

Polygiene AB (publ.)

INTERIM REPORT Q2 2020

**"WE WANT TO CHANGE THE
WAY WE VIEW CLOTHES –
FROM FAST CONSUMABLES
TO DURABLES"**



Polygiene®
STAYS FRESH

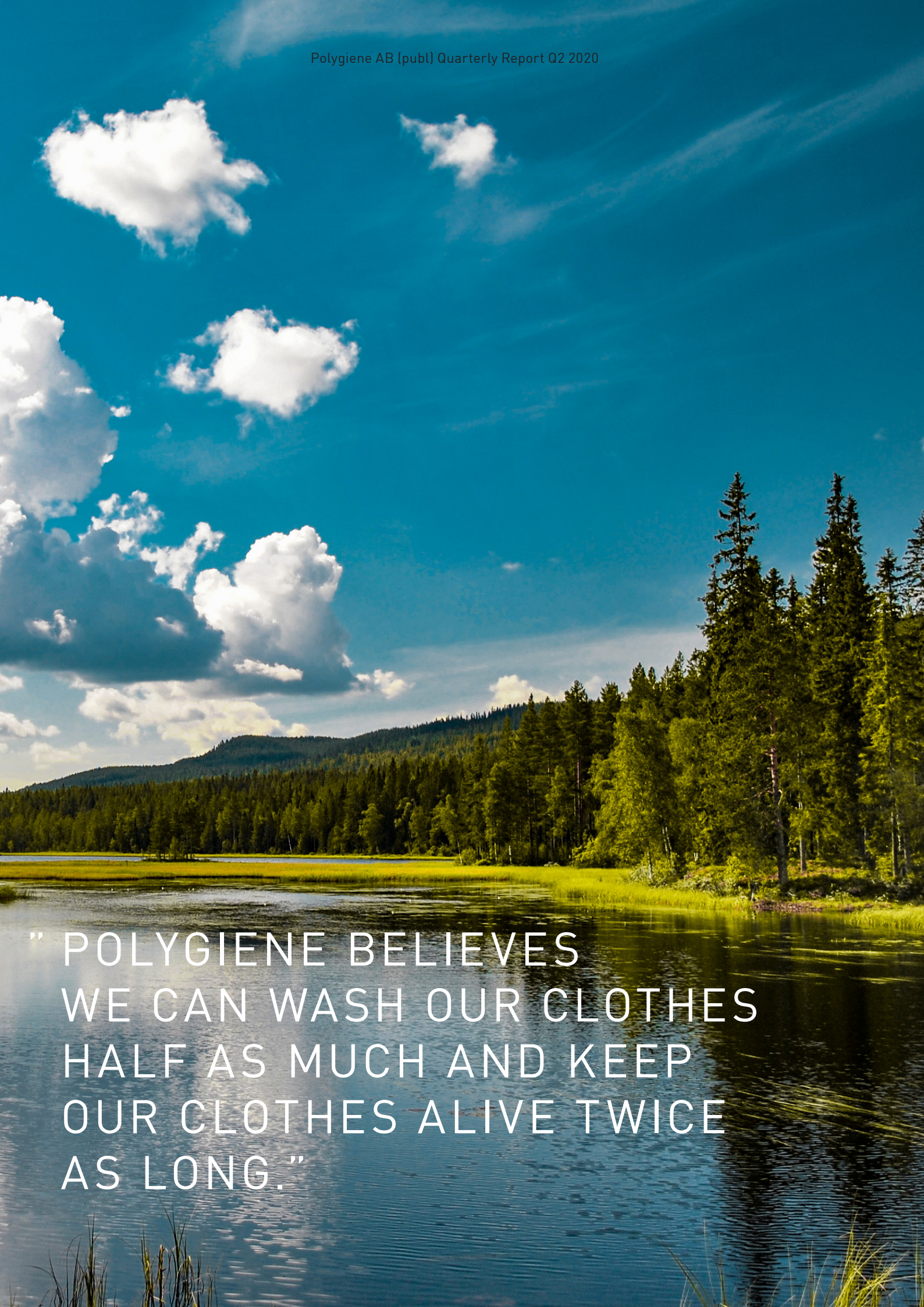
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” POLYGIENE BELIEVES
WE CAN WASH OUR CLOTHES
HALF AS MUCH AND KEEP
OUR CLOTHES ALIVE TWICE
AS LONG.”

Q2 IN BRIEF

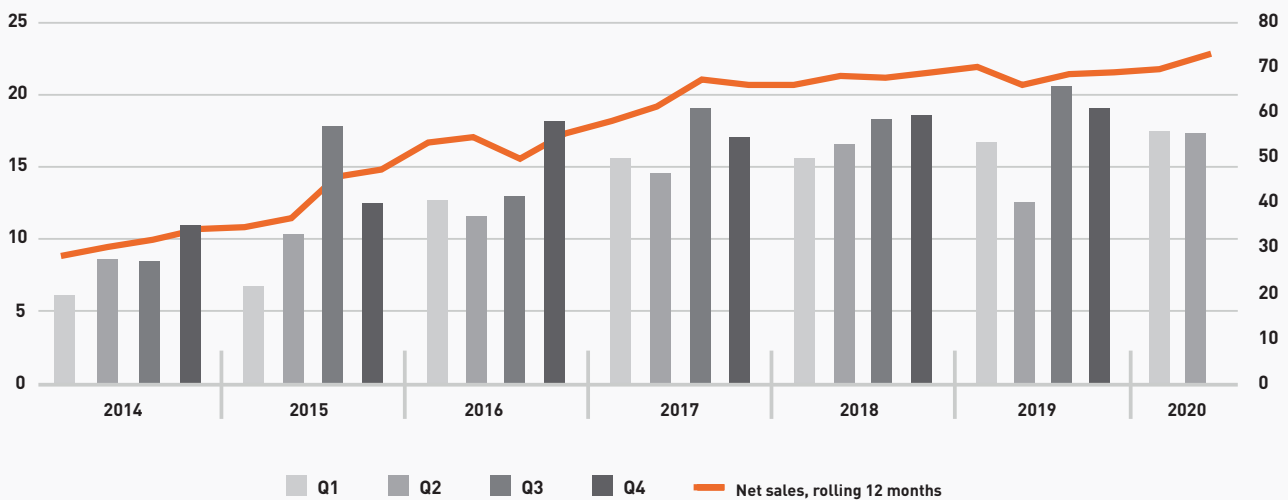
- Positive growth due to increased net sales by 37.4 % during the quarter compared to the same period last year and amounted to MSEK 17.3 (12.6).
- The operating profit/loss before tax for the period has improved compared to the same period last year and amounted to MSEK -1.1 (-5.4).
- The gross margin has decreased at 70.3 (72.1) %.
- Cash flow remained unchanged of the second quarter, MSEK 0.0 (-2.2).

KEY RATIOS

Group	Apr-June 2020	Apr-June 2019	YTD 2020	Full year 2019	Full year 2018
Net sales, MSEK	17.3	12.6	34.7	68.8	69.0
Operating profit EBIT, MSEK	-1.1	-5.4	-1.0	-6.6	-2.8
Operating margin EBIT, %	-6.3	-41.8	-3.0	-9.2	-3.9
Profit after tax, MSEK	-0.8	-4.3	-0.6	-5.2	0.7
Operating margin after tax, %	-4.8	-33.1	-2.0	-7.2	0.9
Earnings per share, SEK	-0.04	-0.21	-0.03	-0.25	0.03
Cash flow, MSEK	0.0	-2.2	2.2	1.2	-7.2

NET SALES, ROLLING 12 MONTHS

NET SALES MSEK



SIGNIFICANT EVENTS IN BRIEF

EVENTS DURING Q2 2020 (APRIL-JUNE)

- In connection with the launch of ViralOff the company strengthens the organization with Andreas Holm who will focus on the new product and the inquiries that are pouring in. Andreas latest assignment was in the role as Nordic & Baltic Sales Director for Thule Group AB.
- **JCT Limited**, one of India's largest composite textile mills, has partnered with Polygiene AB to launch VB-GO® Hazmat Suits, Face Masks and Coveralls, all of which will have the functionality of Polygiene ViralOff® Antiviral Treatment Technology.
- Polygiene partner since 2009, **Maloja** was able to adapt their EU production facility and make available a consumer face mask with ViralOff. The brand will have two styles available, starting with the launch of their Reusable Mask 2.0 in May. Later, Maloja will have an additional offering with the Reusable Mask 3.0 that will include their well-known and loved pattern making designs.
- Spanish partner, **General Tactic** who provides apparel and textiles for first responders in Spain and North America, has also quickly adapted and is producing ViralOff treated masks for these servicemen and women.
- Additional European adapters include fellow German brand, **Everbasics** that launched a scarf design that will provide coverage for the nose and mouth. Polish brand, **Lekko** has quickly adapted their offering to now include ViralOff and has multiple options for protecting yourself when in environments where you need to be more careful. Others include, **Spira Protekta** from Germany and UK provider, **Screenworks** that will launch a facemask and neck gaiter option.
- Outside of Europe, Polygiene has launched with **Litume** in Taiwan and new brand **Airgill** in South Korea, as well as **JCT Limited** in India where ViralOff is used in personal protection equipment and facemasks. In North America, partner **ASRV** has switched their apparel production to fulfil the need for masks and for every mask sold, will donate one to health care workers and first responders. Over 12,000 have already been donated.
- Polygiene Technology in Dictation Solutions from **Olympus® professional audio**. Olympus Professional Audio offers anti-microbial and alcohol-wipe-resistant dictation solutions that can reduce exposure for those on the frontline of the COVID-19 outbreak. Doctors, lawyers and detectives are just a few of the professionals who may benefit from Olympus' commitment to making lives healthier and safer.
- **Marzotto Group** in Italy, partners with Polygiene - the global leader in stays fresh technologies, to "relaunch" the fashion industry with ViralOff application on their natural fiber textiles, such as wool, linen and cotton.
- Indian brand **Carbonado** launches AerFit NEO respirators with Polygiene ViralOff® textile treatment technology. The company will place orders in volumes of 500,000 to one million (1,000,000) respirators in the coming three to six months and has a broad distribution network of multiple retail chains in India, the Bplugd webstore and Amazon, among others.
- Polygiene has partnered with **Royal Enfield Apparel** to create a new range including helmets, t-shirts, balaclavas, neck- and headgear, riding jackets and gloves, etc.



ViralOff
POLYGIENE TECHNOLOGY

- **Milano Colori** launches next generation sprays, gels and napkins from an industry consortium against Corona, all with Polygiene ViralOff. By combining traditional sanitizers with new technology, including Polygiene's ViralOff, hand gels, sanitary napkins and sprays both for objects and rooms will provide both short-term and long-term effects against viruses and bacteria.
- The Indian brand **EZMA**, the specialist luxury Cashmere Division of the ESSMA Group, will now offer ViralOff treated cashmere products, starting with a range of scarves.
- **Eco Park**, leading manufacturer of branded handbags, is teaming up with Polygiene. They will make bags with ViralOff treatment for viral reduction on the materials.
- **Diesel Sports** is working with Polygiene from SS21 with Stays Fresh for the majority of their collection, and for some products also with ViralOff. **Diesel Jeans** has signed a contract with Polygiene to work on ViralOff in unique combination with Odor Crunch for SS21 exclusively in several collections. The initial cooperation is for a minimum of five collections.
- Polygiene announces **Polygiene ViralOff®+** with lifetime of garment washability. Even after 30 washes, the ViralOff+ treated products will reduce more than 99% of the viruses in two hours. The new formula will be available later in the fall as laboratory test availability and other factors are hard to predict during the ongoing crisis.
- Polygiene and **Fossil** are proud to declare cooperation around products that are often closely worn, frequently touched and therefore should be protected against microbial buildup. The focus will first be on the core business of ViralOff treated watches.

SIGNIFICANT EVENTS AFTER Q2

- Polygiene is overall winner in **Scandinavian Outdoor Group (SOG) awards 2020!** Each year the knowledgeable and competent jury from the SOG reviews new products and technologies across several categories and this year Polygiene's ViralOff was picked as the best new technology of the year and also declared overall winner of 2020!

Image: Bumpaa™, a registered trademark of Screenworks Ltd.



POLYGIENE VIRALOFF

ANTIVIRAL TREATMENT TECHNOLOGY

POLYGIENE VIRALOFF IS A BRAND FOR A TREATMENT OF TEXTILES AND OTHER PRODUCTS THAT REDUCES VIRUSES BY 99% IN TWO HOURS*

Why are we launching this product?

In the times of the novel Corona virus we see an enormous need of a treatment with antiviral properties. Polygiene once started in the care segment during the fight against SARS in 2004. Because of our roots and going through the necessary techniques, skills, methods, and processes needed, we launched the antiviral treatment technology brand ViralOff®.

ViralOff is the answer to an acute situation, but it will also be a more longterm solution that enhances the hygiene and protection factor on a number of products even when the Covid-19 pandemic has settled down. There are strong indications that antimicrobial wear will be the new normal in a number of applications, going forward.

When was it launched?

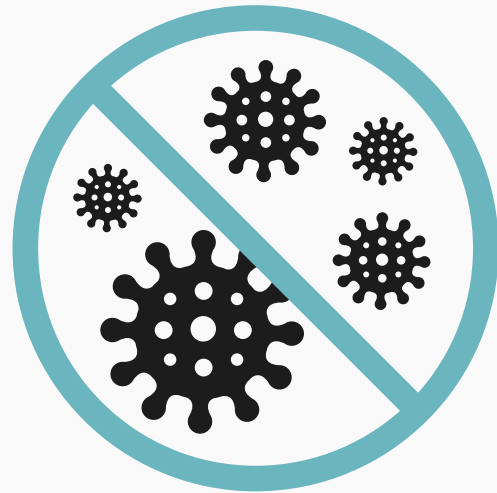
Polygiene ViralOff was launched April 7, 2020, and as projects develop fast during these demanding times, Polygiene can already present a number of products with the ViralOff functionality.

What are the benefits?

ViralOff has a 99 % reduction of viruses, in a textile or material, in two hours, according to a standard ISO18184:2019 test. When we developed ViralOff we had two criteria we wanted to fulfill: First, we should be able to show a real antiviral effect that could be tested by a standard test. In that way our partners can do real and professional claims.

**“ Think of it as a sanitizer for garments”,
says Ulrika Björk, CEO Polygiene.**

Secondly, this treatment should be applied on products where it is relevant to have an antiviral effect. Today that englobes both products in the care segments, as well as products for the public in environments where we need an additional protection.



**99 % REDUCTION OF
VIRUSES IN 2 HOURS**

ISO18184:2019, ATCC VR-1679 (H3N2)



ViralOff


POLYGIENE TECHNOLOGY

In which products can it be used?

It can be used in almost any wearable product, which ranges from personal protection equipment and scrubs for healthcare workers, doctors, nurses as well as first responders wear, to products for consumers where an antiviral functionality is relevant, such as gloves and facemasks, as well as bed sheets and even furniture and table tops. An added advantage will be that these products also can be used longer.

*ISO18184:2019, ATCC VR-1679 (H3N2)

ViralOff is not intended to prevent disease, it is used for protection of the treated product. The product is available in most markets, but it is not yet approved for use with antiviral claims, by the US FDA and US EPA, in North America.



"THE POSSIBILITIES ARE
ENDLESS, AND I SEE A VERY
STRONG FUTURE AHEAD FOR
VIRALOFF, EVEN AFTER THE
ONGOING PANDEMIC COMES
TO AN END."

ULRIKA BJÖRK, CEO

A message from the CEO

VIRALOFF® SUCCESS, RECORD NUMBER OF NEW AGREEMENTS

Net sales for the quarter amounted to MSEK 17.3 (12.6), an increase of 37.4% compared to the same period last year. Operating profit before tax improved significantly over 2019, amounting to MSEK -1.1 (-5.4). Cash flow remained unchanged at MSEK +/- 0 (-1.7) during the period.

Businesses worldwide have been facing major challenges due to Covid-19. However, the global pandemic has instead enabled Polygiene to introduce a completely new offering, a new anti-viral technology. A strategic product launched in a timely manner, ViralOff made its debut in early April and had a significant impact on the entire second quarter of 2020. Demand has been overwhelming. To maintain a high level of service and to handle the many inquiries, we quickly strengthened the sales organization by adding another resource. After less than three months on the market, ViralOff accounted for 28% of total sales this quarter, a fantastic achievement considering the long industry sales cycles. Time from initial contact to signed agreement has been drastically cut as interested customers were in touch with us daily. This signaled that a great deal of work had been done in advance, leading to a direct increase in sales. Moreover, these new customers wanted to launch new anti-viral products immediately, accelerating the sales cycle.

Due to lockdown across many areas of the world with large surplus stocks, many companies unfortunately have canceled their autumn collections slated for production in the second quarter. As a result, we have experienced a temporary sales downturn for our largest product area, Polygiene Stays Fresh Technology. However, sales of this anti-bacterial treatment recovered during the third quarter. Interest in Odor Crunch has also rebounded after the spring, during which focus was almost exclusively on ViralOff.

Net sales increased by a total of 37.4%, demonstrating the strength of Polygiene's product portfolio. Our existing business experienced only an 8.5% loss, which I am very

pleased with as it is significantly better than many others affected in our industry. The increase in turnover will end up straight to the bottom line, which proves the scalability of our business model. Cost savings including reduced travel costs and canceled trade fairs are, to some extent, a direct result of Covid-19 and have also contributed to the improved results of MSEK -1.1 (-5.4). A weaker USD unfortunately had a negative impact on operating profit, MSEK -1.2. If we exclude the effects of foreign currency fluctuations, operating profit would be positive.

ViralOff takes a clear position and market share globally

ViralOff has expanded its scope from initially treating protective clothing, face masks and other hospital products to much broader areas of use. Agreements signed during the quarter (see pages 5-6) demonstrate the huge demand for anti-viral technology for everything from everyday clothing, home textiles and bags to floors, sprays and packaging materials. The possibilities are endless, and I see a very strong future ahead for ViralOff, even after the ongoing pandemic comes to an end.

The level of awareness of the importance of anti-microbial technologies has risen sharply since the outbreak of Covid-19. Forecasts indicate that the market for this type of textile treatment will double, from USD 10.5 billion (2019) to USD 20.5 billion by 2026.* As the leading brand of Stays Fresh technologies, Polygiene has great potential to claim a larger share of this market as our vision of a more sustainable textile industry is now a global issue. Our brand guarantees our partners quality and security, which is becoming increasingly important as laws and regulations regarding the use of chemicals become more difficult to navigate. The market potential is huge, considering that just 0.5% of forecast value of the antimicrobial textile market in 2026 corresponds to SEK 1 billion.

The agreements signed this quarter will begin to show effect in the third quarter, but their full effect will be become evident in 2021. Because Polygiene is completely



dependent on the production plans of our partners, it is only once their production begins that sales are visible in our reports. However, it should be noted that the gap in time between when a contract is signed and when production begins is much shorter than normal, given the current global situation and the Covid-19 pandemic.

A restructuring of the management team

Due to the increased demand for antiviral technology, Polygiene is strengthening and restructuring its corporate management team. Andreas Holm, recruited as a resource to assist with the launch of ViralOff, will assume the position of Chief Commercial Officer as of September 1. Andreas brings with him a wealth of experience in managing sales operations from his previous position at Thule and will focus on accelerating sales as well as setting up global structures and processes to facilitate commercial activities in the regions. Both are crucial for continued growth and expansion.

Daniel Röme, former board member and acting Chief Technology Officer (CTO), will turn his focus entirely to product development and innovation. This is a priority for the future of Polygiene and why we are allocating more resources here. Effective September 18, Dane Momcilovic will assume the role of permanent CTO, driving the technical team forward and focusing on streamlining processes in this area. Prior to joining Polygiene, Dane served as Group R&D manager at Diab and has solid CTO experience.

Both Andreas and Dane will be based at the head office in Malmö, which is advantageous as the company enters a new phase. The result of the reorganization will be a tighter, leaner management team that can effectively drive both strategy and development projects in close collaboration with the regions.

Looking ahead

After a few years of working intensively with change management, I feel confident that Polygiene now has all the right conditions in place to take a giant step forward. With a highly competent organization, a relevant product portfolio for our times, a strong brand and confidence brimming, we are ready to take Polygiene into the future.

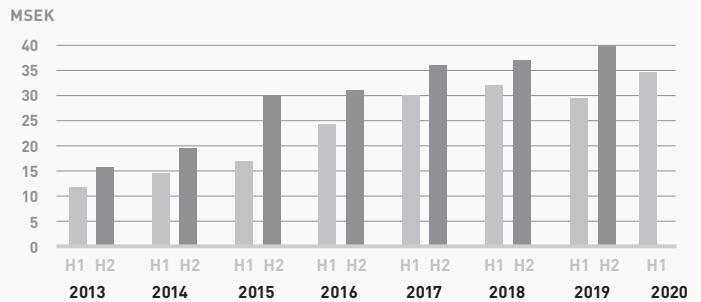
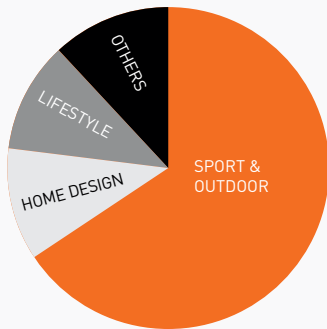
I am looking forward to a busy fall, with all the new opportunities we have in the pipeline. I hope to be able to share more news soon about new orders and exciting collaborations ahead. I would like to thank our shareholders for their continued trust and to take this opportunity to welcome all new shareholders to Polygiene.

**Global Market Insights, "Antimicrobial Textiles Market", April 2020.*

Ulrika Björk CEO Polygiene AB

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.

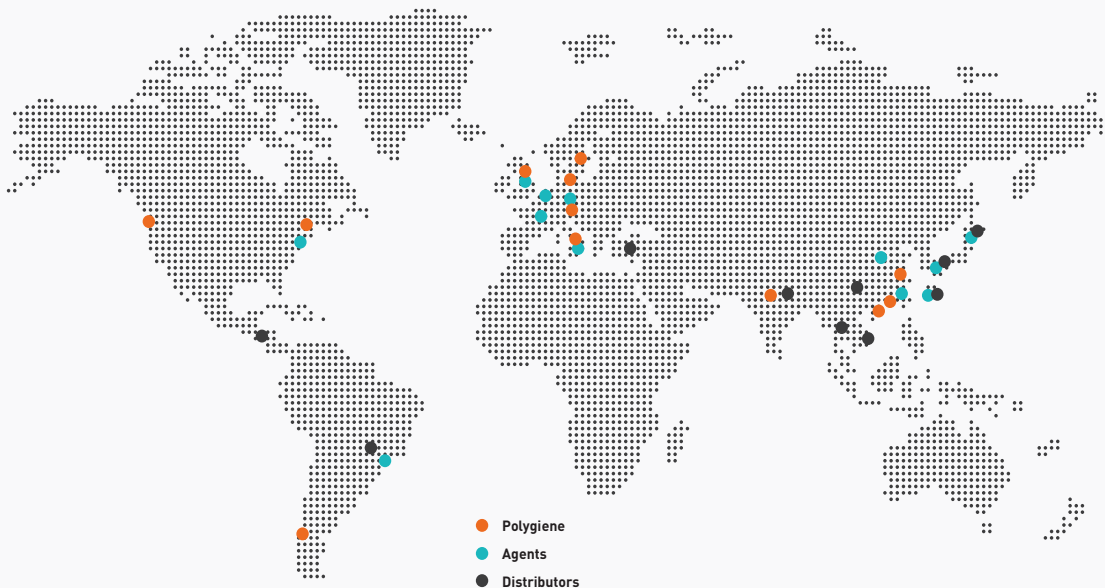


Operations

Approximately 67% of the turnover 2019 came from Sport & Outdoor, 11% from Home Design, 11% from Lifestyle and the other 11% from Footwear and Workwear. 2022 the estimation is that Lifestyle, Footwear and Home Design will grow.

Net sales first/second half of the years 2013–2020

This eight-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.



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 totalled MSEK 17.3 (12.6), for an increase of 37.4 % over the same quarter the previous year. Other operating income for the quarter totalled MSEK 0.3 (0.4) and consist of positive exchange rate differences. Gross margins for the quarter reported at 70.3 % (72.0 %). Cost of goods sold totalled MSEK -5.1 (-3.5) for the quarter.

Costs

Other external expenses for the period totalled MSEK -7.9 (-9.6), which is a decrease of 18.0 % over the same quarter the previous year. These costs include:

- Variable selling expenses MSEK -2.6 (-3.1) which consist mainly of commissions to agents and distributors.
- Marketing expenses MSEK -1.0 (-1.6).
- Administrative expenses MSEK -2.6 (-3.2).
- Contracted consultants MSEK -1.7 (-1.7).

Covid-19 is a big factor for decreased costs compared to last year. Canceled fairs and lower travel costs, for example.

Staff costs totalled MSEK -4.1 (-4.6).

Foreign withholding tax is a type of deduction at source that Polygiene can recover when previous tax loss carry forwards are utilised. In 2018, Polygiene showed a positive result, since then the withholding tax has been capitalized as Polygiene believes it will be reversed in future.

Depreciation on intangible- and tangible assets totalled MSEK -0.4 (-0.3).

Other operating expenses relate to exchange rate differences and totalled MSEK 1.2 (-0.5) for the quarter.

Result

Operating profit/loss (EBIT) totalled MSEK -1.1 (-5.4), corresponding to operating margins of -6.3 (-41.8) %. The result after taxes totalled MSEK -0.8 (-4.3).

Financial position

Financial non-current assets

Financial non-current assets at the period end where

MSEK 12.1 (8.1) and consist of deferred tax assets related to tax loss carry forwards arising in previous years and withholding tax. The total tax loss carry forwards at the period end was MSEK 26.7.

Intangible and tangible non-current assets

The intangible fixed assets contains mainly of investments in the ERP system. 2019 the Group started to capitalize developing costs.

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

Equity

Equity totalled MSEK 28.6 (29.2) at the period end. The equity assets ratio as of 30-06-2020 was 64.9 (71.3) %.

Cash flow and liquidity

Cash flow from operating activities of the second quarter amounted to MSEK 1.1 (-1.7). Cash and cash equivalents for the Group totalled MSEK 7.1 (8.0) at the period end.

Staff

At the period end, the operating organization, regardless the degree of service, was 26 (24) people. 18 (16) where employed and 8 (8) are contracted consultants.

The operating organization amounts to 21.25 (19.3) full-time services.



**QUARTERLY REPORT Q2
GROUP**

STATEMENTS OF PROFIT OR LOSS GROUP

TSEK	Note	2020-04-01 2020-06-30	2019-04-01 2019-06-30	2020-01-01 2020-06-30	2019-01-01 2019-12-31
Operating revenue					
Net sales	8	17,298	12,593	34,732	68,803
Other operating income		256	397	1,461	2,562
Total operating revenue		17,554	12,990	36,193	71,365
Operating expenses					
Costs of goods sold		-5,146	-3,516	-10,860	-21,039
Other external expenses		-7,889	-9,622	-15,959	-37,462
Personnel expenses		-4,055	-4,581	-8,425	-15,624
Withholding tax		-	-	-	-
Depreciation and write-downs		-414	-257	-787	-1,192
Other operating expenses		-1,162	-450	-1,063	-2,619
Total operating expenses		-18,666	-18,426	-37,094	-77,936
Operating profit/loss		-1,112	-5,436	-901	-6,571
Profit from financial items					
Interest expenses and similar items		-7	-12	-17	-52
Profit after financial items		-1,119	-5,448	-918	-6,623
Tax income for the period		270	1,152	291	1,452
Profit of the period from continuing operations		-849	-4,296	-627	-5,171
Profit of the period		-849	-4,296	-627	-5,171
Earnings per share (after tax)		-0.04	-0.21	-0.03	-0.25

STATEMENTS OF FINANCIAL POSITION GROUP

TSEK	Note	2020-06-30	2019-06-30	2019-12-31
ASSETS				
Fixed assets				
Intangible assets	9	3,272	1,789	2,530
Tangible assets		907	1,618	1,265
Financial assets	10	12,109	8,112	11,036
Total fixed assets		16,288	11,519	14,831
Current assets				
Finished items and items for sale		881	212	1,027
Trade receivables	10	17,729	16,999	20,937
Other current assets	10	2,040	4,295	3,358
Cash and cash equivalents		7,118	7,951	4,909
Total current assets		27,768	29,457	30,231
TOTAL ASSETS		44,056	40,976	45,062
TOTAL EQUITY AND LIABILITIES				
Equity		28,590	29,199	29,207
Long-term liabilities				
Leasing of office premises		171	997	168
Total Long-term liabilities		171	997	168
Short-term liabilities				
Accounts payable		9,886	6,290	10,400
Leasing of office premises		678	640	1,006
Other current liabilities		4,731	3,850	4,281
Total short-term liabilities		15,295	10,780	15,687
Total liabilities		15,466	11,777	15,855
TOTAL EQUITY AND LIABILITIES		44,056	40,976	45,062

CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY GROUP

TSEK	2020-04-01 2020-06-30	2019-04-01 2019-06-30	2019-01-01 2019-12-31	2018-01-01 2018-12-31
Equity at period start	29,230	33,435	36,602	35,885
Adjustment	-	-	-2,284	-
New share issues and warrants	209	60	60	56
Transactions with the owners	29,439	33,495	34,378	35,941
Correction of error	-	-	-	-5,246
Earnings of period	-849	-4,296	-5,171	5,907
Total earnings of period	-849	-4,296	-5,171	661
Equity at period end	28,590	29,199	29,207	36,602

CASH FLOW STATEMENTS

GROUP

TSEK	2020-04-01 2020-06-30	2019-04-01 2019-06-30	2020-01-01 2020-06-30	2019-01-01 2019-12-31
Current activities				
Profit/loss before financial items	-1 112	-5 436	-901	-6 521
Non-cash adjustment	440	258	621	638
Interest paid	-7	-12	-17	-52
Paid income tax	270	-	291	1 452
Cash flow from operating activities before changes in operating capital	-409	-5 190	-6	-4 483
<i>Changes in working capital</i>				
Increase/decrease in inventory	-94	41	146	-530
Increase/decrease in current receivables	1 558	6 888	4 526	10 109
Increase/decrease in current liabilities	58	-3 451	-405	2 754
Net cash flow from operating activities	1 113	-1 712	4 261	7 850
Net cash flow from current activities	1 113	-1 712	4 261	7 850
Investment activities				
Acquisition of intangible assets	-793	-	-1 159	-676
Acquisition of tangible assets	-	-	-	-1 984
Acquisition of financial assets	-545	-545	-1 102	-4 051
Disposal of tangible assets	-	-	-	14
Cash flow from investing activities	-1 338	-545	-2 261	-6 697
Financing activities				
New share issue	209	60	209	60
Cash flow from financial activities	209	60	209	60
Cash flow of period	-16	-2 197	2 209	1 213
Cash and cash equivalents at period start	7 134	10 148	4 909	3 696
Cash and cash equivalents at period end	7 118	7 951	7 118	4 909

MULTI-YEAR OVERVIEW GROUP

Group	Apr-June 2020	Apr-June 2019	YTD 2020	Full year 2019	Full year 2018
Net sales, TSEK	17,298	12,593	34,732	68,803	69,039
Sales growth, %	37	-24	19	0	4
Operating profit/loss EBIT, TSEK	-1,112	-5,436	-901	-6,571	-2,805
Profit after tax, TSEK	-849	-4,296	-627	-5,171	661
Operating margin EBIT, %	-6	-42	-3	-9	-4
Operating margin after tax, %	-5	-33	-2	-7	1
Cash flow, TSEK	-16	-2,197	2,209	1,213	-7,234
Equity, TSEK	28,590	29,199	28,590	29,207	36,606
Balance sheet total, TSEK	44,056	40,976	44,056	45,062	49,719
Equity/assets ratio, %	64.9	71.3	64.9	68.5	73.5
Number of shares at period-end, thousands	20,516	20,516	20,516	20,516	20,516
"Average no. of shares at period-end, thousands"	20,516	20,516	20,516	20,516	20,516
Earnings per share, SEK	-0.04	-0.21	-0.03	-0.25	0.03
Cash flow per share, SEK	0.00	-0.11	0.11	0.06	-0.35
Equity per share, SEK	1.39	1.42	1.39	1.42	1.78



QUARTERLY REPORT Q2
PARENT COMPANY

STATEMENTS OF PROFIT OR LOSS PARENT COMPANY

TSEK	2020-04-01 2020-06-30	2019-04-01 2019-06-30	2020-01-01 2020-06-30	2019-01-01 2019-12-31
Operating revenue				
Net sales	16,704	12,593	33,266	68,803
Other operating income	256	397	1,461	2,562
Total operating revenue	16,960	12,990	34,727	71,365
Operating expenses				
Costs of goods sold	-5,146	-3,516	-10,858	-21,039
Other external expenses	-7,927	-9,779	-16,072	-38,431
Personnel expenses	-3,761	-4,581	-7,817	-15,346
Withholding tax	-	-	-	-
Depreciation and write-downs	-228	-84	-416	-656
Other operating expenses	-1,162	-449	-1,063	-2,619
Total operating expenses	-18,224	-18,409	-36,226	-78,091
Operating profit/loss	-1,264	-5,419	-1,499	-6,726
Profit from financial items				
Interest expenses and similar items	-	-	2	-4
Profit after financial items	-1,264	-5,419	-1,497	-6,730
Tax income for the period	270	1,146	314	1,442
Profit of the period	-994	-4,273	-1,183	-5,288
Earnings per share (after tax)	-0.05	-0.21	-0.06	-0.26

STATEMENTS OF FINANCIAL POSITION PARENT COMPANY

TSEK	Note	2020-06-30	2019-06-30	2019-12-31
ASSETS				
Fixed assets				
Intangible assets	9	3,267	1,789	2,530
Financial assets	10	12,159	8,162	11,076
Total fixed assets		15,426	9,951	13,606
Current assets				
Finished items and items for sale		881	212	1,027
Trade receivables	10	17,729	16,999	21,356
Other current assets	10	2,311	4,296	3,358
Cash and cash equivalents		6,027	7,796	4,335
Total current assets		26,948	29,303	30,076
TOTAL ASSETS		42,374	39,254	43,682
TOTAL EQUITY AND LIABILITIES				
Equity		27,797	29,129	28,984
Short-term liabilities				
Accounts payable		9,845	6,290	10,400
Other current liabilities		4,732	3,835	4,298
Total short-term liabilities		14,577	10,125	14,698
Total liabilities		14,577	10,125	14,698
TOTAL EQUITY AND LIABILITIES		42,374	39,254	43,682

CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY PARENT COMPANY

TSEK	2020-04-01 2020-06-30	2019-04-01 2019-06-30	2019-01-01 2019-12-31	2018-01-01 2018-12-31
Equity at period start	28,791	33,402	36,556	35,885
Adjustment	-	-	-2,284	-
Transactions with the owners	28,791	33,402	34,272	35,885
Correction of error	-	-	-	-5,246
Earnings of period	-994	-4,273	-5,288	5,917
Total earnings of period	-994	-4,273	-5,288	671
Equity at period end	27,797	29,129	28,984	36,556

CASH FLOW STATEMENTS

PARENT COMPANY

TSEK	2020-04-01 2020-06-30	2019-04-01 2019-06-30	2020-01-01 2020-06-30	2019-01-01 2019-12-31
Current activities				
Profit/loss before financial items	-1,264	-5,419	-1,499	-6,726
Non-cash adjustment	228	84	417	-14
Interest paid	-	-	-2	-4
Paid income tax	270	-	314	1,442
Cash flow from operating activities before changes in operating capital	-766	-5,335	-770	-5,302
<i>Changes in working capital</i>				
Increase/decrease in inventory	-94	41	146	-530
Increase/decrease in current receivables	1,554	6,888	4,674	9,689
Increase/decrease in current liabilities	265	-3,306	-121	1,581
Net cash flow from operating activities	959	-1,712	3,929	5,438
Net cash flow from current activities	959	-1,712	3,929	5,438
Investment activities				
Acquisition of intangible assets	-793	-	-1,153	-676
Acquisition of financial assets	-517	-545	-1,084	-4,041
Disposal of tangible assets	-	-	-	14
Cash flow from investing activities	-1,310	-545	-2,237	-4,703
Financing activities				
New share issue	-	-	-	-
Cash flow from financial activities	0	0	0	0
Cash flow of period	-351	-2,257	1,692	735
Cash and cash equivalents at period start	6,378	10,053	4,335	3,600
Cash and cash equivalents at period end	6,027	7,796	6,027	4,335

MULTI-YEAR OVERVIEW PARENT COMPANY

Parent Company	Apr-June 2020	Apr-June 2019	YTD 2020	Full year 2019	Full year 2018	Full year 2017
Net sales, TSEK	16,704	12,593	33,266	68,803	69,039	66,152
Sales growth, %	33	-24	14	0	4	19
Operating profit/loss EBIT, TSEK	-1,264	-5,419	-1,499	-6,726	2,547	-6,101
Profit after tax, TSEK	-994	-4,273	-1,183	-5,288	671	-5,409
Operating margin EBIT, %	-7	-42	-4	-9	3	-9
Operating margin after tax, %	-6	-33	-3	-7	1	-8
Cash flow, TSEK	-351	-2,257	1,692	735	-7,330	-9,093
Equity, TSEK	27,797	29,129	27,797	28,984	36,556	35,885
Balance sheet total, TSEK	42,374	39,254	42,374	43,682	49,673	53,101
Equity/assets ratio, %	65.6	74.2	65.6	66.4	73.6	67.5
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	20,516
Earnings per share, SEK	-0.05	-0.21	-0.06	-0.26	0.03	-0.26
Cash flow per share, SEK	-0.02	-0.11	0.08	0.04	-0.36	-0.44
Equity per share, SEK	1.35	1.42	1.35	1.41	1.78	1.75
Share price at period end, SEK	22.8	5.6	22.8	8.9	5.6	11.5



"WE WANT TO CHANGE
THE WAY WE VIEW
CLOTHES - FROM FAST
CONSUMABLES TO
DURABLES."

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 and Workwear. 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 the brand and awareness which is vital to achieve 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 2020 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 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.

The Group applies IFRS 16 Leases as of January 1, 2019. 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. The balance at 30-06-2020 of the leasing debt amounts to TSEK 848.

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 2019 except description of the

basic regulatory frameworks applied. Complete additional information under IFRS is published in our 2019 annual financial reporting. The interim report has not been subject to general auditing by the Group's auditors. The interim report for the quarterly period 1 April to 30 June 2020 was approved for publishing by the Board of Directors on August 26 2020.

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 2019 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 customer. Royalty revenues are recognized as revenue on the date customer production using the group's chemicals is completed and can be calculated on the quantity of finished cloth, 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 1 January 2019. The new standard means that the majority of leased assets are recognized in the statement of financial position. The only exemptions are short-term and low-value leases agreements, which the group 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 lia-

bility 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 2019 annual reports.

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

The first six months has been affected by the novel Covid-19 situation in the world. Polygiene has initially seen a delay in order bookings and a complicated logistics chain with increased freight costs as a result. At the same time, there has been a growing interest in Polygiene's product which has antiviral properties.

Note 6. Seasonality and cyclicity

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

Note 7. Contingent liabilities

The Group has no contingent liabilities.

Note 8: Net sales from contracts with customers

The Group and Parent Company's revenues from contracts with customers can be broken down as follows:

Primary geographic markets:	Goods	Royalty	Total
2020-06-30			
Asia	4,644	2,936	7,580
Europe	3,127	3,161	6,288
North America	2,557	850	3,407
Global	22	1	23
	10,350	6,948	17,298

Primary geographic markets:	Goods	Royalty	Total
2019-06-30			
Asia	457	2,868	3,325
Europe	4,091	2,141	6,232
North America	1,004	1,627	2,631
Global	290	115	405
	5,842	6,751	12,593

Note 9: Other intangible assets

The Group and Parent Company's changes in the presented value for intangible assets:

GROUP TSEK	2020-06-30	2019-06-30	2019-12-31
Accumulated cost brought forward	3,866	3,430	6,265
Acquisitions	793	-	1,346
Reclassification	-	-	-2,953
Accumulated cost carried forward	4,659	3,430	4,658

Accumulated depr losses brought forward	-1,158	-1,557	-2,142
Adjustment	-	-	670
Depreciation of the period	-229	-84	-656
Accumulated depr carried forward	-1,387	-1,641	-2,128
Carrying amount	3,272	1,789	2,530

PARENT COMPANY TSEK	2020-06-30	2019-06-30	2019-12-31
Accumulated cost brought forward	3,860	3,430	6,265
Acquisitions	793	-	1,346
Reclassification	-	-	-2,953
Accumulated cost carried forward	4,653	3,430	4,658

PARENT COMPANY TSEK	2020-06-30	2019-06-30	2019-12-31
Accumulated depr losses brought forward	-1,158	-1,557	-2,142
Adjustment	-	-	670
Depreciation of the period	-228	-84	-656
Accumulated depr carried forward	-1,386	-1,641	-2,128
Carrying amount	3,267	1,789	2,530

Note 10: Financial assets

The Group and Parent Company's changes in value of financial assets:

GROUP TSEK	2020-06-30	2019-06-30	2019-12-31
Trade receivables			
Opening balance	19,114	22,322	26,054
Change during the period	-1,385	-5,323	-5,117
Closing balance	17,729	16,999	20,937

Withholding tax			
Opening balance	5,802	3,218	2,636
Change during the period	517	545	2,599
Closing balance	6,319	3,763	5,235

Contracted assets			
Opening balance	414	384	-
Change during the period	-271	-48	764
Closing balance	143	336	764

PARENT COMPANY TSEK	2020-06-30	2019-06-30	2019-12-31
Trade receivables			
Opening balance	19,206	22,322	26,054
Change during the period	-1,477	-5,323	-4,698
Closing balance	17,729	16,999	21,356

Withholding tax			
Opening balance	5,802	3,218	2,636
Change during the period	517	545	2,599
Closing balance	6,319	3,763	5,235

Contracted assets			
Opening balance	414	384	-
Change during the period	-271	-48	764
Closing balance	143	336	764

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, which entitles 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. A 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. A third corresponding program was implemented in June 2020 when another 300,000 warrants were issued. The warrants may be used during June 1 to June 30, 2023 and have the exercise price of SEK 22.36 per share. All warrants programs have been addressed to staff.

For more information on the development of share capital, please refer to the Polygiene AB Annual Report 2019.

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 9,790,747 which corresponds on average to 163,179 shares per trading day. The share price at the end of the period was SEK 22.80, which corresponds to market Share capital, the share and ownership structure capitalization of MSEK 467.8. The highest and lowest share prices during the period were SEK 23.60 and SEK 6.14, respectively.

Ownership structure

The number of shareholders at the end of the period amounted to 1,638 (948). The table below lists the 10 largest shareholders as of June 30, 2020.

Shareholders		
Håkan Lagerberg*	2,326,573	11.3%
Svanberg & Co Invest	1,055,749	5.1%
JPM Chase NA	940,000	4.6%
Avanza Pension	876,022	4.3%
Jonas Wollin*	874,500	4.3%
Mats Georgson*	755,135	3.7%
SIX SIS AG	724,542	3.5%
Peter Sjösten*	603,000	2.9%
Clearstream Banking S.A.	587,569	2.9%
Nomura Securities CO Ltd	560,000	2.7%
Other	11,212,910	54.7%
Total	20,516,000	100.0%

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

Polygiene March 2016 – June 2020





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 2019 Annual Report.

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.

Financial Calendar 2020

Interim Report Q1 2020
Interim Report Q2 2020
Interim Report Q3 2020
End Report

May 7 2020
August 27 2020
November 5 2020
February 2021

Contact information

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This information is information that Polygiene AB (publ.) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, at 08.00 CET on August 27, 2020.

About Polygiene

As the world leader in stays fresh and odor control technologies, we want to change the way we view clothes - from fast consumables to durables. We treat clothes, home products and textiles to help people stay fresh, wash less and let clothes and products live longer. Over 140 global premium brands have chosen to use the Polygiene brand with their products. Polygiene is listed on Nasdaq First North Growth Market in Stockholm, Sweden. For more information: polygiene.com. Erik Penser Bank AB acts as its Certified Adviser. Phone: 08-463 83 00, E-mail: certifiedadviser@penser.se.



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