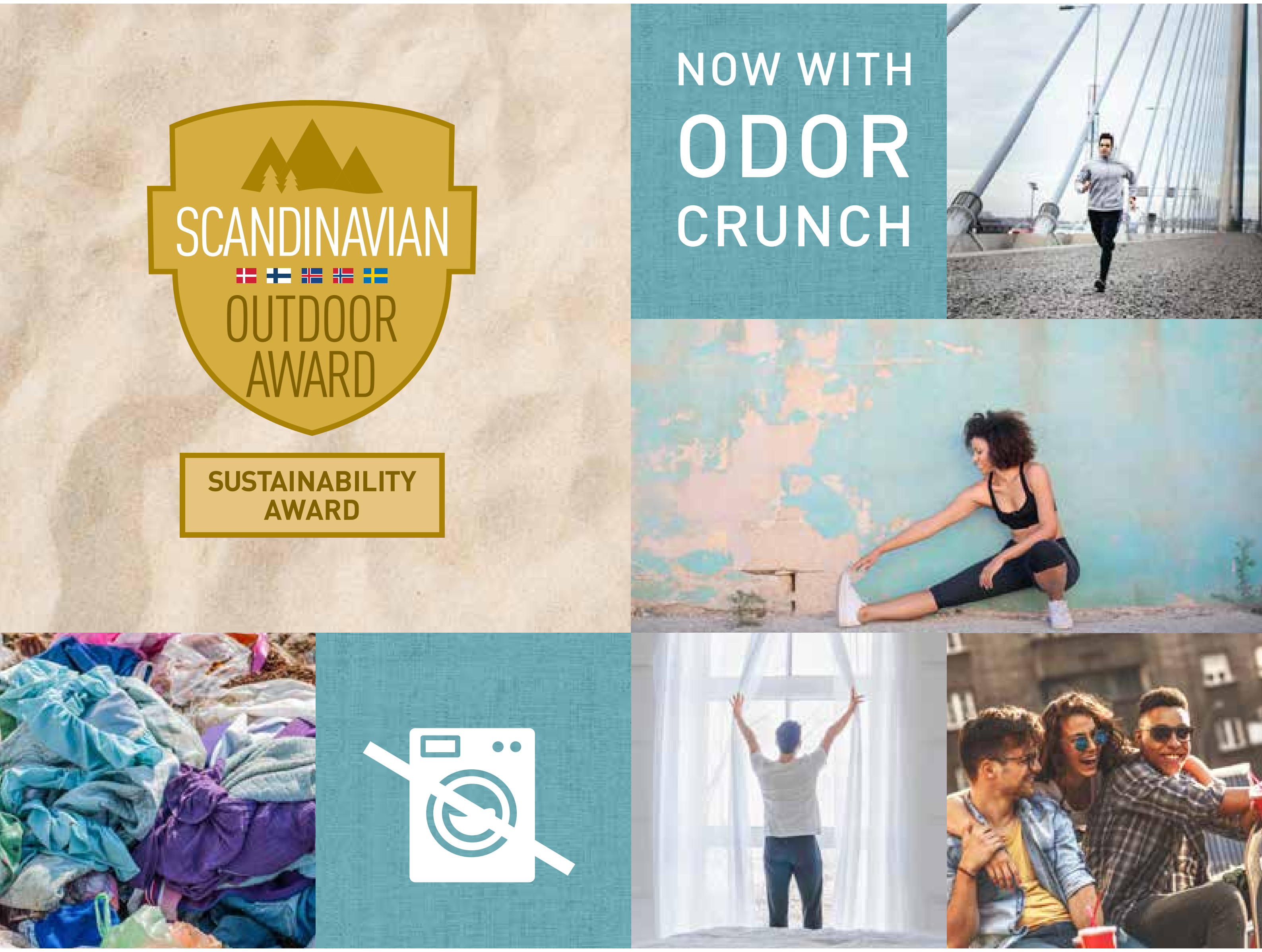
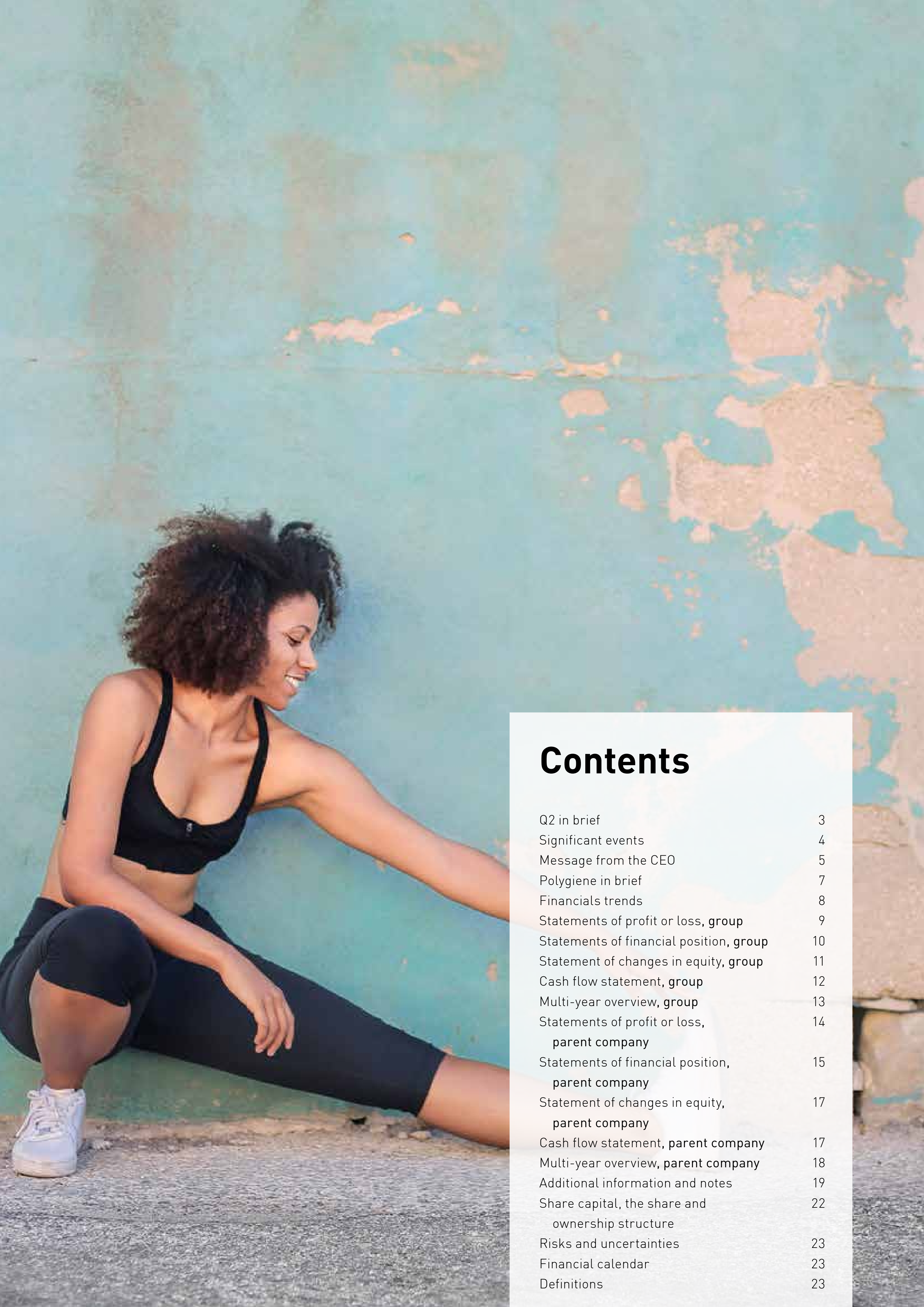
Polygiene AB (publ.)

Interim Report April 1–June 30 2019



ir.polygiene.com

Polygiene®
STAYS FRESH



Contents

Q2 in brief

Continued strong gross margins despite weaker growth and improved cash flow compared to the same period last year.

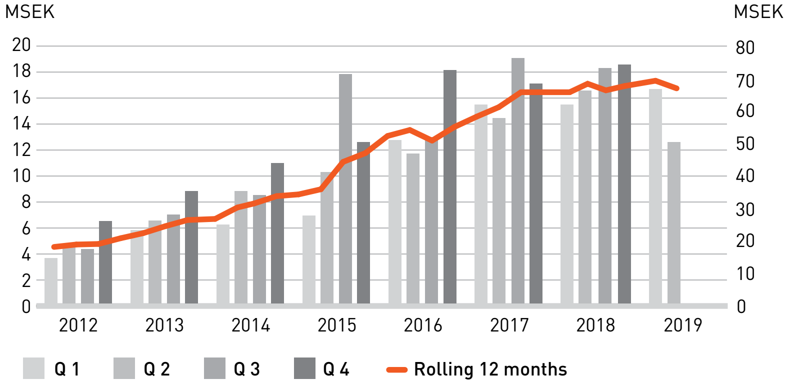
- Net sales decreased by 24.2 % during the second quarter compared to the same period last year and amounted to MSEK 12.6 (16.6). Adjusted from the divestment of Protectice surfaces, the corresponding figure is – 19.3 %.
- The operating profit/loss after tax for the period weakened compared to the same period last year and amounted to MSEK -4.3 (-1.6).
- The gross margin improved compared to the same quarter last year with 72.0 (62.5) %.
- The other external cost excluding variable expenses decreased with 17 %.
- Cash flow of the second quarter amounted to MSEK -2.2 (-4.2).
- At the end of the quarter, the company's operational organization consisted of 19 (16) employees.

Key ratios

Group	April-June 2019	April-June 2018	YTD 2019	Full year 2018
Net sales, MSEK	12.6	16.6	29.3	69.0
Operating profit EBIT, MSEK	-5.4	-1.9	-6.5	-2.1
Operating margin EBIT, %	-41.8	-10.7	-21.4	9.5
Profit after tax, MSEK	-4.3	-1.6	-0.9	5.9
Operating margin after tax, %	-33.1	-9.1	-17.0	7.2
Earnings per share, SEK	-0.21	-0.08	-0.25	0.28
Cash flow, MSEK	-2.2	-4.2	4.3	-7.2

Parent company	April-June 2019	April-June 2018	YTD 2019	Full year 2018	Full year 2017
Net sales, MSEK	12.6	16.6	29.3	69.0	66.1
Operating profit EBIT, MSEK	-5.4	-1.9	-6.5	7.8	-6.1
Operating margin EBIT, %	-41.7	-10.7	-21.3	9.5	-9.0
Profit after tax, MSEK	-4.3	-1.6	-5.2	5.9	-5.4
Operating margin after tax, %	-32.8	-9.1	-16.8	7.2	-8.0
Earnings per share, SEK	-0.21	-0.08	-0.25	0.29	-0.26
Cash flow, MSEK	-2.3	-4.2	4.2	-7.3	-9.1

Net sales per quarter and rolling 12 months



Significant events in brief

Events during Q2 2019 (April-June)

- The Innovative North American brand M.M.LaFleur launches a collection with Polygiene. This marks another milestone on the road into lifestyle and fashion, where both volumes and positive environmental effects are great.
- Polygiene starts a collaboration with Callaway Apparel in the USA. Callaway is a market leader in golf apparel, owned by Perry Ellis International.
- Polygiene is awarded the prestigious "2019 Sustainability Award" by the Scandinavian Outdoor Group (SOG) for the new Odor Crunch functionality.
- Polygiene appoints the industry veteran, opinion leader and sustainability expert Dr. Pamela Ravasio to its Advisory Board.
- Mats Georgson, PhD, CMO in Polygiene took part in a panel discussion at the Functional Fabric Fair in New York City, together with industry leaders. The topic was the past, present and future of the textile industry and how it should address the future challenges, especially in relation to sustainability and environmental effects in general. The auditorium agreed that Polygiene holds a very central role for addressing these.
- The new Korean partner TOV The Garment Maker Ltd. Launched a line of treated uniforms in April 2019 under their own brand HyperOps. Uniforms for store staff and other tougher environments like those in emergency services and the military is a growing market. Such clothes are often washed only weekly or even less often, so the utility of Polygiene is quite apparent.

Significant events after Q2

- The Brazilian partner Conquista Montanhismo launched a collection with Polygiene Stays Fresh Technology. This is the leading and most known brand in Outdoor in Brazil, with the iconic mountaineer Edemilson Padilha as founder and CEO. Their products are made in Brazil and are sold in retail and online all over the country.
- Polygiene grows in China with Commercial and Marketing Appointments. With the appointments of Jenny Zhu as Commercial Director and Amy Dai as Marketing and Supply Chain Manager in Shanghai, Polygiene is adding key competence to further strengthen the sales and technical organization in China.

Message from the CEO

Continued strong gross margins despite weaker-than-expected growth—plus winner of prestigious sustainability award

Operating revenues for the quarter amounted to MSEK 12.6 (16.6), corresponding to a decline of 24.2 % compared to the same period last year. When adjusted for the divestment of our Protective Surfaces division, the corresponding figure is -19.3 %. Operating profit after tax worsened compared to the same period in 2018, amounting this quarter to MSEK -4.3 (-1.6). Cash flow was negative with a loss of MSEK -2.2 (-4.2), an improvement over last year.

Ulrika Björk
CEO Polygiene AB

Although the quarter may be characterized as one with lackluster growth, there are other positive key figures. We see the margin strengthening further, up nearly five percentage points to 72.0 % compared to the previous quarter of 67.7 %. The margin for the first half of the year amounts to 69.6 % and is slightly higher than that which was budgeted. The cash flow this quarter was negative MSEK -2.2 yet significantly better than the corresponding period last year MSEK -4.2. We are working more systematically and focused on controlling the accounts receivable ledger than in the past, which is evident in the results from the cash flow analysis.

Another positive note: we continue to hold the fixed costs in check and maintain the cost control measures previously established. During the first half of the year, we recruited new, qualified employees in China, India and South America. Although this will result in higher staffing costs this year, we consider these staff additions an important investment to create new customer relationships and new business in these markets.

Market events this quarter

Europe continues to reap success with growth this quarter pegged at 24 %. This is mainly due to growth experienced by our single largest partner in Europe, but also due to a few new customers, each representing more than MSEK 0.25 in sales. This confirms that our strategy launched last fall based on a clearer, more defined customer segmentation has yielded results in the form of fewer new customers, but with larger volumes per order.

There are several explanations for lackluster growth this quarter. Due to the escalation of trade restrictions between the US and China, some of our US and Chinese customers are exercising caution. Like many other players, they find it difficult to assess the consequences of the current situation and therefore are more cautious in their business dealings. However, we already see a change in the third quarter, and I expect that we will soon be able to show growth both in the US and in Asia.

The downturn in the second quarter can be attributed to a handful of customers, who decided to reduce their volumes, and we are working diligently to reverse the trend. In the US where the downturn is notable, we recognize that transitioning to our own sales organization in the US has had a greater short-term effect on our business than anticipated. In the long run, it is a wise decision. However, because of the long sales cycles in our industry, it will take time to build strong partnerships. Despite shrinking volumes among existing customers, we added some 10+ new customers this quarter, some of whom hold great potential. Their business will offset a large portion, but not all, of the volumes lost. However, I believe that, going forward, we will see steady growth in North America as we have finalized several agreements and, at the same time, are in the final phase of several other negotiations underway. This past summer, Polygiene has invested in exhibiting at two major US trade shows: Outdoor Retailer in Denver, CO, and Performance Days in New York, NY. Both generated increased interest in Polygiene in general, but also spawned several new projects.

Our investment in Brazil has started to generate returns. During the quarter, we started working with Conquista Montanhismo, Brazil's leading brand in the outdoor industry. Successfully launched in August, the collection is expected to open doors to other premium brands in Brazil.

The downturn in Asia is mainly due to delayed orders from one of our home textile customers in China. During Q2 last year, this customer place large orders, amounting to MSEK 2.5; these orders have not yet been repeated. We are working intensively with our agent in China to convince the customer of the added value we provide both in terms of end-user functionality and in terms of the communication of our brand. Moreover, we have several new customers and have had many interesting meetings this summer, especially in China. I am convinced that Asia will be our largest market in the future. The advantage with Asia is that they are generally quicker to make decisions than other markets, which is why I hope and believe that the second half of the year will result in good growth figures.

Award-winning technology

I am extremely proud that this year Polygiene received the prestigious Sustainability Award bestowed annually by the Nordic industry organization Scandinavian Outdoor Group. The jury includes outdoor journalists and product test managers of Europe's 10 leading outdoor media corporations. It was at the trade show OutDoor by ISPO 2019 in Munich that Polygiene received the award for the launch of Odor Crunch technology, our new organic product. This prize has already and will continue to open many doors for us in a textile industry facing many challenges as all actors are looking for more sustainable solutions. I am convinced that Odor Crunch is the springboard for Polygiene's continued journey towards contributing to a more sustainable textile industry and being able to make a difference. We undertook the task of repositioning Polygiene early this year and we have since witnessed how our vision has attracted attention both from potential customers and from the media and investors.

Appointing sustainability expert Pamela Ravasio to our advisory board is also a decision that is in line with repositioning our brand. Pamela was previously responsible for sustainability at the industry organization European Outdoor Group. She has broad expertise in, and a deep commitment to, addressing sustainability issues within the textile industry. I am very happy that she has agreed to our advisory board. It is our common approach and shared vision of conserving water resources and reducing water stress on the environment that binds us and will enable us to influence consumers to contribute to a more sustainable world.

A new organization in China

We continue to invest in China, expanding our organization with two new employees. They join our Hong Kong-based engineers and two external agents to form Polygiene China under the leadership of Peter Sjösten, who is responsible for commercial operations in the region. This past summer, Polygiene participated for the first time with our own booth and staff at ISPO Shanghai 2019. We plan to intensify activities in China to increase sales relatively quickly. Work on opening the subsidiary in Shanghai is proceeding according to plan and is expected to be operational during the third quarter.

Outlook ahead

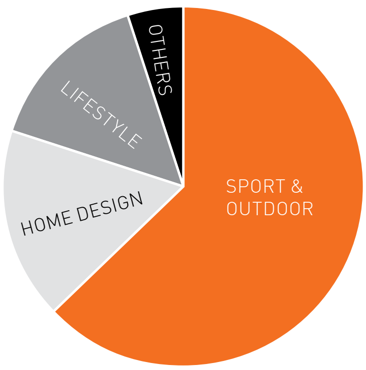
I have no major concerns despite the decline we saw this quarter. We have analyzed the business situation and understand the reason for the decrease in sales. Measures have been taken to reverse the trend. There are a few customers who account for the major part of the loss in volumes, and we know the reasons why. In addition, we have proven that our offering to the market works very well and that we have the strongest brand in our area. We are not alone; we have received information that the industry as a whole has also weathered a downturn this quarter due, most likey, to the current US-China relationship.

I am confident in our updated positioning, in our existing strategies and with our new organization. There are always areas of improvement that we are constantly working on and developing, but we do not make major changes in a single quarter and there is currently no need to make any drastic changes. Despite a somewhat worse quarter, the level of activity has probably never been as intense as it is now. We are now entering our peak season with more confidence and a pipeline filled with plenty of ongoing projects.

Ulrika Björk, CEO

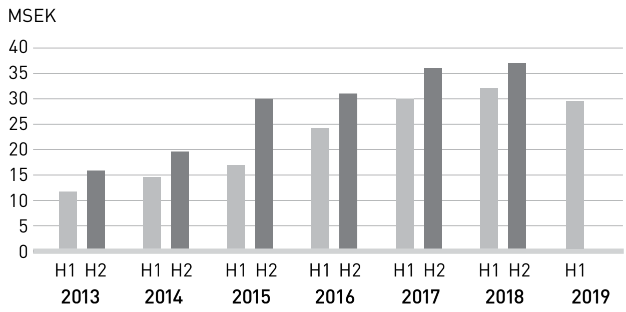
Polygiene in brief

With Polygiene®, we can reduce washing our clothes by 50 % and use them twice as long. To change the consumer mindset, people must feel confident that clothing and other products will stay fresh, without smelling bad. By working with that brand promise, we have become the leading global brand in odor control, with impressive public brand recognition. We help our partners provide our branded treatment to clothing, equipment, textiles and other materials. Polygiene has more than 140 partners worldwide in various segments, such as Sports & Outdoor, Lifestyle, Home Design, Footwear and Workwear.



Operations

Approximately 63 % of the turnover 2018 came from Sport & Outdoor, 17 % from Home Design, 15 % from Lifestyle and the other 5 % from Footwear and Workwear. 2022 the estimation is that Lifestyle, Footwear and Home Design will grow.

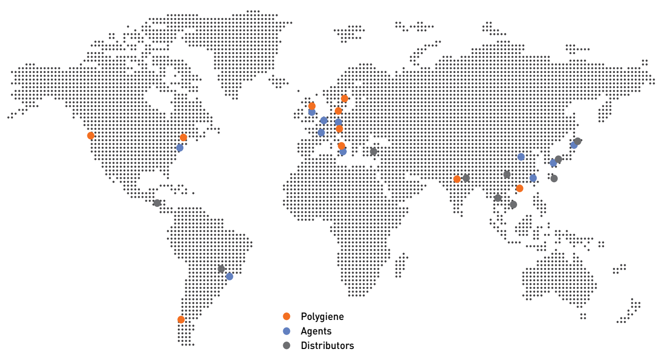


Net sales first/second half of the years 2013–2018

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

Partners

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



A global partner

Polygiene focuses mainly on manufacturers of leading premium brands and their customers, and actively works throughout the entire value chain–from development and manufacturing, to marketing, distribution and customer support.

Financial trends

Net revenues and profit

Net revenues and Gross Margin

Q2 net revenues for the group and parent company totalled MSEK 12.6 (16.6), for an decrease of 24.2 % over the same quarter the previous year. Other operating income for the quarter totalled MSEK 0.4 (1.2) and consist of positive exchange rate differences.

Gross margins for the quarter reported at 72.0 % (62.5). The increase is from a miner correction that belongs to Q1, 2019. The accumulated gross margin is 69.6 %. Cost of sold goods totalled MSEK -3.5 (-6.2) for the quarter.

Costs

Other external expenses for the period totalled MSEK -9.6 (-9.9), which is an decrease of 2.5 % over the same period the previous year. These costs include:

- *Selling expenses* MSEK -3.9 (-3.9) where MSEK -3.4 (-2.4) are variable. Variable expenses include commissions to agents and distributors.
- *Marketing expenses* - MSEK -1.6 (-1.9). Lower costs resulted from allocations to Sales and improved efficiency in marketing activities.
- *Administrative expenses* - MSEK -2.0 (-2.3). Cost decreases are primarily due to decreased consulting costs and the new standards of IFRS 16.
- *Technology and development* - MSEK -0.8 (-0.9). decreased costs for testing during this period.
- *Contracted consultants* - MSEK -1.3 (-0.9).

Staff costs totalled MSEK -4.5 (-3.2), where the increase is partially because of two new employees and the new rule about boards assignments must be taxed as salary.

Foreign withholding tax is a type of deduction at source that Polygiene can recover when previous tax loss carry forwards are utilised. Since Polygiene has shown negative figures previously during the earlier periods the company has applied the precautionary principle and the withholding tax was recognized as an expense during the periods. When Polygiene showed a profit for the full year of 2018, withholding taxes can be recovered and capitalized.

Depreciation on intangible- and tangible assets totalled MSEK -0.3 (-0.2).

Other operating expenses relate to exchange rate differences and totalled MSEK -0.5 (0.4) for the quarter.

Result

Operating profit/loss (EBIT) totalled MSEK -5.4 (-1.9), corresponding to operating margins of -41.8 (-10.7) %. The result after taxes totalled MSEK -4.3 (-1.6).

Financial position

Financial non-current assets

Financial non-current assets at the period end where MSEK 8.1 (6.2) and consist of deferred tax assets related to tax loss carry forwards arising in previous years and withholding tax for the year. The total tax loss carry forwards at the period end were MSEK 26.9.

Intangible and tangible non-current assets

The intangible fixed assets contains mainly of investments in the ERP system.

The tangible fixed assets consist of leasing for the use rights of office premises.

Equity

Equity totalled MSEK 34.5 (32.6) at the period end. The equity assets ratio as of 30/06/2019 was 74.5 (64.6) %.

Cash flow and liquidity

Cash flow from operating activities amounted to MSEK -1.7 (-3.3) for Q2 2019. Cash and cash equivalents for the group totalled MSEK 8.0 (9.5) at the period end.

Staff

At the period-end, the operating organization, regardless the degree of service, was 19 (16) people. 15 (12) where employed and 4 (4) are contracted consultants.

Statements of profit or loss of group

TSEK	Note	Group 2019-04-01 2019-06-30	Group 2018-04-01 2018-06-30	Group 2019-01-01 2019-06-30	Group 2018-01-01 2018-12-31
Operating revenue					
Net sales	8	12,593	16,618	29,299	69,039
Other operating income		397	1,157	1,157	2,455
Total operating revenue		**12,990**	**17,775**	**30,456**	**71,494**
Operating expenses					
Costs of goods sold		-3,516	-6,234	-8,919	-23,717
Other external expenses		-9,622	-9,870	-18,435	-35,077
Personnel expenses		-4 581	-3,220	-8,157	-14,309
Withholding tax		–	-567	–	–
Depreciation and write-downs		-257	-192	-515	-798
Other operating expenses		-450	398	-965	-398
Total operating expenses		**-18,426**	**-19,685**	**-36,991**	**-74,299**
Operating profit/loss		**-5,436**	**-1,910**	**-6,535**	**-2,805**
Profit from financial items					
Interest expenses and similar items		-12	-1	-26	-2
Profit after financial items		**-5,448**	**-1,911**	**-6,561**	**-2,807**
Tax income for the period		1,152	284	1,376	-1,874
Profit of the period from continuing operations		**-4,296**	**-1,627**	**-5,185**	**-4,681**
Profit of the period from discontinued operations		–	–	–	10,588
Profit of the period		**-4,296**	**-1,627**	**-5,185**	**5,907**
Earnings per share (after tax)		**-0.21**	**-0.08**	**-0.25**	**0.28**

Statements of financial position of group

TSEK	Note	Group 2019-06-30	Group 2018-06-30	Group 2018-12-31
ASSETS				
Fixed assets				
Intangible assets	9	1,789	3,735	4,123
Tangible assets		1,618	–	–
Financial assets	10	8,112	6,237	6,999
Total fixed assets		**11,519**	**9,972**	**11,122**
Current assets				
Finished items and items for sale		212	461	497
Trade receivables	10	16,999	27,894	26,054
Other current assets	10	9,541	2,652	13,596
Cash and cash equivalents		7,951	9,516	3,696
Total current assets		**34,703**	**40,523**	**43,843**
TOTAL ASSETS		**46,222**	**50,495**	**54,965**
TOTAL EQUITY AND LIABILITIES				
Equity		**34,445**	**32,646**	**41,848**
Long-term liabilities				
Leasing of office premises		1,637	–	–
Total Long-term liabilities		**1,637**	**–**	**–**
Short-term liabilities				
Accounts payable		6,290	13,835	8,135
Other current liabilities		3,850	4,014	4,982
Total short-term liabilities		**10,140**	**17,849**	**13,117**
Total liabilities		**11,777**	**17,849**	**13,117**
TOTAL EQUITY AND LIABILITIES		**46,222**	**50,495**	**54,965**

Statement of changes in equity of group

Group, TSEK	2019-04-01 2019-06-30	2018-04-01 2018-06-30	2018-01-01 2018-12-31
Equity at period start	38,681	34,217	35,885
New share issues and warrants	60	56	56
Transactions with the owners	**38,741**	**34,273**	**35,941**
Annual earnings	-4,296	-1,627	5,907
Total annual earnings	**-4,296**	**-1,627**	**5,907**
Equity at period end	**34,445**	**32,646**	**41,848**

Cash flow statement of group

TSEK	2019-04-01 2019-06-30	2018-04-01 2018-06-30	2019-01-01 2019-06-30	2018-01-01 2018-12-31
Current activities				
Profit/loss before financial items	-5,436	-1,911	-6,535	7,782
Non-cash adjustement	258	192	514	798
Interest paid	-12	-1	-26	-2
Paid income tax	–	–	–	-1,874
Cash flow from operating activities before changes in operating capital	**-5,190**	**-1,720**	**-6,047**	**6,704**
Changes in working capital				
Increase/decrease in inventory	41	-166	284	-184
Increase/decrease in current receivables	6,888	-2,781	16,918	-6,611
Increase/decrease in current liabilities	-3,451	1,382	-3,765	-4,099
Net cash flow from operating activities	**-1,712**	**-3,285**	**7,390**	**-4,190**
Net cash flow from current activities	**-1,712**	**-3,285**	**7,390**	**-4,190**
Investment activities				
Acquisition of intangible assets	–	-965	-118	-2,388
Acqusition of tangible assets	–	–	-1,964	–
Acquisition of financial assets	-545	–	-1,127	-712
Disposal of tangible assets	–	–	14	–
Cash flow from investing activities	**-545**	**-965**	**-3,195**	**-3,100**
Financing activities				
New share issue	60	56	60	56
Cash flow from financial activities	**60**	**56**	**60**	**56**
Annual cash flow	**-2,197**	**-4,194**	**4,255**	**-7,234**
Cash and cash equivalents at period start	10,148	13,708	3,696	10,930
Cash and cash equivalents at period end	**7,951**	**9,514**	**7,951**	**3,696**

Multi-year overview of group

Group	April-June 2019	April-June 2018	YTD 2019	Full year 2018
Net sales, TSEK	12,593	16,618	29,299	69,039
Sales growth, %	-24	14	-9	4
Operating profit/loss EBIT, TSEK	-5,436	-1,910	-6,535	-2,805
Profit after tax, TSEK	-4,296	-1,627	-5,185	5,907
Operating margin EBIT, %	-42	-11	-21	9
Operating margin after tax, %	-33	-9	-17	7
Cash flow, TSEK	-2,197	-4,194	4,256	-7,234
Equity, TSEK	34,445	32,646	34,445	41,848
Balance sheet total, TSEK	46,222	50,495	46,222	54,965
Equity/assets ratio, %	74,5	64,6	74,5	76,1
Number of shares at period-end, thousands	20,516	20,516	20,516	20,516
Average no. of shares at period-end, thousands	20,516	20,516	20,516	20,516
Earnings per share, SEK	-0.21	-0.08	-0.25	0.28
Cash flow per share, SEK	-0.11	-0.20	0.21	-0.35
Equity per share, SEK	1.68	1.59	1.68	2.04

Statements of profit or loss of parent company

TSEK	Note	Parent company 2019-04-01 2019-06-30	Parent company 2018-04-01 2018-06-30	Parent company 2019-01-01 2019-06-30	Parent company 2018-01-01 2018-12-31
Operating revenue					
Net sales	8	12,593	16,618	29,299	69,039
Other operating income		397	1,157	1,157	13,043
Total operating revenue		**12,990**	**17,775**	**30,456**	**82,082**
Operating expenses					
Costs of goods sold		-3,516	-6,234	-8,919	-23,717
Other external expenses		-9,779	-9,870	-18,763	-35,077
Personnel expenses		-4,581	-3,220	-8,157	-14,309
Withholding tax		–	-567	–	–
Depreciation and write-downs		-84	-192	-169	-798
Other operating expenses		-449	399	-964	-388
Total operating expenses		**-18,409**	**-19,684**	**-36,972**	**-74,289**
Operating profit/loss		**-5,419**	**-1,909**	**-6,516**	**7,793**
Profit from financial items					
Interest expenses and similar items		–	-1	–	-2
Profit after financial items		**-5,419**	**-1,910**	**-6,516**	**7,791**
Tax income for the period		1,146	284	1,373	-1,874
Profit of the period		**-4,273**	**-1,626**	**-5,143**	**5,917**
Earnings per share (after tax)		**-0.21**	**-0.08**	**-0.25**	**0.29**

Statements of financial position of parent company

TSEK	Note	Parent company 2019-06-30	Parent company 2018-06-30	Parent company 2018-12-31
ASSETS				
Fixed assets				
Intangible assets	9	1,789	3,735	4,123
Tangible assets		–	–	–
Financial assets	10	8,162	6,287	7,049
Total fixed assets		**9,951**	**10,022**	**11,172**
Current assets				
Finished items and items for sale		212	461	497
Trade receivables	10	16,999	27,894	26,054
Other current assets	10	9,543	2,643	13,596
Cash and cash equivalents		7,796	9,420	3,600
Total current assets		**34,550**	**40,418**	**43,747**
TOTAL ASSETS		**44,501**	**50,440**	**54,919**
TOTAL EQUITY AND LIABILITIES				
Equity		**34,376**	**32,591**	**41,802**
Short-term liabilities				
Accounts payable		6,290	13,835	8,135
Other current liabilities		3,835	4,014	4,982
Total short-term liabilities		**10,125**	**17,849**	**13,117**
Total liabilities		**10,125**	**17,849**	**13,117**
TOTAL EQUITY AND LIABILITIES		**44,501**	**50,440**	**54,919**

Statement of changes in equity of parent company

Parent company, TSEK	2019-04-01 2019-06-30	2018-04-01 2018-06-30	2018-01-01 2018-12-31	2017-01-01 2017-12-31
Equity at period start	38,649	34,217	35,885	41,294
New share issues and warrants	–	–	–	–
Transactions with the owners	**38,649**	**34,217**	**35,885**	**41,294**
Annual earnings	-4,273	-1,626	5,917	-5,409
Total annual earnings	**-4,273**	**-1,626**	**5,917**	**-5,409**
Equity at period end	**34,376**	**32,591**	**41,802**	**35,885**

Cash flow statement of parent company

TSEK	2019-04-01 2019-06-30	2018-04-01 2018-06-30	2019-01-01 2019-06-30	2018-01-01 2018-12-31
Operating activities				
Profit/loss before financial items	-5,419	-1,909	-6,516	7,793
Non-cash adjustement	84	192	170	797
Interest paid	–	-1	–	-2
Paid income tax	–	–	–	-1,874
Cash flow from operating activities before changes in operating capital	**-5,335**	**-1,718**	**-6,346**	**6,714**
Changes in working capital				
Increase/decrease in inventory	41	-166	284	-184
Increase/decrease in current receivables	6,888	-2,781	16,918	-6,611
Increase/decrease in current liabilities	-3,306	1,382	-5,429	-4,099
Net cash flow from current activities	**-1,712**	**-3,283**	**5,427**	**-4,180**
Net cash flow from operating activities	**-1,712**	**-3,283**	**5,427**	**-4,180**
Investing activities				
Acquisition of intangible assets	–	-965	-118	-2,388
Acqusition of tangible assets	–	–	–	–
Acquisition of financial assets	-545	–	-1,127	-762
Disposal of tangible assets	–	–	14	–
Cash flow from investing activities	**-545**	**-965**	**-1,231**	**-3,150**
Financing activities				
New share issue	–	–	–	–
Cash flow from financing activities	**0**	**0**	**0**	**0**
Annual cash flow	**-2,257**	**-4,248**	**4,196**	**-7,330**
Cash and cash equivalents at period start	10,053	13,668	3,600	10,930
Cash and cash equivalents at period end	**7,796**	**9,420**	**7,796**	**3,600**

Multi-year overview of parent company

Parent company	April-June 2019	April-June 2018	YTD 2019	Full year 2018	Full year 2017	Full year 2016
Net sales, TSEK	12,593	16,618	29,299	69,039	66,152	55,407
Sales growth, %	-24	14	-9	4	19	18
Operating profit/loss EBIT, TSEK	-5,419	-1,909	-6,516	7,793	-6,101	-3,392
Profit after tax, TSEK	-4,273	-1,626	-5,143	5,917	-5,409	-3,164
Operating margin EBIT, %	-42	-11	-21	9	-9	-6
Operating margin after tax, %	-33	-9	-17	7	-8	-6
Cash flow, TSEK	-2,257	-4,248	4,196	-7,330	-9,093	-7,522
Equity, TSEK	34,376	32,591	34,376	41,802	35,885	41,293
Balance sheet total, TSEK	44,501	50,440	44,501	54,919	53,101	57,318
Equity/assets ratio, %	77,2	64,6	77,2	76,1	67,5	72,0
Number of shares at period-end, thousands	20,516	20,516	20,516	20,516	20,516	20,516
Average no. of shares at period-end, thousands	20,516	20,516	20,516	20,516	20,516	19,716
Earnings per share, SEK	-0.04	-0.08	-0.25	0.29	-0.26	-0.16
Cash flow per share, SEK	-0.11	-0.21	0.20	-0.36	-0.44	-0.38
Equity per share, SEK	1.68	1.59	1.68	2.04	1.75	2.01
Share price at period end, SEK	5.6	7.7	5.6	5.6	11.5	12.5

Additional information and notes

Note 1: Nature of operations

Polygiene is the world-leading provider of odor control and Stays Fresh solutions for clothes, sports equipment, textiles and other material designed so the user can feel fresh no matter what they do or where they do it. Today, the group has over 140 global partners in many segments Including Sports & Outdoor, Lifestyle, Home design, Footwear, Workwear and Protective surfaces. In addition to the objective of building Growth as a global ingredient brand, Polygiene also wants to drive change in consumer behavior with the motto Wear More. Wash Less©. The group's brand is a significant asset whereby the company conducts continual activities to strengthen our brand and awareness is vital to achieving future targets. Polygiene AB (publ.), the group parent, is a public limited company formed and domiciled in Sweden. The main offices and primary operations location are at Styrmansgatan 2, 211 18 Malmö. Polygiene AB shares are listed on First North.

Note 2: General information and compliance with IAS 34

This interim report presents the period from April 1 to June 30 2019 and is prepared in SEK, the parent's functional currency. The interim report was prepared according to IAS 34 Interim Financial Reporting.

As of 2018, the parent will publish consolidated financial statements. The first consolidated financial statement, as of 31 December 2018, was prepared in compliance with IFRS. This interim report for the group is thereby also prepared in compliance with IFRS. The group and parent company are reported separately even though the amounts in most cases do not deviate by more than negligible amount.

The group is now applying for the first time IFRS 9 Financial Instruments and och IFRS 15 Revenue from Contracts with Customers. All other changes and interpretations applied for the first time in 2018 have no impact on this interim report. The group has not previously applied in published document any standards or similar not yet in force.

The group applies IFRS 16 Leases as of January 1, 2019. According to the transitional provisions in IFRS 16, the comparativce figures have not been restated. Both short-term leases and leases where the underlying asset is of lesser value have been excluded from the calculation of the right to use the asset and the leasing debt. In total, TSEK 1.965 has been booked as of January 1, 2019 for the non-cancellable lease contracts and TSEK 1.965 regarding leasing debt.

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

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

The interim report for the quarterly period April 1 to June 30 2019 was approved for publishing by the board of directors on August 28 2019.

Note 3: Significant accounting and valuation policies of the parent

This interim report was prepared in compliance with IFRS, which agrees with the accounting and valuation principles and differs from those applied in the parent's 2018 financial statements.

Revenue

Revenues relate to sales of chemicals and royalties. When measuring whether a revenue shall be recognized, the group follows a 5-step process:

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue from the sale of chemicals at a fixed price are recognized on the date the group transfer controls of the assets to the custemor. Royalty revenues are recognized as revenue on the date customer production using the group's chemicals is completed and can be calculated on the quantity of finished cloth, total quantity of garments produced or other similar way. The cost for these chemicals are simultaneously recognized in the income statement. Invoices for transferred products or services shall be paid when the customer receives the products.

Financial instruments

Financial assets and liabilities are recognised when the company becomes a party to the contractual terms of the instrument. In these first financial statements, all financial assets have been classified as measured at amortised cost. The classification of financial assets will not be changed in subsequent periods unless the group changes its business model for managing financial assets whereby all financial assets affected by the change will be reclassified as of the first day of the first financial year subsequent to the change to the business model.

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

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

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

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

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

Trade receivables and accounts payables are netted since they relate to the same party and will be settled net.

Leasing

IFRS 16 Leasing replaces IAS 17 as of January 1 2019. The new standard means that the majority of leased assets are recognized in the statement of financial position. The only exemptions are short-term and low-value leases agreements, wich the goup has chosen to utilize. The implementation of IFRS 16 affects the year-end close because the lease agreement the group has chosen to capitalize (leasing for office space in Malmö) as an asset (the right to use the leased object)) and a financial liability for paying the lease agreement will be recognized. This has an effect on the equity ratio. The standard offers various transition methods and Polygiene has chosen to apply the standard with limited retroactivity.

Transactions in foreign currencies

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

Note 4: Significant estimates and assessments

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

The estimates, assessments made in the interim report, including assessment of the most important sources of uncertainty are the same as those applied in the 2018 annual reports.

Polygiene has made the assessment that the buyer of the operating segment Protective will achieve the contracted minimum revenue levels, and which dictates the contracted consideration, see note 7 Contingent liabilities below.

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

Polygiene won the Sustainability Award presented by the Scandinavian Outdoor Group. Polygiene appoints the industry veteran, opinion leader and sustainability expert Dr. Pamela Ravasio becomes a new member of the Advisory Board. The Parent company issued 300,000 warrants to staff in June 2019.

Note 6: Seasonality and cyclicality

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

Note 7: Contingent liabilities

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

Note 8 Net sales from contracts with customers

Group and parent company´s revenues from contracts with customers can be broken down as follows:

TSEK 19-06-30	Goods	Royalty	Total
Primary geographic markets			
Asia	1,582	2,095	**3,677**
Europe	3,974	2,283	**6,257**
North America	1,226	1,405	**2,631**
Rest of the world	13	15	**28**
	6,795	**5,798**	**12,593**

TSEK 18-06-30	Goods	Royalty	Total
Primary geographic markets			
Asia	4,266	3,259	**7,525**
Europe	3,319	1,718	**5,037**
North America	1,108	2,076	**3,184**
Rest of the world	21	851	**872**
	8,714	**7,904**	**16,618**

Note 9 Other intangible asset

The group and parent company's changes in the presented value for intangible assets:

TSEK	Group 2019-06-30	Group 2018-06-30	Group 2018-12-31
Opening acquisition value	**3,430**	**4,450**	**5,644**
Acquisitions	–	965	621
Closing accrued expenses	**3,430**	**5,415**	**6,265**
Opening accumulated depreciation	**-1,557**	**-1,488**	**-1,896**
Deprecations of the period	-84	-192	-246
Closing accumulated depreciation	**-1,641**	**-1,680**	**-2,142**
Recognized value	**1,789**	**3,735**	**4,123**

Note 10 Financial assets

The group and parent company's changes in value of financial assets:

TSEK	Group 2019-06-30	Group 2018-06-30	Group 2018-12-31
Deffered tax assets			
Opening balance	22,322	24,256	31,699
Change during the period	-5,323	3,638	-5,645
Closing balance	**16,999**	**27,894**	**26,054**
Withholding tax			
Opening balance	3,218	–	–
Change during the period	545	–	2,636
Closing balance	**3,763**	**–**	**2,636**
Deposits			
Opening balance	–	14	14
Change during the period	–	–	–
Closing balance	**–**	**14**	**14**
Contracted assets			
Opening balance	384	–	–
Change during the period	-48	–	–
Closing balance	**336**	**–**	**–**

Share capital, the share and ownership structure

Share capital

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

In June 2018, the company issued 228,000 warrants to staff, which entitle the holders to subscribe to an equivalent number of shares. The warrants may be used during period from June 1 to June 30, 2021, and have the exercise price of SEK 16.50 per share. The corresponding program was implemented in June 2019 when the Parent company issued 300,000 warrants. The warrants may be used during period from June 1 to June 30 2022, and have the exercise price of SEK 12,90 per share.

For more information on the development of share capital, please refer to the Polygiene AB Annual Report 2018..

Shares

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

During the second quarter, the total number of shares traded was 1,621,438, which corresponds on average to 27,482 shares per trading day. The share price at the end of the period was SEK 5.60, which corresponds to market capitalization of MSEK 114.9. The highest and the lowest share prices during the period were SEK 8.68 and 5.50, respectively.

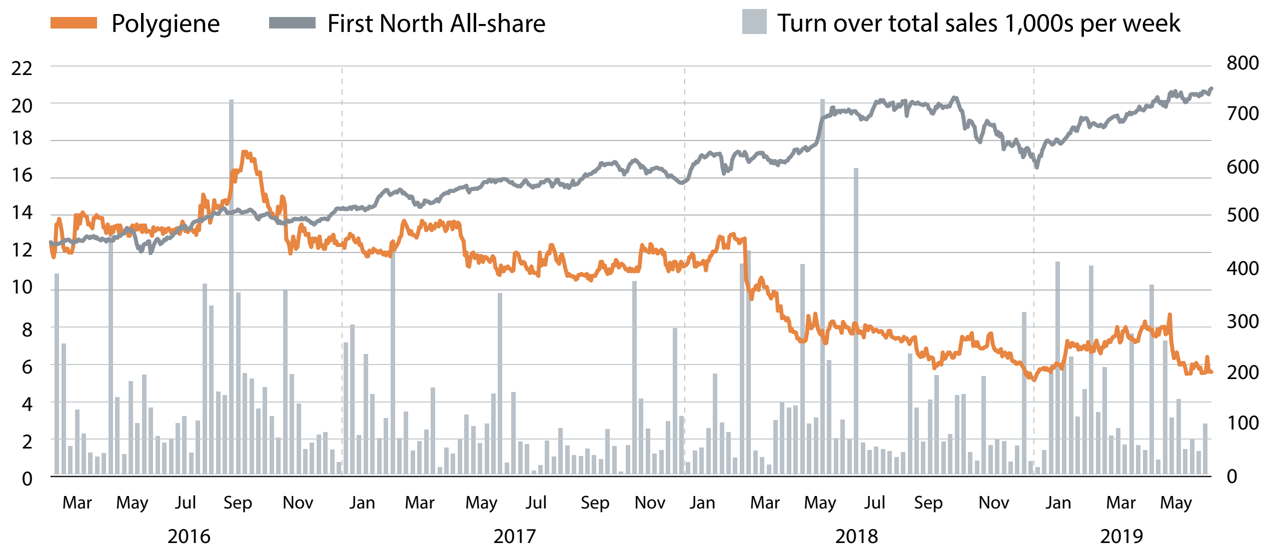
Ownership structure

The number of shareholders at the end of the period was 798 (797). The table below lists the 10 largest shareholders as of June 30, 2019.

Shareholders	Shares	Percent
Håkan Lagerberg*	1,658,473	8,1 %
SIX SIS AG	1,166,542	5,7 %
Svanberg & Co Invest	1,033,003	5,0 %
JPM Chase NA	940,000	4,6 %
Jonas Wollin*	874,500	4,3 %
Jonas Pålsson	855,000	4,2 %
Aktia Fund Management	846,008	4,1 %
Lennart Holm	809,370	3,9 %
Mats Georgson*	728,000	3,5 %
Avanza Pension	677,396	3,3 %
Övriga	10,927,708	53,3 %
Summa	**20,516,000**	**100,0 %**

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

Polygiene 2016 March–2019 June



Risks and uncertainty factors

Company operations are affected by several factors which can involve risks to the company's operations and profit. For more information, please refer to the company's 2018 Annual Report.

Financial calendar

Interim Report Q3 2019	Nov 7
End Report	February 2020

Definitions

Operating profit EBIT: Earnings before interest and tax.

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

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

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

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

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

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

Contact information

Questions related to the report:

Ulrika Björk, CEO / acting CFO
Tel: +46 (0) 70 921 12 75
E-mail: ubj@polygiene.com

Polygiene AB, Styrmansgatan 1, SE-211 18 Malmö, Sweden
Tel: +46 (0) 40 26 22 22

This information is information that Polygiene AB (publ.) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, at 08.40 CET on Aug 29 2019.

Polygiene®
STAYS FRESH