

Polygiene AB

Interim financial statements 1 January–31 March 2016



polygiene.com/ir



Polygiene®
STAY FRESH



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The quarter in brief

	Jan–Mar 2016	Jan–Mar 2015	Rolling 12 mos.	Whole year
Net sales	13.4	6.8	58.1	51.5
Operating profit EBIT, MSEK*	–1.3*	0.0*	4.2	5.6
Profit after tax, MSEK*	–1.3*	0.0*	7.8	9.2
Operating margin EBIT, %	–10.0	0.5	7.3	10.9
Operating margin after tax, %	–10.0	0.5	13.4	17.8
Earnings per share, SEK	–0.08	0.00	0.45	0.55
Cash flows MSEK	–3.1	–0.6	19.0	21.5

* Quarter profits were encumbered by non-recurring expenses related to our listing on Nasdaq First North and negative exchange rate differences. After eliminating these costs, operating profit and profit for the quarter was MSEK 0.2 (–0.5).

Significant event for the period (Jan–Mar)

The organization was reinforced with new hires

Jan Bertilsson was hired as CFO and Edmond Lee as Technical Manager, Asia Pacific.

Changed type of company

The extraordinary general meeting of shareholders held 14 January 2016 adopted changes to the type of company from private limited company to public.

Listing on Nasdaq First North

The company was listed on the Nasdaq First North Stockholm Exchange on March 14, 2016.

Significant events after the period end

Into a new segment

Polygiene took a first step into the personal protective equipment and uniforms for work segment with the US firm Proper that now advertises they deliver a new collection of high performance underclothing for users with extremely high demands, such as military and rescue services personnel.

Proposed new member of the Board of Directors

Jonas Sjögren, previously CEO for Discovery Networks Sweden, proposed as new member of the Board of Polygiene AB (publ). A majority of owners in Polygiene AB (publ) support the proposal.

Polygiene and Converse Footwear (Japan)

Converse Footwear Co., Ltd. (Japan) is the first footwear brand to introduce the advantages of Polygiene Odor Control Technology to Japanese consumers, with Converse's pioneering S/S16 line, the Whiteplus collection. The partnership with Converse Footwear (Japan) gives Polygiene a foothold into a new untapped market where odor-free footwear has a great potential among odor-conscious consumers.

Comments from the CEO

We had a very strong first quarter. We succeeded in increasing net revenues 97 per cent compared to Q1 the previous year, with total revenues hitting MSEK 13.4. We are pleased with being able to continue our growth together with our customers, now totalling over 100 brands that use Polygiene in their clothing, textiles and other equipment.

However, we showed a loss due to non-recurring expenses related to our listing on Nasdaq First North and planned investment in market and staff. Additionally, the quarterly results were encumbered by negative exchange rate differences. Eliminating these non-recurring expenses and exchange rate differences, our operating profit was MSEK 0.2 as compared with MSEK –0.5 in the same period the previous year.

Our expansion with larger customers, such as Adidas and Eddie Bauer, who have longer production lead times, brought higher sales for the first quarter, giving us a better balance in quarterly revenue streams. This is due to the first quarter normally being our weakest in terms of revenues.

Polygiene was listed on the Nasdaq First North Stockholm Exchange on March 14, 2016. We see our share listing as an important step in the company's development, providing an additional sign of quality to show our customers and partners, and in recruiting staff. Combined with the new share issue completed in December 2015 (that brought in MSEK 22.5), we have built a sound platform with the financial strength to continue our international expansion.



Christian von Uthmann, CEO

Operations

Why clothing stinks and what you can do about it

“Stinky polyester” is a well-known phenomenon that occurs when bacteria grow on textiles. There are several fundamentally different approaches to avoiding the problem:

- Wash clothing more frequently – but even after laundering clothing can still smell bad, which means it does not solve the whole problem
- Reduce the conditions for bacterial growth by choosing a material, for instance wool, which does not promote the growth of bacteria
- Treat the material with a solution like Polygiene that reduces bacterial growth in a skin-friendly and environmentally friendly way
- Encapsulate odor that arises

Polygiene works with the best solutions for any given application and user segment. Capable of being applied to thread as well as fabric, the Company’s solutions are so effective that the application of only a small amount of solution is sufficient to provide long-lasting odor control that remains effective throughout the lifetime of the garment.

To a great extent, the Company’s solutions are based on naturally occurring silver salt made from recycled silver. The silver salts effectively inhibit bacterial growth, thereby reducing odor as well as the need to frequently wash the treated garments.

Polygiene’s textiles and applications expertise

Polygiene has developed and offers products and treatment methods, with the minimal application of Polygiene’s products, that ensure permanent odor control from the first use and throughout the product’s lifetime.

One of Polygiene’s strengths is the Company’s unique textile and applications expertise, which means that the Company can offer the best solution for each manufacturing process and area of use.

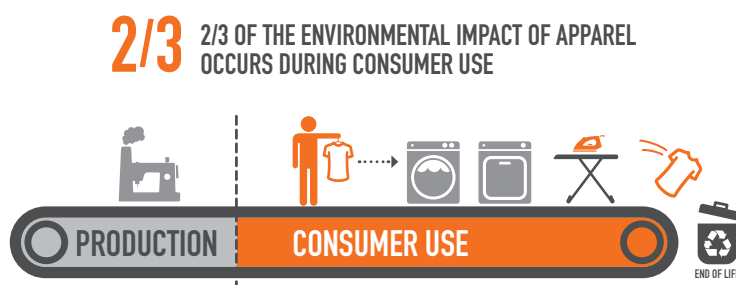
How does Polygiene stack up against competitors?

Today Polygiene is the market leader in the odor control segment, with regard to technology leadership as well as brand recognition. The Company has taken on the task of establishing and developing the odor control/Polygiene STAY FRESH® category for textiles in various segments.

Polygiene is the global category leader within the Sport & Outdoor segment and has taken advantage of this position in order to expand its category leadership to other segments.

The Company has demonstrated it can deliver a safe comprehensive solution to the apparel and premium brands that contain Polygiene, something that no competitor has yet been able to duplicate. However, there are other chemical suppliers who, purely on a technical level, can deliver viable preparations, but so far no competitor has succeeded in building a comprehensive concept. The Polygiene concept is based on careful testing throughout the entire value chain as well as quality assurance of all the various applications. In the odor control segment, Polygiene is considered by its partners – both upstream and downstream – as the market leader both in terms of its odor control technology and its co-branding appeal.

In addition, Polygiene is safe to use next to the skin. Treated garments do not cause any skin irritation and do not interfere with the skin’s natural bacteria. No competitor in the industry has succeeded in building a co-brand in the odor control category like Polygiene has. The Company’s consistent and



Source: Cambridge University study, “Well dressed?,” 2006.

systematic approach in offering its customers value-added co-branding is also unique. Significant resources are invested in training customer employees and in marketing in order to continually increase the value of the Polygiene brand as well as the value of partner brands that use Polygiene in their products. Through co-branding, Polygiene helps both its partners' brands and its partners' retailers with marketing and with communicating a clear customer benefit to consumers. Polygiene provides its partner brands with peace of mind and added value.

Market potential

Synthetic materials – especially polyester – represent a growing proportion of global textile production.* Polyester is used to manufacture sportswear, lifestyle and functional clothing, shoes, accessories, protective gear and home textiles.

Textile materials based on polyester fibers have many advantages in terms of good, flexible characteristics as well as cost and resource efficiency. Polyester and other synthetic fibers can also be recycled, which holds true even if they are treated with Polygiene. However, a well-known disadvantage of polyester-based fabrics is that they provide excellent breeding grounds for odor-causing bacteria. "Stinky polyester" is well-known phenomenon, and Polygiene offers an effective, environmentally friendly solution that keeps clothing, shoes, protective gear such as helmets and knee pads, and other garments and articles odor free.

Polygiene now operates globally in the premium brand segment, and sales for 2015 amount to just over MSEK 50 across four segments, with the Sport & Outdoor segment being the largest.

- *Sport & Outdoor* (sportswear, protective gear, outdoor, hunting, fishing and more): approximately MSEK 30
- *Lifestyle* (shirts, blouses, trousers, suits, undergarments, socks, shoes and more): approximately MSEK 5
- *Home Textiles* (towels, bedsheets, pillowcases, mattresses, pillows and more): approximately MSEK 10
- *Other* (paint, flooring, sanitary equipment and more): approximately MSEK 5

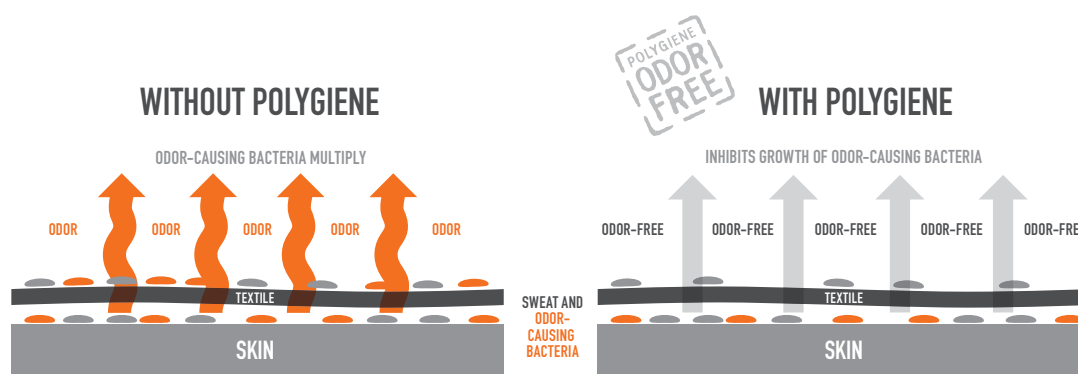
In 2015, over 15 million meters of fabric were treated with Polygiene products. This represents less than five percent of the long-term global sales potential of the Company, according to Polygiene's own assessment of the relevant market potential.

Primary growth engines during the next 3–5 years

- Increase penetration rate with current partners. Extend reach into more product lines. Good growth opportunities exist with Polygiene's customers.
- Continue growth within the Sport & Outdoor segment. Establish partnerships with new brands/customers in for example the U.S. and Asia.
- Expand into the Lifestyle segment (including men's and women's suits, shirts, blouses, trousers, socks, undergarments and shoes) and establish market leadership.
- Expanding reach in the Home Textiles segment, especially in Asia, and establish market leadership.
- Promote overall growth in Asia (including South Korea, Japan and China) in all segments.

A notable trend that can be discerned is the convergence of various market segments, for instance Sport and Lifestyle, where fitness and fashion are merging. This development is advantageous to Polygiene.

* <http://www.textileworld.com/textile-world/fiber-world/2015/02/man-made-fibers-continue-to-grow/>



Financial trends

Net revenues and profit

Net revenues

Net revenues for the period totalled MSEK 13.4 (6.8), which corresponds to a 97 % increase. We experienced growth in all geographical markets, primarily with existing customers. This involves our larger customers significantly who have longer production lead times, so they place their orders in Q1.

Costs

Expenses for Q1 totalled MSEK –15.6 (–7.5), which included cost of goods purchased MSEK –5.4 (–2.6), other external expenses MSEK –6.5 (–3.0), Staff costs MSEK –2.2 (–1.7), and other operating expenses MSEK –1.5 (–0.2).

The increase in cost of goods purchased is entirely due to the increased revenues for the quarter. Other external expenses include non-recurring expenses related to our listing on Nasdaq First North Exchange totalling MSEK –0.9. In addition expenses were charged for investments in marketing. The increase in staff costs is related to new hires. Other operating expenses consist largely of negative exchange rate differences.

Profit

Operating profit, EBIT, totalled MSEK –1.3 (0.0), and profit after tax was MSEK –1.3 (0.0). Profit for the quarter was impacted by non-recurring expenses relate to our listing on Nasdaq First North Exchange totalling MSEK –0.9. Additionally, expenses for marketing were charged. These were also encumbered by negative exchange rate differences. Excluding these non-recurring expenses and exchange rate differences, operating profit for the first quarter totalled MSEK 0.2 as compared to MSEK –0.5 for the same quarter the previous year.

Financial position

Financial non-current assets

Financial non-current assets at the period end were MSEK 5.3 (1.8) and relate to deferred tax assets related to tax loss carry forwards arising during previous years. The total tax loss carry forwards at period end were MSEK 24.1.

Equity

Cash and cash equivalents totalled MSEK 39.5 (9.4) at the period end. The equity/assets ratio as of 31 March 2016 was 80.1 (64.4) %.

Cash flow and liquidity

Cash flow from operating activities amounted to MSEK –3.1 (–0.6) at the period end. The negative cash flow is due to the loss for the quarter and an increase in trade receivables, that are due to the significant growth in net revenues.

Cash and cash equivalents totalled MSEK 24.4 (5.4) at the period end.

Staff

The company operating organisation at the period end included 12 staff, of which 9 we employed and 3 are contracted consultants.

Income statement

Income statement in brief, TSEK	Jan–Mar 2016	Jan–Mar 2015	Rolling 12 mos.	Whole year
Operating revenues				
Net revenue	13,427	6,823	58,115	51,511
Other operating income	799	667	1,619	1,487
	14,226	7,490	59,734	52,998
Operating expenses				
Merchandise	–5,375	–2,572	–24,784	–21,981
Other external services	–6,505	–2,991	–19,270	–15,758
Staff expenses	–2,204	–1,730	–8,101	–7,627
Other operating expenses	–1,480	–161	–3,352	–2,033
	–15,564	–7,454	–55,507	–47,399
Operating profit/loss	–1,338	36	4,227	5,599
Financial income and expenses				
Interest income	0	1	41	42
Interest costs	0	0	0	0
	0	1	41	42
Profit/loss before tax	–1,338	37	4,268	5,641
Tax	0	0	3,530	3,530
Profit/loss before tax	–1,338	37	7,798	9,171
Profit after tax per share	–0.08	0.00	0.45	0.55
Profit after tax per share	–0.07	0.00	0.42	0.52

Statement of financial position

Income statement in brief, TSEK	31/03/2016	31/03/2015	31/12/2015
ASSETS			
Non-current assets			
Intangible non-current assets	0	0	0
Property, plant and equipment	0	0	0
Financial assets	5,304	1,774	5,304
Total non-current assets	5,304	1,774	5,304
Current assets			
Inventories	203	95	225
Trade and other receivables	16,218	5,871	13,968
Other current assets	3,184	1,411	3,426
Cash and cash equivalents	24,437	5,435	27,545
Total current assets	44,042	12,812	45,164
TOTAL ASSETS	49,346	14,586	50,468
TOTAL EQUITY AND LIABILITIES			
Equity	39,519	9,388	40,843
Liabilities			
Trade and other payables	6,246	2,468	5,242
Other current liabilities	3,581	2,730	4,383
Total liabilities	9,827	5,198	9,625
TOTAL EQUITY AND LIABILITIES	49,346	14,586	50,468

Statement of changes in Equity

Statement of Changes in Equity, TSEK	Jan–Mar 2016	Jan–Mar 2015	Whole year
Equity at period start	40,843	9,351	9,351
New share issues and warrants	14	0	22,500
Issue expenses	0	0	–179
Earnings for the period	–1,338	37	9,171
Equity at period end	39,519	9,388	40,843

Statement of cash flows

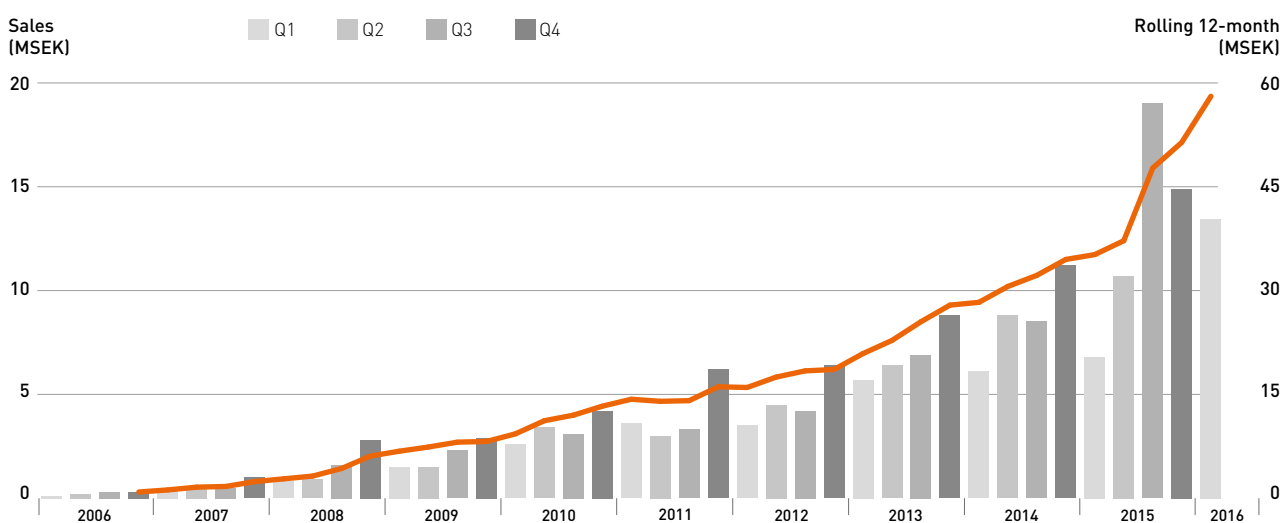
Statement of cash flows, TSEK	Jan–Mar 2016	Jan–Mar 2015	Whole year
Cash flow from operating activities before changes in working capital	–1,338	37	5,641
Changes in operating capital	–1,784	–675	–6,490
Cash flows from operating activities	–3,122	–638	–849
Cash flow from investing activities	0	0	0
Cash flow from financial activities	14	0	22,321
Cash flows for the period	–3,108	–638	21,472
Cash and cash equivalents opening balance	27,545	6,073	6,073
Cash and cash equivalents at period end	24,437	5,435	27,545

Financial trends in brief

Multi-year overview

	Jan–Mar 2016	Jan–Mar 2015	Whole year 2015	Whole year 2014
Net sales, TSEK	13,427	6,823	51,511	34,957
Sales growth	96.8	11.1	47.4	25.7
Operating profit EBIT, MSEK	–1,338	36	5,599	3,675
Profit after tax, MSEK	–1,338	37	9,171	5,443
Operating margin EBIT, %	–10.0	0.5	10.9	10.5
Operating margin after tax, %	–10.0	0.5	17.8	15.6
Cash flows MSEK	–3,108	–638	21,471	2,155
Equity 31, TSEK	39,519	9,388	40,843	9,351
Debt/equity ratio	80.1	64.4	80.9	57.8
Total shares at period-end, thou	19,316	16,316	19,316	16,316
Total shares at period-end, thou	17,316	16,316	16,566	16,316
Earnings per share, SEK	–0.08	0.00	0.55	0.33
Earnings per share, SEK	–0.18	–0.04	1.30	0.13
Equity per share	2.05	0.58	2.11	0.57
Share price at period end, SEK	12.20	—	—	—

Quarterly sales 2006–2016



Share capital, the share and ownership structure

Share capital

Equity in Polygiene totals SEK 1,931,600 allocated to 19,316,000 outstanding shares. The company has a singly share class and each share carries an equal right to dividend. Par value for each share is SEK 0.10.

In 2014, Polygiene issued 1,200,000 warrants to staff and members of the board chair which entitle holders to an equal number of shares. These warrants may be exercised during the period of 1 May–31 August 2016 at an exercise price of SEK 3.00 per share.

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

For more information regarding changes to equity, please refer to the company 2015 annual report.

The share

The Polygiene AB (publ.) share was listed on the Nasdaq First North Stockholm Exchange on March 14, 2016.

A total of 702,617 shares were traded in the period from 14 to 31 March, for an average of 58,551 shares per trading day. The share price at period end was SEK 12.20, corresponding to a market capitalization of MSEK 236. Highest and lowest price for the period was SEK 15.0 and 9.10, respectively.

Ownership structure

The company had a total of 240 shareholders at the period end. The table below has the 10 largest shareholders as of 31 March 2016.

Shareholders	Shares	Per cent
JP Morgan Bank Luxembourg	3,434,961	17.8
Remium AB (Emission VPC)	2,485,150	12.9
Richard Tooby**	1,420,400	7.4
Erik A i Malmö AB	1,348,800	7.0
Roosgruppen AB	1,140,510	5.9
Clearstream Banking S.A.	1,082,000	5.6
Lennart Holm**	762,720	3.9
Jonas Wollin**	752,000	3.9
Mats Georgson**	677,000	3.5
Per Palmqvist Morin**	653,600	3.4
Other	5,558,859	28.8
Total	19,316,000	100.0

* Remium holds 2,485,150 Polygiene shares via a transport account at Euroclear as of 31 March 2016. These shares are owned by about 10 foreign owners. Soon, these shares will be transferred to the owners identified here.

** Refers to personal holdings and those of associated natural persons and legal entities.



Accounting policies

These interim financial statements are prepared in compliance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act and IFRS as adopted by the EU. For further information, please refer to the company 2015 annual report.

Amounts are expressed in TSEK (thousands Swedish Krona) unless otherwise stated. Figures in parenthesis refer to corresponding amounts for the previous year.

This report has not been audited by the company Auditors.

Risks and uncertainties

Company operations are affected by several factors which involve risks to the company's operations and profit. For more information, please refer to the company 2015 annual report.

Definitions

Operating profit EBIT: Profit before interest and tax.

Operating margin EBIT: Profit for the period before interest and tax as per cent of net revenues for the period.

Operating margin after tax: Profit for the period after tax as per cent of net revenues for the period.

Earnings per share: Profit for the period after tax divided by a weighted average total shares outstanding.

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

Equity per share: Total equity divided by the total shares outstanding at period end.

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



Financial Calendar

Interim financial statements Q2 2016
Interim financial statements Q2 2016
Year-end report for 2016

25 August 2016
10 November 2016
February 2017



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FREE

About Polygiene

Polygiene Odor Control Technology is a world-leading technology for odor control. The company is recognized as the global provider of Stay Fresh solutions for clothing, sports equipment, lifestyle textiles and other materials. Polygiene brings the Scandinavian values of quality and care for the environment to life through its products and services. More than 100 global premium brands have chosen to use Polygiene in their products. Polygiene was established in 2006 and is listed on Nasdaq First North in Stockholm, Sweden. Remium Nordic AB acts as its Certified Adviser.



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