Polygiene AB (publ.)

Interim Report
1 January–31 March 2019

ir.polygiene.com

Polygiene®
STAYS FRESH

Contents

Q1 in brief

Continued improvement of operating profit and positive cash flow

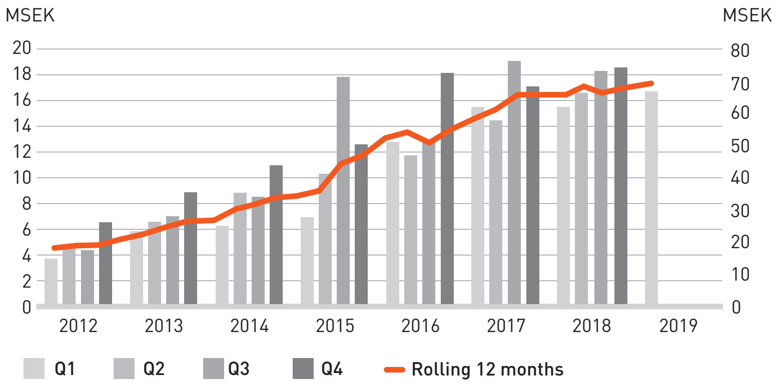
- Net sales increased by 7.9% (0.0%) during the first quarter compared to the same period last year and amounted to MSEK 16.7 (15.5).
- The operating profit/loss after tax for the period improved compared to same period last year and amounted to MSEK -0.9 (-1.7).
- The gross margin continued to be strong and amounted to 67.7% (66.6%).
- Cash flow for the first quarter amounted to MSEK 6.5 (2.7).
- A transfer of intangible assets (MSEK 2.3) has been adjusted over the shared capital when trademark registrations were incorrectly activated in the balance sheet.
- At the end of the quarter, the company's operational organization consisted of 20 (18) employees.
- Kristian Populin, CFO, ended his employment with Polygiene on March 20, 2019, following a mutual agreement.

Key ratios

Group	Jan-Mar 2019	Jan-Mar 2018	Full year 2018
Net sales, MSEK	16.7	15.5	69.0
Operating profit EBIT, MSEK	-1.1	-2.0	-2.1
Operating margin EBIT, %	-6.6	-11.7	9.5
Profit after tax, MSEK	-0.9	-1.7	5.9
Operating margin after tax, %	-5.3	-10.0	7.2
Earnings per share, SEK	-0.04	-0.08	0.28
Cash flow, MSEK	6.5	2.7	-7.2

Parent company	Jan-Mar 2019	Jan-Mar 2018	Full year 2018	Full year 2017
Net sales, MSEK	16.7	15.5	69.0	66.1
Operating profit EBIT, MSEK	-1.1	-2.0	7.8	-6.1
Operating margin EBIT, %	-6.6	-11.7	9.5	-9.0
Profit after tax, MSEK	-0.9	-1.7	5.9	-5.4
Operating margin after tax, %	-5.2	-10.0	7.2	-8.0
Earnings per share, SEK	-0.04	-0.08	0.29	-0.26
Cash flow, MSEK	6.5	2.7	-7.3	-9.1

Net sales per quarter and rolling 12 months



Significant events in brief

Events during Q1 2019 (Jan-Mar)

- Our new product, Polygiene Odor Crunch, is launched at ISPO, the world's largest trade fair for sports equipment and sportswear. Mats Georgson, PhD and CMO, held several sessions where he discussed disruptive technologies, sustainability and the new product launch with the media and the sports industry.
- Polygiene strengthens the organization in the Asian Market, welcoming Vishal Bhandari as Technical Director based in India. Vishal has vast and well-documented experience from the textile industry. Prior to joining Polygiene, he was area manager for South Asia at Sciessent LLC and was responsible for technical support, sales and marketing.
- Polygiene Stays Fresh Technology is now available in uniforms for the South Korean and South Asian markets through our partner, TOV The Garment Maker Co. Ltd.
- With the recruitment of Henry Krause as Technical Director based in Chile, the Polygiene technical organization has expanded to provide coverage for the growing market in Central and South America, and the US. With more than 20 years of experience in the performance chemicals and textiles industry, Henry has been responsible for sales, product development and technical support in companies such as Sciessent LLC and Nanotex.
- Polygiene AB and Kristian Populin have reached an agreement to end his employment as the company's CFO, effective March 20, 2019.

Significant events after Q1

- New York-based clothing brand M.M.LaFleur launched Polygiene in its clothing line for businesswomen. This high-end brand offers garments and personal styling that make it easy for women to dress for work.

Message from the CEO

Continued improvement of operating profit and positive cash flow

Total operating revenues for the quarter amounted to MSEK 16.7 (15.5), an increase of 7.9% over the same period last year. Operating profit after tax amounted to MSEK -0.9 (-1.7), an improvement compared to the previous year. The cash flow was positive with a contribution of MSEK 6.5 (2.7).

Ulrika Björk
CEO Polygiene AB

2019 got off to a somewhat cautious start, with an increase of 7.9% compared to the previous year. The company generated an operating profit of MSEK -0.9 (-1.7), demonstrating once again that it is possible to create growth without increasing costs at the same rate. Positive cash flow was largely due to the divestiture of the Protective business area. There is also MSEK 2.2 in liquid funds from a third party engaged by Polygiene to provide billing services in China.

Significant events during the quarter

We delivered growth during the quarter despite facing continued challenges from some of our partners, where growth has stagnated or declined. This primarily applies to the market in North America where fierce competition has caused a loss of market share with certain major brand partners. Countermeasures have been initiated, primarily through the delivery of greater added value to our partners through our new product and market strategy that promotes proactive communication to the end consumer was positively received. The volumes lost in North America during the quarter have been compensated by growth with other brand partners and by the addition of several new brand partners. This growth results from foundations laid last year and the hard work of our new sales organization in North America.

Europe is growing at a nice pace, and growth is especially strong for one of our largest brand partners, which gives us confidence in the future. Turning to Asia, our Chinese home textile partners placed large volume orders at the beginning of last year, which corresponded to approximately MSEK 2.0. These orders will come in 2019, however, later this year, as our partners have indicated annual forecasts at the same levels or higher than in 2018. Asia is experiencing growth with new and existing accounts, especially in Japan where growth remains strong. We also see our investment in Brazil yielding returns, where we signed agreements with several new brand partners. I believe we will see positive effects in the form of increased sales in the near future.

Growth during the quarter has also been affected by the fact that we delivered lower volumes to our distributors. The volumes to distributors can fluctuate widely from quarter to quarter, which is why during the year Polygiene will carry out an analysis of how the change of accounting method can smooth distributors' impact on our quarterly revenue, both in terms of the sales period and inventory levels. This will enable us to provide a more accurate picture of how our business looks, regardless of inventory housed with distributors.

Increased focus on product development

The textile industry today is regarded as one of the most polluting industries. This puts an enormous and increasing pressure on ensuring sustainability both during the production process as well as during consumer use, which requires a change in consumer behavior. Both manufacturers and consumers alike are expected to take more responsibility, both in terms of more sustainable production of new textiles to the purchase of more sustainable clothing and the ability to use of this clothing for a longer period of time before discarding them.

Analyses show that Polygiene delivers climate positive value, when taking into consideration the entire life cycle of treated textiles. We are therefore convinced that Polygiene is part of the solution to a global problem that, in all likelihood, will not diminish in the future but will most likely increase.[1]

Being able to deliver the most optimal products with consideration both for environmental impact and functionality requires that we constantly evaluate our product portfolio and continuously focus on product development and innovation. For this reason, we have strengthened our team with PhD, Daniel Röme, as an extra resource in 2019 to develop this area as a permanent part of Polygiene's activities. The latest addition is Polygiene Odor Crunch, a patented product, which Polygiene markets and sells exclusively to the textile industry. We launched Odor Crunch at one of the world's largest sports trade shows, and it has already proven to be an excellent addition to our portfolio. Together with previous products we are now expanding our product offering to no less than three different combinations, all adapted to various needs, products and situations.

Three fundamental pillars

Three fundamental pillars must be in place to build a global 'ingredient brand' and to achieve success. These pillars are the brand, the product and customer relationships. All three are equally important in this context. New customers become brand partners either because of a strong brand or because of a completely unique product offering. Lack of service or poor customer relationships are the most common reasons why companies lose customers, studies show. Focusing on all three of these pillars is a business imperative for our continued success.

In the past, one of our strengths has been investing in the Polygiene brand and actively working with marketing and communication. Thanks to strategic work that focused on the Polygiene brand, we have managed to establish a strong brand position in the market. Going forward, we will continue to build on this foundation with greater precision and efficiency than before.

As mentioned, we must continue to develop and improve our product offering. We want to offer something unique, innovative and valuable to ensure that we remain at the forefront of the field. It is important to point out that it is not only the physical product that is part of the product offering itself, there are also other unique characteristics that add values to our products.

In 2018, we purposefully developed organization and built a great team with the right skills and values. Going forward, we have the potential to create even stronger relationships with our partners and to deliver a world-class customer service. We must invest time in creating long-term relationships and building trust with our partners; we must also invest in systems, tools and documentation to provide effective,

[1] Andrea L Hicks et al., Int J Life Cycle Assess 2017, 22, 256–265 "A comparative life cycle assessment of commercially available household silver-enabled polyester textiles. https://link.springer.com/article/10.1007/s11367-016-1145-2

high-quality delivery and customer service. The more we can automate processes and routines, the more our team can devote itself to proactively supporting our partners, so that we can always be that critical step ahead of our competition. The recruitment of a new CFO is ongoing and we expect to fill that position after the summer.

Exciting expansion in China

We see a greater presence in China as a priority to achieve growth according to the long term plan we set out. The potential is huge in China; the middle class is growing exponentially and, in a just few years, the number of middle-class households is set to double. This will increase consumption in the country and at the same time increase the pressure on the environment and the resources available. In addition, new domestic brands are emerging; these demand functionality and value-added characteristics to differentiate themselves from their competitors.

We have been in China for many years and achieved good results by working through a local agent. In relation to the market potential, however, we might have grown even faster by investing in more resources here. We have therefore signed an agreement with another agent while, at the time of writing, we are in the final phase of recruiting a Commercial Director based in Shanghai. Our subsidiary Polygiene (Hong Kong) Ltd. was established at the end of last year, and now we are taking the next step and are therefore establishing yet another subsidiary in China in an effort to accelerate activities in this market. The new subsidiary is expected to be in place and operating during the third quarter of this year.

Prospects ahead

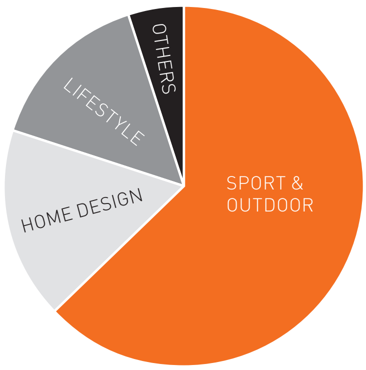
The first two months of the year started off very strongly with a growth rate of more than 40%, followed a weak month in March. Some volume orders were placed earlier due to the Chinese New Year, but the primary reasons for weak sales in March were, in part, that we did not receive large textile orders during the quarter, as was the case last year, and in part due to lower sales levels to our distributors.

Our full focus this year is on growth—both to increase the number of new, selected partners and, more importantly, to promote growth with existing customers that we have defined as key partners to Polygiene. Many interesting projects are being evaluated, especially within the Lifestyle segment. Realizing just one of these projects would be sufficient to be able to look forward to a very positive and exciting year.

Ulrika Björk, CEO

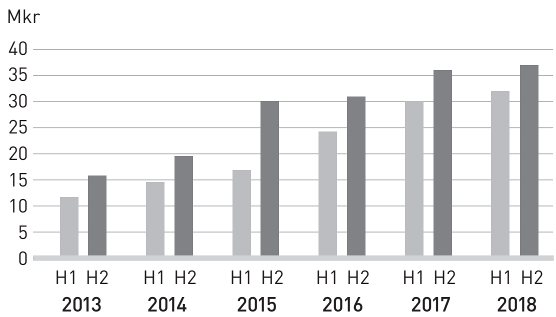
Polygiene in brief

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.

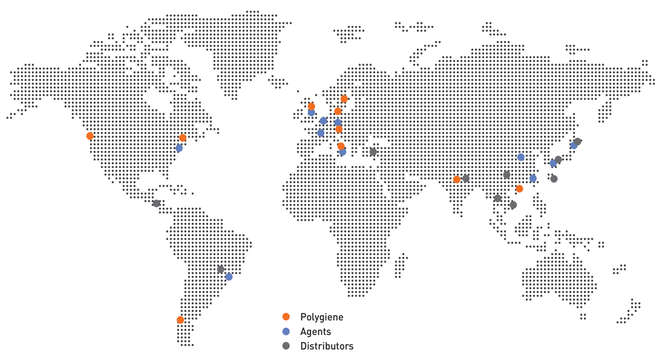


Net sales first/second half of the years 2013–2018

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.



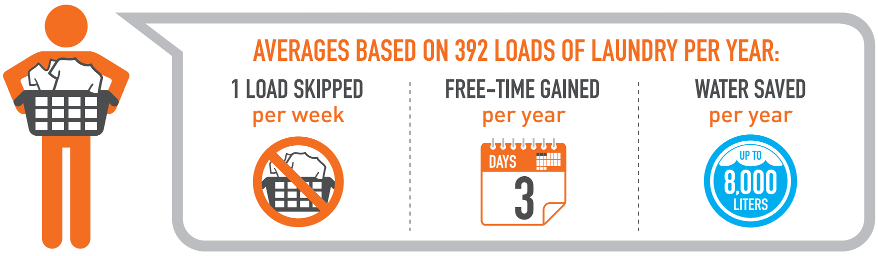
A global partner

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.

Wear More.
Wash Less©

Polygiene Stays Fresh Technology

Today consumers can reduce their environmental impact simply by washing less frequently. Polygiene makes this possible by controlling odor in textiles. If garments are worn a bit longer and washed a bit less, we extend both the life of the garment and save water, energy and time. Or as we say it: Wear More. Wash Less©.



Save time

What would you do with three extra days? If one load of wash is skipped every week during a year, the time saved is three days to spend on something you love to do.

Polygiene Stays Fresh

Polygiene offers treatments for various materials to eliminate odor. Bacterial growth is the source of odor, mainly in synthetic materials. This original solution of silver salt based on recycled silver, can now be combined with our new product, Polygiene Odor Crunch. Odor Crunch is based on silica, the primary ingredient in sand. The treatments are effective throughout lifetime of the garment and can be applied to fibers, textiles and other materials.

The Polygiene Stays Fresh combination product is active against odor that arises from sweat, but also body odor, cigarette smoke, cooking fumes and other smelly environments.

"Garments and products treated with the combination product will feel fresh and clean despite the presence of sweat and in environments that small."

Polygiene®
STAYS FRESH

NOW WITH
ODOR
CRUNCH©

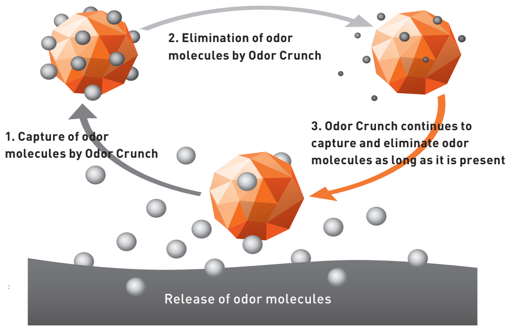
Polygiene Odor Crunch

Produced in Sweden, Polygiene Odor Crunch consists of two of the most common raw materials on earth, water and sand. During production, its patented manufacturing technology does not create any waste.

How it works

Polygiene Odor Crunch consists of silica, the main ingredient in sand, which has been modified with a unique catalyst that breaks down odor. Odor molecules stick to the modified silica particles in Odor Crunch. Once they adhere, they are broken down further into smaller molecules and odors are permanently eliminated.

There are also new application areas where Polygiene Odor Crunch alone can be used. This extends the use of the Polygiene Stays Fresh promise, which in turn creates new business opportunities.



Financial trends

Net revenues and profit

Net revenues and Gross Margin

Q1 net revenues for the group and parent company totalled MSEK 16.7 (15.5), for an increase of 7.9 % over the same quarter the previous year. Other operating income for the quarter totalled MSEK 0.8 (1.2) and consist of positive exchange rate differences.

Gross margins for the quarter reported at 67.7 % (66.6) which is somewhat higher than the same period the previous year. Cost of sold goods totalled MSEK -5.4 (-5.2) for the quarter.

Costs

Other external expenses for the period totalled MSEK -8.8 (-8.4), which is an increase of 5 % over the same period the previous year. These costs include:

- *Selling expenses* MSEK -3.9 (-3.0) where MSEK -1.9 (-2.2) are variable. Variable expenses include commissions to agents and distributors.
- *Marketing expenses* MSEK -1.4 (-2.6). Lower costs resulted from allocations to Sales and improved efficiency in marketing activities.
- *Administrative expenses* MSEK -1.6 (-1.3). Cost increases are primarily due to non-recurring expenses and increased consulting costs.
- *Technology and development* MSEK -0.9 (-0.3). Increased costs for testing related to Odor Crunch and new recruitment to Technology/R&D.
- *Contracted consultants* MSEK -1.0 (-1.2).

Staff costs totalled MSEK -3.8 (-3.4), where the increase is partially because of two new employees.

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 (-0.1).

Other operating expenses relate to exchange rate differences and totalled MSEK -0.5 (0.8) for the quarter.

Result

Operating profit/loss (EBIT) totalled MSEK -1.1 (-2.0), corresponding to operating margins of -6.6 (-12,6) %. The result after taxes totalled MSEK -0.9 (-1.7).

Financial position

Financial non-current assets

Financial non-current assets at the period end where MSEK 7.6 (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 21.6.

Intangible and tangible non-current assets

MSEK 0.1 was invested during the period in the new ERP.

During the first quarter of 2019, the group identified an incorrect booking in the Other intangible assets, meaning that expenses that would have been expensed earlier were capitalized. This has been adjusted during the interim period by the fact that the cost of these has been booked directly against the profit/loss carried forward with an amount of MSEK 2.3, as they relate to previous years.

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

Equity

Equity totalled MSEK 38.7 (34.2) at the period end. The equity assets ratio as of 31/03/2019 was 73.9 (67.5) %.

Cash flow and liquidity

Cash flow from operating activities amounted to MSEK -9.1 (3.3) for Q1 2019. Cash and cash equivalents for the group and parent company totalled MSEK 10.1 (13.7) at the period end.

Staff

At the period end, the operating organization, regardless the degree of service, was 20 (18) people. 16 (14) where employed and 4 (4) are contracted consultants.

Statements of profit or loss

TSEK	Note	Group 2019-01-01 2019-03-31	Group 2018-01-01 2018-03-31	Group 2018-01-01 2018-12-31	Parent company 2019-01-01 2019-03-31	Parent company 2018-01-01 2018-03-31	Parent company 2018-01-01 2018-12-31
Operating revenue							
Net sales	8	16,706	15,479	69,039	16,706	15,479	69,039
Other operating income		760	1,230	2,455	760	1,230	13,043
Total operating revenue		**17,466**	**16,709**	**71,494**	**17,466**	**16,709**	**82,082**
Operating expenses							
Costs of goods sold		-5,403	-5,175	-23,717	-5,403	-5,175	-23,717
Other external expenses		-8,813	-8,408	-35,077	-8,984	-8,408	-35,077
Personnel expenses		-3,576	-3,437	-14,309	-3,576	-3,437	-14,309
Withholding tax		–	-659	–	–	-659	–
Depreciation and write-downs		-258	-144	-798	-85	-144	-798
Other operating expenses		-515	-838	-398	-515	-838	-388
Total operating expenses		**-18,565**	**-18,661**	**-74,299**	**-18,563**	**-18,661**	**-74,289**
Operating profit/loss		**-1,099**	**-1,952**	**-2,805**	**-1,097**	**-1,952**	**7,793**
Profit from financial items							
Interest expenses and similar items		-14	–	-2	–	–	-2
Profit after financial items		**-1,113**	**-1,952**	**-2,807**	**-1,097**	**-1,952**	**7,791**
Tax income for the period		230	284	-1,874	227	284	-1,874
Profit of the period from continuing operations		**-883**	**-1,668**	**-4,681**			
Profit of the period from discontinued operations		–	–	10,588			
Profit of the period		**-883**	**-1,668**	**5,907**	**-870**	**-1,668**	**5,917**
Earnings per share (after tax)		**-0.04**	**-0.08**	**0.28**	**-0.04**	**-0.08**	**0.29**

Statements of financial position

TSEK	Note	Group 2019-03-31	Group 2018-03-31	Group 2018-12-31	Parent company 2019-03-31	Parent company 2018-03-31	Parent company 2018-12-31
ASSETS							
Fixed assets							
Intangible assets	9	1,873	2,962	4,123	1,873	2,962	4,123
Tangible assets		1,791	–	–	–	–	–
Financial assets	10	7,567	6,237	6,999	7,617	6,287	7,049
Total fixed assets		**11,231**	**9,199**	**11,122**	**9,490**	**9,249**	**11,172**
Current assets							
Finished items and items for sale		254	296	497	254	296	497
Trade receivables	10	22,322	24,256	26,054	22,322	24,256	26,054
Other current assets	10	8,323	3,215	13,596	8,323	3,215	13,596
Cash and cash equivalents		10,149	13,718	3,696	10,053	13,668	3,600
Total current assets		**41,048**	**41,485**	**43,843**	**40,952**	**41,435**	**43,747**
TOTAL ASSETS		**52,279**	**50,684**	**54,965**	**50,442**	**50,684**	**54,919**
TOTAL EQUITY AND LIABILITIES							
Equity		**38,681**	**34,217**	**41,848**	**38,649**	**34,217**	**41,802**
Long-term liabilities							
Leasing of office premises		1,794	–	–			
Total Long-term liabilities		**1,794**	**–**	**–**			
Short-term liabilities							
Accounts payable		6,942	10,147	8,135	6,942	10,147	8,135
Other current liabilities		4,862	6,320	4,982	4,851	6,320	4,982
Total short-term liabilities		**11,804**	**16,467**	**13,117**	**11,793**	**16,467**	**13,117**
Total liabilities		**13,598**	**16,467**	**13,117**	**11,793**	**16,467**	**13,117**
TOTAL EQUITY AND LIABILITIES		**52,279**	**50,684**	**54,965**	**50,442**	**50,684**	**54,919**

Statement of changes in equity

Group, TSEK	2019-01-01 2019-03-31	2018-01-01 2018-03-31	2018-01-01 2018-12-31
Equity at period start	41,848	35,885	35,885
Adjustment	-2,284		
New share issues and warrants			56
Transactions with the owners	**39,564**	**35,885**	**35,941**
Annual earnings	-883	-1,668	5,907
Total annual earnings	**-883**	**-1,668**	**5,907**
Equity at period end	**38,681**	**34,217**	**41,848**

Parent company, TSEK	2019-01-01 2019-03-31	2018-01-01 2018-03-31	2018-01-01 2018-12-31	2017-01-01 2017-12-31
Equity at period start	41,802	35,885	35,885	41,294
Adjustment	-2,284			
New share issues and warrants				
Transactions with the owners	**39,518**	**35,885**	**35,885**	**41,294**
Annual earnings	-870	-1,668	5,917	-5,409
Total annual earnings	**-870**	**-1,668**	**5,917**	**-5,409**
Equity at period end	**38,649**	**34,217**	**41,802**	**35,885**

Cash flow statement

TSEK	Group 2019-01-01 2019-03-31	Group 2018-01-01 2018-03-31	Group 2018-01-01 2018-12-31	Parent company 2019-01-01 2019-03-31	Parent company 2018-01-01 2018-03-31	Parent company 2018-01-01 2018-12-31
Current activities						
Profit/loss before financial items	-1,099	-1,952	7,782	-1,097	-1,952	7,793
Non-cash adjustement	257	144	798	86	144	797
Interest paid	-14	–	-2	–	–	-2
Paid income tax	–	–	-1,874	–	–	-1,874
Cash flow from operating activities before changes in operating capital	**-856**	**-1,808**	**6,704**	**-1,011**	**-1,808**	**6,714**
Changes in working capital						
Increase/decrease in inventory	243	17	-184	243	17	-184
Increase/decrease in current receivables	10,030	6,119	-6,611	10,030	6,119	-6,611
Increase/decrease in current liabilities	-314	-1,017	-4,099	-2,123	-1,017	-4,099
Net cash flow from operating activities	**9,103**	**3,311**	**-4,190**	**7,139**	**3,311**	**-4,180**
Net cash flow from current activities	**9,103**	**3,311**	**-4,190**	**7,139**	**3,311**	**-4,180**
Investment activities						
Acquisition of intangible assets	-118	-573	-2,388	-118	-573	-2,388
Acqusition of tangible assets	-1,964	–	–	–	–	–
Acquisition of financial assets	-582	–	-712	-582	–	-762
Disposal of tangible assets	14	–	–	14	–	–
Cash flow from investing activities	**-2,650**	**-573**	**-3,100**	**-686**	**-573**	**-3,150**
Financing activities						
New share issue	–	–	56	–	–	-
Cash flow from financial activities	**0**	**0**	**56**	**0**	**0**	**0**
Annual cash flow	**6,453**	**2,738**	**-7,234**	**6,453**	**2,738**	**-7,330**
Cash and cash equivalents at period start	3,696	10,980	10,930	3,600	10,930	10,930
Cash and cash equivalents at period end	**10,149**	**13,718**	**3,696**	**10,053**	**13,668**	**3,600**

Multi-year overview

Group	Jan-Mar 2019	Jan-Mar 2018	Full year 2018
Net sales, TSEK	16,706	15,479	69,039
Sales growth, %	8	0	4
Operating profit/loss EBIT, TSEK	-1,099	-1,952	-2,085
Profit after tax, TSEK	-883	-1,668	5,907
Operating margin EBIT, %	-7	-13	9
Operating margin after tax, %	-5	-10	7
Cash flow, TSEK	6,453	2,738	-7,234
Equity, TSEK	38,681	34,257	41,848
Balance sheet total, TSEK	52,276	50,724	54,965
Equity/assets ratio, %	73.9	67.5	76.1
Number of shares at period-end, thousands	20,516	20,516	20,516
Average no. of shares at period-end, thousands	20,516	20,516	20,516
Earnings per share, SEK	-0.04	-0.08	0.28
Cash flow per share, SEK	0.31	0.13	-0.35
Equity per share, SEK	1.88	1.67	2.04
Share price at period end, SEK	7.9	9.7	5.6

Parent company	Jan-Mar 2019	Jan-Mar 2018	Full year 2018	Full year 2017	Full year 2016
Net sales, TSEK	16,706	15,479	69,039	66,152	55,407
Sales growth, %	8	0	4	19	18
Operating profit/loss EBIT, TSEK	-1,097	-1,952	7,793	-6,101	-3,392
Profit after tax, TSEK	-870	-1,668	5,917	-5,409	-3,164
Operating margin EBIT, %	-6	-12	9	-9	-6
Operating margin after tax, %	-5	-10	7	-8	-6
Cash flow, TSEK	6,453	2,738	-7,330	-9,093	-7,522
Equity, TSEK	38,649	34,217	41,802	35,885	41,293
Balance sheet total, TSEK	50,442	50,684	54,919	53,101	57,318
Equity/assets ratio, %	76.6	72.0	76.1	67.5	72.0
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	19,716
Earnings per share, SEK	-0.04	-0.08	0.29	-0.26	-0.16
Cash flow per share, SEK	0.31	0.13	-0.36	-0.44	-0.38
Equity per share, SEK	1.88	1.67	2.04	1.75	2.01
Share price at period end, SEK	7.9	9.7	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 brand 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 1 January to 31 March 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, MSEK 1.965 has been booked as of January 1, 2019 for the non-cancellable lease contracts and MSEK 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 1 January to 31 March 2019 was approved for publishing by the board of directors on 10 May 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.

The group has during the first quarter of 2019 identified an incorrect booking in the item Other intangible fixed assets, meaning that expenses that would have been expensed earlier were capitalized in the item. This has been adjusted during the interim period by the cost for which they have been booked directly against Profit/loss brought forward because they relate to previouse years.

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, 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 has chosen to concentrate on our core operations, textiles and have therefore disposed the operating segment Protective.

A subsidiary was started in Hong Kong in the fall.

Polygiene has entered the Brazilian market, which is the fifth largest textile producer in the world.

On 3 February 2019 the new product Odor Crunch was introduced at ISPO, the largest trade fair for sports equipment and sports clothing.

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 by geographical area

Group revenues from contracts with customers can be broken down as follows:

TSEK 19-03-31	Goods	Royalty	Total
Primary geographic markets			
Asia	4,328	1,674	**6,002**
Europe	4,846	1,612	**6,458**
North America	986	3,197	**4,183**
Rest of the world	43	20	**63**
	10,203	**6,503**	**16,706**

TSEK 18-03-31	Goods	Royalty	Total
Primary geographic markets			
Asia	2,644	2,501	**5,145**
Europe	3,009	1,904	**4,913**
North America	881	3,312	**4,193**
Rest of the world	31	1,197	**1,228**
	6,565	**8,914**	**15,479**

Note 9 Other intangible asset

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

TSEK	Group 2019-03-31	Group 2018-03-31	Group 2018-12-31
Opening acquisition value	**6,265**	**3,877**	**5,644**
Acquisitions	118	573	621
Adjustement	-2,954		
Closing accrued expenses	**3,429**	**4,450**	**6,265**
Opening accumulated depreciation	**-2,142**	**-1,344**	**-1,896**
Adjustement	671		
Deprecations of the period	-85	-144	-246
Closing accumulated depreciation	**-1,556**	**-1,488**	**-2,142**
Recognized value	**1,873**	**2,962**	**4,123**

Note 10 Financial assets

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

TSEK	Group 2019-03-31	Group 2018-03-31	Group 2018-12-31
Deffered tax assets			
Opening balance	26,054	31,699	31,699
Used during the period	-3,732	-7,443	-5,645
Closing balance	**22,322**	**24,256**	**26,054**
Withholding tax			
Opening balance	2,636	–	–
Change during the period	582	–	2,636
Closing balance	**3,218**	**–**	**2,636**
Deposits			
Opening balance	14	14	14
Change during the period	-14	0	0
Closing balance	**–**	**14**	**14**
Contracted assets			
Opening balance	–	–	–
Change during the period	384	–	–
Closing balance	**384**	**–**	**–**

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.

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 first quarter, the total number of shares traded was 2,325,753, which corresponds on average to 37,512 shares per trading day. The share price at the end of the period was SEK 8.00, which corresponds to market capitalization of MSEK 164.1. The highest and the lowest share prices during the period were SEK 8.00 and 5.60, respectively.

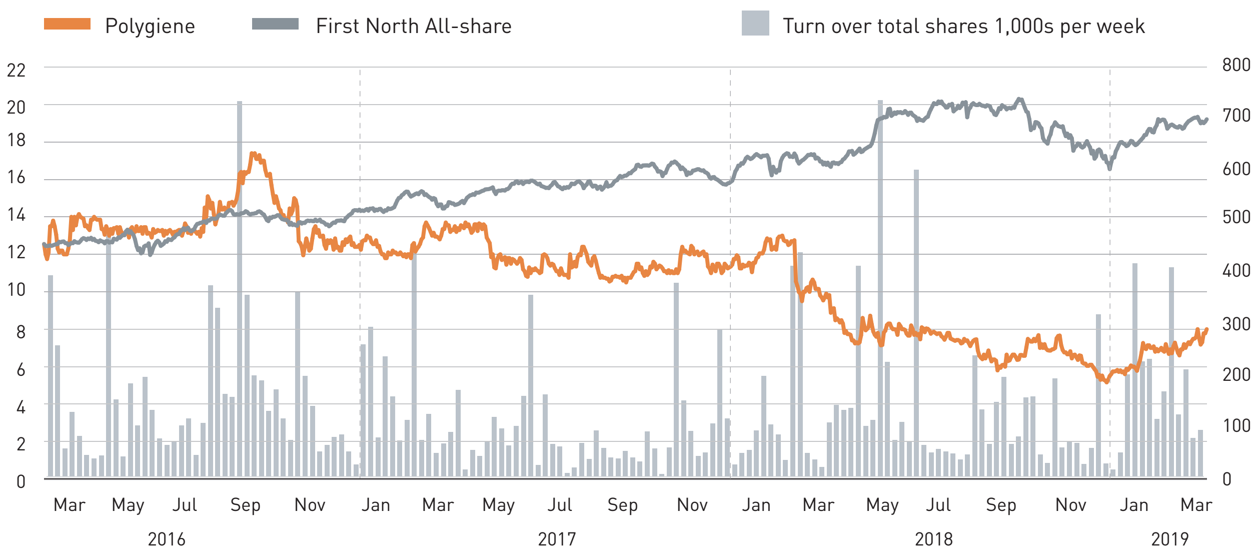
Ownership structure

The number of shareholders at the end of the period was 802 (790). The table below lists the 10 largest shareholders as of March 31, 2019.

Shareholders	Shares	Percent
Håkan Lagerberg	1,485,098	7.2%
SIX SIS AG	1,166,542	5.7%
JPM Chase NA	940,000	4.6%
Jonas Wollin*	874,500	4.3%
Lennart Holm*	850,620	4.1%
Aktia Fund Management	846,008	4.1%
Jonas Pålsson	775,000	3.8%
Mats Georgson*	728,000	3.5%
Håkan Swanberg	686,610	3.3%
Avanza Pension	678,761	3.3%
Other	11,484,861	56.0%
Total	**20,516,000**	**100.0%**

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

Polygiene 2016 March–2019 March



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 Q1 2019	17 May
Annual General Meeting 2019	17 May
Interim Report Q2 2019	29 August
Interim Report Q3 2019	7 November

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:

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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 17 May 2019.

About Polygiene
Polygiene is the world-leading provider of odor control technology and Stays Fresh solutions for clothing, sports equipment, lifestyle, textiles and other materials to help people stay fresh and confident. Polygiene brings the Scandinavian values of quality and care for the environment to life through its products and services. More than 140 global premium brands have chosen to use Polygiene Stays Fresh Technology in their products. Polygiene was established in 2006 and is listed on Nasdaq First North in Stockholm, Sweden.
Erik Penser Bank AB acts as its Certified Adviser, phone: +46 8 463 83 00, e-mail: certifiedadviser@penser.se

Polygiene®
STAYS FRESH