husks, and shrimp shells.*

# RESEARCH & DEVELOPMENT

OrganoClick was founded as a spin-off company from Stockholm University and the Swedish University of Agricultural Sciences. The Group has, therefore, a strong link to academic research with connections to entrepreneurship. For the Group's long-term development, it's important to continue to be an innovative company that can deliver attractive product offerings to customers. As a result, the Group conducts active research and development work, which results in several new product launches every year.

## INTELLECTUAL PROPERTY RIGHTS

Intellectual property rights in the form of patents are important to protect the Group's technologies and to ensure returns on the investments the Group makes in R&D. The Group has a patent portfolio of 15 patent families with more than 40 approved patents, mainly protecting the technologies of the Group's nonwoven binders, hydrophobization products and biocomposites.

## R&D WORK

The company has a well-equipped laboratory where the Group's chemical and material technology development takes place. The company's development group currently employs five people, three of whom have a Ph.D. in chemistry. In addition to its own organization, the company also collaborates with a number of research institutes and universities. The Royal Institute of Technology (KTH), Stockholm University, Mid Sweden University, Borås Textile College and Research Institutes of Sweden (RISE formerly known as the SP – Swedish Research Institute). A number of development projects are being conducted both internally and in conjunction with the company's partners. Two such projects are described below.

### Project example 1: Hazardous risk waste containers made using OrganoComp®

*Background*

Together with the healthcare providers in Västra Götaland County Council, Värmland County Council and Östfold County in Norway, OrganoClick has been running a project since 2016 to develop a hazardous risk waste container made from the OrganoComp® biocomposite for use in the healthcare industry. These county councils use a total of 300,000 hazardous risk waste containers per year, all of which are currently made of oil-based plastics. Rules on the management of hazardous waste are strict, meaning hazardous risk waste containers are seen as a disposable product to be sealed and incinerated immediately after use. This means that hazardous risk waste containers, which range in size from 0.5 liters to 50 liters, contribute significantly to a hospital's carbon footprint. The aim of replacing plastic-based hazardous risk waste containers with a bio-based alternative is to reduce the county council's carbon footprint, which is a clear priority.

*Market*

In Sweden, a total of more than 2 million hazardous risk waste containers are used in the state healthcare sector, but globally, hazardous risk waste containers are used across the whole healthcare industry, pharmaceutical industry and in the academic research sector. The Swedish market is estimated to be worth around MSEK 80, while the European market is estimated to be worth more than SEK 1bn. The project aims to develop a finished product ready for market by the end of 2020.

*Our offer*

Our production line for fiber moulding of biocomposites can be used to manufacture hazardous risk waste containers. Since we have a raw material (cellulose fiber) that's competitive on price, we believe that we can offer hazardous risk waste containers at equivalent prices to current products. A life-cycle analysis of the product has shown that by replacing the oil-based polypropylene currently used in hazardous risk waste containers with OrganoComp®, which is entirely bio-based, the product's carbon footprint is reduced by at least 80%.

*Status*

An initial prototype was developed in 2019. In 2020, the product will be optimized, certified and put into production. Following certification, our goal is to launch the product in 2021.

### Project example 2: Nonwovens for medical applications

*Background*

In the healthcare sector, nonwoven materials are used in a variety of applications. Disposable items such as surgical robes, mouth protectors, hair protectors and hygiene items such as cloths and napkins are all made from nonwoven. These often consist of biodegradable cellulose fibers and between 10 and 30 per cent fossil plastic based binders. This means these products are not 100% biodegradable and as such contribute to fossil CO2 emissions during incineration.

Together with a Finnish nonwoven manufacturer and a Swedish supplier of hygiene articles for healthcare (such as wipes), OrganoClick will develop 100% bio-based and biodegradable nonwoven materials for medical hygiene applications. The project is co-financed by Swedish company VINNOVA and Business Finland to a total of MSEK 9, of which OrganoClick receives MSEK 3.7. OrganoClick's role is to develop a bio-based binders to replace the current plastic-based binders used in the manufacture of the Finnish operator's nonwoven material.27

*Market*

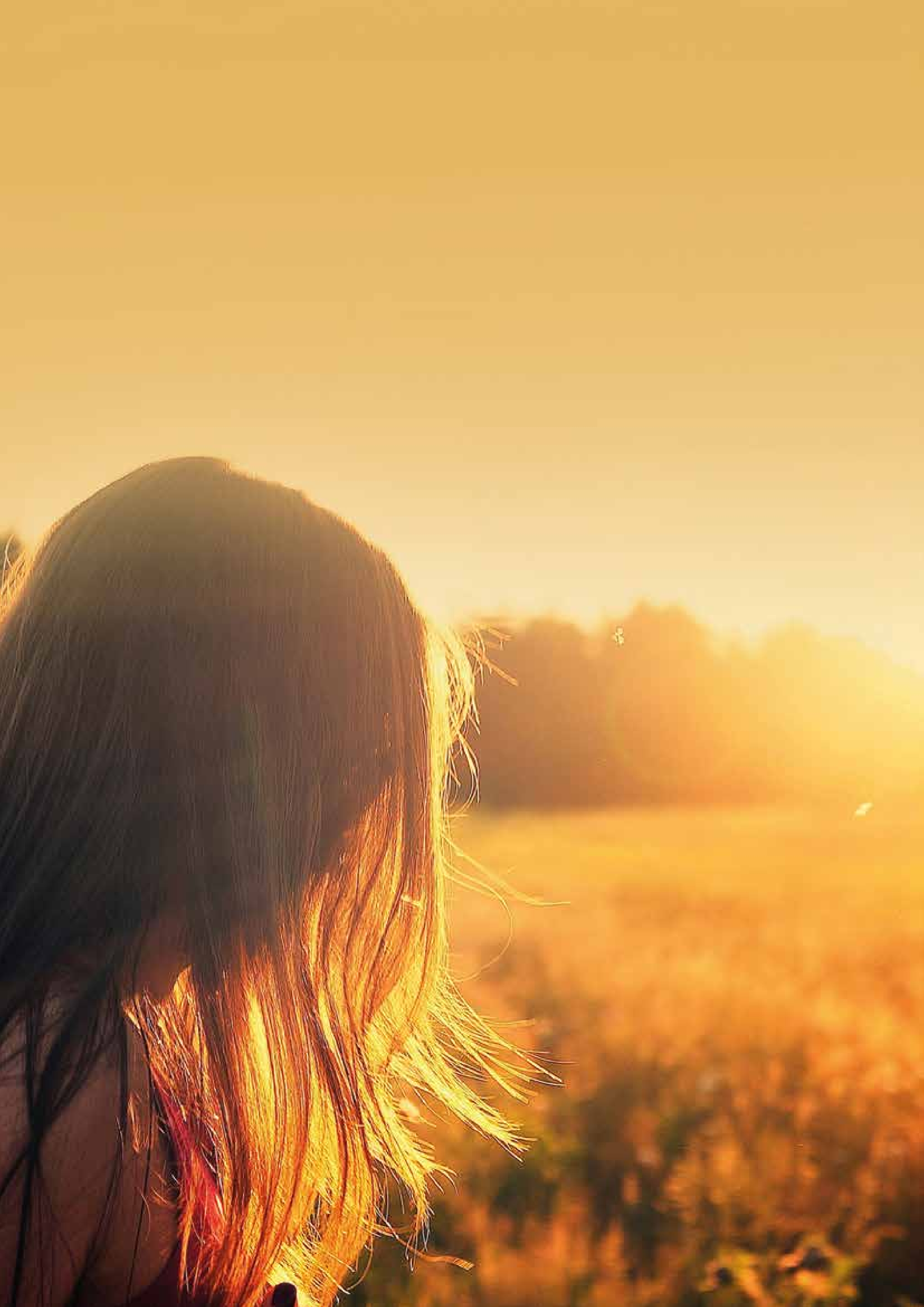
45,000 tons of binders are used each year in the nonwoven segment where this binder is to be used, at a value of just over SEK 1 billion per year.

*Our offer*

A 100% bio-based and biodegradable binder that, together with bio-based fibers, creates a bio-based and biodegradable nonwoven for medical applications.

*Status*

The project began in January 2020 and is currently in the lab phase. In 2020, the goal is to have an optimized binder and nonwoven material that has begun testing at full production scale. In 2021, this product will be certified as convertible to medical use and will be ready for launch in 2022.



# MANIFESTO FOR A SUSTAINABLE BUSINESS

The basis of OrganoClick's business concept is to develop and supply environmental-friendly material and chemical technology products. This mission pervades all of the company's work in product development, production, marketing and sales. The staff recruited by OrganoClick must have a high level of competence and commercial impetus, but must also represent the same values as the company.

Based on the company's business concept, vision and mission, employees have worked together to formulate the company's values and working methods into a manifesto. New employees are introduced to the manifesto early in the recruitment process, and a requirement is that they have a similar mindset. By continuously working according to this philosophy, it is the company's belief that OrganoClick will be more successful and profitable. Our values and working methods are summarized in the company's manifesto across the following points:

## ENVIRONMENTAL POLICY

Based on OrganoClick's values, the company has formulated a general environmental policy for its business. This policy has gone on to encourage the production of a number of governance documents across our various business units. The most important points in the environmental policy are listed below:

- OrganoClick aims to develop and manufacture products with the highest environmental performance.
- The Group shall eco-label all its products in accordance with the conventions and regulations that apply to the Group's various product categories.
- In all our operations, we must minimize and reduce our impact on the environment and our surroundings.
- When choosing between different energy sources and modes of transport, the Group must choose those with the smallest environmental impact and where renewable raw materials are used.

## ENVIRONMENTAL AND QUALITY CERTIFICATION

In 2014, OrganoWood was certified by FSC and PEFC and only buys timber produced using sustainable forestry practices. Furthermore, OrganoWood's wood preservative became the first to be eco-labeled by the Swedish Society for Nature Conservation as a Good Environmental Choice. Within the Functional wood unit, several of our products have been assessed and recommended by building product assessors Byggvarubedömningen, and providers of health and environmental assessments of building materials, SundaHus. Several of the Group's surface treatment and cleaning products sold under the BIOkleen® brand are eco-labeled with Good Environmental Choice or with the Nordic Swan.

In 2015, OrganoClick's management system was quality and environmentally certified according to ISO 9001 and 14001 as part of the company's environmental and quality work, which in 2018 was upgraded to ISO 9001:2015 and 14001:2015. This certification helps to steer the company's operations even more clearly in the direction of our values. An environmental and quality certification is also a formal indicator that shows, both internally and externally, that the company considers this work important.

### 1. We work for the future of the planet

We develop and produce environmentally sustainable materials and chemical products, which replaces plastics and toxic chemicals.

### 2. Try, learn and develop

We dare to try new things, we dare to make mistakes, we learn from both our successes and setbacks.

### 3. Number one

Our products must be the most environmentally sustainable and highest performing products in their respective markets.

### 4. Business-driven innovation is key to success

We sell innovative products developed according to clear market need. We want to develop innovative thinking that always exceeds customer expectations.

### 5. Happiness, engagement, performance

We want to have fun at work. We feel engaged because the work we do is important. We perform best when we're enjoying our work.

### 6. Family and health

We care about each other. We treat each other with respect. Family and health are always top priority.

### 7. Climb the right mountain

To achieve success, we are convinced that we need to analyze and prioritize our business opportunities. We allocate resources to the mountains we know we can summit.

### 8. Together, we're fantastic

With an organization ranging from development and production to sales and marketing, we are fast, flexible and versatile. We dream together, we win together and we develop together.

# HISTORICAL DEVELOPMENT

**2006**

• OrganoClick is founded by Ashkan Pouya, Saeid Esmaeilzadeh, Jonas Hafrén, Armando Córdova and Mårten Hellberg, who is appointed as CEO.

**2007**

• The company starts its first development projects, together with industry partners from the paper industry, to create products based on the company's technology.

**2008**

• Swedish investor Anders Wall (through Beijerinvest AB), TetraPak´s former CEO and President Bertil Hagman, and TetraPak and SCA Hygiene Products former CTO Claes-Göran Beckeman become OrganoClick´s first external investors.

• A new Board is formed with Ashkan Pouya as Chairman, with members Anders Wall, Bertil Hagman, Claes-Göran Beckeman and Armando Córdova.

• The company builds its own laboratory and moves into its first own premises.

• Development of the company's first textile products is initiated with the support of Vinnova.

• The company's technology is named the best Swedish environmental technology of the year by winning the Environmental Innovation Award.

• OrganoClick is named the most promising start-up company of the year by winning the Innovation & Technology award

**2010**

• The first industrial tests are conducted within the company's development projects.

• Development of ORGANOWOOD® begins.

• The development of biocomposite materials is initiated with the support of Vinnova.

**2010**

• OrganoClick is named a 'Climate solver' by the World Wildlife Fund (WWF).

• OrganoWood AB is initiated as a joint venture between OrganoClick (60% ownership) and Kvigos AB (40% ownership).

**2011**

• Collaboration begins with Bergs Timber Bitus AB for industrial production of ORGANOWOOD® timber.

• OrganoClick moves to new premises where pilot productions and a larger R&D lab are set up.

• The company is named one of Sweden's 20 most innovative companies by the Swedish Institute.

**2012**

• ORGANOWOOD® timber and wood preservatives are launched via the Swedish building supply chain XL-BYGG.

• The company is granted EU funding of approximately MSEK 5 for the production and start-up of its first fiber moulding line.

• The company develops its first textile product OC-BioBinder™, a nonwoven and home textile bio-based binder.

• OrganoClick gets onto the list of the 33 most exciting young technology companies in Sweden, as published by magazines NyTeknik and Affärsvärlden.

• The company achieves revenue of approximately MSEK 3 from the sale of proprietary products.

**2013**

• OrganoWood achieves rapid expansion in Sweden through new reseller agreements with K-rauta, Optimera and Bygma.

• Home textile manufacturer Almedahls becomes the company's first textile customer for OC-BioBinder™.

• The company's first hydrophobic product for textiles – OC-aquasil™ Tex – is developed.

• A new full-scale factory enters the planning phase.

• For the second year, the company is named one of Sweden's 33 most exciting young technology companies by magazines NyTeknik and Affärsvärlden.

• The company's revenue increase to approximately MSEK 11.

**2014**

• OrganoWood begins its international expansion with test launches in Finland and Norway, and a distribution agreement with Frøslev Trae in Denmark.

• Work starts on building a new factory in the Arninge industrial area in northern Täby for the manufacture of fiber moulded materials as well as increase the capacity for OrganoClick's chemical production.

• Taiwan-based Chang-Ho Fibers becomes the first textile manufacturer to start manufacturing OrganoTex® textiles in Asia.

• OrganoClick decides to list its shares on Nasdaq First North, raising substantial capital to finance international expansion.

• ORGANOWOOD® timber is named "most exciting building material of the year" at the Nordic region's largest construction fair, Nordbygg.

• OrganoTex® is selected as one of the most interesting new materials at ISPO in Munich, the world's largest outdoor and sports fair.

• OrganoClick's revenue increases to approximately MSEK 25.

**2015**

• OrganoWood establishes subsidiaries in Finland and Norway, and through a distributor in Denmark.

• Distribution is agreed for OrganoWood's wood protection products in Sweden and Finland.

• FilippaK becomes the first fashion brand to use OC-aquasil™ Tex, our DWR technology for water repellent fabrics.

• Distribution agreement for OC-aquasil™ Tex signed in China and Taiwan.

• Test runs with our new fiber moulding line begin in August.

• The company moves to our new factory in Arninge industrial area with new offices, R&D lab and production facility during the autumn. The factory has a total capacity of 30,000 tons per year and 100,000 fiber moulded 3-D shaped biocomposites per year.

• OrganoClick's first quality & environmental management system is certified according to ISO 9001 & 14001.

• OrganoClick participates in four major EU-funded R&D projects.

• OrganoClick lists its shares on Nasdaq First North and make a new issue of MSEK 75 to finance international expansion.

• OrganoClick named one of the world's 100 most sustainable companies by being named a Sustainia100 company.

• OrganoClick's sales increase to approximately MSEK 31

**2016**

• Distribution agreement for OrganoWood's wood protection products signed in the UK and Ireland.

• Test production of coffin material in the company's new fiber moulding line continues throughout the year.

**2016** *(forts.)*

• Company customer Nyarp exhibits a completed coffin for the first time at the Swedish funeral association's annual meeting.

• OrganoClick launches deliveries to one of Europe's leading manufacturers of cable socks.

• OrganoClick is named national champion in the European Business Awards.

• OrganoClick completes its first acquisition of the chemical-tech company Biokleen Miljökemi AB, which adds MSEK 23 in sales to the Group.

• OrganoClick's total sales increase by 26% to about MSEK 39.5 (31.4) (pro-forma sales of MSEK 62.5 including acquisition of Biokleen Miljökemi AB).

**2017**

• Sales of ORGANOWOOD® timber begin in Germany.

• Distribution agreements are signed for ORGANOWOOD® in the Benelux countries.

• Deliveries begin during the fall to one of Europe's leading nonwoven tablecloth manufacturers.

• Deliveries begin during the fall of OrganoComp® for burial coffins.

• A directed new share issue raises MSEK 38 in equity and liquid assets.

• OrganoClick's net sales increase by 93% to approximately MSEK 74.7 (39.5), with organic growth of 36%.

**2018**

• OrganoTex® Waterproofing for the consumer market is launched in Sweden with more than 150 retailers by the end of the year, including Naturkompaniet, Alewalds, Skistar, Houdini and FilippaK.

•Distribution agreements signed for ORGANOWOOD® for the Baltic States.

**2018** *(forts.)*

• Deliveries initiated by OC-BioBinder™ to Kufner, one of Europe's leading manufacturers of textile interlinings for the clothing industry.

• Ahlström-Munksjö launches a non-woven for personal hygiene products where OC-BioBinder™ replaces traditional plastic binders.

• Start of deliveries of coffin material, made of OrganoComp®, to Fredahl Rydéns.

• The development of first interior design products using OrganoComp® are completed, and launched by customer Baux in early 2019.

• OrganoClick's net sales increase to MSEK 78.4 (74.7).

**2019**

• OrganoTex® Waterproofing launched in Finland, retailing at first through Partioaitta, Naturkompaniet's sister company.

• New distribution agreements for ORGANOWOOD® covering Germany, Austria, Switzerland and Italy.

• The burial coffin 'Saga', made from OrganoComp®, launched by the customer Fredahl Rydéns.

• A sound-absorbing acoustic panel, made from OrganoComp®, launched by our customer Baux.

• Heavily increased interest in the Group's bio-based binders for nonwoven, driven by the EU's new plastic directive, where plastics must be phased out from a number of disposable items. OrganoClick was awarded a grant of MSEK 3.7 from Vinnova to develop bio-based nonwovens in conjunction with a Swedish/Finnish consortium.

• OrganoClick's net sales increase to MSEK 85.5 (78.4)

# BOARD OF DIRECTORS

### JAN JOHANSSON | CHAIRMAN SINCE 2016

Jan Johansson is an industrialist with extensive international experience. After receiving a M.Sc. in law from Stockholm University, he held various leading positions in the Shell group such as General Counsel for Shell International Petroleum and Business area manager for Svenska Shell. He thereafter joined the Vattenfall group as Executive Vice President before taking on the position as President and CEO of Boliden in 2000. Between 2007 and 2015 he served as President and CEO of SCA. Jan is currently Chairman of the Board in the Finnish Suominen group and member of the board in Chinese Vinda, Swedish Kährs group, and OptiGroup AB.

*Shareholding: 166,666 shares.*

### HÅKAN GUSTAVSON | MEMBER OF THE BOARD SINCE 2016

Håkan Gustavsson is an advisor of Beijer Holding AB and represents the Beijer group on the board. He has an MBA from Stockholm School of Economics and has thereafter held positions such as CFO/COO for MEC, ENEA and Niscaya before joining Beijerinvest in 2013. His currently serves in the board of directors of E. Öhman J:or Fonder AB, Sturebadet Holding AB and several subsidiaries in the Beijer group.

*Shareholding: 0 shares.*

### CLAES-GÖRAN BECKEMAN | MEMBER OF THE BOARD SINCE 2008

Claes-Göran Beckeman holds a M.Sc. in chemical engineering from the Chalmers University of Technology. He has held the position as Chief Technology Officer (CTO) at Tetra Pak and Tetra Laval, and as CTO and purchasing manager at SCA, in the business area Personal Hygiene Products. Claes-Göran's current directorships include Cellcomb AB and OrganoWood AB. He is also a member of the Royal Swedish Academy of Engineering Sciences.

*Shareholding: 689,316 shares.*

### ARMANDO CÓRDOVA | PH.D., MEMBER OF THE BOARD SINCE 2006

Armando Córdova is Professor in organic chemistry at the Department of Natural Sciences at Mid-Sweden University in Sundsvall. He is one of the innovators behind OrganoClick's core technology. He holds a Ph.D. in Chemical Engineering from KTH Royal Institute of Technology and STFI-Packforsk. Armando conducted postdoctoral research at the SCRIPPS Institute in San Diego, California, and has also worked at Harvard University in Boston and Stockholm University. He is also one of the co-founders of the fine chemical company Organofuel AB.

*Shareholding: 5,286,069 shares (privately and through company).*

# MANAGEMENT

**MÅRTEN HELLBERG, CEO AND CO-FOUNDER**

Mårten holds a M.Sc. in Engineering Molecular Biotechnology from Uppsala University and École Normale Supérieure de Lyon in France. He has also studied economics at the universities of Stockholm and Uppsala. He is a co-founder of OrganoClick and has served as its CEO since its foundation in 2006. Mårten previously had an active career in canoeing, at several occasions becoming the national champion. He was a member of the Swedish National Canoeing Team for 12 years, and has participated in the Swedish Olympic Committee's elite program.

*Shareholding: 7,376,969 shares (privately and through company).*

**JESSICA SUNDBORG, CFO**

Jessica holds a Master in Economics from Södertörn University. She has previously held a number of different positions within finance and economics, for example at Deloitte and at the Swedish National Audit Office. Before joining OrganoClick in the role as CFO in 2013, she held the position as Group Chief Accountant at the then listed IT company Avega Group.

*Shareholding: 129,636 shares.*

**DAN BLOMSTRAND, BUSINESS UNIT MANAGER BIOCOMPOSITES**

Dan Blomstrand holds a M.Sc. in Chemical Engineering from Uppsala University and has also studied economy and business development at the Uppsala School of Entrepreneurship. He has more than 10 years of experience from tech sales and marketing, mostly within medical technology and life sciences. Before joining OrganoClick he has worked as Business Unit Manager Pharma at Aerosol Scandinavia and as Global Account Executive at Catalent Pharma Solutions. He joined OrganoClick in spring 2016.

*Shareholding: 103,000 shares.*

**MARIA WENNMAN, RESEARCH & DEVELOPMENT DIRECTOR**

Maria Wennman holds a M.Sc. in Molecular Science and Chemical Engineering from KTH Royal Institute of Technology in Stockholm. She has worked at OrganoClick since 2012, mostly with the development of the company's biobased binders for nonwoven and the company's biocomposites, and she is the inventor of 4 patents within the field. She was appointed as the group's Research & Development Director in 2019.

*Shareholding: 9,256 shares.*

**MIKAEL WICKSTRÖM, COO**

Mikael holds a M.Sc. in Mechanical Engineering from KTH Royal Institute of Technology in Stockholm. He has more than 25 years experience from various positions related to production. Before joining OrganoClick in 2017, he has held positions such as Process Engineer Manager at XaarJet, VP of Production & Sourcing at Proximion AB, and VP of Module Technology at Optillion.

*Shareholding: 1,000 shares.*

**KARIN ÖJELUND, SUSTAINABILITY & QUALITY DIRECTOR**

Karin has a M. Sc. in Chemical Engineering from Lund University. She has 20 years experience from product development, process development and quality issues in the chemical industry. Before joining OrganoClick in 2017 she was the R&D Manager at Beckers industrial coatings, where she also has served in the role as Process Development Manager.

*Shareholding: 0 shares.*

# MANAGEMENT REPORT

The Board of Directors and the Chief Executive Officer of OrganoClick AB (publ), Corp. id. no. 556704-6908, hereby present the annual report and the consolidated financial statements for the financial year 2019-01-01 to 2019-12-31. Numbers within parentheses refer to the preceding year. Amounts are stated in kSEK unless specified otherwise.

## BUSINESS AND STRUCTURE

OrganoClick AB (publ) and its subsidiaries ("The Group" or "OrganoClick") is a material and chemical technology company founded in 2006 as a spin-off from Stockholm University and the Swedish University of Agricultural Sciences. The Group develops and manufactures environmentally friendly fiber based materials for treatment of wood, technical textile and nonwoven, as well as biocomposites.

## ORGANIZATION

The Group is divided in three business units: Functional wood, Green surface coatings & maintenance products, and Biocomposites. In addition, the Group supplies industry customers within nonwoven and technical textile with chemical additives. Besides the operating business units, the Group maintains key functions in units for Finance & administration, Marketing & communication, Production & purchasing, Environment & Quality, and Research & Development.

Sales and marketing within the Functional wood business unit is performed through the subsidiary OrganoWood AB, with subsidiaries in Norway and Finland. Sales and marketing towards specialized paint retailers is conducted through the subsidiary Biokleen Miljökemi AB. Other operations are conducted through the Parent Company, OrganoClick AB (publ). At the end of 2019, the Group employed 39 (35) people.

## PRODUCT RANGE

Within the Functional wood business unit, the Group (through the part-owned subsidiary OrganoWood AB) sells and markets modified timber, protected from rot and fire without biocides or toxic heavy metals. In addition to modified timber, eco-labeled wood protection products are also marketed.

Within the Green surface coatings & maintenance products business unit, the Group sells and markets a wide range of eco-labeled chemical technology products for exterior maintenance and cleaning of decking, facades and roofs as well as car care under the BIOkleen brand® and surface treatment and maintenance products for textile products under the OrganoTex® brand. In addition, the business unit delivers a number of its products to customers who sell them under their own brand (private label).

During the year, the Biocomposites business unit launched its first 3-D moulded biocomposites under the OrganoComp® brand, which can replace plastic and particle board. The first product is a new material for burial coffins, where the company has entered into a first agreement with the leading Nordic coffin manufacturer, which launched the burial coffin 'Saga' in 2019. The design is similar to regular coffins, but the material is 50 percent lighter and almost completely free from synthetic adhesive, which is abundant in the particle board that is used for most coffins. In addition to this application, sound-absorbing acoustic panels made with OrganoComp® have been launched by a customer. In addition to these applications, a number of customer and development projects are carried out for applications in furniture manufacturing, healthcare and construction-related materials.

The Group also supplies bio-based binders and water repellent products to industrial customers in technical textile and nonwoven. Products include the bio-based binder OC-BioBinder™ that replaces the plastic binders in use today, and the bio-degradable water repellent product OC-aquasil™ Tex that replaces fluorocarbons (PFAS). A large number of customer projects have been initiated in 2019 with globally leading companies within nonwoven, and eight projects have proceeded from laboratory scale to production testing.

## SEASONAL VARIATIONS

The business units Functional wood and Green surface coatings & maintenance products are strongly characterised by seasonal variations depending on the weather and when in the year it is building and DIY season. For the Group, this means that the strongest sales quarter is normally the second quarter, followed by the first and third, while the fourth quarter is weaker.

## PRODUCT DEVELOPMENT

The Group's innovative, environmentally friendly and high-performance materials form OrganoClick's DNA. In order to remain a leading player, the Group conducts active R&D work in all business units. The focus is on the development of new or improved products based on the current technologies for water resistance, mechanical strength, and flame and rot protection. Synergies are thus created between the company's business units Functional wood, Green surface coatings & maintenance products and Biocomposites in that the same functions and technologies can be used on different materials. Research and development is conducted in close cooperation with several renowned universities and institutes, including the KTH – the Royal Institute of Technology, Borås Textile University, RISE (previously SP) and Mid-Sweden University.

## PATENTS

OrganoClick is actively working to strengthen its IP-position by way of patents. The Group is working together with renowned patent consultants to develop strategies and prepare patent applications. The Group currently holds approved patents in fifteen patent families, with additional applications pending in four patent families. The earliest patent expires in 2028.

## RAW MATERIAL SUPPLY AND MANUFACTURING

OrganoClick's chemical production is very similar across the business units, leading to clear cost synergies. For every business unit, OrganoClick's production unit manufactures the critical chemical substances and the formulations that give the materials their unique properties. Raw materials and chemicals are purchased from raw material suppliers and chemical companies. OrganoClick then produces the formulations on its own account, and supplies them internally for the Group's own production of biocomposites as well as to production partners and customers.

OrganoClick also manufactures the Group's biocomposites on its own. A specially developed production line is set up in the Group's production facility with capacity to perform approximately 100,000 production cycles per year. For a product such as a burial coffin this translates to a capacity of 50,000 complete coffins per year, since either a base or a lid can be produced per cycle. For a sound-absorbing acoustic panel, the capacity is instead 100,000 square meters per year, since one square meter can be manufactured per cycle (one front and one back per cycle).

A production cooperation also takes place with Bergs Timber AB for the production of the ORGANOWOOD®-modified wood. Within the Functional wood business unit, external production partners in wood treatment provides scalability and full control over the manufacturing process while reducing the risk of having growth opportunities hampered by limited production capacity.

## LEGAL STRUCTURE

As of 31 December 2019, OrganoClick had 1,694 (1,398) shareholders divided on 92,112,789 shares. The five major owners on 31 December 2019 were: Anders Wall with company and closely related foundations, 12,197,407 shares (13.24 percent), Bertil Hagman, 8,093,734 shares (8.79 percent), Mårten Hellberg (with company), 7,371,227 shares (8.00 percent), Armando Córdova (with company), 5,286,069 shares (5.74 percent) and Jonas Hafrén, 5,123,006 shares (5.56 percent).

OrganoClick AB has a wholly-owned subsidiary, Biokleen Miljökemi AB, and a part-owned subsidiary, OrganoWood AB. OrganoClick AB owns 54.5 percent of the capital and 59.4 percent of the votes in OrganoWood AB. Kvigos AB owns 35.5 percent of the capital and 38.6 percent of the votes. In addition to 2,000,000 ordinary shares, 200,000 preference shares are divided on 81 owners that together control 9.1 percent of the capital and 1.0 percent of the votes. The terms of the preference shares are specified in the Articles of Association of OrganoWood AB, and are described in Note 24 of the annual report. OrganoWood AB has a sales company in Norway, OrganoWood Norway AS and a sales company in Finland, OrganoWood Finland Oy.

## SHARE INFORMATION

OrganoClick AB's share capital at the beginning of 2019 amounted to SEK 744,657, distributed on 74,465,731 shares. The quota value of all shares is 0.01 and they are equally entitled to share the company's assets and earnings. On 30 September, the Board of Directors of OrganoClick decided to carry out a directed share issue of 17,647,058 shares with a quota value of 0.01, which increased the number of shares to 92,112,789 and the share capital to SEK 921,128.

OrganoClick AB's share has been listed on Nasdaq First North Growth Market since 2015. The closing price of the share on 31 December 2019 was 5.40 (4.90), giving a market capitalization of MSEK 497 (365).

### The largest shareholders in OrganoClick AB as at 31 dec 2019[1].

| Name | No. of shares | Share of capital % | Share of votes % |
|---|---|---|---|
| Anders Wall with companies and related foundations[2] | 12,197,407 | 13.24% | 13.24% |
| Bertil Hagman | 8,093,734 | 8.79% | 8.79% |
| Mårten Hellberg with company | 7,371,227 | 8.00% | 8.00% |
| Armando Córdova with company | 5,286,069 | 5.74% | 5.74% |
| Jonas Hafrén | 5,123,006 | 5.56% | 5.56% |
| Credit Suisse (Switzerland) Ltd | 3,855,650 | 4.19% | 4.19% |
| Länsförsäkringar fondförvaltning AB | 3,840,000 | 4.17% | 4.17% |
| Handelsbanken Microcap Sverige | 3,400,000 | 3.69% | 3.69% |
| Öhman Bank S.A. | 2,875,119 | 3.12% | 3.12% |
| Fjärde AP Fonden | 2,790,000 | 3.03% | 3.03% |
| **Subtotal** | **54,832,212** | **59.53%** | **59.53%** |
| Other shareholders | 37,280,577 | 40.47% | 40.47% |
| **Total shares** | **92,112,789** | **100.00%** | **100.00%** |

1) Based on a full list of owners including direct registered and nominee shareholders.
2) Shareholdings through Beijer Ventures AB, Kjell and Märta Beijers Foundation and Kjell Beijers 80-year foundation.

## ENVIRONMENT AND SUSTAINABILITY

The basis of OrganoClick's business concept is to develop and supply environmentally-friendly material and chemical technology products. This mission pervades all of the Group's work in product development, production, marketing and sales. The staff recruited by OrganoClick must have a high level of competence and commercial impetus, but must also represent the same values as the Group. The Environment policy adopted by the Group states, among other things, that OrganoClick only shall develop and manufacture products with the highest possible environmental performance. The Group shall further eco-label all its products in accordance with the conventions and regulations that apply to the Group's various product categories. In all of its operations, the Group shall strive to minimize and reduce its negative impact on the environment and the outside world. In a choice between different energy sources or modes of transport, those that are associated with the least environmental impact and are based on renewable raw materials shall be favored.

OrganoWood is certified by FSC and PEFC since 2014, thus buying only timber produced using sustainable forestry practices. OrganoClick's quality and environmental management system is certified according to ISO 9001:2015 and 14001:2015 as part of the company's environmental and quality work. This certification helps the Group to steer its operations even more clearly in the direction of our values.

## GOVERNMENT AUTHORIZATION

OrganoClick's operations are subject to compulsory notification pursuant to the Swedish Environmental Code (1998:808) 9 ch. 6 s. In 2018, OrganoClick AB submitted an application to the county administrative board (Länsstyrelsen) to extend its authorization to manufacture up to 10,000 cubic meters of its chemical products annually. The application was approved by the Stockholm county administrative board (Länsstyrelsen i Stockholms län) in 2019. The municipality of Täby will continue to be responsible for supervising the Group's operations.

## PERSONNEL

At the end of the period, the number of employees in the Group was 39 (35). Of these, 24 (18) were employed in the parent company, 11 (12) employed in the subsidiary OrganoWood AB and 4 (5) employed in the subsidiary Biokleen Miljökemi AB. Of the employees, 13 (11) were women and 26 (24) men.

## REMUNERATION TO SENIOR MANAGEMENT

Salaries, remunerations and other benefits to the Board of Directors, CEO and other executive directors are laid down in Note 10.

No remuneration committee is set up, and the Board of Directors decides on the terms of employment and the remuneration of the Chief Executive Officer. The Chief Executive Officer decides the remuneration of other executive directors. Only the Chief Executive Officer is entitled to a severance payment. The severance payment comprises 12 monthly salaries. There are no other agreements between the company and the Chief Executive Officer or other executive directors regarding benefits following the termination of appointment.

In its current form, the employment contract for the company's Chief Executive Officer Mårten Hellberg is a contract of indefinite duration from 2010. Mårten Hellberg receives a fixed monthly salary as well as the usual pension contributions. The agreement has a twelve month period of notice when terminated by either party.

## SIGNIFICANT EVENTS DURING THE YEAR

- OrganoClick signed a general agreement with Team Sportia & Sportringen for OrganoTex® textile impregnation and expanded its product portfolio with OrganoTex® BioCare, a 100 percent biobased and biodegradable washing product for functional garments.
- OrganoClick launched the further developed biocomposite OrganoComp® Wheat comprising wood fiber, wheat bran and OrganoClick's biobased binder. First deliveries were made to the customer Baux, producer of acoustic panels.
- OrganoWood signed a general agreement with Bolist for ORGANOWOOD® timber.
- OrganoTex® was announced as the winner of Sportfacks "Gear of the Year" Environmental brand. Sportfack is Sweden's most important business site and industry magazine for the sport, bicycle and golf industry.
- OrganoClick signed a general agreement with Finnish Partioaitta for OrganoTex® textile impregnation. Partioaitta maintains 19 stores and is Naturkompaniet's sister company in Finland, part of the Fenix Outdoor group.
- Fredahl Rydéns and OrganoClick launched the burial coffin 'Saga' based on OrganoClick's biocomposite OrganoComp®.
- OrganoClick entered into a collaboration with Finnish Reima, world leading brand for functional children's garments, regarding resell of OrganoTex® Textile Waterproofing.
- OrganoClick signed a general agreement with a leading Scandinavian paint manufacturer for supply of OrganoClick's maintenance products for houses and properties. The customer will sell the products under its own brand (private label).
- OrganoWood signed a general agreement with Ahlsell regarding retailing of ORGANOWOOD® timber.
- OrganoClick carried out a directed share issue of 17,647,058 shares at a share price of SEK 5.10 to institutional owners, raising kSEK 90,000 in gross proceeds and kSEK 86,030 after issuance expenses.
- BIOkleen launched an eco-series of products for home and property maintenance, eco-labelled with the Swedish Society for Nature Conservation's Good Environmental Choice.
- OrganoClick's biocomposite OrganoComp® was nominated for the award "Biocomposite of the Year 2019".
- OrganoClick received a seasonal order of acoustic panels for 2020 from the customer Baux, corresponding to revenue of at least SEK 2 million.
- OrganoWood signed a sales and distribution agreement for ORGANOWOOD® timber with the German wood distributor Carl Götz GmbH.
- OrganoClick was awarded a grant of SEK 3.7 million from the strategic innovation program Bioinnovation for the development of biobased binders for nonwoven.
- OrganoWood signed a sales and distribution agreement for ORGANOWOOD® timber with the Italian wood distributor Pircher Oberland Spa.
- OrganoClick appointed a new Research & Development Director.
- OrganoWood's wood protection system will begin to be sold in COOP Norway's building product chain in 2020 with more than 100 stores. Sales and distribution will be carried out via OrganoWood's Norwegian wood protection distributor Alanor AS.

## SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

- OrganoClick launched OrganoTex® Textile Waterproofing in Norway and Denmark with Norsk Fjellsport as distribution partner.
- The Nomination committee nominated new board members to the 2020 Annual General Meeting. The Nomination committee proposes new election of Charlotte Karlberg and Malin Bugge and re-election of Jan Johansson (chair), Håkan Gustavson and Claes-Göran Beckeman.
- The beginning of 2020 saw the outbreak of the COVID-19 pandemic. OrganoClick sees a risk of a global recession which would impact Swedish companies. OrganoClick is monitoring the development carefully, and the management is continuously assessing the effects that the turn of events could have on the Group's operations in the short and long term. It is not possible today to estimate how big the impact could be on the operations, but the management body has identified a number of risks that have increased due to the pandemic, see the sections about risk on p. 48. In response to this development, a number of measures have been taken to protect the Group's operations and to limit the spread of the virus. Among other things, all business travels and non-essential meetings have been postponed, The public health authority's recommendations to stay at home when being are sick is followed and work from home is encouraged. Other activities in the Group, such as production and distribution, is conducted as usual.

  The effects we have seen so far have an impact on sales, suppliers and production. The effects on sales within Sweden are so far less, while the effects on export markets are more negative as a result of the closure of trade in several of our exporting countries. We will also see effects at the supplier level where some European suppliers have flagged for extended delivery times. This together with some problems with increased sickness absence in our production has resulted in somewhat longer delivery times to our customers.

  Our assessment is that our markets will not be hit hard in the short term but the risk is high that our sales will be adversely affected as well as customer projects will be delayed for the next six months.

## PERFORMANCE DEVELOPMENT

A new standard for leasing management, IFRS 16 Leases, came into force on 1 January 2019 and has been implemented in the Group. This means that all leasing contracts, including rent for premises, must be reported as assets and liabilities in the balance sheet, with recognition of depreciation and interest expense in the income statement. The result effect is an improved EBITDA result as a result of lower lease expenses and higher depreciation. The key figures that are affected are solidity as a result of the higher balance sheet total and the net debt/equity ratio as a result of the higher liabilities. The disposition of cash flow is also affected and rental expenses that were previously reported under operating activities are now reported under financing activities through amortization. See alternative performance measure for adjustment of the IFRS 16 effect.

## THE GROUP

*Results*

Revenue for the full year amounted to kSEK 85,480 (78,395), resulting in a growth of 9.0 (5.0) percent with positive growth in all business units. Revenues within the Functional wood business unit amounted to kSEK 58,696 (54,759), where sales growth of 7.2 (4.9) percent is a combination of increased volume of wood sold and a shift in product mix to products with higher sales value. Revenues within the Green surface coatings & maintenance products business unit amounted to kSEK 24,475 (21,923), and thus grew by 11.6 (0.3) percent, primarily from sales in the OrganoTex® product range and in paint and car care products under private label. In the Biocomposites business unit, revenues amounted to kSEK 1,201 (190) after the Group's customers launched products in OrganoComp® in the form of a coffin and acoustic panels in 2019.

Gross margin after variable costs amounted to 41.0 (39.5) percent and is an effect of the Group's strategic efforts to shift the product mix towards sales of product groups with higher gross margins. Gross profit was strengthened in comparison to the previous year to kSEK 17,763 (15,748), thanks to sales growth and the improved gross margin, but was offset by higher fixed production expenses with a second production shift introduced during the fourth quarter as well as destruction costs linked to scrapping of old inventories. Lower fixed expenses further improved earnings compared to the previous year and operating profit/loss, EBIT, amounted to kSEK -15,131 (-17,822) and EBITDA amounted to kSEK -3,117 (-11,358). Note that EBITDA in 2019 is calculated in accordance with the new IFRS 16, which has resulted in increased depreciation, which has affected EBITDA in a positive direction. Financial expenses increased by kSEK -3,709 (-1,735), partly as a result of higher borrowings and partly as a result of IFRS 16. The loss for the year amounted to kSEK -18,356 (-19,476).

As the Group reports negative earnings, the effective tax will be zero. Deficit deductions increase and the Group does not capitalize deferred tax on deficit deductions. In the income statement, deferred tax is recognized for temporary differences.

### *Cash flow*

Cash flow from operating activities improved compared to the previous year and amounted to kSEK -11,013 (-18,970), where current operations before changes in working capital, with a positive effect of IFRS 16 in 2019, amounted to kSEK -6,862 (-12,943) and working capital amounted to kSEK -4,151 (-6,026). Within the working capital, the greatest changes came from inventories, trade receivables and trade payables. Liquidity was tied up in inventories of kSEK -668 (-4,000) where the large increase in inventories last year was due to lower sales growth than expected for ORGANOWOOD® timber, combined with timber purchases in accordance with a binding purchasing forecast for the year. Liquidity was tied up in trade receivables, kSEK -5,117 (293) which is partly an effect of higher sales and partly because of a factoring agreement in Biokleen, which was initiated during the fourth quarter of 2018, and which then released liquidity, was completed during the fourth quarter of 2019, with the effect that liquidity is again tied up in trade receivables and partly because sales increased to customers with longer payment terms. A positive effect on cash flow comes from trade payables, kSEK 1,195 (-2,988), where the negative effect in 2018 came from high input of supplier invoices after high raw material purchases at the end of 2017.

The Group has invested kSEK -5,973 (-4,566) in intangible assets such as capitalized expenditures and patents, where higher patent expenses explain the increase between the years, and kSEK -1,034 (-22) in property, plant and equipment, mainly in production. The seemingly low investment in 2018 came from the fact that the investment amount was then reduced by a supplementary EU contribution of SEK 872 thousand on the Group's fibre moulding machine. Cash flow from financing activities increased substantially and amounted to kSEK 73,048 (7,414) after a completed new share issue, which provided kSEK 86,030 after issuance expenses. The Group increased its utilisation of its bank overdraft facility and factoring loans by kSEK 4,259 (1,382) and kSEK 3,414 (558), respectively, and increased its borrowings by kSEK 10,000 (13,750) during the year. However, after the completed share issue, kSEK -20,063 (-3,667) of the Group's borrowings has been repaid. The Group amortized kSEK -10,374 (-4,528) during the year for loans and leases. The high amortization compared with the preceding year is partly due to higher loans from credit institutions, but is mainly an effect of IFRS 16, since leasing agreements such as rent for premises are reported as amortization of debt in the cash flow statement.

Cash flow for the year amounted to kSEK 55,028 (-16,143).

### *Financial position*

Cash and cash equivalents in the Group amounted to kSEK 61,150 (6,122) at the end of the year with a quick ratio of 162.6 (43.3) percent. Increased liquid funds and improved quick ratio are explained by the fact that OrganoClick on September 30, 2019 carried out a directed new share issue which gave kSEK 86,030 after issuance expenses. During the fourth quarter, OrganoClick repaid most of the credits previously used by the company. At the end of the year, a bank overdraft facility of kSEK 12,935 (8,694) was utilised in OrganoWood AB from a total facility of kSEK 13,000 (9,000). OrganoWood holds a bank overdraft facility that changes with the seasonal need.

### *Investments*

The Group conducts active R&D work within all of its business units, which leads to major investments in development projects and patents for new products and applications. During the year, the Group invested kSEK 5,973 (4,566) in intangible fixed assets and kSEK 1,034 (22) in tangible fixed assets, mainly in production equipment. The low investment last year was due to the fact that the Group then received a supplementary grant of kSEK 872 for a previously completed EU project for the Group's fibre moulding machine, which reduced the amount actually invested.

## THE PARENT COMPANY

### *Result*

The parent company's revenue for the year amounted to kSEK 26,515 (18,130), where the high growth was partly due to higher external sales of OrganoTex® products, the biocomposite OrganoComp® and the Group's biobased binders and industrial hydrophobic agents and partly from increased internal sales of products to the subsidiary Biokleen Miljökemi. The integration of Biokleen's products and warehouse into OrganoClick was completed in the third quarter of 2018, and upon completion of the integration OrganoClick produces, alternatively purchases by subcontractors, and delivers internally all Biokleen's products, which has resulted in increased internal sales with full impact in 2019. Gross profit amounted to kSEK -3,563 (-1,700) and has not increased in relation to sales, which is explained by the change in product mix caused by the new structure with internal production and that fixed production expenses were higher than last year as a result of the introduction of a second shift and destruction costs. With fixed expenses slightly higher than the previous year, operating profit/loss, EBIT, amounted to kSEK -18,999 (-16,495), EBITDA to kSEK -14,482 (-12,362) and loss for the year to kSEK -19,687 (-17,038).

### *Cash flow*

The parent company's accumulated cash flow from operating activites amounted to kSEK -14,018 (-15,885), where the negative result contributed kSEK -14,996 (-12,866) and working capital kSEK 978 (-3,019). The changes in working capital were small in 2019 and the negative effect in 2018 was mostly due to binding of liquidity in inventories, kSEK -2,592. The explanation for this is that the parent company in 2018 integrated the subsidiary Biokleen's inventory in its own, thus increasing its output stock considerably. This resulted in a negative liquidity effect on the parent company but not on the Group, since Biokleen reduced its inventory accordingly.

During the year, the company made investments in the amount of kSEK -5,423 (-3,567). Investments in intangible fixed assets amounted to kSEK -4,389 (-3,539). The increase compared with the preceding year is mostly attributable to increased investments in new and existing patents. Investments in tangible fixed assets amounted to kSEK -1,034 (-28) and mostly covered production equipment. The increase compared with the preceding year came from the fact that the investment amount in 2018 was reduced by a supplementary EU contribution of kSEK 872 on the Group's fibre moulding machine.

Cash flow from investing activities amounted to kSEK 74,000 (5,110) following a new share issue amounting to kSEK 86,030 after issuance expenses. During the year, new credits of kSEK 12,000 (8,000) were used, but the issue proceeds were used to repay these as well as older credits; kSEK 19,063 (0) and credits of kSEK -2,718 (-1,780) were amortized. In 2019, subsidiaries were granted kSEK -2,250 (0) in loans.

The total cash flow for the year amounted to kSEK 54,559 (-14,341).

### *Financial position*

Cash and cash equivalents in the parent company at year-end amounted to kSEK 56,136 (1,577) and equity to kSEK 113,873 (47,529). The increases are explained by the fact that OrganoClick on 30 September 2019 carried out a directed new share issue which gave kSEK 86,030 after issue expenses. After the issue proceeds were received, the company has repaid loans and credits of kSEK 19,063.

### *Investments*

During the year, the parent company invested kSEK 4,389 (3,539) in intangible fixed assets in the form of development projects and patents and kSEK 1,034 (28) in property, plant and equipment. In 2018, OrganoClick received a supplementary grant of kSEK 872 from a previously run EU project linked to the fibre moulding machine, which reduced the actual investments made.

## RISKS AND UNCERTAINTIES

Should any of the risks described below materialize, this could have a significant negative impact on the Group's operations, earnings, financial position and future outlook.

### *Risks related to the Coronavirus pandemic (COVID-19)*

The outbreak of the COVID-19 pandemic has had negative impact on the world's financial markets, companies and industries and will most likely affect the Group's operations. It is difficult to predict at the present time how and to what extent COVID-19 will impact the Group, but the Group's assessment is that a global recession will increase the probability of many of the risks presented below. The Group identifies increased risks of production disruptions, both in our own facilities and in those of our collaboration partners, due to disruptions in the supply chains of raw materials and/or lack of personnel as a consequence of rules and recommendations issued by public authorities. The Group further sees an increased risk of price fluctuations for input goods. The sales-related risk would increase in the event of a global recession, and, together with knock-on effects from other industries, this could result in lower demand for the Group's products and delayed export efforts. The Group currently conducts a number of development projects together with industrial operators within nonwoven & technical textile; the Group sees a risk that these customer projects may come to a halt or be delayed when the industrial operators' operations are negatively affected by COVID-19 and thus are accorded less priority. The Group further sees increased credit risk, in particular the customer-related credit risk that the Group will fail to receive payments from its customers. The Group considers financing risk and liquidity risk to be less of an issue over the coming two years thanks to the new share issue carried out in the fall of 2019.

### *Risks related to the Group's partnerships*

The Group relies on, and will continue to rely on, cooperations with different partners to produce, market and sell its current products and to develop future products. The Group's business therefore relies to a large amount on external partners. Should these partners fail to fulfil their contractual obligations, fail to meet their expected deadlines, or conduct work that is lacking in quality or accuracy, planned marketing and sales activities as well as product development (among other things) could be delayed or terminated.

### *Risks related to research and development*

OrganoClick conducts research and development programs within each of its business units, and intends to focus on developing new and improved products based on the current technologies in order to subsequently bring them to the market. There are, however, no guarantees that the Group will be successful in the development of new products, that market launch of new products will be achieved as expected, or at all. Failure to develop new products may be caused by a number of factors. One such factor would be if the product in question fails to achieve the intended qualities or properties. Another such factor would be if the product in question turns out to be too expensive to manufacture and market. There is hence a risk that the Group could allocate significant resources to time-consuming and costly development projects without gaining an advantage.

### *Risks related to sales*

It is difficult to predict the market's reception of a novel product. Even if a new product is of high quality, has good properties and is sold at a competitive price, there is no guarantee that sales will be successful.

### *Disruptions to production*

The production of the Group's products is carried out in part by external parties and in part by the Group itself in the production facility in Arninge, Täby. The Group's success relies on reliable and efficient production. Disruptions, even minor, and damages to the Group's production equipment due to strikes, natural disasters, sabotage, fire or other reasons may affect the operations adversely, through direct property damage as well as disruptions to production. Should such events take place in internal or external production facilities, it may be difficult or impossible for the Group to fulfil its obligations towards its customers and to deliver the contractually stipulated quantities and qualities within the stipulated timeframe, thus increasing the risk that the customer switches to another supplier. Customers could further be entitled to compensation, should the Group be unable to deliver in accordance with its contractual obligations.

*Price fluctuations of input goods*

For every business unit, the Group produces the critical chemical substances and formulations that provide the materials with their unique properties, while raw materials for the chemical products, cellulose fibers for the biocomposites, and wood is purchased from external parties. The cost of raw materials and other materials is considerable and constitutes a significant part of the sales price of the Group's products. The pricing of the Group's products is thus affected by the raw material cost. Should the price of raw materials and other materials increase, so would the total production cost, for the Group as well as its production partners, which would result in higher prices for customers and possibly in decreased sales for the Group.

*Financing risk*

The Group has required and will continue to require significant amounts of capital to conduct research, development and commercialization of the Group's existing and future products. The Group is in an expansionary phase and may find itself forced to raise additional external capital in the future to be able to continue operations. There is a risk that such new capital cannot be raised on satisfactory terms for Group, or at all.

*Risks related to the Group's interest-bearing liabilities*

The Group has interest-bearing liabilities consisting of long-term liabilities in the form of credits from credit institutions and short-term liabilities in the form of bank overdraft facilities, invoice discounting liabilities and other credits from credit institutions. The liabilities are secured by business mortgages and, for credits given to subsidiaries, by parent company guarantees. There is a risk that the Group will not be able to fulfil credit conditions such as capital repayments and interest payments, or is not able to refinance at maturity. There is also a risk that the interest rate of the credits is increased and that this makes it difficult for the Group to fulfil its repayment obligations.

*Risks related to intellectual property rights, know-how and confidentiality*

The Group's success relies heavily on its ability to achieve and maintain protection of its intellectual property rights, including patents, related to current and future products. There is a risk that the Group fails to obtain patents or other intellectual property rights on its future innovations. In addition, patents are only valid for a limited time, and there is a risk that the Group's current and future intellectual property rights do not provide satisfactory protection. The technologies and methods that the Group uses to conduct research and development or to commercialize products may also constitute infringement of patents that are owned and controlled by external parties. Should the Group be forced to enter into legal proceedings regarding the right to a patent, the procedures could entail significant costs. Furthermore, the result may be a ruling against the Group, which could entail the loss of protection of one or several of the Group's products or an obligation to pay considerable damages. The Group further relies on know-how and business secrets and attempts to protect such information by entering non-disclosure agreements with employees, consultants and other partners. It is not possible, however, to fully protect the Group from unauthorized disclosure of information, and there is a risk that competitors gain access to know-how and use it and that this results in damage to business secrets developed by the Group.

*Competition*

The Group operates in a competitive environment. The Group's future competitivity depends, among other things, on the financial resources, marketing and product development of the Group and its competitors. Furthermore, several of the Group's competitors have access to greater financial resources than the Group, which could provide them competitive advantage. There is also a risk that the Group is unable to react quickly enough to actions by competitors or to existing and future market demands. Enhanced competition from existing and new market participants may result in decreased sales and reduced market shares, as may reduced competitive opportunities.

*Credit risks*

The Group is exposed to credit risk. The Group's credit risks are primarily attributable to credit exposures to customers, that is, that the Group could fail to obtain agreed payments or could suffer losses due to a counterparty's inability to fulfil its obligations to the Group.

*Liquidity risks*

Liquidity risk means the risk that the Group will not be able to fulfil payment obligations in due time. If the Group's liquidity supports turn out to be inadequate, there is a risk that the Group will only be able to fulfil its payment obligations by raising capital on terms that increase the cost of funding significantly, or that it is not able to fulfil its payment obligations at all, and as a result defaults on its payments due under contracts.

*Reputational damage*

OrganoClick's reputation is important for its business. The Group's business is based on consumers and other business partners associating OrganoClick with positive values and high quality. Should OrganoClick or anyone in the senior management act in a way that conflicts with the values of OrganoClick, or should one of the Group's products fail to live up to the expectations from the market, there is a risk of reputational damage. Should it become evident that one or more of the Group's products is harmful to the environment, there is a risk that the Group's environmental profile suffers damage, regardless of whether the Group or one of its production partners is at fault.

*Key individuals*

The Group relies heavily on a number of key employees, including the senior management and other employees with specialist expertise in the Group's business units. The Group's future development and success depends on its ability to recruit and retain such key employees.

**FUTURE OUTLOOK**

OrganoClick has seen rapid growth in the last years since the Group's first product was launched in 2012. Between 2015 and 2017, the organization was strengthened in order to continue the international expansion of the Group. In 2019, the Group's sales expansion continued with every business unit experiencing growth. The Group's ambition is to continue to attain sound growth in the coming two years. This will be accomplished with only limited increases of the Group's fixed costs and by continuing to increase the gross margin through product mix changes and more efficient production. The Group's goal is to improve the result progressively and move towards good profitability over the coming two years. There is, however, an uncertainty regarding the ways in which COVID-19 will impact the global economic conditions and thus how sales will develop over the coming two years. Given the Group's solid financial position, the Group will nevertheless be able to make aggressive investments in growth. Still, there is a risk that the sales growth will be lower than anticipated due to the COVID-19 outbreak.

The Group's plan is to continue the sales expansion of ORGANOWOOD® timber on the existing markets in Sweden, Finland, Norway and Denmark in 2020, but with a strong focus on the German market. In the Green surface coatings & maintenance products business unit, the goal for 2020 is to continue to grow on the Swedish market but also to promote exports to the other Nordic markets. For the OrganoTex® Textile waterproofing product family, the focus will be an international expansion in Norway, Finland, Germany and the alpine countries. In the Biocomposites business unit, the focus will be on increased deliveries of Organo-Comp® for burial coffins and sound-absorbing acoustic panels to the Nordic market and on continued product development in new application areas. The Group will also expand the delivery of OC-BioBinder™ to our existing nonwoven customers, and continue our projects with nonwoven manufacturers to develop new applications. The Group considers that continued improvements of the product mix will help improve the gross margin additionally and that internal production efficiencies will contribute to small increases of the Group's fixed operating costs. All in all, the goal is that these improvements will result a continuous improvement of the result during the next two years.

## ANNUAL GENERAL MEETING

The Annual General Meeting is the highest decision-making body of the Company and shall, according to the Articles of Association, be held annually and within six months after the end of the financial year. All shareholders registered in the share register five working days before the AGM are entitled to participate. Shareholders wishing to attend a General Meeting shall notify the Company no later than on the day specified in the notice convening the meeting. Notices convening a General Meeting shall be published in "Post- och Inrikes Tidningar" and on the website of the company. The fact that notice has been given shall be published in "Dagens Industri". The Annual General Meeting for the financial year 2018 was held on 16 May 2019. The AGM passed the following resolutions:

» It was resolved to adopt the income statement and statement of financial position, and that the accumulated result was brought forward and balanced in the new accounts according with the Board's proposal set forth in the annual report.

» It was resolved to approve discharge from personal liability for the members of the Board of Directors and the CEO for their administration during the financial year.

» It was resolved to pay an annual fee of SEK 400,000 to the Chairman of the Board and an annual fee of SEK 100,000 to the other ordinary members of the Board.

» It was resolved that the Auditors' fee's would be paid in accordance with current approved invoicing.

» Armando Córdova, Claes-Göran Beckeman and Håkan Gustavson were re-elected as board members until the next AGM. Jan Johansson was re-elected as Chairman of the Board.

» It was resolved to re-elect Deloitte AB as auditors, with authorized public accountant Therese Kjellberg as auditor in charge.

» It was resolved to adopt the nomination procedure and election of nomination committee for the Annual General Meeting 2020.

» It was resolved to authorize the Board of Directors during the period until the next Annual General Meeting, on one or more occasions, to resolve on a new issue of shares, subscription warrants, or convertible bonds with or without deviation from the shareholders' preferential rights to be paid in cash, in kind or by right of set-off.

## NOMINATION COMMITTEE

The Nomination Committee is elected by the Annual General Meeting, and has the following duties:

» To review the composition of the Board of Directors and its work.

» To prepare a proposal to the AGM for the election of the Board of Directors and the Chairman of the Board, and for the board fees.

» To prepare a proposal to the AGM, when applicable, regarding auditor and audit fee.

» To prepare a proposal to the AGM, when applicable, regarding the criteria for the election of the Nomination Committee.

The Annual General Meeting on 16 May 2019 resolved that the nomination committee shall consist of four people: one representative from each of the three major owners as of the final business day in August 2019 respectively, and the Chairman of the Board.

## CERTIFIED ADVISER

OrganoClick has since 1 October 2019 Mangold Fondkommission AB as Certified Adviser on Nasdaq First North Growth Market. Contact information; Telephone: +468-503 01 550, Email: ca@mangold.se. Until October 1, 2019, Erik Penser Bank was the company's Certified Adviser. Contact information; Telephone: +468-463 83 00, Email: certifiedadviser@penser.se.

## AUDITORS

The Annual General Meeting 2019 resolved to re-elect the registered audit firm Deloitte AB as auditors, with authorized public accountant Therese Kjellberg as auditor in charge.

## DIVIDEND AND PROPOSED APPROPRIATION OF PROFITS

The Board of Directors and the Chief Executive Officer propose that no dividends be paid for the financial year 2019-01-01 to 2019-12-31.

At the disposition of the AGM, the following profits in the Parent Company are reported, (SEK):

| | |
|---|---|
| Share premium reserve | 243,763,775 |
| Retained earnings | -116,154,259 |
| Profit/loss for the year | -19,686,647 |
| **Total** | **107,922,869** |

The Board of Directors and the CEO propose that the above amounts be disposed of as follows:

| | |
|---|---|
| Surplus carried forward to new account | 107,922,869 |
| **Total** | **107,922,869** |

The financial result and position of the Group and the Parent Company in general is set out in the accounts below. Amounts are stated in kSEK unless specified otherwise. Numbers within parentheses refer to the preceding year. The income statement and statement of financial position will be submitted for adoption by the Annual General Meeting on 7 May 2020.

# FINANCIAL DEVELOPMENT IN SUMMARY, THE GROUP

SEK 000s

| Consolidated income statement | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| **Net sales** | **85,480** | **78,395** | **74,682** | **38,847** | **30,462** |
| **Operating profit/loss** | **-15,131** | **-17,822** | **-23,456** | **-29,041** | **-20,793** |
| Net financial items | -3,680 | -1,721 | -1,792 | -470 | -912 |
| Profit/loss before tax | -18,811 | -19,543 | -25,248 | -29,510 | -21,705 |
| **Profit/loss for the year** | **-18,356** | **-19,476** | **-25,327** | **-29,644** | **-21,765** |
| *Profit/loss for the year attributable to:* | | | | | |
| Shareholders´ of Parent Company | -20,391 | -20,245 | -27,574 | -29,208 | -19,960 |
| Non-controlling interests | 2,035 | 769 | 2,247 | -436 | -1,806 |
| | | | | | |
| Other comprehensive income | -1 | -12 | -13 | -59 | 113 |
| **Comprehensive income for the year** | **-18,358** | **-19,488** | **-25,340** | **-29,703** | **-21,652** |
| *Comprehensive income for the year attributable to:* | | | | | |
| Shareholders´ of Parent Company | -20,392 | -20,253 | -27,582 | -29,243 | -19,892 |
| Non-controlling interests | 2,034 | 764 | 2,242 | -460 | -1,760 |

| Consolidated statement of financial position | 2019-12-31 | 2018-12-31 | 2017-12-31 | 2016-12-31 | 2015-12-31 |
|---|---|---|---|---|---|
| Intangible fixed assets | 35,393 | 32,950 | 31,305 | 28,439 | 8,600 |
| Property, plant and equipment | 42,419 | 20,673 | 22,504 | 21,219 | 15,238 |
| Other non-current assets | 4,227 | 3,490 | 3,311 | 3,340 | 380 |
| **Total non-current assets** | **82,040** | **57,113** | **57,121** | **52,998** | **24,146** |
| Current assets | 30,009 | 24,869 | 22,392 | 18,163 | 17,818 |
| Cash and cash equivalents | 61,150 | 6,122 | 22,265 | 10,040 | 40,349 |
| **Total current assets** | **91,159** | **30,991** | **44,657** | **28,203** | **58,167** |
| **Total assets** | **173,199** | **88,103** | **101,778** | **81,201** | **82,313** |
| Equity attributable to shareholders´ of Parent Company | 77,730 | 12,092 | 32,344 | 21,971 | 42,341 |
| Non-controlling interests | 24,741 | 22,706 | 21,942 | 19,700 | 17,140 |
| **Total equity** | **102,470** | **34,798** | **54,286** | **41,671** | **59,481** |
| Non-current liabilities | 23,997 | 15,120 | 15,010 | 11,535 | 4,857 |
| Current liabilities | 46,751 | 38,185 | 32,481 | 27,995 | 17,975 |
| **Total equity and liabilities** | **173,199** | **88,103** | **101,778** | **81,201** | **82,313** |

| Consolidated cash flow statement | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Cash flow from operating activities | -11,013 | -18,970 | -22,556 | -15,549 | -24,416 |
| Cash flow from investing activities | -7,007 | -4,588 | -8,136 | -24,398 | -11,442 |
| Cash flow from financing activities | 73,048 | 7,414 | 42,917 | 9,637 | 72,924 |
| **Cash flow for the year** | **55,028** | **-16,143** | **12,225** | **-30,309** | **37,066** |

## KEY FIGURES, THE GROUP[1,2]

| SEK 000s | 2019 | 2018 | 2017 |
|---|---|---|---|
| Net sales | 85,480 | 78,395 | 74,682 |
| Revenue growth, % | 9.0 | 5.0 | 92.2 |
| Gross profit | 17,763 | 15,748 | 11,211 |
| Gross margin, %[1] | 20.8 | 20.1 | 15.0 |
| EBIT | -15,131 | -17,822 | -23,456 |
| EBIT, % | -17.7 | -22.7 | -31.4 |
| EBITDA | -3,117 | -11,358 | -17,593 |
| EBITDA, adjusted | -8,851 | -11,358 | -17,593 |
| Profit/loss for the period | -18,356 | -19,476 | -25,327 |
| Profit margin, % | -21.5 | -24.8 | -33.9 |
| | | | |
| Equity ratio, % | 59.2 | 39.5 | 53.3 |
| Quick ratio, % | 162.6 | 43.3 | 105.3 |
| Net debt/equity ratio,% | -5.8 | 98.7 | 16.2 |
| Net debt/equity ratio, adjusted % | -29.4 | 98.7 | 16.2 |
| Return on shareholders´ equity, % | neg. | neg. | neg. |
| Return on capital employed,% | neg. | neg. | neg. |
| | | | |
| Average number of employees | 35 | 38 | 37 |
| | | | |
| Average number of shares before and after dilution[3] | 79,927,844 | 75,761,668 | 70,180,309 |
| Number of shares issued at end of period | 92,112,789 | 74,465,731 | 74,465,731 |
| Turnover per share before and after dilution SEK | 1.07 | 1.03 | 1.06 |
| Earnings per share before and after dilution SEK[3] | -0.26 | -0.27 | -0.39 |
| Shareholders equity per share before and after dilution SEK | 0.84 | 0.16 | 0.43 |

1. As the Group transitioned to accounting according to the functional income statement in 2018, the calculation of gross profit and gross margin differs from previous years since the gross profit now also contains fixed production costs. The 2017 figures are recalculated but not figures for previous years, which is why the multi-annual overview only contains the years 2017-2019.

2. For definitions and reconciliation of alternative performance measures, see pages 91-94.

3. Average number of shares and earnings per share have been adjusted due to a bonus issue factor in a directed share issue 2019.

# FINANCIAL INFORMATION

## CONSOLIDATED INCOME STATEMENT

| SEK 000s | Note | 2019 | 2018 |
|---|---|---|---|
| Net sales | 6 | 85,480 | 78,395 |
| Cost of goods sold | 9, 10, 11 | -67,717 | -62,646 |
| **Gross profit** | | **17,763** | **15,748** |
| Selling expenses | 9, 10, 11 | -18,915 | -19,932 |
| Administrative expenses | 8, 9, 10, 11 | -10,572 | -11,152 |
| Research and development costs | 9, 10, 11 | -4,295 | -3,374 |
| Other operating income | 12 | 889 | 888 |
| **Operating profit/loss** | | **-15,131** | **-17,822** |
| Financial income | 13 | 29 | 13 |
| Financial expenses | 13 | -3,709 | -1,735 |
| **Net financial items** | | **-3,680** | **-1,721** |
| **Profit/loss before tax** | | **-18,811** | **-19,543** |
| Income tax | 14 | 455 | 67 |
| **Profit/loss for the year** | | **-18,356** | **-19,476** |
| **Profit/loss for the year attributable to:** | | | |
| Shareholders´ of Parent Company | | -20,391 | -20,245 |
| Non-controlling interests | | 2,035 | 769 |
| Earnings per share before and after dilution SEK | 15 | -0.26 | -0.27 |
| Average number of shares before and after dilution[1] | | 79,927,844 | 75,761,668 |

1) Earnings per share have been adjusted due to a bonus issue factor in a directed share issue 2019.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| SEK 000s | 2019 | 2018 |
|---|---|---|
| **Profit/loss for the year** | **-18,356** | **-19,476** |
| **Other comprehensive income for the year:** | | |
| *Items that can later be reclassified into profit or loss* | | |
| This year's translation differences when translating foreign operations | -1 | -12 |
| **Other comprehensive income for the year, net after tax** | **-1** | **-12** |
| **Comprehensive income for the year** | **-18,358** | **-19,488** |
| **Comprehensive income for the year attributable to:** | | |
| Shareholders´ of Parent Company | -20,392 | -20,253 |
| Non-controlling interests | 2,034 | 764 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| SEK 000s | Note | 2019-12-31 | 2018-12-31 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| *Intangible fixed assets* | 16 | | |
| Capitalized development expenditures | | 12,971 | 11,688 |
| Patents, trademarks | | 5,455 | 4,079 |
| Licences | | 173 | 389 |
| Goodwill | | 16,794 | 16,794 |
| | | 35,393 | 32,950 |
| *Property, plant and equipment* | 17 | | |
| Buildings | | 24,338 | - |
| Improvement expense of other property | | 330 | 196 |
| Machinery | | 13,250 | 15,475 |
| Equipment, tools, fixtures and fittings | | 4,085 | 4,837 |
| Ongoing new facilities | | 416 | 165 |
| | | 42,419 | 20,673 |
| *Other non-current assets* | | | |
| Other long-term receivables | | 3,440 | 3,221 |
| Deferred tax assets | 14 | 787 | 269 |
| **Total non-current assets** | | **82,040** | **57,113** |
| **Current Assets** | | | |
| Inventories | 19 | 15,121 | 14,452 |
| Trade receivables | 20 | 12,099 | 6,982 |
| Income tax receivables | | 468 | 374 |
| Other receivables | | 1,033 | 509 |
| Prepaid expenses and accrued income | 21 | 1,289 | 2,551 |
| Cash and cash equivalents | 22 | 61,150 | 6,122 |
| **Total current assets** | | **91,159** | **30,991** |
| **TOTAL ASSETS** | | **173,199** | **88,103** |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT.)

| SEK 000s | Note | 2019-12-31 | 2018-12-31 |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | | 921 | 745 |
| Other contributed capital | | 243,764 | 157,910 |
| Reserves | | 36 | 37 |
| Accumulated loss including profit/loss for the year | | -166,991 | -146,600 |
| **Equity attributable to shareholders´ of Parent Company** | 23 | **77,730** | **12,092** |
| Non-controlling interests | 24 | 24,741 | 22,706 |
| **Total equity** | | **102,470** | **34,798** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings from credit institutions | 25 | 3,352 | 10,995 |
| Lease liabilities | | 20,340 | 3,903 |
| Deferred tax liabilities | 14 | 285 | 222 |
| **Total non-current liabilities** | | **23,977** | **15,120** |
| **Current liabilities** | | | |
| Liabilities to credit institutions | 25 | 16,133 | 15,399 |
| Lease liabilities | | 7,516 | 1,991 |
| Trade payables | | 5,988 | 4,793 |
| Income tax liabilities | | 75 | 258 |
| Other liabilities | 26 | 9,568 | 9,157 |
| Accrued expenses and deferred income | 27 | 7,471 | 6,588 |
| **Total current liabilities** | | **46,751** | **38,185** |
| **TOTAL EQUITY AND LIABILITIES** | | **173,199** | **88,103** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to shareholders´ of Parent Company | | | | | | |
|---|---|---|---|---|---|---|---|
| SEK 000s | **Share capital** | **Other contributed capital** | **Reserves** | **Accumulated loss** | **Total** | **Non-controlling interests** | **Total equity** |
| **Equity at 1 January 2018** | **745** | **157,910** | **44** | **-126,354** | **32,344** | **21,942** | **54,286** |
| ***Comprehensive income*** | | | | | | | |
| Profit/loss for the year | - | - | - | -20,245 | -20,245 | 769 | -19,476 |
| ***Other comprehensive income*** | | | | | | | |
| Translation differences | - | - | -7 | - | -7 | -5 | -12 |
| **Total comprehensive income** | **-** | **-** | **-7** | **-20,245** | **-20,253** | **764** | **-19,488** |
| ***Shareholder transactions*** | | | | | | | |
| **Total shareholder transactions** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Equity at 31 December 2018** | **745** | **157,910** | **37** | **-146,600** | **12,092** | **22,706** | **34,798** |
| **Equity at 1 January 2019** | **745** | **157,910** | **37** | **-146,600** | **12,092** | **22,706** | **34,798** |
| ***Comprehensive income*** | | | | | | | |
| Profit/loss for the year | - | - | - | -20,391 | -20,391 | 2,035 | -18,356 |
| ***Other comprehensive income*** | | | | | | | |
| Translation differences | - | - | -1 | - | -1 | 0 | -1 |
| **Total comprehensive income** | **-** | **-** | **-1** | **-20,391** | **-20,392** | **2,034** | **-18,358** |
| ***Shareholder transactions*** | | | | | | | |
| New share isssue | 176 | 85,854 | - | - | 86,030 | - | 86,030 |
| **Total shareholder transactions** | **176** | **85,854** | **-** | **-** | **86,030** | **-** | **86,030** |
| **Equity at 31 December 2019** | **921** | **243,764** | **36** | **-166,991** | **77,730** | **24,741** | **102,470** |

# CONSOLIDATED CASH FLOW STATEMENT

| SEK 000s | Note | 2019 | 2018 |
|---|---|---|---|
| **Cash flow from operating activites** | | | |
| Operating profit/loss | | -15,131 | -17,822 |
| Adjustment for non-cash items | 29 | 12,225 | 6,647 |
| Interest received | | 29 | 13 |
| Interest paid | | -3,709 | -1,735 |
| Income tax paid | | -276 | -47 |
| **Cash flow from operating activities before changes in working capital** | | **-6,862** | **-12,943** |
| **Changes in working capital** | | | |
| Changes in inventories and work in progress | | -668 | -4,000 |
| Changes in trade receivables | | -5,117 | 293 |
| Changes in other operating receivables | | -440 | 1,408 |
| Changes in trade payables | | 1,195 | -2,988 |
| Changes in other operating liabilities | | 880 | -738 |
| **Cash flow from changes in working capital** | | **-4,151** | **-6,026** |
| **Cash flow from operating activities** | | **-11,013** | **-18,970** |
| **Cash flow from investing activities** | | | |
| Investments in intangible assets | 16 | -5,973 | -4,566 |
| Investments in property, pland and equipment | 17 | -1,034 | -22 |
| **Cash flow from investing activities** | | **-7,007** | **-4,588** |
| **Cash flow from financing activities** | 30 | | |
| New share issue | | 90,000 | - |
| Share issue expenses | | -3,970 | - |
| Net change bank overdraft facility | | 4,259 | 1,382 |
| Net change invoice factoring debt | | 3,414 | 558 |
| Depositions | | -219 | -81 |
| Borrowings | | 10,000 | 13,750 |
| Repayment of debt | | -20,063 | -3,667 |
| Amortization of debt | | -10,374 | -4,528 |
| **Cash flow from financing activities** | | **73,048** | **7,414** |
| **Cash flow for the year** | | **55,028** | **-16,143** |
| Cash and cash equivalents at beginning of year | 22 | 6,122 | 22,265 |
| Cash and cash equivalents at end of year | 22 | 61,150 | 6,122 |
| **Change in cash and cash equivalents** | | **55,028** | **-16,143** |

# PARENT COMPANY INCOME STATEMENT

| SEK 000s | Not | 2019 | 2018 |
|---|---|---|---|
| Net sales | 6, 7 | 26,515 | 18,130 |
| Cost of goods sold | 9, 10, 11 | -30,078 | -19,830 |
| **Gross profit** | | **-3,563** | **-1,700** |
| Selling expenses | 9, 10, 11 | -3,557 | -3,590 |
| Administrative expenses | 8, 9, 10, 11 | -7,816 | -8,091 |
| Research and development costs | 9, 10, 11 | -4,305 | -3,420 |
| Other operating income | 12 | 242 | 306 |
| **Operating profit/loss** | | **-18,999** | **-16,495** |
| Interest income and similar items | 13 | 322 | 13 |
| Interest expenses and similar items | 13 | -1,010 | -556 |
| **Net financial items** | | **-688** | **-543** |
| **Profit/loss before tax** | | **-19,687** | **-17,038** |
| Income tax | 14 | - | - |
| **Profit/loss for the year** | | **-19,687** | **-17,038** |

# STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY

| SEK 000s | 2019 | 2018 |
|---|---|---|
| **Profit/loss for the year** | **-19,687** | **-17,038** |
| Other comprehensive income for the year: | - | - |
| **Comprehensive income for the year** | **-19,687** | **-17,038** |

# PARENT COMPANY BALANCE SHEET

| SEK 000s | Note | 2019-12-31 | 2018-12-31 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| *Intangible fixed assets* | 16 | | |
| Capitalized development expenditures | | 9,659 | 8,838 |
| Patents, trademarks | | 4,837 | 3,826 |
| Licences | | 68 | 133 |
| | | 14,565 | 12,797 |
| *Property, plant and equipment* | 17 | | |
| Improvement expenses of other property | | 330 | 196 |
| Machinery | | 8,704 | 9,998 |
| Equipment, tools, fixtures and fittings | | 2,860 | 3,061 |
| Ongoing new facilities | | 416 | 165 |
| | | 12,311 | 13,419 |
| *Financial assets* | | | |
| Shares in group companies | 18 | 30,610 | 30,610 |
| Due from group companies | | 1,651 | 1,651 |
| | | 32,261 | 32,261 |
| **Total non-current assets** | | **59,137** | **58,477** |
| **Current assets** | | | |
| Raw materials, supplies and finished inventories | 19 | 7,258 | 7,471 |
| | | 7,258 | 7,471 |
| **Short-term receivables** | | | |
| Trade receivables | 20 | 615 | 861 |
| Due from group companies | | 3,623 | 2,160 |
| Income tax receivables | | 248 | 292 |
| Other receivables | | 841 | 525 |
| Prepaid expenses and accrued income | 21 | 1,892 | 1,996 |
| | | 7,219 | 5,834 |
| Cash and cash equivalents | 22 | 56,136 | 1,577 |
| **Total current assets** | | **70,613** | **14,883** |
| **TOTAL ASSETS** | | **129,750** | **73,360** |

# PARENT COMPANY BALANCE SHEET (CONT.)

| SEK 000s | Note | 2019-12-31 | 2018-12-31 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Restricted equity** | | | |
| Share capital | | 921 | 745 |
| Fund for development expenditures | | 5,029 | 4,207 |
| **Total restricted equity** | | **5,950** | **4,952** |
| **Non-restricted equity** | | | |
| Share premium reserve | | 243,764 | 157,910 |
| Retained earnings | | -116,154 | -98,295 |
| Profit/loss for the year | | -19,687 | -17,038 |
| **Total non-restricted equity** | 23 | **107,923** | **42,577** |
| **Total Equity** | | **113,873** | **47,529** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Liabilities to credit institutions | 25 | 1,770 | 7,300 |
| Liabilities to group companies | | 4,710 | 4,710 |
| **Total non-current liabilities** | | **6,480** | **12,010** |
| **Current liabilities** | | | |
| Liabilities to credit institutions | 25 | 1,780 | 6,030 |
| Trade payables | | 2,738 | 2,616 |
| Tax liabilities | | - | 116 |
| Liabilities to group companies | | 26 | 682 |
| Other short-term liabilities | 26 | 1,021 | 457 |
| Accrued expenses and deferred income | 27 | 3,832 | 3,919 |
| **Total current liabilities** | | **9,397** | **13,821** |
| **TOTAL EQUITY AND LIABILITIES** | | **129,750** | **73,360** |

# PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

| SEK 000s | Share capital | Fund for development expenditures | Share premium reserve | Retained earnings | Profit/ loss for the year | Total equity |
|---|---|---|---|---|---|---|
| **Equity at 1 January 2018** | **745** | **3,163** | **157,910** | **-76,044** | **-21,207** | **64,567** |
| Capitalized development expenditures | - | 1,045 | - | -1,045 | | 0 |
| Transfer of previous year's result | - | - | - | -21,207 | 21,207 | 0 |
| Profit/loss for the year | - | - | - | - | -17,038 | -17,038 |
| **Equity at 31 December 2018** | **745** | **4,207** | **157,910** | **-98,295** | **-17,038** | **47,529** |
| | | | | | | |
| **Equity at 1 January 2019** | **745** | **4,207** | **157,910** | **-98,295** | **-17,038** | **47,529** |
| New share isssue | 176 | - | 89,824 | - | - | 90,000 |
| Share issue expenses | - | - | -3,970 | - | - | -3,970 |
| Capitalized development expenditures | - | 821 | - | -821 | - | 0 |
| Transfer of previous year's result | - | - | - | -17,038 | 17,038 | 0 |
| Profit/loss for the year | - | - | - | - | -19,687 | -19,687 |
| **Equity at 31 December 2019** | **921** | **5,029** | **243,764** | **-116,154** | **-19,687** | **113,873** |

# PARENT COMPANY CASH FLOW STATEMENT

| SEK 000s | Note | 2019 | 2018 |
|---|---|---|---|
| **Cash flow from operating activites** | | | |
| Operating profit/loss | | -18,999 | -16,495 |
| Adjustment for non-cash items | 29 | 4,763 | 4,327 |
| Interest received | | 322 | 13 |
| Interest paid | | -1,010 | -556 |
| Income tax paid | | -72 | -155 |
| **Cash flow from operating activities before changes in working capital** | | **-14,996** | **-12,866** |
| **Changes in working capital** | | | |
| Changes in inventories and work in progress | | 214 | -2,592 |
| Changes in trade receivables | | 246 | 17 |
| Changes in other operating receivables | | 576 | 436 |
| Changes in trade payables | | 122 | -749 |
| Changes in other operating liabilities | | -180 | -130 |
| **Cash flow from changes in working capital** | | **978** | **-3,019** |
| **Cash flow from operating activities** | | **-14,018** | **-15,885** |
| **Cash flow from investing activities** | | | |
| Investments in intangible assets | 16 | -4,389 | -3,539 |
| Investments in property, pland and equipment | 17 | -1,034 | -28 |
| **Cash flow from investing activities** | | **-5,423** | **-3,567** |
| **Cash flow from financing activities** | 30 | | |
| New share issue | | 90,000 | - |
| Share issue expenses | | -3,970 | - |
| Borrowings | | 12,000 | 8,000 |
| Repayment of debt | | -19,063 | - |
| Amortization of debt | | -2,718 | -1,780 |
| Loans to group companies | | -2,250 | - |
| Made shareholder contribution | | - | -1,110 |
| **Cash flow from financing activities** | | **74,000** | **5,110** |
| **Cash flow for the year** | | **54,559** | **-14,341** |
| Cash and cash equivalents at beginning of year | 22 | 1,577 | 15,918 |
| Cash and cash equivalents at end of year | 22 | 56,136 | 1,577 |
| **Change in cash and cash equivalents** | | **54,559** | **-14,341** |

# NOTES

## NOTE 1 GENERAL INFORMATION

OrganoClick AB (publ) and its subsidiaries (”the Group” or ”OrganoClick”) is a chemical and materials technology group that develops and manufactures ecologically sustainable fibre-based materials and chemical products. Sales are conducted within the business units Functional wood, Green surface coatings & maintenance products and Biocomposites. The products marketed by OrganoClick include the flame and rot-resistant timber ORGANOWOOD®, the water repellent textile treatment OrganoTex® and the biocomposite material OrganoComp®. The Parent Company, reg.no. 556704-6908, is a public listed company registered in Sweden and seated in Stockholm. The visiting address to the headquarters is Linjalvägen 9, 187 66 Täby, Sweden.

The consolidated financial statements for 2019 covers the Parent Company and its subsidiaries, collectively referred to as ”the Group” or ”OrganoClick”.

On 15 April 2020, this consolidated and annual report was approved by the Board of Directors for publication.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of OrganoClick AB, the Group, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, RFR 1 Supplementary Accounting Rules for Groups, and the Annual Accounts Act.

The most important accounting policies applied by the Group are presented below. These policies have been applied consistently for all presented years unless otherwise specified.

The Parent Company's accounting policies are consistent with the Group's unless otherwise specified. See the separate headline for the Parent Company at the end of these accounting policies.

The preparation of reports in accordance with IFRS requires certain estimates to be made for accounting purposes. The senior management is further required to make certain assessments when the Group's accounting policies are applied. The areas which involve a high degree of judgment, which are complex, or such areas in which assumptions and estimates are of material significance for the consolidated financial statements, are set forth in Note 5.

### Changes in accounting policies and disclosure

*New and revised standards that are applied for the financial year commencing on 1 January 2019 or later*

*IFRS 16 Leases*

IFRS 16 Leases replaces IAS 17 Leases including IFRIC 4 and SIC 27.

The lease model for lessees entails that almost all lease agreements shall be recognized in the balance sheet. The right-of-use (the lease asset) and the liability are valued at the present value of the future lease payments. The right-of-use also includes direct costs attributable to the entering of the lease agreement. Depreciation of right-of-use and interest costs are recognized in the income statement.

Right-of-use is recognized included in the asset items Buildings, Machinery and Inventories in the balance sheet. In subsequent periods, right-of-use is recognized at cost less depreciation and, when applicable, impairment, adjusted for any revaluations of the lease liability.

Lease liabilities are reported separately from other liabilities. In subsequent periods, the liability is recognized at amortized cost deducted with made lease payments. The lease liability is revaluated if the terms are changed for e.g. lease period, residual value guarantees or lease payments.

There is no obligation to report shorter lease contracts (12 months or less) and agreements where the underlying asset has a low value in the balance sheet. These will be reported in the income statement in the same way as previous operational lease agreements.

For lessors, IFRS 16 entails essentially no regulatory changes.

OrganoClick has applied the standard for the first time this financial year, and has chosen to report the transition to the new standard according to the modified retrospective approach. This means that OrganoClick recognizes the cumulative effect of initially applying IFRS 16 as an adjustment of the opening balance on the first day of application, 1 January 2019. The permitted simplification not to establish a comparative year has been applied. The size of the lease liability is valued at the present value of the remaining lease payments using the marginal loan interest rate as of 1 January 2019 and the size of the right-of-use asset has been estimated to correspond to the size of the lease liability at the time of the transition. The Group has adopted the relief rule to apply a single discount rate to a portfolio of similar leases. Other relief rules adopted by the Group include the exemption of short-term leases and leases with a remaining maturity of 12 months or less at the time of transition to IFRS 16, as well as leases where the value of the underlying asset is low (purchase price less than USD 5,000).

The Group's leasing portfolio is limited to about twenty agreements, where the Group has identified agreements, mostly related to properties, with extension clauses. The contract length has been determined through the agreed rental period and by assessing whether the extension clauses will be applied. As all leases relating to premises are relatively newly entered and have a remaining lease period of between two to six years, no extension clauses have been included in the assessment of the contract length. The operating leases that are reported in OrganoClick's balance sheet as a result of IFRS 16 are mainly premises as well as cars and other means of transport. Existing finance leases previously reported in accordance with IAS 17 Leases are reclassified in accordance with IFRS 16 to the amounts they were recognized at as of 31 December 2018.

In conjunction with the transition to IFRS 16, a reclassification was made in the Group's balance sheet: lease liabilities were broken out from the long-term item Liabilities to credit institutions and placed in the new item Lease liabilities, and from the short-term item Liabilities to credit institutions and placed in the new item Lease liabilities. Reclassification was also made on 2018-12-31 in the amounts of kSEK 3,903 for the long-term part and kSEK 1,991 for the short-term part.

OrganoClick has made an assessment of the financial effects of the transition to IFRS 16 Leases. The table below details the effects on assets, liabilities and equity as of 1 January 2019.

Effects on assets, liabilities and equity, as of 1 January 2019

| | Reported balance sheet items January 1, 2019 | Translation to IFRS 16 | Recalculated balance sheet items January 1, 2019 |
|---|---|---|---|
| **Non-current assets** | | | |
| Buildings | - | 28,510 | 28,510 |
| Equipment, tools, fixtures and fittings | 4,837 | 483 | 5,320 |
| Other non-current assets | 52,276 | - | 52,276 |
| **Total non-current assets** | **57,113** | **28,993** | **86,106** |
| **Current Assets** | | | |
| Prepaid expenses and accrued income | 2,551 | -1,131 | 1,420 |
| Other current assets | 28,440 | - | 28,440 |
| **Total current assets** | **30,991** | **-1,131** | **29,860** |
| **Total assets** | **88,103** | **27,863** | **115,967** |
| **Equity** | **34,798** | **-** | **34,798** |
| **Non-current liabilities** | | | |
| Lease liabilities | 3,903 | 22,375 | 26,278 |
| Other non-current liabilities | 11,217 | - | 11,217 |
| **Total non-current liabilities** | **15,120** | **22,375** | **37,495** |
| **Current liabilities** | | | |
| Lease liabilities | 1,991 | 5,488 | 7,479 |
| Other current liabilities | 36,195 | - | 36,195 |
| **Total current liabilities** | **38,185** | **5,488** | **43,674** |
| **Total equity and liabilites** | **88,103** | **27,863** | **115,967** |

In terms of profit, operating profit/loss is expected to have a small positive effect, while earnings after net financial items have a small negative effect. This is due to the fact that the Group sits on relatively newly entered leases for premises where interest expenses are initially high. EBITDA improved as a result of higher depreciation. The higher total assets resulting from the increased rights-of-use assets result in a negative effect on the equity ratio and the higher indebtedness has a negative effect on the net debt/equity ratio.

Note 9 Leases contains information about future minimum lease payments for operational leases as of 2018-12-31 according to IAS 17. It amounts to kSEK 30,958. This can be compared with the calculated lease liability according to IFRS 16, which amounts to SEK 27,863. The table below presents the reconciliation at the date of transition between operational leases according to IAS 17 and recognized lease liability according to IFRS 16.

Reconciliation disclosure of operating leases in accordance with IAS 17 and reported lease liability in accordance with IFRS 16

| | |
|---|---|
| Commitments for operating leases as of December 31, 2018 | 30,958 |
| Financial lease liabilities as of December 31, 2018 | 5,893 |
| Short-term leasing contracts (departs when expensed) | -36 |
| Low value leasing contracts (departs when expensed) | -91 |
| Discounting effects | -2,968 |
| Reported lease liabilites balance sheet January 1, 2019 | 33,756 |

The weighted average marginal borrowing rate was 3.44%.

*New standards and interpretations*

At the time of preparation of the consolidated accounts as of 31 December 2019, the Group's accounts are not affected by any new or modified standards or interpretations that have not yet entered into force.

## Consolidated accounts

*Subsidiaries*

Subsidiaries are such companies in which the Group holds a controlling interest. The Group holds a controlling interest in a company when it influences the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In the consolidated accounts, the subsidiaries are included from the day the Group assumes a controlling interest until the day this condition has ceased to apply.

The Group's acquisitions of subsidiaries are recognized according to the purchase method. The acquisition value is calculated at the total fair value at the time of acquisition of assets paid, issued equity instruments and accrued and assumed liabilities. Identifiable acquired assets and assumed and contingent liabilities in a business acquisition are initially measured at fair value on the acquisition date, irrespective of the extent of any non-controlling interest. The amount by which the purchase price exceeds the fair value of the Group's share of identifiable acquired assets and assumed and contingent liabilities is recognized as goodwill. If the acquisition value is less than the fair value of the assets, liabilities and contingent liabilities of the acquired subsidiary, the difference is recognized directly in the income statement.

Intra-group transactions, balance sheet items and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated, but any losses are regarded as an indication of possible impairment. Where appropriate, the accounting policies for subsidiaries have been changed to ensure consistent application of the Group's principles.

## Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the highest executive decision maker.

The Group's business units utilise common resources in terms of sales, production, research and development and administration, which is why a division of the company's costs is only possible by allocating the costs. The same applies to the Group's assets and liabilities. The Group management does not consider that allocation of profit and loss and balance sheet items contributes to a more accurate picture of the business and therefore follows up the outcome for the group as a whole. The Group has thus identified one operating segment.

The follow-up of the Group's net sales is done for the business units Functional wood, Green surface coatings & maintenance products and Biocomposites and Other. The outcome per business unit consists of a combination of net sales of goods and services sold from different parts of the Group's operations, which, however, do not consist of separate income statements and balance sheets.

### Translation of foreign currency

*Functional currency and reporting currency*

Items presented in the financial statements for the various units in the Group are valued in the currency which is used in the economic environment in which the relevant company primarily operates (functional currency). In the consolidated financial statements, the Swedish krona (SEK) is used; this is the Parent Company's functional currency and reporting currency.

*Transactions and balance sheet items*

Transactions in foreign currency are translated to the functional currency in accordance with the exchange rates applicable on the transaction date. Exchange rate gains and losses which arise in conjunction with payments of such transactions and in conjunction with translation of monetary assets and liabilities in foreign currency at the exchange rate on the balance sheet date are recognized in the income statement.

Exchange rate gains and losses related to lending, borrowing, cash and cash equivalents are recognized in the income statement as financial income and expenses.

*Group companies*

The results and financial position of all Group companies (of which none has a high inflation currency as their functional currency) which have a functional currency other than the reporting currency are translated to the Group's reporting currency as follows:

a. assets and liabilities for each of the balance sheets are translated using the exchange rate at the balance sheet date;

b. revenue and expenses for each of the income statements are translated using the average exchange rate (provided that this average exchange rate is a reasonable approximation of the accumulated effect of the exchange rates applicable on the dates of the transactions, otherwise revenue and expenses are translated using the exchange rate at the dates of the transactions), and

c. all exchange rate differences that arise are recognized in other comprehensive income. Goodwill and adjustments of fair value which arise upon the acquisition of a foreign business are treated as assets and liabilities of such business and translated using the exchange rate at the balance sheet date. Exchange rate differences are recognized in other comprehensive income.

### Property, plant and equipment

All property, plant and equipment are recognized at acquisition value less accumulated depreciation, and, when applicable, accumulated impairment. The acquisition value includes expenses directly related to the acquisition of the asset.

Additional expenses are added to the carrying amount of the asset or recognized as a separate asset, whichever is most appropriate, only where it is likely that the future economic benefits associated with the asset will flow to the Group and the asset's acquisition value can be measured in a reliable manner. The carrying amount of the replaced part is derecognized from the balance sheet. All other forms of repairs and maintenance are recognized as expenses in the income statement during the period in which they are incurred.
In order to allocate their acquisition value down to the estimated residual value over the estimated useful life, property, plant and equipment are depreciated on a straight-line basis as follows:

Computers 3 years
Equipment 3-10 years
Machinery 3-10 years

The residual value and useful life of the assets are assessed on each balance sheet date and adjusted as required. The carrying amount of an asset is immediately written down to its recoverable value if the carrying amount is higher than the assessed recoverable value.

Gains or losses from divestments are established through a comparison between the sales revenue and the carrying amount, and are recognized in other operating income or other operating expenses in the income statement.

### Intangible assets

*Patents*

Acquired patents are recognized at acquisition value. Patents have a determinable useful life and are recognized at acquisition value less accumulated amortization. Amortization is performed on a straight-line basis in order to allocate the cost of the patents over their estimated useful life. The useful life of a patent is assessed individually for each one, and the useful lives are currently set to between five and ten years. The assessment is based on the fact that the company is in an expansionary phase where existing products are under continuous improvement and development. The product groups that are patented are replaced by new models with an interval of between five and ten years, and new patent applications are prepared for these products. General costs for consultation and market intelligence are expensed as incurred.

*Capitalized product development expenses*

Research expenses are recognized when incurred. Development expenses are recognized as assets as of the date when the project or activity to which they belong are considered to fulfil the capitalization criteria. Only when it is likely that the intangible asset will generate future economic benefits that will be available to the company, and when the acquisition value can be reliably calculated, the asset is capitalized. The company applies project accounts to manage this efficiently; this entails that all research and development expenditure is allocated to projects.

The Group distinguishes between four different project stages, which form the basis for the internal separation and categorization of the active projects:

1. Research projects - general search för new knowledge, with unpredictable outcome.

2. Feasibility studies - projects aiming to test a new concept to find out if it can be turned into products.

3. Development projects - projects arising from a decision to commence development of a product following the positive result of a feasibility study. Classification as a development project requires an assessment that a significant opportunity exists to develop a product that is technically and economically viable and thus will generate future financial benefits.
4. Process development projects - projects aiming to scale up a successful development project to production scale. This may entail the construction of machinery or the adaptation of products for large-scale manufacturing.

Projects in project phases 1 and 2 are expensed while projects in project phases 3 and 4 are recognized as assets.

Capitalized development expenditure comprises direct costs for material and services as well as personnel costs, with a fair share of indirect costs added. Development expenditure recognized as an asset is amortized over the estimated useful life of the asset. Amortization is initiated when the asset is ready for use, that is, at the respective market introduction of each product. Capitalized assets that are not yet ready for use are tested for impairment annually. Previously expensed development expenditure is not recognized as an asset in the subsequent period.

**Impairment of non-financial fixed assets**

Assets with an undetermined useful life are not depreciated. Instead, an annual assessment is conducted to ascertain the need for impairment. Tangible fixed assets and depreciable intangible assets are tested for impairment as soon as events or new circumstances give indication that the carrying amount may not be recoverable. The asset's value is written down by the amount by which the carrying amount exceeds the recoverable value.

The recoverable value is the higher of fair value less selling expenses and value in use. When testing for impairment, assets are grouped on the lowest level where there are separate identifiable cash flows (cash-generating units). Previously written down tangible and intangible fixed assets are tested on each balance sheet day for reversal of impairment losses.

**Financial instruments**

*Classification and valuation*

Financial assets are classified according to the business model in which they are managed, and to their cash flow characteristics. A financial asset that is held within the framework of a business model whose objective is to collect contractual cash flows, and the agreed terms for the financial asset which, at specified times, generate cash flows consisting only of payments of capital sums, and interest on the outstanding capital sum, is recognized at amortized cost. This business model is categorised as a 'hold to collect' business model. Financial assets are recognized with deductions for expected credit losses.

For liquid assets, trade receivables and other short-term receivables, the Group's business model is 'hold to collect', which means that the assets are recognized at amortized cost. As the expected term of trade receivables is short, the value is approximated to the nominal amount without discounting. Liquid assets include cash funds and bank balances, and other short-term liquid investments that can be easily converted into cash and are subject to a negligible risk of changes in value. In order to be classified as liquid assets, the term may not exceed three months from the date of purchase. As bank funds are payable on demand, the amortized cost corresponds to the nominal sum. In cash and cash equivalents, the Group includes only cash and available balances with banks.

A financial liability is classified to fair value through the income statement if it is a contingent consideration within the scope of IFRS 3 Business combinations, a holding for trading or if it is initially identified as a liability at fair value through the income statement. Other financial liabilities are classified to amortized cost. Trade payables are valued at amortized cost.

The expected term of trade payables is, however, short, and hence the liability is recognized at a nominal sum without discounting. Interest-bearing bank loans, overdraft credits and other loans are valued at amortized cost using the effective interest method. Any differences between the loan sum received (net of transaction costs) and repayment or amortization of loans are recognized over the term of the loans.

*Amortized costand effective interest method*

Amortised cost of a financial asset is the sum at which the financial asset is valued at the initial recognition date minus the capital sum, plus the accumulated depreciation using the effective interest method of any difference between that capital sum and the outstanding capital sum, adjusted for any impairments. The recognized gross value of a financial asset is the amortized cost of a financial asset before adjustments for any loss allowance. Financial liabilities are recognized at the amortized cost using the effective interest method or at fair value via the income statement.

The effective interest rate is the interest rate that, when discounting all future expected cash flows over the expected term, results in the initially recognized value of the financial asset or financial liability.

*The fair value of financial instruments*

The fair values of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and liabilities traded on an active market is determined by reference to the quoted market price.

The fair value of other financial assets and liabilities is determined according to generally accepted valuation models, such as discounting future cash flows and the use of information obtained from current market transactions.

For all financial assets and liabilities, the carrying amount is deemed to be a good approximation of its fair value, unless otherwise stated.

*Offset of financial assets and liabilities*

Financial assets and liabilities are offset and recognized with a net amount in the balance sheet when there is a legal right to offset, and when the intention is to settle the entries with a net amount or to simultaneously realize the asset and settle the debt.

*Impairments*

The Group reports a loss allowance for expected credit losses on financial assets that are valued at amortized cost. At each balance sheet date, the change in expected credit losses is recognized in the results.

The Group values expected credit losses by evaluating a range of possible outcomes, money's time value and reasonable verifiable data, current conditions and forecasts for future financial conditions. For trade receivables, there are simplifications that mean that the Group shall directly report expected credit losses for the asset's remaining term. For all other financial assets, the Group values the loss allowance at an amount corresponding to 12 months expected credit losses. For financial instruments where there has been a significant increase in credit risk since the first recognition date, an allowance based on credit losses for the entire term of the asset is recognized.

The Group's exposure to credit risk is primarily attributable to liquid assets and trade receivables. The Group notes that a credit risk attributable to liquid assets does exist, but deems this to be insignificant. The simplified model is used to calculate the credit losses on the Group's trade receivables. When expected credit losses are calculated, trade receivables are grouped based on business unit and geographic market. The expected credit losses on trade receivables are calculated using a commission matrix that is based on past events, current conditions and forecasts for future financial conditions, and the time value of the money if applicable.

Impairment of trade receivables is recognized in operational expenses.

The Group defines default as those cases where it is unlikely that the counterparty will meet its commitments, which is evidenced by signs of financial difficulties such as missed payments. Regardless, an asset is in default if the payment is more than 90 days late. The Group writes off a receivable when the assessment is that no reasonable additional opportunities for cash flows are available.

### Inventories

Inventories are recognized at lower of the acquisition value and net realizable value. The acquisition value is determined using calculated prices. The acquisition value of finished goods and work in progress consists of raw materials. Loan expenses are not included. The net realizable value is the estimated sales price in operating activities, less estimated cost of preparation and estimated costs necessary for achieving a sale.

### Trade receivables

Trade receivables are recognized at amortized cost. As the expected term of trade receivables is short, the value is approximated to the nominal amount without discounting.

### Cash and cash equivalents

Cash and cash equivalents include cash resources, bank balances and other current liquid investments with a term of less than three months from the date of acquisition. Cash and cash equivalents are recognized at amortized cost.

### Share capital

Ordinary shares are classified as equity. Transaction expenses directly attributable to issuance of new shares are recognized, net after taxes, in equity as a deduction from the issue proceeds.

### Trade payables

Trade payables are initially recognized at fair value and thereafter at amortized cost applying the effective interest rate method. The carrying amount of trade payables is presumed to correspond to its fair value, since this item is short-term by nature.

### Current and deferred tax

The tax cost for the period comprises current and deferred tax. Tax is recognized in the income statement, unless the tax is attributable to items that are reported in other comprehensive income or directly in equity. In such events, related tax effects are also recognized in other comprehensive income or in equity, respectively.

Current taxes are calculated using the tax rules and tax rates that on the balance sheet date are decided upon or announced and which in all likelihood will be adopted in the respective countries where the Parent Company and its subsidiaries are active and generate taxable income. The management is continuously assessing the claims made in tax returns regarding situations where applicable tax rules are subject to interpretation. When deemed appropriate, provisions are made for amounts that likely will have to be paid to the tax authority.

Deferred tax is recognized for temporary differences that arise between the tax value of an asset or a liability and the respective book value in the consolidated accounts. Deferred tax is not recognized when it arises from a transaction which constitutes the initial recognition of an asset or liability which is not a business combination and which, at the time of the transaction, does not affect neither the book nor the tax value. Deferred tax is calculated using the tax rates (and rules) that are decided upon or announced on the balance sheet date and in all likelihood will apply at the time when the deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are set off when a legally enforceable right of set-off for current tax assets and liabilities exists and when the deferred tax assets and liabilities arise from taxes levied by the same taxation authority and relate either to the same taxable entity or to different tax entitites which intend to settle current tax liabilities and assets on a net basis.

### Remuneration to employees

Remuneration to employees in the form of salary, bonuses, paid annual leave, compensated absences, etc., and pensions are recognized as they are earned.

#### *Pension obligations*

The Group companies have only defined contribution pension plans. In respect of defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans pursuant to mandatory or contractual obligations or on a voluntary basis. The Group has no further payment obligations when the contributions are paid. The contributions are recognized as personnel expenses when they fall due for payment. Prepaid contributions are recognized as an asset to the extent the Group may benefit from cash repayments or a reduction in future payments.

#### *Compensation upon termination of employment*

Compensation upon termination of employment is paid when an employee's employment is terminated by the Group prior to the normal retirement date or when an employee accepts voluntary severance in exchange for such compensation. The Group recognizes severance compensation when the Group is demonstrably obligated either to terminate an employee pursuant to a detailed formal plan without the possibility of recall, or to provide compensation upon termination as a result of an offer made to encourage voluntary severance. Benefits payable more than 12 months after the balance sheet date are discounted to present value.

*Profit-sharing and bonus plans*

In cases where bonus payments have been resolved, the Group recognizes a liability and a cost for the bonus. The Group recognizes provisions when there is a legal or informal obligation to do so.

**Provisions**

Provisions are recognized when the Group has a legal or informal obligation as a consequence of earlier events, it is likely that an outflow of resources will be required to settle the obligation, and the amount can be calculated in a reliable manner. The provisions are valued at the present value of the amounts that are expected to be required to settle the obligation. The valuation uses a discount rate before tax that reflects a current market assessment of the time-dependent value of money and the risks associated with the provision. The increase in provisions arising from the passage of time is recognized as interest expense.

The Group currently does not recognize provisions, but as sales grow and complaints become known and measurable, the assessment regarding warranty commitments may be taken into account.

**Revenue recognition**

The recognition of revenue is based on when the control of the product or service is transferred to the customer. The Group recognizes revenue to illustrate the transfer of promised goods and services to customers with an amount which reflects the compensation that the Group is expected to be entitled to in exchange for these goods and services according to the following five-step model:

Step 1: Identify the contract
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the prices to the performance obligations
Step 5: Recognize revenue as performance obligations are met by the company

*Sale of goods*

The Group's revenue is generated by the sale of goods to other companies and the product range consists of proprietary products. The performance obligation is to deliver the goods ordered by customers. The revenue is recognized when the control of the promised goods is transferred to the customer. The goods are considered to be transferred when the customer has assumed control of the goods in accordance with the terms of delivery. The revenue is recognized on a net basis less value added tax, returns and discounts.

*Sale of services*

The Group's revenue from the sale of services relates to the sale of research and development services. The performance obligation is to conduct the development stipulated in the contract. Since no control of the service is transferred to the customer over time, the revenue is recognized only when the service is fully performed and the development ordered by the customer has been achieved, which coincides with the transfer of control to the customer. The revenue is thus not recognized over time.

*Sale of equipment and services*

Revenue from the sale of equipment and services relates to project work that combines the delivery of equipment and services in the development of new customized products. The Group cooperates with suppliers to develop the equipment and the revenue is recognized at the time the finished equipment, and thus the control, is provided to the customer.

*Government grants*

Government grants to conduct research and development projects are recognized at fair value when there is reasonable certainty that the grant will be received and that the conditions associated with the aid will be satisfied. Government grants relating to costs are recognized in the income statement. The income is recognized in the same periods as the costs which the grant is intended to cover. In cases where a government grant is related to a development project which is capitalized as an asset, the government grant reduces the acquisition value of the asset. The government grant affects the reported result over the useful life of the asset by way of a reduced depreciation charge.

*Interest income*

Interest income is recognized as revenue over the corresponding term using the effective interest method. When a receivable has decreased in value, the Group writes down the carrying amount to the recoverable value, which comprises the estimated future cash flow discounted using the instrument's original effective interest rate, and then continues to dissolve the discounting effect as an interest income.

**Leasing**

*Accounting policies 2019 according to IFRS 16*

The lease model for lessees entails that almost all lease agreements shall be recognized in the balance sheet. The right-of-use (the lease asset) and the liability are valued at the present value of the future lease payments. The right-of-use also includes direct costs attributable to the entering of the lease agreement. Depreciation of right-of-use and interest costs are recognized in the income statement.

Right-of-use is recognized included in the asset items Buildings, Machinery and Inventories in the balance sheet. In subsequent periods, right-of-use is recognized at cost less depreciation and, when applicable, impairment, adjusted for any revaluations of the lease liability.

Lease liabilities are reported separately from other liabilities. In subsequent periods, the liability is recognized at amortized cost reduced by leasing payments made. The lease liability is revaluated if the terms are changed for e.g. lease period, residual value guarantees or lease payments.

There is no obligation to report shorter lease contracts (12 months or less) and agreements where the underlying asset has a low value in the balance sheet. These are recognized as an expense in the operating profit/loss on a straight-line basis over the lease period.

If the lease transfers ownership of the underlying asset to the Group at the end of the lease period, or if the acquisition value of the right-of-use reflects that the Group will exercise an option to buy, the Group depreciates the right-of-use from the start date to the end of the underlying asset's useful life. Otherwise, the Group depreciates the right-of-use from the start date to the end of the useful life or the end of the lease period, whichever occurs first.

*Accounting policies 2018 in accordance with IAS 17*

Leases where a substantial part of the risks and benefits of ownership are retained by the lessor are classified as operational leasing. Payments made during the lease period (after deduction of any incentive from the lessor) are expensed in the income statement on a straight-line basis over the lease period.

The Group leases certain tangible fixed assets. Leases of fixed assets where the Group essentially holds the financial risks and benefits associated with ownership are classified as financial leasing. At the beginning of the lease period, financial leasing is recognized in the balance sheet at the lower of the fair value of the leasing object and the present value of the minimum lease payments. Each lease payment is divided between debt amortization and financial expenses. Corresponding payment obligations, after deduction of financial costs, are included in the balance sheet entries 'Lease debt', non-current and current'. The interest portion of the financial costs is recognized in the income statement distributed over the lease period, so that each accounting period is charged with an amount corresponding to a fixed interest rate for the liability reported during each period. Fixed assets held under financial leases are amortized over the shorter period of the asset's useful life and the leasing period, unless it can be reasonably established that the ownership will be transferred to the Group at the end of the lease period. In cases where it can be reasonably established that ownership will be transferred to the Group at the end of the lease period, the asset is depreciated during the expected useful life.

## Contingent liabilities

A contingent liability is recognized when there is a possible obligation arising from occurred events and whose occurrence is confirmed only by one or more uncertain future events, or when there is an obligation that is not recognized as a liability or provision as it is unlikely that an outflow of resources will be required.

## The Parent Company's accounting policies

The Parent Company's annual accounts are prepared in accordance with the Swedish Annual Accounts Act (1995:1554) as well as the Swedish Financial Reporting Board's recommendations RFR 2 Accounting for Legal Entities. RFR 2 entails that the Parent Company's annual report for the legal entity shall apply all IFRSs and statements approved by the EU, insofar as possible within the scope of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act, and taking into consideration the connection between accounting and taxation. The recommendation states which exceptions and supplements are to be made compared with accounting pursuant to IFRS.

## Changes in accounting policies and disclosure

*New and revised standards that are applied for the financial year commencing on 1 January 2019 or later*

*IFRS 16 Leases*

Due to the connection between accounting and taxation, the rules in IFRS 16 do not have to be applied to a legal entity. Those companies that choose to apply the exemption are instead subject to rules which cover the principles that shall be applied to the reporting of lease agreements by lessees and lessors, the reporting of sale and lease back transactions, and disclosure requirements. Changes to RFR 2 regarding IFRS 16 shall be applied as of the financial year which begins on 1 January 2019.

The Parent Company applies the exemption from the application of IFRS 16. The changes have not entailed any differences in the Parent Company's accounting and have thus not impacted the financial accounts.

*New standards and interpretations not yet applied*
At the time of preparation of the Parent Company's annual accounts as of 31 December 2019, the Parent Company's accounts are not affected by any new or modified standards or interpretations that have not yet entered into force.

## Accounting policies of the Parent Company

The accounting policies applied by the Parent Company differs from the accounting policies of the Group in the following respects:

*Presentation of income statement and balance sheet*

The Parent Company complies with the form for presentation of income statements and balance sheets as set forth in the Swedish Annual Accounts Act. This entails, among other things, a different presentation regarding equity. Aside from this, the income statement and balance sheet are presented in the same way as for the Group. Some terms in the income statement differs between the Group and the Parent Company, which is related to the terminology used in the Annual Accounts Act and the IFRS standards, respectively. When applicable, provisions are presented under a separate heading in the Parent Company.

*Shares in subsidiaries*

Acquisition costs of shares in subsidiaries are capitalized as assets and recognized at cost less impairment. Received dividends are recognized as income when the right to receive the payment has been established. The shares the dividend is attributed to are then tested for impairment. When an indication exists that shares and participations in subsidiaries have decreased in value, the recoverable amount is estimated. If it is lower than the carrying amount, the value is written down. Write-downs are recognized in the item Result from participations in Group companies.

*Financial instruments*

The Parent Company does not apply IFRS 9 but applies RFR 2. Valuation of Financial instruments is based on the acquisition value.

*Capitalized development expenditure/Fund for development expenditure*

The Parent Company capitalizes development expenses. This is linked to restrictions on the possibilities to distribute equity. An amount equal to the capitalized amount must be allocated to a special restricted fund, 'Fund for development expenditure'. The fund for development expenditure shall be decreased in conjunction with depreciation, impairment or disposal.

*Leases*

In the Parent Company, leasing fees are expensed on a straight-line basis over the lease period.

## NOTE 3 CORRECTIONS OF ERRORS IN PREVIOUS PERIODS

A reclassification has been made in the Group's and the Parent Company's cash flow statements in which disposed assets have been moved from investing activities to operating activities and adjustments for non-cash items. The reclassification amounts to kSEK 195.

## NOTE 4 FINANCIAL RISK MANAGEMENT

### Financial risk factors

Through its operations, the Group is exposed to a number of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management policy focuses on contingencies on the financial markets and strives to minimize potentially adverse effects on the Group's financial result.

Risk management is handled by the CEO in consultation with the CFO, in accordance with policies adopted by the Board of Directors. The CEO and CFO identify, evaluate and hedge financial risks in close cooperation with the Group's senior management and operational units.

### a) Market risks

*(i) Currency risks*

*Transaction exposure*

The Group operates internationally and is exposed to currency risks which arise from various currency exposures, primarily to euro (EUR), norwegian krona (NOK) and US dollar (USD). Transaction exposure mostly arises when the Group sells and buys in a foreign currency. Such currency risks consist in part of the risk of fluctuations in the value of receivables and payables, in part of the currency risk arising from expected and contractual payment flows. Since the Group's exposure to foreign currency has been limited in 2018 and 2019, the Group has not included a senstitivity analysis.

*Translation exposure*

The Group has a number of holdings in foreign operations, the net assets of which are exposed to currency risks. Currency risks also arise when the assets and liabilities of foreign subsidiaries are translated to the functional currency of the Parent Company - so-called translation exposure. Since the Group's exposure to foreign currency has been limited in 2018 and 2019, the Group has not included a senstitivity analysis.

*(ii) Interest rate risks with respect to cash flows and fair value*

Since the Group has interest-bearing liabilities, the Group's revenues and cash flows from operating activities are dependent of changes in market interest rates. The Group's interest rate risk arises through long-term borrowing. Borrowing at a variable interest rate exposes the Group to interest rate risks with respect to cash flows which is partially offset by cash balances with variable interest rates. Borrowing at fixed interest rate exposes the Group to interest rate risks with respect to fair value. As of the date of closure of accounts, the Group had 3 (5) borrowings from credit institutions totaling kSEK 5,531 (16,700) as well as an used overdraft facility of kSEK 12,953 (8,694). All of the Group's interest-bearing liabilities to credit institutions are variable-rate, with an average interest rate of 3.8 (4.8) percent. A 1 percentage point increase/decrease of interest rates over the coming 12 months would result in a kSEK 185 (254) increase/decrease of interest costs.

### b) Credit risk

Credit risk is managed on the Group level. Credit risks arise through cash and cash equivalents, balances held with banks and financial institutions, and credit exposure to the Group's customers, including outstanding receivables and agreed transactions. The maximum credit risk exposure consists of the book value of the exposed assets, and amounts to kSEK 86,202 (24,798); increased cash and cash equivalents following the new share issue accounts for the substantial increase from the preceding year.

The risk that the Group's customers fail to meet their obligations, that is, that payment is not received, is a customer credit risk. The Group actively assesses the customer credit risk by defining and reviewing customer categories internally, by continuously considering the customers' financial position and payment patterns, and by demanding payment in advance in case of uncertainty regarding a customer's financial position. The Group applies the simplified model for calculation of credit losses on receivables. When expected credit losses are calculated, trade receivables are grouped based on business unit and geographic market. The expected credit losses on trade receivables are calculated using a commission matrix that is based on past events, current conditions and forecasts for future financial conditions, and the time value of the money if applicable. On the basis of this, an expected credit loss percentage has been calculated, see table below.

| December 31, 2019 | Expected credit loss, % | Trade receivables before loss reservation | Expected credit loss | Trade receivables after loss reservation |
|---|---|---|---|---|
| Not overdue | 0.1% | 8,911 | -9 | 8,902 |
| Overdue 1-30 days | 0.5% | 3,161 | -16 | 3,145 |
| Overdue 31-60 days | 3.0% | 33 | -1 | 32 |
| Overdue 61-120 days | 20.0% | 12 | -2 | 10 |
| Overdue for more than 121 days | 50.0% | 22 | -11 | 11 |
| **Total** | | **12,138** | **-39** | **12,099** |

| December 31, 2018 | Expected credit loss, % | Trade receivables before loss reservation | Expected credit loss | Trade receivables after loss reservation |
|---|---|---|---|---|
| Not overdue | 0.1% | 4,436 | -4 | 4,431 |
| Overdue 1-30 days | 0.5% | 2,475 | -12 | 2,462 |
| Overdue 31-60 days | 3.0% | 74 | -2 | 72 |
| Overdue 61-120 days | 20.0% | 7 | -1 | 5 |
| Overdue for more than 121 days | 50.0% | 24 | -12 | 12 |
| **Total** | | **7,015** | **-33** | **6,982** |

The Group deems the customer credit risk to be low, and the credit reserve amounts to an insignificant amount. The low credit loss reservation is explained by the fact that the Group is heavily exposed to the Swedish market where the Group currently deems credit risk to be low, at the same time as the majority of the customers are large and established companies in the construction and paint trade which the Group considers to reduce the credit risk. As of the date of closure of accounts, 95 (95) percent of the Group's trade receivables are Swedish companies, 3 (4) percent companies in other Nordic countries, and 1 (2) percent companies in the rest of Europe and Asia. The Group continuously examines the expected credit loss percentage and adjusts it when there are indications that it will not meet expectations moving forward.

The table below sets out the change in the loss reserve with regard to trade receivables.

| Change in loss reserve relating to trade receivables | |
|---|---|
| **Opening balance 2018-01-01** | **0** |
| Reversed | - |
| New trade receivables | -33 |
| **Closing balance 2018-12-31** | **-33** |
| **Opening balance 2019-01-01** | **-33** |
| Reversed | 33 |
| New trade receivables | -39 |
| **Closing balance 2019-12-31** | **-39** |

### c) Liquidity risk

The Group's liquidity risk consists of the possibility of the Group lacking cash and equivalents for the payment of its obligations. As per 31 December 2019, the Group had cash and cash equivalents of kSEK 61,150 (6,122) as well as a utilized bank overdraft facility of kSEK 12,953 (8,694). The Group has a non-utilized bank overdraft facility of kSEK 47 (306) and a non-utilized revolving credit of kSEK 9,000 (1,000). The kSEK 9,000 revolving credit was terminated in the beginning of 2020.

The maturity analysis below shows the Group's liquidity risk with regard to financial liabilities (including interest payments) broken down by time remaining to contractual maturity.

**Maturity analysis, Group**

| 2019 | 1-3 months | 3-12 months | 1-3 years | 3-5 years | 5-8 years |
|---|---|---|---|---|---|
| Bank overdraft facility | 13,059 | - | - | - | - |
| Liabilities to credit institutions | 850 | 2,444 | 2,500 | - | - |
| Invoice factoring debt | 7,834 | - | - | - | - |
| Lease liabilities | 1,881 | 5,644 | 11,895 | 8,755 | 2,084 |
| Trade receivables | 5,988 | - | - | 0 | - |
| Other liabilities | - | - | - | - | - |
| **Total** | **29,612** | **8,089** | **14,396** | **8,755** | **2,084** |

| 2018 | 1-3 months | 3-12 months | 1-3 years | 3-5 years | 5-8 years |
|---|---|---|---|---|---|
| Bank overdraft facility | 8,776 | - | - | - | - |
| Liabilities to credit institutions | 814 | 7,437 | 8,486 | 1,459 | - |
| Invoice factoring debt | 4,420 | - | - | - | - |
| Lease liabilities | 545 | 1,636 | 3,318 | 785 | - |
| Trade receivables | 4,793 | - | - | - | - |
| Other liabilities | 3,000 | 750 | - | - | - |
| **Total** | **22,349** | **9,823** | **11,805** | **2,244** | **-** |

The Group is not exposed to any significant liquidity risk due to lease liabilities. The lease liabilities are followed up within the Group's finance function.

### Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to reduce the cost of capital. The Group's equity includes non-controlling interests. The Group's equity ratio amounted to 59 (40) percent on 31 December 2019. The Parent Company's equity ratio was 88 (65) percent.

### Fair value

All financial assets are classified as financial assets valued at amortized cost and all financial liabilities are classified as financial liabilities valued at amortized cost.

Measurement to fair value comprises a valuation hierarchy regarding the data on which the valuation is based: This hierarchy is divided into three levels as below:

Level 1: Listed prices (unadjusted) on active markets for identical instruments.
Level 2: Other observable data than those listed prices included in Level 1
Level 3: Data for assets or liabilities which is not based on observable market data.

All of the financial assets and liabilities of the Group are classified in Level 2. No transfers have occurred between levels in the fair value hierarchy, neither durring the current nor the preceding financial year.

For non-interest-bearing asset and liability items, such as trade receivables and trade payables where the remaining life is less than six months, the carrying amount is considered to correspond to fair value. The fair value of liabilities to credit institutions essentially corresponds to the carrying amount.

The Group does not apply net accounting for any of its assets or liabilities.

| Financial assets and liabilities by valuation category<br>2019-12-31 | Financial assets valued at amortized costs (Hold to collect) | Financial liabilities valued at amortized costs (Hold to collect) | Ohter | Carrying amount |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Other non-current assets | 3,440 | - | - | 3,440 |
| Trade receivables | 12,099 | - | - | 12,099 |
| Other receivables | 76 | - | 957 | 1,033 |
| Prepaid expenses and accrued income | 1,289 | - | - | 1,289 |
| Cash and cash equivalents | 61,150 | - | - | 61,150 |
| | **18,994** | **-** | **957** | **79,011** |
| **Financial liabilities** | | | | |
| Borrowings, non-current | - | 2,352 | - | 2,352 |
| Lease liabilities, non-current | - | 20,340 | - | 20,340 |
| Other non-current liabilities | - | 1,000 | - | 1,000 |
| Liabilities to credit institutions | - | 16,133 | - | 16,133 |
| Lease liabilities | - | 7,516 | - | 7,516 |
| Trade payables | - | 5,988 | - | 5,988 |
| Other liabilities | - | 8,230 | 1,338 | 9,568 |
| Accrued expenses and deferred income | - | 7,471 | - | 7,471 |
| | **-** | **69,030** | **1,338** | **70,368** |
| **2018-12-31** | | | | |
| **Financial assets** | | | | |
| Other non-current assets | 3,221 | - | - | 3,221 |
| Trade receivables | 6,982 | - | - | 6,982 |
| Other receivables | 118 | - | 391 | 509 |
| Prepaid expenses and accrued income | 2,551 | - | - | 2,551 |
| Cash and cash equivalents | 6,122 | - | - | 6,122 |
| | **18,994** | **-** | **391** | **19,385** |
| **Financial liabilities** | | | | |
| Borrowings, non-current | - | 9,995 | - | 9,995 |
| Lease liabilities, non-current | - | 3,903 | - | 3,903 |
| Other non-current liabilities | - | 1,000 | - | 1,000 |
| Liabilities to credit institutions | - | 15,399 | - | 15,399 |
| Lease liabilities | - | 1,991 | - | 1,991 |
| Trade payables | - | 4,793 | - | 4,793 |
| Other liabilities | - | 8,202 | 955 | 9,157 |
| Accrued expenses and deferred income | - | 6,588 | - | 6,588 |
| | - | 51,870 | 955 | 52,825 |

Net gains and losses arising from financial assets and liabilities are set forth in the table below, broken down by valuation category in accordance with IFRS 9.

| 2019 | Financial assets valued at amortized costs (Hold to collect) | Financial liabilities valued at amortized costs (Hold to collect) | Other[1] | Carrying amount |
|---|---|---|---|---|
| **Net financial items** | | | | |
| Interest income | 29 | - | - | 29 |
| Interest expenses | - | -3,709 | - | -3,709 |
| | **29** | **-3,709** | **-** | **-3,680** |
| **2018** | | | | |
| **Net financial items** | | | | |
| Interest income | 13 | - | - | 13 |
| Interest expenses | - | -1,735 | - | -1,735 |
| | **13** | **-1,735** | **-** | **-1,721** |

## NOTE 5 ACCOUNTING ESTIMATES

Estimates and judgments are evaluated regularly based on historical experience and other factors, including expectations of future events which may be deemed reasonable under prevailing circumstances.

### Important estimates and assessments for accounting purposes

The Group makes estimates and assessments of the future. The estimates for accounting purposes that these result in will, by definition, rarely correspond to the actual outcome. The estimates and judgments which entail a significant risk of material adjustments in the carrying amounts of assets and liabilities during the following financial year are outlined below.

*Intangible assets - capitalization of development expenditure*

The Group conducts extensive development activities. An intangible asset that arises from development, or in the development phase of an internal project, is recognized as an asset in the balance sheet only if the Group can demonstrate that all of the criteria in IAS 38:57 have been met. There are three main criteria that are analyzed in order to assess historical expenditure and whether it meets the criteria for capitalization, 1) the probability of future economic benefits, 2) whether financing had been arranged at the time when the expense was incurred, and 3) whether the expenses attributable to the development of the product can be reliably calculated.

As of 2019-12-31, the Group's capitalized development expenditures amounted to kSEK 12,971 (11,688). A review of each development project has been carried out, where the management has considered expected future cash flows for the products developed within each project. Based on this, any impairment needs are assessed. The review led to the close-down and disposal of two development projects, with a book value of kSEK 198. The management's assessment is that there is no further need for impairment loss. For detailed definitions relating to the Group's principles for capitalization of development expenditure, see Note 2.

*Valuation of patents and trademarks*

The Group's extensive development activities lead to major investments in patents, in particular. These are capitalized as assets in the balance sheet. As of the balance sheet date, the Group's patents amounted to kSEK 5,133 (3,773) and trademarks to kSEK 322 (305). A review of all patents has been carried out, where the management has considered expected future cash flows for the products protected by the patents. The management's assessment is that no need exists for impairment loss.

*Valuation of goodwill*

The Group has a goodwill item of kSEK 16,794 (16,794) which comes from the acquisition of Biokleen Miljökemi AB. The Company management has conducted an impairment test with discounted future cash flows, and the outcome of this justifies the goodwill item's size. No need exists for impairment loss.

*Valuation of leases*

The Group's rights-of-use for leases amounted to kSEK 29,936 at year-end. Machinery has been tested for impairment with discounted future cash flows, and the outcome justifies the amounts of the rights-of-use. Assumptions regarding the estimated lease period are significant in the valuation of the amount of a lease liability. The Group has three lease agreements for properties that contain extension clauses, none of which have been taken into account in the estimation of the duration of lease periods. This is due to the fact that it either has been established that the Group will not use the extension clause or that it on the date of closure of accounts is impossible to determine with any degree of certainty whether the Group will use the option, either because the remaining lease period is long or because of uncertainty regarding the future needs as operations are growing rapidly.

*Valuation of inventories*

At the end of the period, the Group has inventories valued at kSEK 15,121 (14,452). The Company management estimates that existing inventories will be used in sales during 2020.

*Valuation of loss carryforwards*

Every year, the Group examines the possibility of capitalizing new deferred tax assets arising from the carryforward of unused tax losses for the year, if appropriate. Deferred tax assets are only recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Since the Group is not yet showing a profit against which the unused tax losses can be utilized, the Group's assessment is that the unused tax losses shall not be capitalized. As of 31 December 2019, the Group had tax losses to carry forward in the amount of kSEK 167,223 (149,529), which were not taken into account in the calculation of deferred tax assets.

## NOTE 6 OPERATING SEGMENTS AND BREAKDOWN OF REVENUE

Operating segments are reported in a manner consistent with the internal reporting provided to the highest executive decision maker.

The Group's business units utilise common resources in terms of sales, production, research and development and administration, which is why a division of the Group's costs is only possible by allocating the costs. The same applies to the Group's assets and liabilities. The Group management does not consider that allocation of profit and loss and balance sheet items contributes to a more accurate picture of the business and therefore follows up the outcome for the group as a whole. The Group has thus identified one operating segment.

The follow-up of the Group's net sales is done for the business units Functional wood, Green surface coatings & maintenance products and Biocomposites and Other. The outcome per business unit consists of a combination of net sales of goods and services sold from different parts of the Group's operations, which, however, do not consist of separate income statements and balance sheets.

| | Group | | Parent Company | |
|---|---|---|---|---|
| **Net sales per business unit** | **2019** | **2018** | **2019** | **2018** |
| Functional Wood | 58,696 | 54,759 | - | - |
| Green surface coatings & maintenance products | 24,475 | 21,923 | 1,930 | 876 |
| Biocomposites | 1,201 | 190 | 1,201 | 190 |
| Other | 1,107 | 1,523 | 1,024 | 1,523 |
| *Transactions between group companies*[1] | - | - | *22,359* | *15,541* |
| **Total** | **85,480** | **78,395** | **26,515** | **18,130** |
| **Net sales per geographic market** | | | | |
| Sweden | 76,193 | 68,971 | 2,922 | 2,181 |
| Other Nordics | 7,834 | 8,602 | 370 | 72 |
| The rest of Europe | 375 | 814 | 29 | 329 |
| Asia | 1,034 | 8 | 792 | 8 |
| North America | 43 | - | 43 | - |
| *Transactions between group companies*[1] | - | - | *22,359* | *15,541* |
| **Total** | **85,480** | **78,395** | **26,515** | **18,130** |
| **Net revenue by revenue type** | | | | |
| Products | 85,255 | 77,042 | 4,016 | 1,237 |
| Equipment and services | 95 | 1,071 | 95 | 1,071 |
| Services | 129 | 281 | 44 | 281 |
| *Transactions between group companies*[1] | - | - | *22,359* | *15,541* |
| **Total** | **85,480** | **78,395** | **26,515** | **18,130** |

1) The transactions between the group companies take place at prices at arm's length.

Product sales consist of sales of products within the Group's various business units, that is ORGANOWOOD® timber, BIOkleen® cleaning and maintenance products, OrganoTex® Textile Waterproofing, OrganoComp® biocomposites and binders for nonwoven, where revenue is reported at the time the control of the products is transferred to the customer, generally upon delivery.

The sale of equipment and services includes short-term project work that combines the delivery of equipment and services in the development of new customised products. Revenue is recognized at the time the equipment is provided to the customer.

Sales of services refer to various forms of development services that are recognized as revenue only when OrganoClick has delivered the development that the customer has ordered.

All sales are reported at a specific time, no revenue is recognized over time.

## NOTE 7 TRANSACTIONS BETWEEN GROUP COMPANIES

Of the Parent Company's invoicing, kSEK 22,359 (15,541), corresponding to 84 (86) percent, relates to subsidiaries. No invoicing by subsidiaries to the Parent Company has occurred. The transactions between the group companies take place at prices at arm's length.

## NOTE 8 REMUNERATION AND PAYMENT OF EXPENSES TO THE AUDITORS

| | Group | | Parent Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Deloitte AB | | | | |
| Audit engagements[1] | 397 | 374 | 216 | 173 |
| Audit business in addition to audit engagements | 70 | 65 | 70 | 65 |
| Tax consultancy services | - | - | - | - |
| Other services | - | - | - | - |
| **Total** | **467** | **439** | **286** | **238** |

1) Audit engagements refer to the statutory audit of the annual and consolidated accounts and the administration of the Company's affairs by the Board of Directors and the Managing Director, as well as other statutory and contractual audits and examinations.

This further includes other tasks which are for the Company's auditor to perform, and consultation and other assistance in response to observations made during the aforementioned performance of audits, examinations and other tasks.

## NOTE 9 LEASING

The following information presents leasing for 2019 in accordance with IFRS 16, and for 2018 in accordance with IAS 17. The Parent Company has not been affected by the transition to IFRS 16 and accounting for its leasing agreements is presented for both years.

The Group holds a number of leases for premises, machinery and vehicles. The rights-of-use for these are included in items Buildings, Machinery and Inventories in Note 17: Tangible Fixed Assets.

OrganoClick has three lease agreements for premises. An agreement for the Group's head office, production and laboratory runs for ten years until 2025/10/31. The company has the right to cede all leased properties after five years from the date of access and then reimburse the landlord for the remaining value of his own costs for tenant adaptation. This will not be exploited. The agreement contains an extension clause of 5 years. An agreement for warehousing will run for three years until 2021/09/30 with an extension clause of 3 years. An agreement for Biokleen's former warehouse and offices runs until 2022/09/30 with an extension clause of 5 years.

The Group also has four leasing agreements for production equipment in-house as well as at the premises of OrganoWood's production partner, Bergs Timber AB. The agreements run between 60 and 72 months with residual values of between three and ten per cent.

One agreement expires in 2020, two agreements expire in 2021, and the last expires in 2023.

At the end of 2019, the Group had ten leasing agreements for cars and trucks, running between 24 and 72 months.

**Information presented in accordance with IFRS 16 for the financial year 2019 is shown below**

### Right-of-use assets included as assets in the Group's financial position report

| Group | Buildings | Machinery | Inventory | Total |
|---|---|---|---|---|
| Initial acquisition value as of 1 January 2019 | 28,510 | 7,710 | 2,907 | 39,127 |
| Adjustment of additional rights-of-use | - | - | 485 | 485 |
| Disposals | - | - | -1,570 | -1,570 |
| Index adjustment adjustment | 685 | - | - | 685 |
| As of December 31, 2019 | 29,195 | 7,710 | 1,822 | 38,727 |
| Inbound accumulated depreciation as of January 1, 2019 | 0 | -2,233 | -1,024 | -3,257 |
| This year's depreciations | -4,857 | -932 | -562 | -6,351 |
| Disposals | - | - | 816 | 816 |
| As of December 31, 2019 | -4,857 | -3,165 | -770 | -8,791 |
| **Closing carrying amount at December 31, 2019** | **24,338** | **4,545** | **1,052** | **29,936** |

The Group's average lease period for buildings, machinery and vehicles is 4 years (2018: 4 years).

The Group has an option to buy out all machines for the nominal amount at the end of the lease period. The Group's commitment is secured through the lessor's ownership of underlying assets held under leasing agreements. The Group's lease agreements for buildings contain extension clauses, none of which have been taken into account when valuing the rights of use as of 2019/12/31.

No leases for buildings and machinery expired during the current fiscal year, however, an estimated 40 per cent of vehicle leasing contracts expired during the current fiscal year. An estimated 60 per cent of the expired leases were replaced by new leasing agreements for the underlying assets. This, together with the fact that the new leases do not contain residual value amounts, has resulted in a reduction in utilization rights of SEK -1,085 thousand in 2019.

A maturity analysis of leasing liabilities is presented in Note 4 during the maturity analysis of the Group's financial liabilities linked to liquidity risk.

### Income-affecting leasing agreements, Group

| Amounts recognized in profit or loss | 2019 |
|---|---|
| Depreciation on rights-of-use | -6,351 |
| Interest expenses for lease liabilities | -1,070 |
| Expenses attributable to short-term leasing agreements | -144 |
| Expenses attributable to low value leasing contracts | -63 |
| Expenses attributable to variable leasing fees that are not included in the valuation of the lease liability | -118 |
| Revenue from releasing rights-of-use | 102 |

As of December 31, 2019, the Group has obligations regarding short-term leasing agreements of SEK 0,000.

Variable leasing fees refer to property tax, otherwise the Group's leasing agreements contain no variable fees.

The Group receives revenue from re-leasing part of a premises.

The total cash outflow for leasing agreements amounted to SEK 7,594 thousand.

**The following is information in accordance with IAS 17 for the financial year 2018, and information for the Parent Company in accordance with IFRS 16 for 2019, as these are unchanged.**

### Operational lease and lease agreements

| | Group | Parent Company | |
|---|---|---|---|
| **Expected leasing fees for the year** | **2018** | **2019** | **2018** |
| Minimum lease payments | 5,422 | 5,950 | 4,237 |
| Variable fees[1] | - | - | - |
| **Total** | **5,422** | **5,950** | **4,237** |

1) There are no variable fees in the lease agreements.

The majority of leasing costs relate to leasing of premises. Of the total 2018 leasing costs in the Group, SEK 4,996 thousand, was attributable to rents for premises.

| | Group | Parent Company | |
|---|---|---|---|
| **Non-cancellable lease payments amount to** | **2018** | **2019** | **2018** |
| Within a year | 5,554 | 5,750 | 4,581 |
| Between one year and five years | 19,344 | 18,947 | 17,037 |
| Later than five years | 6,060 | 2,084 | 6,060 |
| **Total** | **30,958** | **26,780** | **27,678** |

### Financial leasing assets recognized as tangible fixed assets consist of:

| Group | 2018 |
|---|---|
| **Input accumulated acquisition values** | **8,523** |
| New acquisitions of the year | 2,206 |
| This year's disposals | -595 |
| **Outbound accumulated acquisition values** | **10,134** |
| | |
| **Inbound accumulated depreciation** | **-2,252** |
| This year's depreciations | -1,280 |
| This year's disposals | 275 |
| **Outgoing accumulated depreciation** | **-3,257** |
| | |
| **Closing carrying amount** | **6,877** |

Agreements classified as finance leases in 2018, related to production equipment and cars.

Leasing fees for financial leasing amounted to SEK 1,614 thousand in 2018.

### The leasing fees for the entered finance leases are due for payment with the following breakdown:

| | Minimum lease fees | Current value |
|---|---|---|
| Group | 2018 | 2018 |
| Within a year | 2,182 | 2,182 |
| Between one year and five years | 4,104 | 4,104 |
| Later than five years | - | - |
| **Total** | **6,286** | **6,286** |

Minimum lease fees consist of payments OrganoClick has to pay to the lessor over the course of the agreement. The estimated minimum lease fee for leased items amounts to the total future lease fees. Minimum lease fees include residual value for all leased assets as they are guaranteed by the companies in the Group. There are no variable fee contracts. The fair value of the Group's leasing obligations corresponds to their carrying amount.

## NOTE 10 EMPLOYEES, PERSONNEL COSTS AND REMUNERATION TO SENIOR EXECUTIVES

### Average number of employees

| | 2019 | | 2018 | |
|---|---|---|---|---|
| Group | Average number of employees | of which are female, % | Average number of employees | of which are female, % |
| Sweden | 35 | 34% | 38 | 30% |
| **Group, total** | **35** | **34%** | **38** | **30%** |

| Parent Company | Average number of employees | of which are female, % | Average number of employees | of which are female, % |
|---|---|---|---|---|
| Sweden | 20 | 36% | 20 | 31% |
| **Parent Company, total** | **20** | **36%** | **20** | **31%** |

### Gender distribution in the Group (including subsidiaries) for Board members and other senior executives

| | 2019 | | 2018 | |
|---|---|---|---|---|
| Group | Number on balance sheet date | of which are female, % | Number on balance sheet date | of which are female, % |
| Board members | 9 | 0% | 10 | 0% |
| CEO and other senior executives | 12 | 42% | 11 | 27% |
| **Group, total** | **21** | **24%** | **21** | **14%** |

| | 2019 | | 2018 | |
|---|---|---|---|---|
| Parent Company | Number on balance sheet date | of which are female, % | Number on balance sheet date | of which are female, % |
| Board members | 4 | 0% | 5 | 0% |
| CEO and other senior executives | 6 | 50% | 6 | 33% |
| **Parent company, total** | **10** | **30%** | **11** | **18%** |

### Salaries, other allowances and social costs

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Board of Directors and CEO | 4,030 | 4,338 | 1,835 | 2,007 |
| Other employees | 16,407 | 17,535 | 9,677 | 9,824 |
| Total wages and other remuneration | 20,437 | 21,873 | 11,512 | 11,831 |
| Social expenses | 8,842 | 9,463 | 4,789 | 4,980 |
| of which are pension costs | 2,519 | 2,962 | 1,387 | 1,568 |

### Remuneration to senior executives, Parent Company

| 2019 | Basic salary, board fees | Pension costs | Total |
|---|---|---|---|
| ***Board Members*** | | | |
| Jan Johansson (chair) | 400 | - | 400 |
| Armando Cordova | 100 | - | 100 |
| Claes-Göran Beckeman | 100 | - | 100 |
| Håkan Gustavson | 100 | - | 100 |
| | | | |
| CEO, Mårten Hellberg | 1,138 | 256 | 1,394 |
| Other senior executives (6) | 3,806 | 561 | 4,367 |
| **Total** | **4,944** | **817** | **5,761** |

## NOTE 10 EMPLOYEES, PERSONNEL COSTS AND REMUNERATION TO SENIOR EXECUTIVES (CONT.)

### Remuneration to senior executives, Parent Company

| 2018 | Basic salary, board fees | Pension costs | Total |
|---|---|---|---|
| ***Board Members*** | | | |
| Jan Johansson (chair) | 400 | - | 400 |
| Armando Cordova | 100 | - | 100 |
| Ashkan Pouya | 100 | - | 100 |
| Claes-Göran Beckeman | 100 | - | 100 |
| Håkan Gustavson | 100 | - | 100 |
| CEO, Mårten Hellberg | 1,218 | 259 | 1,477 |
| Other senior executives (6) | 3,915 | 605 | 4,519 |
| **Total** | **5,133** | **863** | **5,996** |

### Severance pay for senior executives

The CEO's notice period is twelve months, both on termination from the company and on the part of CEO. In the event of termination on the part of the company, or on the part of the CEO in the event of significant breach of contract by the company, the CEO is entitled to severance pay of twelve months' salary. No additional severance pay is payable.

## NOTE 11 DEPRECIATION OF NON-CURRENT ASSETS AND OTHER CHANGES IN VALUE OF NON-CURRENT ASSETS

### Operating profit/loss has been charged with depreciation and write-downs as follows:

| | Group | | Parent Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Capitalized expenditures | 1,229 | 1,203 | 852 | 825 |
| Patents | 1,689 | 1,280 | 1,302 | 993 |
| Software | 298 | 289 | 120 | 120 |
| Buildings | 4,857 | - | - | - |
| Improvement expenses of other property | 39 | 34 | 39 | 34 |
| Machines | 2,517 | 2,269 | 1,585 | 1,448 |
| Fixtures, tools and installations | 1,387 | 1,388 | 620 | 712 |
| **Total depreciation and amortization** | **12,014** | **6,464** | **4,518** | **4,132** |
| *Depreciation has been allocated per function as follows* | | | | |
| Cost of goods sold | 6,112 | 2,713 | 1,652 | 1,673 |
| Selling expenses | 614 | 458 | - | - |
| Administrative expenses | 1,467 | 685 | 418 | 516 |
| Research and development costs | 3,821 | 2,607 | 2,448 | 1,943 |
| **Total depreciation and amortization** | **12,014** | **6,464** | **4,518** | **4,132** |
| *Write-downs* | | | | |
| Intangible fixed assets | - | 87 | - | 87 |
| **Total depreciation and amortization** | **-** | **87** | **-** | **87** |

The increase in depreciation on property, plant and equipment is a direct effect of the implementation of IFRS 16, where previous rental costs on leasing contracts are now reported as depreciation and interest.

## NOTE 12 OTHER OPERATING INCOME

| | Group | | Parent Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Exchange gains on receivables of an operating nature | 142 | 348 | 10 | 9 |
| Commission income | 403 | 243 | - | - |
| Rental income | 102 | - | - | - |
| Government grants received[1] | 232 | 297 | 232 | 297 |
| Profits, sale of fixed assets | 10 | - | - | - |
| **Total** | **889** | **888** | **242** | **306** |

1) The parent company participates in a number of research and development projects part-funded by government grants. The grants are recognized as revenue when costs are incurred that such subsidies are intended to cover.

## NOTE 13 FINANCIAL ITEMS

### Interest income and financial exchange gains

| | Group | | Parent Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Interest income | 29 | 13 | 29 | 13 |
| Interest income on group receivables | - | - | 293 | - |
| **Total** | **29** | **13** | **322** | **13** |

### Interest costs and financial exchange losses

| | Group | | Parent Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Interest expenses | 3,709 | 1,735 | 1,010 | 556 |
| Other debt-related items | - | - | - | - |
| **Total** | **3,709** | **1,735** | **1,010** | **556** |

Higher interest expenses are partly an effect of higher mortgages, but above all a direct effect of the implementation of IFRS 16, where previous rental costs on leasing contracts are now reported as depreciation and interest.

## NOTE 14 TAX

### Reported in income statement

| Reported tax | Group | | Parent Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Current tax for the year | - | - | - | - |
| *Change in deferred tax* | | | | |
| Deferred tax on impaired trade receivables | 8 | - | - | - |
| Deferred tax on internal profits in capitalized development expenses | 307 | - | - | - |
| Deferred tax on internal profits in inventories | 131 | 101 | - | - |
| Deferred tax on leasing | 9 | -34 | - | - |
| **Total** | **455** | **67** | **-** | **-** |

| Reconciliation of effective tax | Group | | Parent Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Reported profit before tax | -18,881 | -19,543 | -19,687 | -17,038 |
| Tax according to the applicable tax rate for the Parent Company (21.4%) | 4,041 | 4,299 | 4,213 | 3,748 |
| *Tax effect of* | | | | |
| Other tax rates for foreign subsidiaries | 0 | 6 | - | - |
| Non-deductible costs | -48 | -54 | -16 | -15 |
| Non-taxable income | 0 | 0 | 0 | 0 |
| Profit from participations in subsidiaries | - | - | - | - |
| Increase in loss carryforwards without corresponding activation of deferred tax | -3,993 | -4,251 | -4,197 | -3,734 |
| **Reported effective tax** | **0** | **0** | **0** | **0** |

***Reported effective tax***

The current tax rate for the Group's income tax amounts to 21.4% (22%).
The current tax rate for Sweden's income tax amounts to 21.4% (22%).
The current tax rate for Norway's income tax amounts to 22% (24%).
The current tax rate for Finland's income tax amounts to 20% (20%).

### Tax loss carryforwards

| Total fiscal deficits | 2019 | 2018 | Period of validity | Tax rate |
|---|---|---|---|---|
| OrganoClick AB | 130,848 | 111,237 | Unlimited | 21,4%[1] |
| OrganoWood AB | 22,024 | 24,007 | Unlimited | 21,4%[1] |
| OrganoWood Finland Oy | 2,587 | 2,523 | 10 years[2] | 20% |
| OrganoWood Norway AS | 4,737 | 4,455 | Unlimited | 22% |
| Biokleen Miljökemi AB | 7,026 | 7,307 | Unlimited | 21,4%[1] |
| **Total** | **167,223** | **149,529** | | |

1) On January 1, 2019, the Swedish corporate tax rate was reduced to 21.4% and from January 1, 2021, it will be further reduced to 20.6%.

2) 10 years from declaration year.

### Reported in the balance sheet

#### Deferred tax assets

| Group | 2019 | 2018 |
|---|---|---|
| Deferred tax on impaired trade receivables | 8 | - |
| Deferred tax on internal profits in capitalized development expenses | 307 | - |
| Deferred tax on internal profits in inventories | 380 | 249 |
| Deferred tax on leasing | 93 | 21 |
| **Total** | **787** | **269** |

#### Deferred tax liability

| Group | 2019 | 2018 |
|---|---|---|
| Deferred tax on leasing | 285 | 222 |
| **Total** | **285** | **222** |

## NOTE 15 EARNINGS PER SHARE

Earnings per share before and after dilution are calculated by dividing the earnings attributable to the Parent Company's shareholders by a weighted average number of shares outstanding during the period.

In 2019, the parent company issued ordinary shares at a price below the market price, which gave rise to a fund issue element, meaning the weighted average number of shares when calculating earnings per share has been adjusted.

| | Group | |
|---|---|---|
| | 2019 | 2018 |
| Profit/loss for the year attributable to Parent Company's shareholders | -20,391 | -20,245 |
| **Total** | **-20,391** | **-20,245** |

| Weighted average number of outstanding ordinary shares (number) | 2019 | 2018 |
|---|---|---|
| As of December 31 | 78,962,105 | 74,465,731 |
| Bonus element | 965,739 | 1,295,927 |
| **Weighted average number of ordinary shares outstanding, taking into account a bonus issue factor** | **79,927,844** | **75,761,658** |

| Earnings per share before and after dilution, Group | 2019 | 2018 |
|---|---|---|
| Profit/loss for the year attributable to Parent Company's shareholders | -20,391 | -20,245 |
| Weighted average number of shares | 79,927,844 | 75,761,658 |
| Earnings per share, SEK | -0.26 | -0.27 |

## NOTE 16 INTANGIBLE FIXED ASSETS

| Group | Capitalized development expenditures | | Patents | | Trademarks | | Licenses | | Goodwill | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Inbound accumulated acquisition values | 13,899 | 11,140 | 10,094 | 8,506 | 305 | 252 | 1,401 | 1,386 | 16,794 | 16,794 | 42,493 | 38,078 |
| New acquisitions | 2,826 | 2,814 | 3,048 | 1,683 | 16 | 53 | 82 | 15 | - | - | 5,973 | 4,566 |
| Disposals | -212 | -55 | - | -95 | - | - | - | - | - | - | -212 | -150 |
| Reclassification | -101 | - | - | - | - | - | - | - | - | - | -101 | - |
| Outbound accumulated acquisition values | 16,411 | 13,899 | 13,143 | 10,094 | 322 | 305 | 1,483 | 1,401 | 16,794 | 16,794 | 48,152 | 42,495 |
| Inbound accumulated depreciation | -2,211 | -1,009 | -6,321 | -5,040 | - | - | -1,012 | -723 | - | - | -9,544 | -6,772 |
| Depreciation for the year according to plan | -1,229 | -1,203 | -1,689 | -1,193 | - | - | -298 | -289 | - | - | -3,216 | -2,685 |
| Write-downs for the year | - | - | - | -87 | - | - | - | - | - | - | - | -87 |
| Outbound accumulated depreciation | -3,440 | -2,211 | -8,010 | -6,321 | - | - | -1,310 | -1,012 | - | - | -12,760 | -9,545 |
| **Closing carrying amount** | **12,971** | **11,688** | **5,133** | **3,773** | **322** | **305** | **173** | **389** | **16,794** | **16,794** | **35,393** | **32,950** |

| Parent Company | Capitalized development expenditures | | Patents | | Trademarks | | Licenses | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Inbound accumulated acquisition values | 10,484 | 8,613 | 8,276 | 6,831 | 305 | 252 | 580 | 558 | 19,645 | 16,256 |
| New acquisitions | 1,986 | 1,925 | 2,330 | 1,539 | 16 | 53 | 56 | 22 | 4,389 | 3,539 |
| Disposals | -212 | -55 | -34 | -95 | - | - | - | - | -246 | -149 |
| Reclassification | -101 | - | - | - | - | - | - | - | -101 | - |
| Outbound accumulated acquisition values | 12,157 | 10,484 | 10,573 | 8,276 | 322 | 305 | 636 | 580 | 23,687 | 19,645 |
| Inbound accumulated depreciation | -1,646 | -820 | -4,755 | -3,761 | - | - | -447 | -327 | -6,847 | -4,908 |
| Depreciation for the year according to plan | -852 | -825 | -1,302 | -906 | - | - | -120 | -120 | -2,274 | -1,851 |
| Write-downs for the year | - | - | - | -87 | - | - | - | - | - | -87 |
| Outbound accumulated depreciation | -2,497 | -1,646 | -6,057 | -4,755 | - | - | -567 | -447 | -9,121 | -6,847 |
| **Closing carrying amount** | **9,659** | **8,838** | **4,516** | **3,521** | **322** | **305** | **68** | **133** | **14,565** | **12,797** |

The Group's research and development expenses amounted to SEK 5,119 (4,940) thousand, which corresponds to 6 (6) per cent of net sales. Of these expenses, SEK 2,512 (2,760) thousand have been capitalized, while the remaining SEK 2,607 (2,181) thousand have been charged to the profit/loss for the year. The Parent Company's expenses for research and development amounted to SEK 4,676 (4,384) thousand. Of these expenses, SEK 1,673 (1,870) thousand has been capitalized, while the remaining SEK 3,003 (2,514) thousand has been charged to profit/loss for the year.

### Information on government support in The Group

The Parent Company participates in a number of research and development projects that are partly financed by grants from Vinnova. Where development projects that receive state aid have been capitalized as development expenditures, state aid reduces the acquisition value of the asset.

### Impairment testing of intangible fixed assets

Impairment testing of intangible fixed assets is carried out annually and when there is an indication that impairment need exists. Testing is based on the smallest cash-generating unit. Company management makes the assessment that there is no need for impairment as of December 31, 2019, as there are market prospects for all products generated by that which intangible assets make a contribution. However, the review led to two development projects, with a book value of SEK 198 thousand, being closed down and scrapped. In the previous year, a patent with reported value of SEK 87 thousand was a write-down.

The Group has a goodwill item following the acquisition of Biokleen Miljökemi AB. An impairment test of goodwill has been made on the basis of an examination of two cash-generating units, the subsidiary Biokleen Miljökemi AB, and the production unit of OrganoClick AB, which manufactures Biokleen's products. The Group has assessed the goodwill item using discounted cash flows for the period

2020-2024, ie: a period of 5 years. The analysis is based on the business budget and forecasts for the next five years. The most important assumptions in the model relate to sales development, and company management has based the assumptions on historical growth in the company, together with the sales volumes in the new agreements signed for 2020 and subsequent years. The model works on an assumed growth rate beyond the forecasted five years of 2 (2) per cent annually, which company management considers reasonable. As a discount rate, a pre-tax WACC of 14.4 (11.9) per cent has been used. The WACC has risen against the previous year as a result of a changed financial position in the Group, with increased equity and reduced liabilities to credit institutions. The impairment test shows that the recoverable amount is higher than the carrying amount, and there is no need for impairment. A reasonably likely change in an important assumption on which company management has based its determination of the unit's recoverable value could mean that the unit's carrying value would exceed its recoverable value.

## NOTE 17 PROPERTY, PLANT AND EQUIPMENT

| | Improvement expense of other property | | Machinery | | Inventory | | Ongoing new facilities | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
| Inbound accumulated acquisition values | 274 | 240 | 13,696 | 14,413 | 9,902 | 9,329 | 165 | 74 | 24,037 | 24,056 |
| New acquisitions | 173 | 34 | 127 | -518 | 318 | 346 | 416 | 165 | 1,034 | 28 |
| Divestments and disposals | - | - | - | -46 | -465 | - | - | - | -465 | -46 |
| Reclassification | - | - | 165 | -153 | 101 | 227 | -165 | -74 | 101 | 0 |
| Outbound accumulated acquisition values | 447 | 274 | 13,988 | 13,696 | 9,856 | 9,902 | 416 | 165 | 24,708 | 24,037 |
| Inbound accumulated depreciation | -79 | -44 | -3,699 | -2,256 | -6,464 | -5,529 | - | - | -10,241 | -7,829 |
| Depreciation for the year according to plan | -39 | -34 | -1,585 | -1,448 | -824 | -930 | - | - | -2,448 | -2,412 |
| This year's disposals | - | - | - | - | 465 | - | - | - | 465 | - |
| Reclassification | - | - | - | 5 | - | -5 | - | - | - | 0 |
| Outbound accumulated depreciation | -117 | -79 | -5,284 | -3,699 | -6,823 | -6,464 | - | - | -12,224 | -10,241 |
| **Closing carrying amount** | **330** | **196** | **8,704** | **9,998** | **3,033** | **3,438** | **416** | **165** | **12,484** | **13,797** |
| Rights-of-use | - | - | 4,545 | 5,477 | 1,052 | 1,399 | - | - | 5,597 | 6,876 |
| **Closing carrying value including rights of use** | **330** | **196** | **13,250** | **15,475** | **4,085** | **4,837** | **416** | **165** | **18,081** | **20,673** |

| | Improvement expense of other property | | Machinery | | Inventory | | Ongoing new facilities | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Parent Company** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
| Inbound accumulated acquisition values | 274 | 240 | 13,696 | 14,413 | 8,149 | 7,575 | 165 | 74 | 22,284 | 22,303 |
| New acquisitions | 173 | 34 | 127 | -518 | 318 | 346 | 416 | 165 | 1,034 | 28 |
| Divestments and disposals | - | - | - | -46 | -465 | - | - | - | -465 | -46 |
| Reclassification | - | - | 165 | -153 | 101 | 227 | -165 | -74 | 101 | 0 |
| Outbound accumulated acquisition values | 447 | 274 | 13,988 | 13,696 | 8,103 | 8,149 | 416 | 165 | 22,954 | 22,284 |
| Inbound accumulated depreciation | -79 | -44 | -3,699 | -2,256 | -5,088 | -4,371 | - | - | -8,866 | -6,672 |
| Depreciation for the year according to plan | -39 | -34 | -1,585 | -1,448 | -620 | -712 | - | - | -2,243 | -2,194 |
| This year's disposals | - | - | - | - | 465 | - | - | - | 465 | - |
| Reclassification | - | - | - | 5 | - | -5 | - | - | - | 0 |
| Outbound accumulated depreciation | -117 | -79 | -5,284 | -3,699 | -5,242 | -5,088 | - | - | -10,643 | -8,866 |
| **Closing carrying amount** | **330** | **196** | **8,704** | **9,998** | **2,860** | **3,061** | **416** | **165** | **12,311** | **13,419** |

For more information on the Group's leasing agreements, see Note 9: Leasing agreements.

## NOTE 18 SHARES IN GROUP COMPANIES

| Parent Company | 2019 | 2018 |
|---|---|---|
| Input accumulated acquisition values | 30,610 | 29,500 |
| Shareholder contribution this year, conditional | - | 1,110 |
| Outbound accumulated acquisition values | 30,610 | 30,610 |
| **Closing carrying amount** | **30,610** | **30,610** |

### Specification of parent company holdings of shares and participations in subsidiaries

| | Biokleen Miljökemi AB | OrganoWood AB | OrganoWood Finland Oy[1] | OrganoWood Norway AS[1] |
|---|---|---|---|---|
| Corp. Identity number | 556663-3078 | 556801-8906 | 2654270-5 | 915 070 574 |
| Seat | Vaggeryd | Stockholm | Pori, Finland | Moss, Norge |
| Number of shares | 1,000 | 1,200,000 | 60 | 60 |
| Share of capital, % | 100 | 54.5 | 54.5 | 54.5 |
| Share of votes, % | 100 | 59.4 | 59.4 | 59.4 |
| Carrying amount | 22,840 | 7,770 | 23 | 33 |
| Equity as of 2019/12/31 | 380 | 3,825 | 54 | 54 |
| Profit/loss 2019 | 244 | 1,654 | -25 | -137 |

1) OrganoWood Finland Oy and OrganoWood Norway AS are indirectly owned subsidiaries. The companies are wholly owned by OrganoWood AB.

## NOTE 19 INVENTORIES

| | Group | | Parent Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Raw materials and consumables | 6,343 | 6,507 | 5,152 | 5,132 |
| Work in progress | 326 | 57 | -79 | 0 |
| Finished goods | 8,451 | 7,888 | 2,185 | 2,340 |
| **Total** | **15,121** | **14,452** | **7,258** | **7,471** |

The Group's inventories are reviewed several times a year and in connection with this, impairment tests are performed. If the impairment test shows that there is a need for impairment, inventory is written down.

## NOTE 20 TRADE RECEIVABLES

| | Group | | Parent Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Trade receivables | 12,099 | 6,982 | 615 | 861 |
| **Total** | **12,099** | **6,982** | **615** | **861** |

Trade receivables are recognized after taking into account customer losses incurred during the year. This totaled SEK 0 (0) thousand in the Group. In the Parent Company, customer losses totaled SEK 0 (0) thousand.

As of December 31, 2019, trade receivables of SEK 3,227 (2,579) thousand were due within the Group. A credit reservation of trade receivables has been made, see Note 4.

### Trade receivables overdue but not written-down

| | Group | | Parent Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Not overdue | 8,902 | 4,431 | 471 | 196 |
| Overdue 1-30 days | 3,145 | 2,462 | 139 | 665 |
| Overdue 31-60 days | 32 | 72 | - | - |
| Overdue 61-120 days | 10 | 5 | 5 | - |
| Overdue for more than 121 days | 11 | 12 | - | - |
| **Total** | **12,099** | **6,982** | **615** | **861** |

## NOTE 21 PREPAID EXPENSES AND ACCRUED INCOME

| | Group | | Parent Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Prepaid rents | 103 | 1,219 | 1,181 | 1,153 |
| Prepaid leasing fees | 174 | 180 | 124 | 114 |
| Prepaid insurance premiums | 219 | 190 | 99 | 107 |
| Accrued grant income | 198 | - | 198 | - |
| Accrued commission income | 78 | - | - | - |
| Accrued insurance payments | - | 445 | - | 445 |
| Other prepaid costs | 518 | 516 | 290 | 177 |
| **Total** | **1,289** | **2,551** | **1,892** | **1,996** |

## NOTE 22 CASH AND CASH EQUIVALENTS

| | Group | | Parent Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Cash and bank balances | 61,150 | 6,122 | 56,136 | 1,577 |
| **Total** | **61,150** | **6,122** | **56,136** | **1,577** |

## NOTE 23 EQUITY

### Group & Parent Company Equity

Reconciliation of the opening and closing balances for the Group's and Parent Company's components in equity is reported in a separate report on changes in equity, following the Group's and Parent Company's balance sheet, respectively.

The Group's equity is calculated by consolidating the equity of the Parent Company and its subsidiaries. In the subsidiary OrganoWood AB there are two types of shares, ordinary shares and preference shares. For conditions regarding the preference shares, see note 24. Preference shares were issued in 2013, which provided an additional MSEK 20 to OrganoWood AB's equity and is owned by 81 minority shareholders. An amount corresponding to a potential redemption price of the preference shares is also regularly allocated to a free fund. As of 2019/12/31, this amount totaled SEK 19,547 (16,992) thousand.

### Description of components in Group equity

*Other contributed capital*

Refers to equity contributed by the owners. This includes premium funds.

*Reserves*

Reserves include all exchange rate differences that arise when translating financial reports from foreign operations that have prepared their financial reports in a currency other than the currency in which the Group's financial reports are presented. The Parent Company and the Group present their financial reports in Swedish kronor.

*Accumulated loss including profit/loss for the year*

Accumulated losses, including profit/loss for the year, include accumulated losses in the Parent Company and its subsidiaries.

## Description of components in Parent Company equity

*Restricted equity*

*Share capital*
The Parent Company's share capital at the beginning of 2019 amounted to SEK 744,657, distributed across 74,465,731 shares with a quotient value of SEK 0.01. In 2019, a directed new share issue of 17,647,058 shares was carried out, which increased the share capital by SEK 176,471. The total share capital at the end of 2019 amounted to SEK 921,128 distributed across 92,112,789 shares.

*Fund for development expenditures*

When the Parent Company activates expenses for its own development work, the corresponding amount must be transferred from non-restricted equity to a fund for development expenditures that constitutes restricted equity.

## Non-restricted equity

*Share premium reserve*

When a share is issued at a premium, that is, for the shares to be paid more than the share's quotient value, an amount corresponding to the amount received in addition to the share's quotient value shall be transferred to the share premium fund.

*Retained earnings*

Consists of the previous year's unrestricted equity, after any dividend was paid. Together with the profit for the year, this represents the sum of non-restricted equity, that is, the amount available for distribution to the shareholders.

**Share capital development**

| Year | Event | Increase in share capital | Total share capital | Increase in total number of shares | Total number of shares | Quotient |
|---|---|---|---|---|---|---|
| 2006 | Bolaget grundas | | 100,000.00 | | 21,859,907 | 0.0046 |
| 2008 | Nyemission | 5,300.00 | 105,300.00 | 53 | 21,859,960 | 0.0048 |
| 2008 | Nyemission | 4,000.00 | 109,300.00 | 40 | 21,860,000 | 0.0050 |
| 2009 | Nyemission | 4,000.00 | 113,300.00 | 800,000 | 22,660,000 | 0.0050 |
| 2010 | Nyemission | 125,000.00 | 238,300.00 | 25,000,000 | 47,660,000 | 0.0050 |
| 2011 | Nyemission | 18,103.43 | 256,403.43 | 3,620,686 | 51,280,686 | 0.0050 |
| 2013 | Nyemission | 17,093.56 | 273,496.99 | 3,418,712 | 54,699,398 | 0.0050 |
| 2013 | Nyemission | 1,695.26 | 275,192.25 | 339,051 | 55,038,449 | 0.0050 |
| 2014 | Fondemission | 275,192.25 | 550,384.50 | 0 | 55,038,449 | 0.0100 |
| 2015 | Nyemission | 110,294.12 | 660,678.62 | 11,029,412 | 66,067,861 | 0.0100 |
| 2015 | Utnyttjande av teckningsoptioner | 10,600.00 | 671,278.62 | 1,060,000 | 67,127,861 | 0.0100 |
| 2016 | Nyemission | 8,232.24 | 679,510.86 | 823,224 | 67,951,085 | 0.0100 |
| 2017 | Nyemission | 5,444.97 | 684,955.83 | 544,497 | 68,495,582 | 0.0100 |
| 2017 | Nyemission | 59,701.49 | 744,657.32 | 5,970,149 | 74,465,731 | 0.0100 |
| 2019 | Nyemission | 176,470.59 | 921,127.91 | 17,647,058 | 92,112,789 | 0.0100 |

### NOT 24 NON-CONTROLLING INTERESTS

In the subsidiary OrganoWood AB there are two types of shares, ordinary shares and preference shares. OrganoClick AB owns 54.5% of the capital and 59.4% of the votes in OrganoWood AB, Kvigos AB owns 35.5% of the capital and 38.6% of the votes and 9.1% of the capital and 1.0% of the votes are owned by 81 preference shareholders. Below is the reported value of holdings without controlling influence for ordinary shares and preference shares respectively.

| Ordinary shares | 2019 | 2018 |
|---|---|---|
| Inbound carrying amount | -14,286 | -13,528 |
| Share of ordinary minority share of profit for the year | 501 | -149 |
| Minority share of provision for free fund | -1,021 | -609 |
| **Outbound carrying amount of ordinary shares** | **-14,806** | **-14,286** |

| Preference shares | | |
|---|---|---|
| Inbound carrying amount | 36,992 | 35,470 |
| Provision for free fund | 2,555 | 1,522 |
| **Outbound carrying amount of preference shares** | **39,547** | **36,992** |
| **Total closing carrying amount** | **24,741** | **22,706** |

#### The preference share

In 2013, OrganoWood AB issued 200,000 preference shares at a nominal amount of SEK 100, giving a total issue amount of SEK 20,000 thousand. The terms of the preference shares are set out in OrganoWood AB's Articles of Association and the following text is an extract from this.

The preference shares do not entail the right to dividend, but the holder must only be entitled to receive a redemption amount stated at each time. The redemption amount per preference share amounts for the period up to 31 May 2015, to an amount of 137.40 for the time up to and as of 31 May 2016, to an amount of SEK 151.50, for the time up to and as of 31 May 2017, for an amount of SEK 167.30, for the time up to and as of 31 May 2018, for an amount of SEK 185.00, for the time up to and as of 31 May 2019, for an amount of SEK 184.80, and from 1 June 2019 and for the period thereafter, the redemption amount shall be increased by twelve (12) percent annually.

Before deciding on the transfer of value to the ordinary shareholders, the Annual General Meeting shall, for each outstanding preference share, to a free fund (which may not be used for value transfers to the ordinary shares) allocate a reserved amount.

Reduction of the share capital, however not below the minimum capital, can be affected by the redemption of a certain number or all preference shares upon resolution of the Annual General Meeting. Only the Board of Directors has the right to request that redemption be dealt with by the Annual General Meeting. Decisions to reduce can only be made in May each year as the preference shares are outstanding. When a reduction decision is made, an amount corresponding to the reduction amount shall be allocated to the reserve fund if the necessary funds are available. The redemption procedure shall begin immediately when a reduction decision has been made.

At OrganoWood AB's Annual General Meeting on 15 May 2019, it was decided to allow the preference shares to run in accordance with the terms of the Articles of Association (12 per cent annual adjustment of the value) when there was no non-restricted equity to redeem them. The aim is of redeeming the preference shares when non-restricted equity so permits.

| Information about OrganoWood AB | 2019 | 2018 |
|---|---|---|
| Non-current assets | 13,460 | 12,617 |
| Current assets | 25,261 | 18,036 |
| **Total** | **38,722** | **30,653** |
| Equity | 3,825 | 2,171 |
| Non-current liabilities | 3,232 | 5,346 |
| Current liabilities | 31,664 | 23,136 |
| **Total** | **38,722** | **30,653** |

| | 2019 | 2018 |
|---|---|---|
| Net sales | 58,660 | 54,692 |
| Operating profit/loss | 3,460 | 1,473 |
| *of which, minority* | *1,384* | *589* |
| Total comprehensive income | 1,654 | 59 |
| *of which, minority* | *662* | *24* |

### NOTE 25 LIABILITIES TO CREDIT INSTITUTIONS

| | Group | | Parent company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Almi | | | | |
| Growth loan | 1,167 | 1,667 | - | - |
| Business loans | 815 | 1,704 | - | - |
| Danske Bank | | | | |
| Acquisition credit | 3,550 | 5,330 | 3,550 | 5,330 |
| Collector Bank | | | | |
| Investment credit | - | 5,000 | - | 5,000 |
| Revolving credit (limit SEK 9,000 (4,000) thousand) | - | 3,000 | - | 3,000 |
| SEB | | | | |
| Bank overdraft facility (limit SEK 13,000 (9,000) thousand) | 12,953 | 8,694 | - | - |
| **Total** | **18,485** | **25,395** | **3,550** | **13,330** |
| **of which, long-term[1]** | **2,352** | **9,995** | **1,770** | **7,300** |
| **of which, short-term** | **16,133** | **15,399** | **1,780** | **6,030** |

1) The Group's long-term liabilities for borrowing also include a debt to related companies of SEK 1,000,000.

Interest rates on loans are between 3.25-5.70%.

The growth loan from Almi runs for 60 months, and was amortized free for the first 12 months. It is now amortized at SEK 42 thousand per month. The business loan from Almi runs for 30 months, and was amortized free for the first three months. It is now amortized at SEK 74 thousand per month.

The acquisition credit from Danske Bank runs for 60 months, and was amortized free for the first six month,s and thereafter with an amortization of SEK 445 thousand per quarter.

The investment credit and revolving credit from Collector were repaid in 2019.

The unused portion of bank overdraft facility totals SEK 47 (306) thousand.

## NOTE 26 OTHER LIABILITIES

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Withholding tax and social security contributions for employees | 1,107 | 924 | 642 | 454 |
| Invoice factoring debt | 7,835 | 4,420 | - | - |
| Grants received for other project partners | 375 | - | 375 | - |
| Promissory | - | 3,750 | - | - |
| Other items | 252 | 62 | 4 | 2 |
| **Total** | **9,568** | **9,157** | **1,021** | **457** |

## NOTE 27 ACCRUED EXPENSES AND DEFERRED INCOME

| | Group | | Parent company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Accrued holiday pay | 2,875 | 2,608 | 1,467 | 1,300 |
| Accrued social security charges | 903 | 819 | 461 | 409 |
| Accrued special payroll tax | 589 | 579 | 271 | 306 |
| Prepaid contributions | 435 | 689 | 359 | 689 |
| Accrued board fees | 945 | 971 | 603 | 691 |
| Accrued annual volume payments | 822 | 267 | - | - |
| Other items | 902 | 656 | 670 | 524 |
| **Amount** | **7,471** | **6,588** | **3,832** | **3,919** |

Annual volume payments increase in parity with sales. Accrued annual volume payments have increased to a greater extent, explained by the fact that most of the end of 2018 was settled with invoices, while most of the end of 2019 was reserved only.

## NOTE 28 PLEDGED ASSETS AND CONTINGENT LIABILITIES

| | Group | | Parent company | |
|---|---|---|---|---|
| Pledged collateral | 2019 | 2018 | 2019 | 2018 |
| Guarantee liability for debts in group companies | 8,889 | 7,200 | 8,889 | 7,200 |
| Floating charges | 30,126 | 30,126 | - | - |
| **Total** | **39,015** | **37,326** | **8,889** | **7,200** |

OrganoClick AB has general guarantee liaison for the subsidiary OrganoWood AB's loans with Almi as well as bank overdraft facility with SEB.

There were no contingent liabilities as of 2019/12/31 or at 2018/12/31.

## NOTE 29 ADJUSTMENT FOR ITEMS NOT INCLUDED IN CASH FLOW

| | Group | | Parent company | |
|---|---|---|---|---|
| Group | 2019 | 2018 | 2019 | 2018 |
| Depreciation/amortization of intangible fixed assets | 3,216 | 2,772 | 2,274 | 1,939 |
| Depreciation/amortization of property, plant and equipment | 8,799 | 3,692 | 2,243 | 2,194 |
| Disposal of intangible fixed assets | 212 | 149 | 246 | 149 |
| Disposal of property, plant and equipment | - | 46 | - | 46 |
| Unrealized exchange rate differences | -1 | -12 | - | - |
| **Total** | **12,225** | **6,647** | **4,763** | **4,327** |

The increase in depreciation on property, plant and equipment is a direct effect of the implementation of IFRS 16, where previous rental costs on leasing contracts are now reported as depreciation and interest.

## NOT 30 RECONCILIATION OF LIABILITIES ATTRIBUTABLE TO FINANCING ACTIVITIES

| Group | Opening balance 2018 | Cash flow from financing activities | Other changes[1,2] | Closing balance 2019 |
|---|---|---|---|---|
| Liabilities to credit institutions | 16,700 | -11,169 | - | 5,531 |
| Liabilities to related parties | 4,750 | -3,000 | -750 | 1,000 |
| Lease liabilities | 5,894 | -6,268 | 28,230 | 27,856 |
| Bank overdraft facility | 8,694 | 4,259 | - | 12,953 |
| Invoice factoring debt | 4,420 | 3,414 | - | 7,835 |
| **Total liabilities attributable to financing activities** | **40,459** | **-12,764** | **27,480** | **55,175** |

| Group | Opening balance 2017 | Cash flow from financing activities | Other changes[1,2] | Closing balance 2018 |
|---|---|---|---|---|
| Liabilities to credit institutions | 13,452 | 3,248 | - | 16,700 |
| Liabilities to related parties | 1,000 | 3,750 | - | 4,750 |
| Lease liabilities | 5,413 | -1,443 | 1,923 | 5,894 |
| Bank overdraft facility | 7,312 | 1,382 | - | 8,694 |
| Invoice factoring debt | 3,863 | 558 | - | 4,420 |
| **Total liabilities attributable to financing activities** | **31,040** | **7,495** | **1,923** | **40,459** |

1) Other changes in Leasing liabilities relate to a change in debt for rights-of-use for leases. The large increase in 2019 comes as a direct effect of the implementation of IFRS 16 as of 2019/01/01.

2) Other changes in liabilities to related parties relate to current liabilities to related parties.

## NOT 30 RECONCILIATION OF LIABILITIES ATTRIBUTABLE TO FINANCING ACTIVITIES (CONT.)

| Parent Company | Opening balance 2018 | Cash flow from financing activities | Other changes | Closing balance 2019 |
|---|---|---|---|---|
| Liabilities to credit institutions | 13,330 | -9,780 | - | 3,550 |
| **Total liabilities attributable to financing operations** | **13,330** | **-9,780** | **-** | **3,550** |

| Moderbolaget | Opening balance 2017 | Cash flow from financing activities | Other changes | Closing balance 2018 |
|---|---|---|---|---|
| Liabilities to credit institutions | 7,110 | 6,220 | - | 13,330 |
| **Total liabilities attributable to financing operations** | **7,110** | **6,220** | **-** | **13,330** |

## NOTE 31 EXCHANGE RATES

The table below shows the rates used for translation of financial reports from foreign operations that have prepared their financial reports in a currency other than the currency in which the Group's financial reports are presented (SEK). Exchange rates have been obtained from Sweden's Riksbank.

| | NOK | EUR |
|---|---|---|
| Average exchange rate | 1.0747 | 10.5890 |
| Closing rate by 2019/12/31 | 1.0579 | 10.4340 |

The average exchange rate has been used when translating the income statement and the closing rate has been used when translating the balance sheet.

## NOTE 32 TRANSACTIONS WITH RELATED PARTIES

The parent company has a close relationship with its subsidiaries, see note 18.Transactions between OrganoClick AB and its subsidiaries have been eliminated in the consolidated financial statements. Of the Parent Company's invoiced sales in 2019, SEK 22,359 (15,541) thousand were sales to group companies. From the Parent Company to OrganoWood AB, there are also invoiced interest and guarantee fees of SEK 293 (0) thousand. No invoicing has occurred from subsidiaries to the Parent Company. When selling raw materials from OrganoClick to its subsidiaries, internal gains arise in inventories, which are eliminated in the consolidated financial statements. The transactions between group companies take place at prices at arm's length.

As of 2019/12/31, OrganoClick AB had receivables from OrganoWood AB of SEK 2,739 (945) thousand, and Biokleen Miljökemi AB of SEK 888 (1,216) thousand. Biokleen Miljökemi AB had receivables from OrganoClick AB of SEK 0 (659) thousand, and OrganoWood AB had receivables from OrganoClick AB of SEK 29 (24) thousand.

During the year, board member and shareholder Robert Charpentier, through his own company (Kvigos AB), invoiced OrganoWood AB for consultancy fees of SEK 221 (0) thousand. Kvigos AB was also paid invoiced and accrued interest and guarantee fees of SEK 260 (0) thousand.

## NOTE 33 EVENTS AFTER THE END OF THE PERIOD

- OrganoClick launched OrganoTex® Textile Waterproofing in Norway and Denmark with Norsk Fjellsport as distribution partner.
- The Nomination committee nominated new board members to the 2020 Annual General Meeting. The Nomination committee proposes new election of Charlotte Karlberg and Malin Bugge and re-election of Jan Johansson (chair), Håkan Gustavson and Claes-Göran Beckeman.
- The beginning of 2020 saw the outbreak of the COVID-19 pandemic. OrganoClick sees a risk of a global recession which would impact Swedish companies. OrganoClick is monitoring the development carefully, and the management is continuously assessing the effects that the turn of events could have on the Group's operations in the short and long term. It is not possible today to estimate how big the impact could be on the operations, but the management body has identified a number of risks that have increased due to the pandemic, see the sections about risk on p. 48. In response to this development, a number of measures have been taken to protect the Group's operations and to limit the spread of the virus.  Among other things, all business travels and non-essential meetings have been postponed, The public health authority's recommendations to stay at home when being are sick is followed and work from home is encouraged. Other activities in the Group, such as production and distribution, is conducted as usual.

  The effects we have seen so far have an impact on sales, suppliers and production. The effects on sales within Sweden are so far less, while the effects on export markets are more negative as a result of the closure of trade in several of our exporting countries. We will also see effects at the supplier level where some European suppliers have flagged for extended delivery times. This together with some problems with increased sickness absence in our production has resulted in somewhat longer delivery times to our customers.

  Our assessment is that our markets will not be hit hard in the short term but the risk is high that our sales will be adversely affected as well as customer projects will be delayed for the next six months.

## NOTE 34 PROPOSED APPROPRIATION OF PROFITS

| At the disposition of the AGM, the following profits in the Parent Company are reported, (SEK thousands): | |
|---|---|
| Share premium reserve | 243,764 |
| Retained earnings | -116,154 |
| Profit/loss for the year | -19,687 |
| **Total** | **107,923** |

The Board of Directors and the CEO propose that the above amounts be disposed of as follows:

| | |
|---|---|
| Surplus carried forward to new account | 107,923 |
| **Total** | **107,923** |

The Board of Directors and CEO propose that no dividend be paid for the financial year 2019/01/01 - 2019/12/31.

# SIGNATURES

The income statement and balance sheet will be submitted to the Annual General Meeting 2020/05/07 for adoption. The Board of Directors and the CEO assure that the consolidated financial statements have been prepared in accordance with international accounting standards IFRS as adopted by the EU and a true and fair view of the Group's position and earnings. The annual report has been prepared in accordance with generally accepted accounting principles and provides a true and fair view picture of the Parent Company's position and results. The Directors' Report for the Group and the Parent Company provides a true and fair overview of the development of the Group's and the Parent Company's operations, position and results and describes significant risks and uncertainties that the Parent Company and the companies that are part of the Group are facing.

Stockholm, 15 April 2020

Jan Johansson
*Chairman of the Board*

Claes-Göran Beckeman
*Board member*

Armando Córdova
*Board member*

Mårten Hellberg
*CEO*

Håkan Gustavson
*Board member*

Our auditor's report was submitted on April 15, 2020
Deloitte AB

Therese Kjellberg
*Authorized Public Accountant*

# AUDITOR'S REPORT

**TO THE GENERAL MEETING**
**OF THE SHAREHOLDERS OF ORGANOCLICK AB**
**CORPORATE IDENTITY NUMBER 556704-6908**

## Report on the annual accounts and consolidated accounts

### *Opinions*

We have audited the annual accounts and consolidated accounts of OrganoClick AB for the financial year 2019-01-01 - 2019-12-31. The annual accounts and consolidated accounts of the company are included on pages 44-87 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

### *Basis for Opinions*

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

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

### *Other Information than the annual accounts and consolidated accounts*

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises page 1-43 and 92-97 but does not include the annual accounts, consolidated accounts and our auditor's report thereon.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Board of Directors and the Managing Director*

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

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

### *Auditor's responsibility*

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

## Report on other legal and regulatory requirements

*Opinions*

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of OrganoClick AB for the financial year 2019-01-01 - 2019-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

*Basis for Opinions*

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

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

*Responsibilities of the Board of Directors and the Managing Director*

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

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

*Auditor's responsibility*

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

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

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

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

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

Stockholm den 2020-04-15
Deloitte AB
*Signature on Swedish original*

Therese Kjellberg
*Authorized Public Accountant*

# ALTERNATIVE PERFORMANCE MEASURES

## DEFINITIONS ALTERNATIVE PERFORMANCE MEASURES

OrganoClick presents alternative performance measures in addition to the conventional financial key ratios established by IFRS, with the aim of giving investors and management the opportunity to evaluate and understand the development of the operational operations and financial status and to facilitate comparisons between different periods. Below are definitions and calculations for components that are included in alternative performance measures used in this report. Key ratios adjusted for the effect of IFRS16 have been added. This is to facilitate the comparison of the key figures with the previous year which is reported in accordance with the previous accounting standard IAS 17.

| Non-IFRS key ratios | Definition/Calculation | Purpose |
|---|---|---|
| *Income measures* | | |
| **Revenue growth** | The percentage increase in sales for the past period compared to the corresponding previous period. | The change in net sales reflects the company's realized sales growth over time. |
| **Organic growth** | Changes in net sales, excluding acquisition-driven growth and changes in exchange rates. | Organic growth excludes the effects of changes in the Group's structure and exchange rates, enabling a comparison of net sales over time. |
| **Gross margin** | Net sales for the period minus the cost of goods sold in relation to net sales for the period. | The gross margin is used to measure and evaluate whether manufacturing processes, raw materials and procurement are cost-effective, that is the profitability of production. |
| **Gross margin after variable costs** | Net sales for the period less variable costs for goods sold, in relation to net sales for the period. | The gross margin after variable costs is used to show the profitability of the products, excluding fixed production expenses. |
| **Operating margin** | Operating profit/loss for the period in relation to net sales for the period. | The operating margin is used to measure operational profitability. |
| **EBITDA** | Operating profit/loss excluding depreciation and write-downs of property, plant and equipment and intangible assets. | EBITDA is used to measure cash flow from operating activites, excluding the effects of previously made investments and accounting decisions. |
| **EBITDA, adjusted** | See the EBITDA definition. Adjusted EBITDA is the operating profit/loss where previous accounting standard IAS 17 has been applied, i.e. excluding effects as a result of the adoption of IFRS 16. The difference between EBITDA and adjusted EBITDA is mainly the effect of leasing of premises. | EBITDA is used to measure cash flow from operating activites, excluding the effects of previously made investments and accounting decisions. |
| **Profit margin** | Profit/loss for the period in relation to net sales for the period. | The profit margin shows the profit per turnover (SEK), which gives an indication of how efficient a company is. |
| *Capital structure* | | |
| **Equity ratio** | Equity in relation to total assets. Equity includes non-controlling interests. | The key figure reflects the company's financial position. Good financial position gives a readiness to handle periods of weak economic activity and financial preparedness for growth. At the same time, it provides a minor advantage in the form of financial leverage. |
| **Quick ratio** | Current assets, excluding inventories, in relation to current liabilities, without adjustment for proposed dividend. | Quick ratio shows short term solvency. If quick ratio is greater than 100 per cent, current liabilities can be paid immediately, provided that the current receivables can be converted immediately. |
| **Net debt** | Interest-bearing non-current and current liabilities minus interest-bearing assets including cash and cash equivalents. | Net debt show the ability to pay off all interest-bearing liabilities with available cash and shows the possibility of living up to financial commitments. |
| **Net debt, adjusted** | See definition for net debt. Adjusted net debt are net debt to which previous accounting standard IAS 17 has been applied, that is excluding effects as a result of the adoption of IFRS 16. The difference between net debt and net debt adjusted is leasing liabilities attributable to rights-of-use for primarily premises. | Net debt show the ability to pay off all interest-bearing liabilities with available cash and shows the possibility of living up to financial commitments. |
| **Net debt/equity ratio** | Net debt in relation to shareholders' equity. Equity includes non-controlling interests. | The debt/equity ratio shows the relationship between debt equity and measures the extent to which the company is financed by loans. |
| **Net debt/equity ratio, adjusted** | Net debt in relation to shareholders' equity. Equity includes non-controlling interests. | The debt/equity ratio shows the relationship between debt equity and measures the extent to which the company is financed by loans. |

| Non-IFRS key ratios | Definition/Calculation | Purpose |
|---|---|---|
| *Capital structure (cont.)* | | |
| **Cash flow from operating activites** | Cash flow from operating activities, including changes in working capital. | Cash flow from operating activities shows the liquid assets that the Group generates in operating activities. |
| **Cash flow from operating activites, adjusted** | See definition for cash flow from operating activities. In adjusted cash flow from operating activities, the former accounting standard IAS 17 has been applied, i.e. cash flow excluding effects as a result of the adoption of IFRS 16. | Cash flow from operating activities shows the liquid assets that the Group generates in operating activities. |
| *Return ratios* | | |
| **Return on shareholders' equity** | Profit/loss for the period, as a percentage of average sharehol-ders' equity. Equity includes non-controlling interests. | Return on equity reflects the effects of both the profitability of the business and the financial leverage. The measure is mainly used to analyse ownership profitability over time and can be compared with current bank interest rates or returns from alternative investments. |
| **Capital employed** | Total assets minus interest-free liabilities. | Capital employed measures the company's ability, in addition to cash and cash equivalents, to meet the needs of the business. |
| **Return on capital employed** | Operating profit/loss plus financial income as a percentage of capital employed. | Return on capital employed shows the return on externally financed capital, such as borrowings and equity and is used to analyse profitability, based on how much capital is used. |
| *Share data* | | |
| **Turnover per share** | Net sales divided by the average number of shares for the period. | The key figure is to describe the size of the company's turnover per share. |
| **Shareholders' equity per share** | Equity in the Group (attributable to the Parent Company's share-holders) divided by the number of shares at the end of the period. | The key figure is to describe the size of the company's net value per share. |

## ALTERNATIVE PERFORMANCE MEASURES

OrganoClick presents alternative performance measures in addition to the conventional financial key ratios established by IFRS, with the aim of giving investors and management the opportunity to evaluate and understand the development of the operational operations and financial status and to facilitate comparisons between different periods. Below are definitions and calculations for components that are included in alternative performance measures used in this report. Key ratios adjusted for the effect of IFRS16 have been added. This is to facilitate the comparison of the key figures with the previous year which is reported in accordance with the previous accounting standard IAS 17.

| SEK 000s | 2019 | 2018 |
|---|---|---|
| ***Gross margin, %*** | | |
| Gross profit | 17,763 | 15,748 |
| Net sales | 85,480 | 78,395 |
| **Gross margin, %** | **20.8** | **20.1** |
| | | |
| ***Gross margin after variable costs, %*** | | |
| Net sales | 85,480 | 78,395 |
| Cost of goods sold, variable costs | -50,416 | -47,449 |
| **Gross profit after variable costs** | **35,064** | **30,945** |
| **Gross margin after variable costs, %** | **41.0** | **39.5** |
| | | |
| ***Operating margin, EBIT, %*** | | |
| Operating profit/loss | -15,131 | -17,822 |
| Net sales | 85,480 | 78,395 |
| **Operating margin, EBIT, %** | **-17.7** | **-22.7** |
| | | |
| ***EBITDA*** | | |
| Operating profit/loss | -15,131 | -17,822 |
| Plus: Depreciation | 12,014 | 6,464 |
| **EBITDA** | **-3,117** | **-11,358** |
| | | |
| ***EBITDA, adjusted*** | | |
| Operating profit/loss | -15,131 | -17,822 |
| Plus: Depreciation | 12,014 | 6,464 |
| Less: IFRS 16 impact | -5,734 | - |
| **EBITDA, adjusted** | **-8,851** | **-11,358** |
| | | |
| ***Profit margin, %*** | | |
| Profit/loss for the period | -18,356 | -19,476 |
| Net sales | 85,480 | 78,395 |
| **Profit margin, %** | **-21.5** | **-24.8** |
| | | |
| ***Net sales, change*** | | |
| Net sales | 85,480 | 78,395 |
| Net sales compared to corresponding period prior year | 78,395 | 74,682 |
| **Net sales, change** | **7,085** | **3,713** |
| **Revenue growth, organic, %** | **9.0** | **5.0** |

| SEK 000s | 2019 | 2018 |
|---|---|---|
| ***Equity ratio, %*** | | |
| Equity | 102,470 | 34,798 |
| Total assets | 173,199 | 88,103 |
| **Equity ratio, %** | **59.2** | **39.5** |
| | | |
| ***Quick ratio, %*** | | |
| Current assets, excluding inventories | 76,038 | 16,538 |
| Current liabilites | 46,751 | 38,185 |
| **Quick ratio, %** | **162.6** | **43.3** |
| | | |
| ***Net debt/equity ratio, %*** | | |
| Interest-bearing liabilities | 55,176 | 40,458 |
| Less: Cash and cash equivalents | -61,150 | -6,122 |
| **Net debt** | **-5,974** | **34,336** |
| Equity | 102,470 | 34,798 |
| **Net debt/equity ratio, %** | **-5.8** | **98.7** |
| | | |
| ***Net debt/equity ratio, % adjusted*** | | |
| Interest-bearing liabilities | 55,176 | 40,458 |
| Less: IFRS 16 impact | -24,120 | - |
| Less: Cash and cash equivalents | -61,150 | -6,122 |
| **Net debt** | **-30,093** | **34,336** |
| Equity | 102,470 | 34,798 |
| **Net debt/equity ratio, % adjusted** | **-29.4** | **98.7** |
| | | |
| ***Cash flow from operating activities, adjusted*** | | |
| Cash flow from operating activities | -11,013 | -18,970 |
| Less: IFRS 16 impact | -4,830 | - |
| **Cash flow from operating activities, adjusted** | **-15,843** | **-18,970** |
| | | |
| ***Return on shareholders´ equity, %*** | | |
| Equity | 102,470 | 34,798 |
| Equity compared to the corresponding period last year | 34,798 | 54,286 |
| **Average equity** | **68,634** | **44,542** |
| | | |
| Profit/loss for the period | -18,356 | -19,476 |
| Average equity | 68,634 | 44,542 |
| **Return on equity, %** | **-26.7** | **-43.7** |

| SEK 000s | 2019 | 2018 |
|---|---|---|
| *Capital employed* | | |
| Total assets | 173,199 | 88,103 |
| Less: Deferred tax liabilities | -285 | -222 |
| Less: Other current liabilites | -15,192 | -12,625 |
| **Capital employed** | **157,722** | **75,256** |
| Capital employed compared with the corresponding period last year | 75,256 | 85,493 |
| **Average capital employed** | **116,489** | **80,375** |
| | | |
| *Return on capital employed, %* | | |
| Operating profit/loss | -15,131 | -17,822 |
| Plus: Financial income | 29 | 13 |
| **Operating profit/loss plus financial income** | **-15,102** | **-17,809** |
| Average capital employed | 116,489 | 80,375 |
| **Return on capital employed, %** | **-13.0** | **-22.2** |
| | | |
| *Turnover per share before and after dilution SEK* | | |
| Net sales | 85,480 | 78,395 |
| Average number of shares before and after dilution[1] | 79,927,844 | 75,761,668 |
| **Turnover per share before and after dilution SEK** | **1.07** | **1.03** |
| | | |
| *Shareholders equity per share before and after dilution SEK* | | |
| Equity attributable to shareholders´ of Parent Company | 77,730 | 12,092 |
| Number of shares at end of period | 92,112,789 | 74,465,731 |
| **Shareholder equity per share before and after dilution SEK** | **0.84** | **0.16** |

1) Average number of shares have been adjusted due to a bonus issue factor in a directed share issue 2019.

# MORE INFORMATION

**QUESTIONS**

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**Subsidiaries**

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**FINANCIAL CALENDAR 2020**

Interim Report January-March 2020 on 6 May 2020
Annual General Meeting 2020 on 7 May 2020
Interim report January-June 2020 on 21 August 2020
Interim Report January-September 2020 on 10 November 2020
Interim report January-December 2020 on 17 February 2021

**ANNUAL GENERAL MEETING**

The Annual General Meeting will be held on May 7, 2020 at 5 pm at the company's head office in Arninge, Täby. Notice will be published through a press release and announced in Post och Inrikes Tidningar and in Dagens Industri and published on the OrganoClick website.

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