

Polygiene AB (publ.)

ANNUAL REPORT Q1 2020

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




Polygiene®
STAYS FRESH

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A scenic landscape at sunrise or sunset. The sky is a gradient of blue and orange. In the foreground, a body of water reflects the trees and the sky. The trees are silhouetted against the bright sky. The text is overlaid on the image in white, bold, uppercase letters.

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

Q1 IN BRIEF

- Positive growth due to increased net sales by 4.4 % during the quarter compared to the same period last year and amounted to MSEK 17.4 (16.7).
- The operating profit/loss before tax for the period is improved compared to the same period last year and amounted to MSEK 0.2 (-1.1).
- The gross margin has decreased at 67.2 (67.6) %.
- Cash flow of the first quarter was positive and amounted to MSEK 2.2 (6.4).
- ViralOff has launched as a new brand.

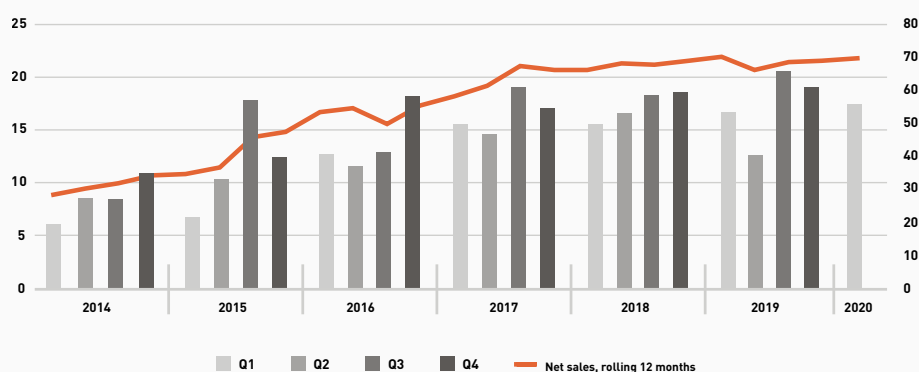
KEY RATIOS

Group	Jan-Mar 2020	Jan-Mar 2019	Full year 2019	Full year 2018
Net sales, MSEK	17.4	16.7	68.8	69.0
Operating profit EBIT, MSEK	0.2	-1.1	-6.6	-2.8
Operating margin EBIT, %	1.1	-6.3	-9.2	-3.9
Profit after tax, MSEK	0.2	-0.9	-5.2	0.7
Operating margin after tax, %	1.2	5.1	-7.2	0.9
Earnings per share, SEK	0.01	-0.04	-0.25	0.03
Cash flow, MSEK	2.2	6.4	1.2	-7.2

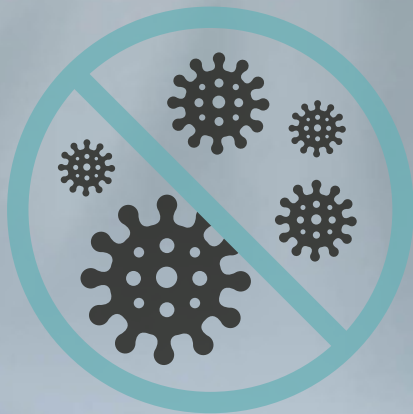
Parent Company	Jan-Mar 2020	Jan-Mar 2019	Full year 2019	Full year 2018
Net sales, MSEK	16.6	16.7	68.8	69.0
Operating profit EBIT, MSEK	-0.2	-1.0	-6.7	2.5
Operating margin EBIT, %	-1.3	-6.3	-9.4	3.3
Profit after tax, MSEK	-0.2	-0.9	-5.3	0.7
Operating margin after tax, %	-1.1	-4.9	-7.4	0.9
Earnings per share, SEK	-0.01	-0.04	-0.26	0.03
Cash flow, MSEK	2.0	6.4	0.7	-7.3

NET SALES, ROLLING 12 MONTHS

NET SALES MSEK



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



99 % REDUCTION OF
VIRUSES IN 2 HOURS

ISO18184:2019, ATCC VR-1679 (H3N2)



ViralOff
POLYGIENE TECHNOLOGY

*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 anti-viral claims, by the US FDA and US EPA, in North America.



SIGNIFICANT EVENTS IN BRIEF

EVENTS DURING Q1 2020 (JAN-MAR)

New CFO, Nina Forsvall, starts her service on January 1.

The entire first quarter has been affected by the novel Corona virus 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.

The novel Corona virus has increased the demand for facemasks immensely. The Polygiene biostatic stays fresh treatment is already present in the Airinum design facemasks. Airinum places an additional order to keep up with the demand of their face masks that are out of stock.

Sportswear producer O'Neills of Northern Ireland is treating an initial order of scrubs with Polygiene biostatic stays fresh technology, that is active against both bacteria and virus.*

** Studies were conducted by the Beijing Institute of Microbiology and Epidemiology, Prof. and Head of Department of Epidemiology Wuchun Cao, M.D., Sc.D., a similar study showing similar results was also made by the UK Health and Safety Laboratory.*

SIGNIFICANT EVENTS AFTER Q1

Polygiene launches ViralOff, a Polygiene technology with antiviral capability. The application for ViralOff will range from medical equipment and wear like scrubs and uniforms, to consumer products where antiviral properties make sense like face masks, gloves and other crucial products.



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?

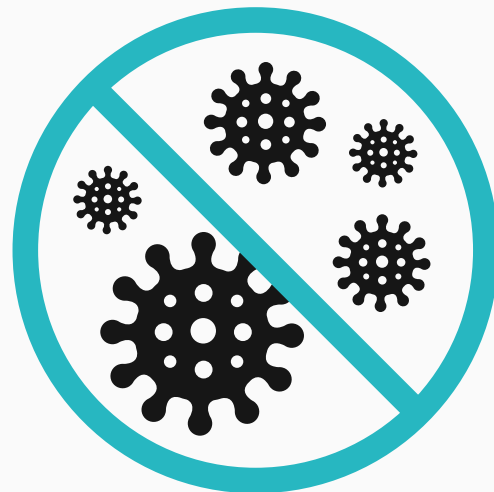
Polygiene ViralOff was launched April 7, 2020, and as projects develop fast during these demanding times, Polygiene can already present a number of products with the ViralOff functionality.

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

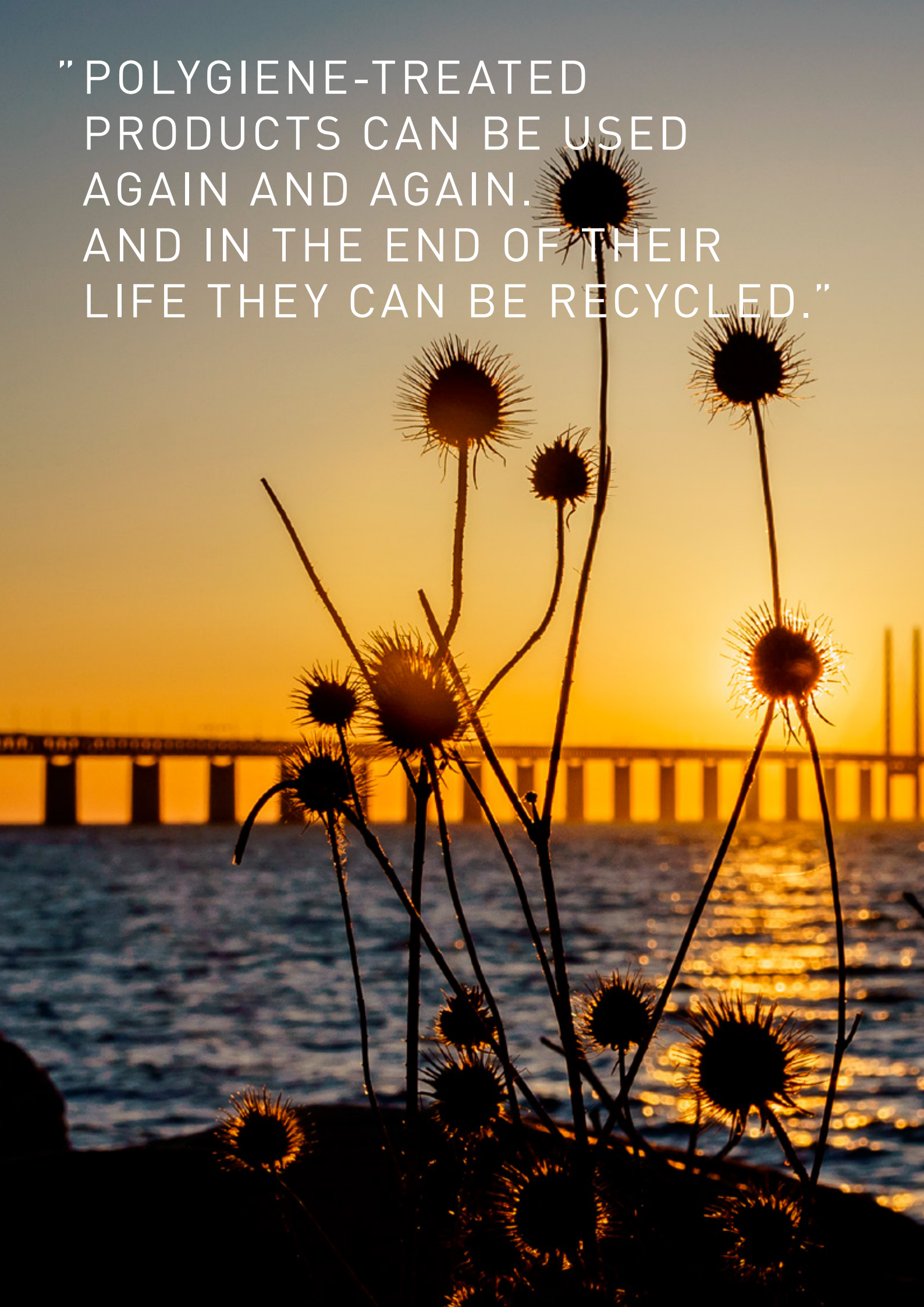
In which products can it be used?

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.

"POLYGIENE-TREATED
PRODUCTS CAN BE USED
AGAIN AND AGAIN.
AND IN THE END OF THEIR
LIFE THEY CAN BE RECYCLED."



"I AM VERY PLEASED
WITH THE FIRST QUARTER
RESULTS AND ENTHUSED
ABOUT THE NEW
OPPORTUNITIES THAT HAVE
OPENED UP FOR US."

ULRIKA BJÖRK, VD



A message from the CEO

A QUARTER IMPACTED BY COVID-19 AND NEW OPPORTUNITIES

Net sales for the quarter amounted to MSEK 17.4 (16.7), an increase of 4.4% compared to the previous year. Compared to last year, operating profit before tax improved, totaling MSEK 0.2 (-1.1). Cash flow was positive with a surplus of MSEK 2.2.

Sales increased by 4.4%, an acceptable rate of growth given the circumstances that affected the first quarter. The novel coronavirus outbreak has presented challenges for the entire textile industry with consequences never before seen. A gross margin of 67.2 (67.7) percent is in line with last year as well as with financial forecasts. The company maintains good cost control, which is reflected in reduced administrative costs of MSEK 0.8, resources that were instead invested in strengthening the organization. Marketing costs are at the same level as last year.

Operating profit was positive at MSEK 0.2, which is the third consecutive profitable quarter. This is a clear trend, indicating that the company is now on the right track. Cash flow is under control and increased by MSEK 2.2 during the quarter.

Due to Covid-19, much of the population in China was subject to quarantine immediately after the Lunar New Year at the end of January. Lockdown meant that all production in China, which is our largest production market, was postponed by another four weeks in addition to the three weeks planned. Taiwan was also affected, though for a shorter period. We now see similar situations in Korea, Japan, India and Thailand which are in lockdown. My short-term assessment is that there will be further delays, depending on how the situation evolves around the world. As a result, we have unfortunately experienced some logistical challenges including delivery difficulties and increased transport costs. Hopefully this will not affect us significantly throughout the year, but it may be too soon to speculate.

A new opportunity – ViralOff®

The new world order has influenced the demand and outlook for antimicrobial solutions. With its heritage firmly rooted in the healthcare industry and experience from the 2004 SARS epidemic, Polygiene was able to act quickly and decisively as soon as increased demand for antiviral textiles became apparent. In early April, we launched ViralOff, an antiviral technology for textiles that reduces viruses by more than 99% in less than two hours. The technology has been tested according to the ISO 18184: 2019 standard. The response has been overwhelming, and the technology very well received by the market. There is a great demand for methods to prevent the spread of the novel coronavirus. We are very proud that ViralOff has become part of the solution to a global problem.

Since its launch a month ago, we have successfully treated masks, hospital gowns, protective overalls and other products with ViralOff, which will be reflected in the interim report for the second quarter. Demand has been so extensive that we decided to invest more resources in the team. Andreas Holm, formerly Nordic Sales Director at Thule, will work primarily with special projects connected to ViralOff and strengthen the sales organization to meet the increased demand. There is an enormous focus on ViralOff for good cause, but we must also continue to focus on projects based on Odor Crunch and Stays Fresh technologies.

Recovery underway in Asia and the US and Lifestyle segment continues to grow

I am optimistic that ViralOff will have big impact on our business, both this year and next, but also want to emphasize that our core business got off to a very good start in 2020. Above all, Asia (+ 29%) and the US (+ 16%) had solid growth this quarter, due in part to the hard work to win back business previously lost in these markets. However, Europe finished the quarter slightly lower (-2%)



than last year; this is primarily due to somewhat reduced sales to one of our partners who has large production in the countries affected by the lockdowns. Hopes remain that these volumes will bounce back in the coming quarters. Distributor order intake decreased by MSEK 1.4, which therefore gives a total increase of 4.4%. We are well aware that the tough situation affecting many of our partners may affect future sales at Polygiene in the long term. However, we see a great potential in ViralOff because it can be applied to all textiles, even in the Sport and Lifestyle segments.

The steady growth trend in Lifestyle continues, and this quarter was no exception. We see growth and stability among both existing and new partners, many of whom demonstrate promising opportunities to strengthen the business relationship. We expect the new business area of protective clothing and masks to grow in the future and want to be able to track growth; therefore, we have created a new segment, Workwear. Previously, we collaborated with several partners who produce work clothes, including Belgium Post, DHL and Bonmax. Business with these and other partners will now become part of the Workwear segment.

New situation, new ways of working

The coronavirus is changing the world we live in, affecting all of us and impacting Polygiene. For us at Polygiene, the playing field has changed dramatically in recent months. This is largely due to the fact that our business hinges on establishing relationships with our

partners and our presence at trade fairs around the globe to market our solutions. Cancellations in scheduled trade fairs, events and meetings this spring most likely will continue in the coming months, forcing us to undertake new approaches and new ways of communicating. As a relatively small company, we have the opportunity to be both agile and action-oriented through the coronavirus crisis. This approach proved effective with the launch of ViralOff. I see this agility as one of Polygiene's strengths, which is why I also believe in huge potential going forward. ViralOff broadens the product portfolio with yet another essential textile functionality, which is fully in line with our vision. ViralOff makes it possible not only to safeguard the people wearing treated garments but also to contribute to a more sustainable world by extending the lifetime of each garment.

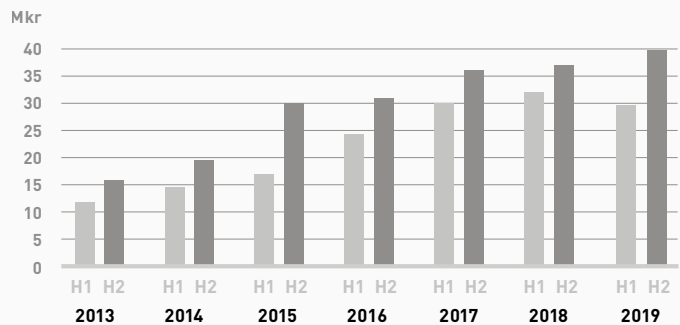
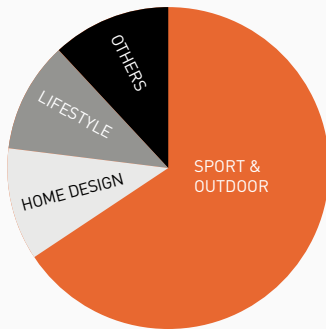
My hope is, of course, that the world will soon return to normal mode again. However, I think we will see a new normal mode, with a new approach to antimicrobial and antiviral solutions. With Covid-19 now part of our collective consciousness, we must learn from newfound experiences. Demand for antiviral fabrics is definitely here to stay.

I look forward to an exciting and eventful year for Polygiene. I am very pleased with the first quarter results and enthused about the new opportunities that have opened up for us.

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 mind- set, 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 recogni- tion. We help our partners provide our branded treatment to clothing, equipment, textiles and other materials. Poly- giene has more than 140 partners worldwide in various segments, such as Sports & Outdoor, Lifestyle, Home Design, Footwear and Workwear.

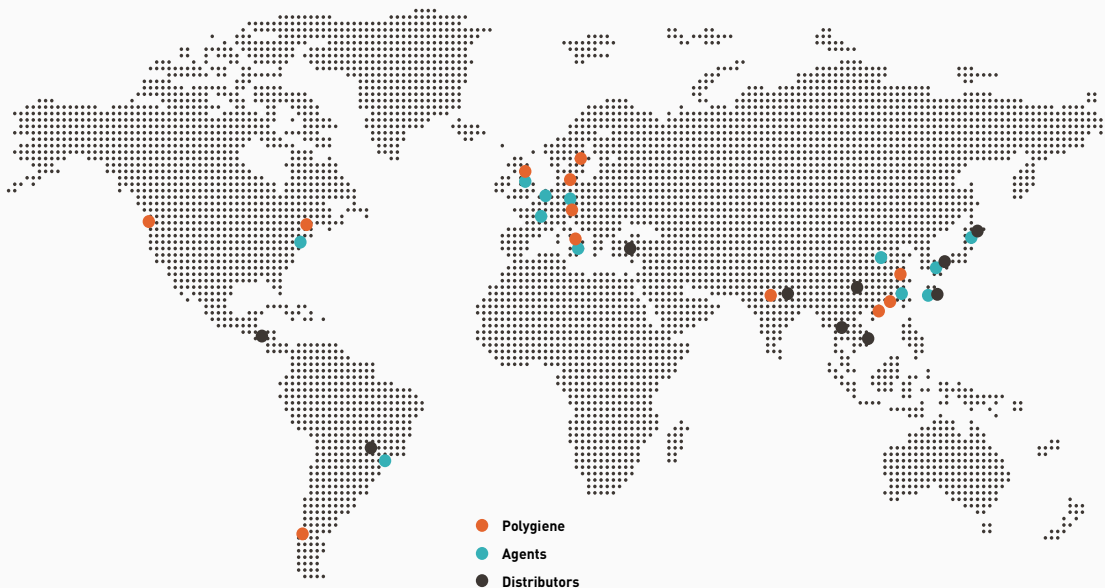


Operations

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 2013–2019

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.



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.



PARTNERS.

POLYGIENE HAS MORE THAN 140 PARTNERS AROUND THE GLOBE IN VARIOUS SEGMENTS, SUCH AS SPORT & OUTDOOR, LIFESTYLE, HOME DESIGN, FOOTWEAR AND WORKWEAR. A SELECTION IS PRESENTED HERE AND THE WHOLE LIST IS ON POLYGIENE.COM/PARTNERS



FINANCIAL TRENDS

NET REVENUES AND PROFIT

Net revenues and Gross Margin

Q1 net revenues for the Group totalled MSEK 17.4 (16.7), for an increase of 4.4 % over the same quarter the previous year. Other operating income for the quarter totalled MSEK 1.2 (0.8) and consist of positive exchange rate differences. Gross margins for the quarter reported at 67.2 % (67.7). Cost of goods sold totalled MSEK -5.7 (-5.4) for the quarter.

Costs

Other external expenses for the period totalled MSEK -8.0 (-8.8), which is a decrease of 8.4 % over the same quarter the previous year. These costs include:

- Variable selling expenses MSEK -2.3 (-2.8) which consist mainly of commissions to agents and distributors.
- Marketing expenses MSEK -1.3 (-1.3).
- Administrative expenses MSEK -2.7 (-3.2).
- Contracted consultants MSEK -1.7 (-1.5).
The number of contracted consultants is more this quarter as more consultants are considered to belong to the organization. Last year they where counted as administrative expenses.

Staff costs totalled MSEK -4.4 (-3.6).

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. In 2018, Polygiene showed a positive result and believes that the withholding tax can continue to be reversed and balanced.

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

Other operating expenses relate to exchange rate differences and totalled MSEK 0.1 (-0.5) for the quarter.

Result

Operating profit/loss (EBIT) totalled MSEK 0.2 (-1.5), corresponding to operating margins of 1.2 (-6.6) %. The result after taxes totalled MSEK 0.2 (-0.9).

Financial position

Financial non-current assets

Financial non-current assets at the period end where MSEK 11.6 (7.6) 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 27.2.

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 29.2 (33.4) at the period end. The equity assets ratio as of 31/03/2020 was 68.5 (71.1) %.

Cash flow and liquidity

Cash flow from operating activities of the first quarter amounted to MSEK 3.1 (9.1). Cash and cash equivalents for the Group totalled MSEK 7.1 (10.1) at the period-end.

Staff

At the period-end, the operating organization, regardless the degree of service, was 26 (25) people. 18 (17) where employed and 8 (8) are contracted consultants.

The operating organization amounts to 21.3 (19.8) full-time services.



**QUARTERLY REPORT Q1
GROUP**

STATEMENTS OF PROFIT OR LOSS GROUP

TSEK	2020-01-01 2020-03-31	2019-01-01 2019-03-31	2019-01-01 2019-12-31
Operating revenue			
Net sales	17,434	16,706	68,803
Other operating income	1,205	760	2,562
Total operating revenue	18,639	17,466	71,365
Operating expenses			
Costs of goods sold	-5,714	-5,403	-21,039
Other external expenses	-8,070	-8,813	-37,462
Personnel expenses	-4,370	-3,576	-15,624
Withholding tax	-	-	-
Depreciation and write-downs	-373	-258	-1,192
Other operating expenses	99	-515	-2,619
Total operating expenses	-18,428	-18,565	-77,936
Operating profit/loss	211	-1,099	-6,571
Profit from financial items			
Interest expenses and similar items	-10	-14	-52
Profit after financial items	201	-1,113	-6,623
Tax income for the period	21	230	1,452
Profit of the period from continuing operations	222	-883	-5,171
Profit of the period	222	-883	-5,171
Earnings per share (after tax)	0.01	-0.04	-0.25

STATEMENTS OF FINANCIAL POSITION GROUP

TSEK	Note	2020-03-31	2019-03-31	2019-12-31
ASSETS				
Fixed assets				
Intangible assets	9	2,707	1,873	2,530
Tangible assets		1,089	1,791	1,265
Financial assets	10	11,593	7,567	11,036
Total fixed assets		15,389	11,231	14,831
Current assets				
Finished items and items for sale		787	254	1,027
Trade receivables	10	19,114	22,322	20,937
Other current assets	10	2,213	8,323	3,358
Cash and cash equivalents		7,134	4,903	4,909
Total current assets		29,248	35,802	30,231
TOTAL ASSETS		44,637	47,033	45,062
TOTAL EQUITY AND LIABILITIES				
Equity		29,230	33,435	29,207
Long-term liabilities				
Leasing of office premises		170	1 159	168
Total Long-term liabilities		170	1 159	168
Short-term liabilities				
Accounts payable		11,031	6,942	10,400
Leasing of office premises		844	635	1,006
Other current liabilities		3,362	4,862	4,281
Total short-term liabilities		15,237	12,439	15,687
Total liabilities		15,407	13,598	15,855
TOTAL EQUITY AND LIABILITIES		44,637	47,033	45,062

CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY GROUP

TSEK	2020-01-01 2020-03-31	2019-01-01 2019-03-31	2019-01-01 2019-12-31	2018-01-01 2018-12-31
Equity at period start	29,207	36,602	36,602	35,885
Adjustment	-199	-2,284	-2,284	
New share issues and warrants	-	-	60	56
Transactions with the owners	29,008	34,318	34,378	35,941
Correction of error				-5,246
Earnings of period	222	-883	-5,171	5,907
Total earnings of period	222	-883	-5,171	661
Equity at period end	29,230	33,435	29,207	36,602

CASH FLOW STATEMENTS

GROUP

TSEK	2020-01-01 2020-03-31	2019-01-01 2019-03-31	2019-01-01 2019-12-31
Current activities			
Profit/loss before financial items	211	-1,099	-6,521
Non-cash adjustment	181	257	638
Interest paid	-10	-14	-52
Paid income tax	21	-	1,452
Cash flow from operating activities before changes in operating capital	403	-856	-4,483
<i>Changes in working capital</i>			
Increase/decrease in inventory	240	243	-530
Increase/decrease in current receivables	2,968	10,030	10,109
Increase/decrease in current liabilities	-463	-314	2,754
Net cash flow from operating activities	3,148	9,103	7,850
Cash flow from discontinued operations	-	-	-
Net cash flow from current activities	3,148	9,103	7,850
Investment activities			
Acquisition of intangible assets	-366	-118	-676
Acquisition of tangible assets	-	-1,964	-1,984
Acquisition of financial assets	-557	-582	-4,051
Disposal of tangible assets	-	14	14
Cash flow from investing activities	-923	-2,650	-6,697
Financing activities			
New share issue	-	-	60
Cash flow from financial activities	0	0	60
Cash flow of period	2,225	6,453	1,213
Cash and cash equivalents at period start	4,909	3,696	3,696
Cash and cash equivalents at period end	7,134	10,149	4,909

MULTI-YEAR OVERVIEW GROUP

Group	Jan-Mar 2020	Jan-Mar 2019	Full year 2019	Full year 2018
Net sales, TSEK	17,434	16,706	68,803	69,039
Sales growth, %	4	8	0	4
Operating profit/loss EBIT, TSEK	211	-1,099	-6,571	-2,805
Profit after tax, TSEK	222	-883	-5,171	661
Operating margin EBIT, %	1	-6	-9	-4
Operating margin after tax, %	1	-5	-7	1
Cash flow, TSEK	2,225	6,453	1,213	-7,234
Equity, TSEK	29,230	33,435	29,207	36,556
Balance sheet total, TSEK	44,637	47,033	45,062	49,719
Equity/assets ratio, %	65.5	74.2	68.5	73.5
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	0.01	-0.04	-0.25	0.03
Cash flow per share, SEK	0.11	0.31	0.06	-0.35
Equity per share, SEK	1.42	1.63	1.42	1.78



QUARTERLY REPORT Q1
PARENT COMPANY

STATEMENTS OF PROFIT OR LOSS PARENT COMPANY

TSEK	2020-01-01 2020-03-31	2019-01-01 2019-03-31	2019-01-01 2019-12-31
Operating revenue			
Net sales	16,562	16,706	68,803
Other operating income	1,205	760	2,562
Total operating revenue	17,767	17,466	71,365
Operating expenses			
Costs of goods sold	-5,712	-5,403	-21,039
Other external expenses	-8,145	-8,984	-38,431
Personnel expenses	-4,056	-3,576	-15,346
Withholding tax	-	-	-
Depreciation and write-downs	-188	-85	-656
Other operating expenses	99	-515	-2 619
Total operating expenses	-18,002	-18,563	-78,091
Operating profit/loss	-235	-1,097	-6,726
Profit from financial items			
Interest expenses and similar items	-2	-	-4
Profit after financial items	-237	-1,097	-6,730
Tax income for the period	44	227	1,442
Profit of the period	-193	-870	-5,288
Earnings per share (after tax)	-0.01	-0.04	-0.26

STATEMENTS OF FINANCIAL POSITION PARENT COMPANY

TSEK	Note	2020-03-31	2019-03-31	2019-12-31
ASSETS				
Fixed assets				
Intangible assets	9	2,702	1,873	2,530
Financial assets	10	11,643	7,617	11,076
Total fixed assets		14,345	9,490	13,606
Current assets				
Finished items and items for sale		787	254	1,027
Trade receivables	10	19,206	22,322	21,356
Other current assets	10	2,388	3,077	3,358
Cash and cash equivalents		6,378	10,053	4,335
Total current assets		28,759	35,706	30,076
TOTAL ASSETS		43,104	45,196	43,682
TOTAL EQUITY AND LIABILITIES				
Equity		28,792	33,402	28,984
Short-term liabilities				
Accounts payable		11,013	6,942	10,400
Other current liabilities		3,299	4,852	4,298
Total short-term liabilities		14,312	11,794	14,698
Total liabilities		14,312	11,794	14,698
TOTAL EQUITY AND LIABILITIES		43,104	45,196	43,682

CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY PARENT COMPANY

TSEK	2020-01-01 2020-03-31	2019-01-01 2019-03-31	2019-01-01 2019-12-31	2018-01-01 2018-12-31
Equity at period start	28,984	36,556	36,556	35,885
Adjustment	-	-2,284	-2,284	
New share issues and warrants	-	-	-	
Transactions with the owners	28,984	34,272	34,272	35,885
Correction of error				-5,246
Earnings of period	-193	-870	-5,288	5,917
Total earnings of period	-193	-870	-5,288	671
Equity at period end	28,791	33,402	28,984	36,556

CASH FLOW STATEMENTS

PARENT COMPANY

TSEK	2020-01-01 2020-03-31	2019-01-01 2019-03-31	2019-01-01 2019-12-31
Current activities			
Profit/loss before financial items	-235	-1,097	-6,726
Non-cash adjustment	189	86	-14
Interest paid	-2	-	-4
Paid income tax	44	-	1,442
Cash flow from operating activities before changes in operating capital	-4	-1 011	-5 302
<i>Changes in working capital</i>			
Increase/decrease in inventory	240	243	-530
Increase/decrease in current receivables	3,120	10,030	9,689
Increase/decrease in current liabilities	-386	-2,123	1,581
Net cash flow from operating activities	2,970	7,139	5,438
Cash flow from discontinued operations	-	-	-
Net cash flow from current activities	2,970	7,139	5,438
Investment activities			
Acquisition of intangible assets	-360	-118	-676
Acquisition of tangible assets			
Acquisition of financial assets	-567	-582	-4,041
Disposal of tangible assets	-	14	14
Cash flow from investing activities	-927	-686	-4 703
Financing activities			
New share issue	-	-	-
Cash flow from financial activities	0	0	0
Cash flow of period	2,043	6,453	735
Cash and cash equivalents at period start	4,335	3,600	3,600
Cash and cash equivalents at period end	6,378	10,053	4,335

MULTI-YEAR OVERVIEW PARENT COMPANY

Parent Company	Jan-Mar 2020	Jan-Mar 2019	Full year 2019	Full year 2018
Net sales, TSEK	16,562	16,706	68,803	69,039
Sales growth, %	-1	8	0	4
Operating profit/loss EBIT, TSEK	-235	-1,097	-6,726	2,547
Profit after tax, TSEK	-193	-870	-5,288	671
Operating margin EBIT, %	-1	-6	-9	3
Operating margin after tax, %	-1	-5	-7	1
Cash flow, TSEK	2,043	6,453	735	-7,330
Equity, TSEK	28,791	33,402	28,984	36,602
Balance sheet total, TSEK	43,104	45,196	43,682	49,673
Equity/assets ratio, %	66.8	76.5	66.4	73.6
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	-0.01	-0.04	-0.26	0.03
Cash flow per share, SEK	0.10	0.31	0.04	-0.36
Equity per share, SEK	1.40	1.63	1.41	1.78
Share price at period end, SEK	9.5	7.9	8.9	5.6



"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 1 January to 31 March 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 even though the amounts in most cases do not deviate by more than negligible amount.

The Group applies IFRS 16 Leases as of January 1, 2019. According to the transitional provisions in IFRS 16, the comparative 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. The balance at 03-31-2020 of the leasing debt amounts to TSEK 1.014.

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 January to 31 March 2020 was approved for publishing by the Board of Directors on 6 May 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 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 2019 annual reports.

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

New CFO, Nina Forsvall, starts her service on January 1.

The entire first quarter has been affected by the novel Corona virus 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 Polygenes' 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

An error has been discovered in the agreement regarding the sale of the business of Protective segment in 2018 after the balance date 12-31-2019. An adjustment has been made in the comparison amounts for year 2018. During the first quarter of 2020 there is 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
2020-03-31			
Asia	1,986	3,585	5,571
Europe	4,035	2,117	6,152
North America	2,967	2,706	5,673
Rest of the world	-	38	38
	8,988	8,446	17,434

Primary geographic markets:	Goods	Royalty	Total
2019-03-31			
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

Note 9: Other intangible asset

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

GROUP TSEK	2020-03-31	2019-03-31	2019-12-31
Accumulated cost brought forward	4,658	6,265	6,265
Acquisitions	366	118	1,346
Adjustment	-1,158		
Reclassification	-	-2,954	-2,953
Accumulated cost carried forward	3,866	3,429	4,658

Accumulated depr losses brought forward	-2,128	-2,142	-2,142
Acquisitions	1,158		
Adjustment	-	671	670
Reclassification	-188	-85	-656
Accumulated cost carried forward	-1,158	-1,556	-2,128
Carrying amount	2,708	1,873	2,530

PARENT COMPANY TSEK	2020-03-31	2019-03-31	2019-12-31
Accumulated cost brought forward	4,658	6,265	6,265
Acquisitions	360	118	1,346
Adjustment	-1,158	-	-
Reclassification	-	-2,954	-2,953
Accumulated cost carried forward	3,860	3,429	4,658

PARENT COMPANY TSEK	2020-03-31	2019-03-31	2019-12-31
Accumulated depr losses brought forward	-2,128	-2,142	-2,142
Adjustment	1,158		
Correction of error	-	671	670
Depreciation for the period	-188	-85	-656
Accumulated depr carried forward	-1,158	-1,556	-2,128
Carrying amount	2,702	1,873	2,530

Note 10: Financial assets

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

GROUP TSEK	2020-03-31	2019-03-31	2019-12-31
Trade receivables			
Opening balance	20,937	26,054	26,054
Change during the period	-1,823	-3,732	-5,117
Closing balance	19,114	22,322	20,937

Withholding tax	2020-03-31	2019-03-31	2019-12-31
Opening balance	5,235	2,636	2,636
Change during the period	567	582	2,599
Closing balance	5,802	3,218	5,235

Contracted assets	2020-03-31	2019-03-31	2019-12-31
Opening balance	764	-	-
Change during the period	-350	384	764
Closing balance	414	384	764

PARENT COMPANY TSEK	2020-03-31	2019-03-31	2019-12-31
Trade receivables			
Opening balance	21,356	26,054	26,054
Change during the period	-2,150	-3,732	-4,698
Closing balance	19,206	22,322	21,356

Withholding tax	2020-03-31	2019-03-31	2019-12-31
Opening balance	5,235	2,636	2,636
Change during the period	567	582	2,599
Closing balance	5,802	3,218	5,235

Contracted assets	2020-03-31	2019-03-31	2019-12-31
Opening balance	764	-	-
Change during the period	-350	384	764
Closing balance	414	384	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 to staff, 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. 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 2019.

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 3,117,404 which corresponds on average to 48,709 shares per trading day. The share price at the end of the period was SEK 6.44, which corresponds to market Share capi-

tal, the share and ownership structure capitalization of MSEK 132.1. The highest and the lowest share prices during the period were SEK 9.04 and 4.30, respectively.

Ownership structure

The number of shareholders at the end of the period was 948 (790). The table below lists the 10 largest shareholders as of March 31, 2020.

Shareholders		
Håkan Lagerberg*	2,285,573	11.1%
SIX SIS AG	1,166,542	5.7%
Svanberg & Co Invest	1,055,749	5.1%
JPM Chase NA	940,000	4.6%
Jonas Wollin*	874,500	4.3%
Aktia Fund Management	846,008	4.1%
Lennart Holm*	770,115	3.8%
Mats Georgson*	755,135	3.7%
Clearstream Banking S.A.	620,675	3.0%
Avanza Pension	615,226	3.0%
Others	10,586,477	51.6%
Total	20,516,000	100.0%

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

Polygiene 2016 mars – 2020 mars





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.

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

Annual General Meeting 2019

Interim Report Q2 2020

Interim Report Q3 2020

15 May 2020

27 August 2020

5 November 2020

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 May 7, 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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