

Polygiene AB (publ.)

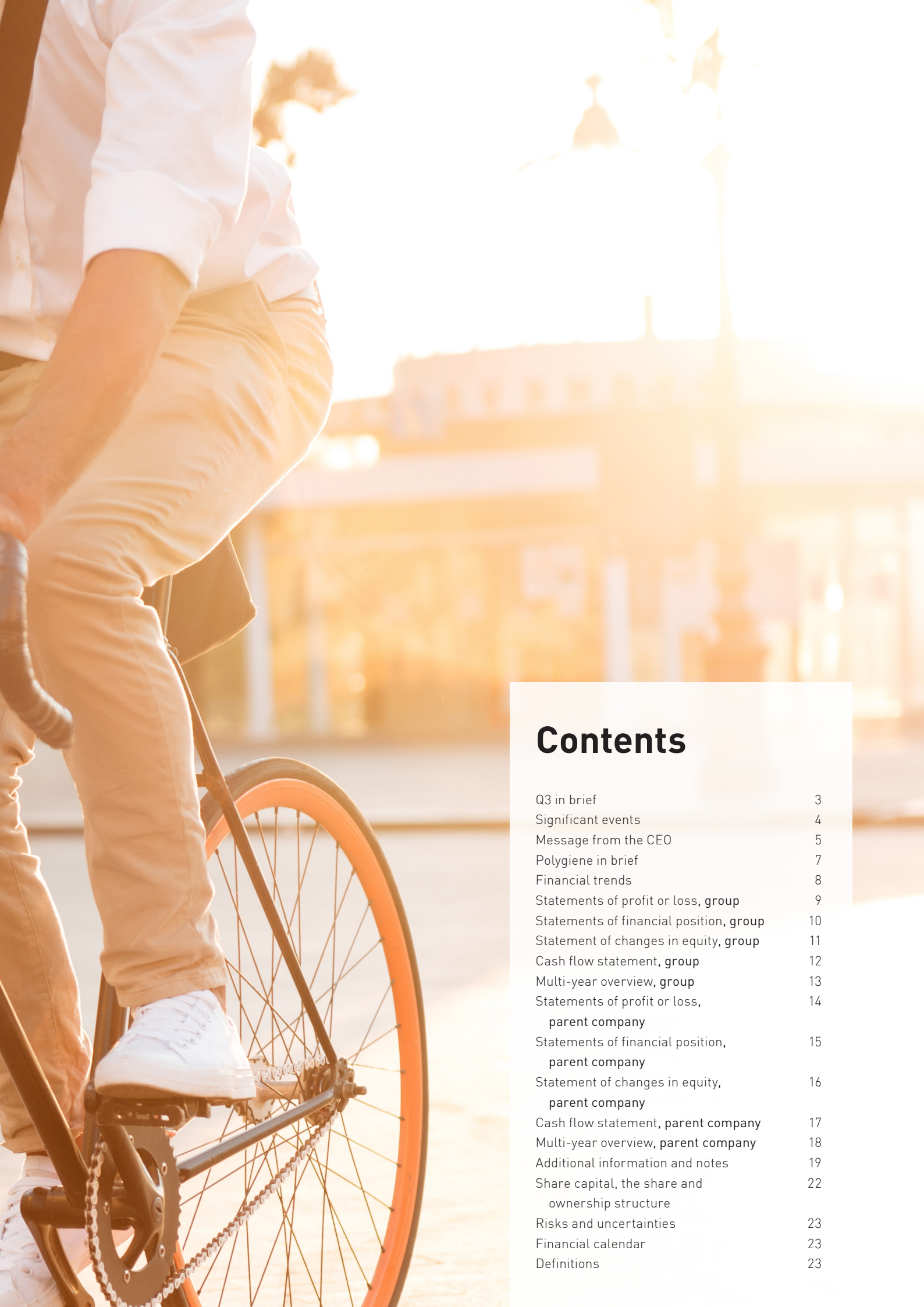
Interim Report July 1–September 30 2019



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Q3 in brief

Record quarter, improved earnings and positive cash flow

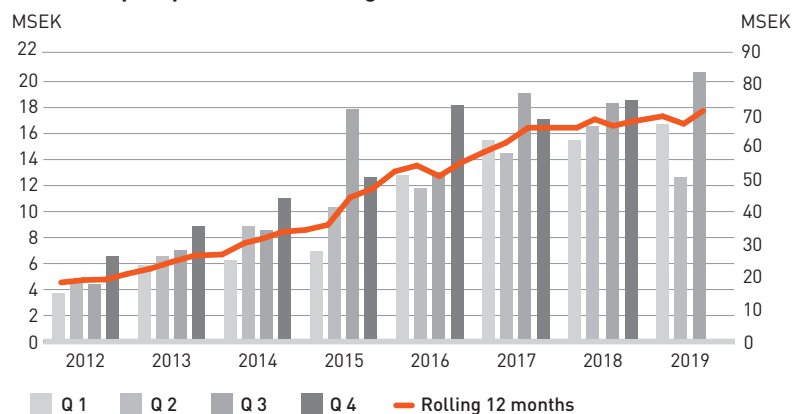
- Net sales for the third quarter was MSEK 20.5 (18.3), up 12% compared to the same period last year. When adjusted against the proceeds from the divestment of Protective Surfaces, the corresponding increase is 20%.
- Operating income for the third quarter amounted to MSEK 2.0 (0.6), up from the same period last year.
- The gross margin is in line with last year at 69.9 (70.1)%.
- Cash flow this quarter was positive at MSEK 1.8 (0.4).
- At the end of the quarter, 19 (19) employees comprised the company's operational organization.

Key ratios

Group	July-Sept 2019	July-Sept 2018	YTD 2019	YTD 2018	Full year 2018
Net sales, MSEK	20.5	18.3	49.8	50.4	69.0
Operating profit EBIT, MSEK	2.0	0.6	-4.5	-3.2	-2.1
Operating margin EBIT, %	9.3	3.5	-8.6	-6.2	9.5
Profit after tax, MSEK	1.6	0.3	-3.6	-3.0	5.9
Operating margin after tax, %	7.2	1.7	-6.9	-5.7	7.2
Earnings per share, SEK	0.08	0.01	-0.18	-0.15	0.28
Cash flow, MSEK	1.8	0.4	6.0	-1.1	-7.2

Parent company	July-Sept 2019	July-Sept 2018	YTD 2019	YTD 2018	Full year 2018	Full year 2017
Net sales, MSEK	20.5	18.3	49.8	50.4	69.0	66.1
Operating profit EBIT, MSEK	2.0	0.6	-4.5	-3.2	7.8	-6.1
Operating margin EBIT, %	9.2	3.5	-8.6	-6.2	9.5	-9.0
Profit after tax, MSEK	1.6	0.3	-3.6	-3.0	5.9	-5.4
Operating margin after tax, %	7.3	1.7	-6.8	-5.7	7.2	-8.0
Earnings per share, SEK	0.08	0.01	-0.17	-0.15	0.29	-0.26
Cash flow, MSEK	1.8	0.4	6.0	-1.1	-7.3	-9.1

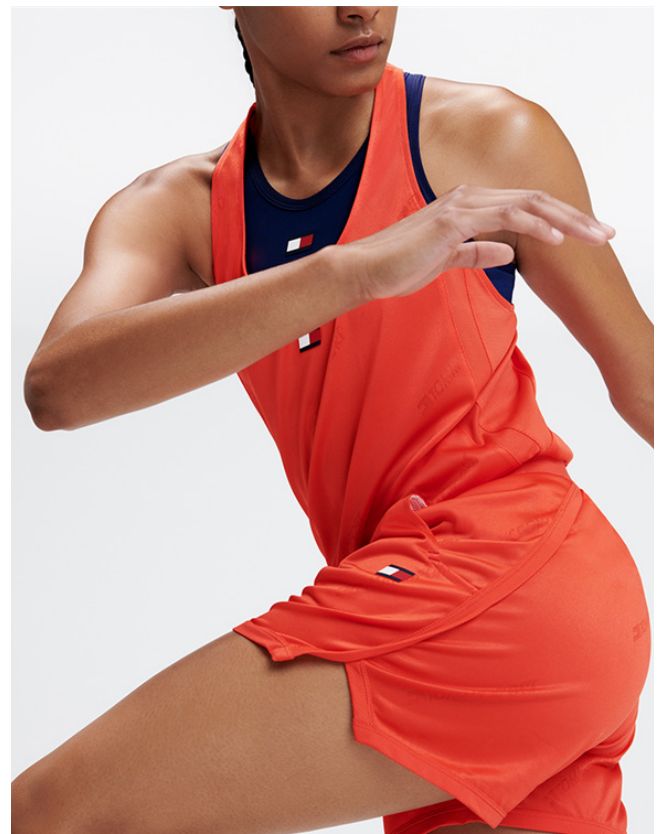
Net sales per quarter and rolling 12 months



Significant events in brief

Events during Q3 2019 (July-Sept)

- Brazilian partner Conquista Montanhismo launched collection with Polygiene Stays Fresh Technology. The climbing and outdoor company Conquista Montanhismo is a benchmark in the outdoor market in Brazil with the well-known iconic climber Edemilson Padilha as founder and CEO of the company. The products are entirely domestically produced and sold in retail throughout Brazil and online.
- With the appointments of Jenny Zhu as Commercial Director and Amy Dai as Marketing and Supply Chain Manager in Shanghai, Polygiene is adding key competence to further strengthen the sales and technical organization in China.
- Polygiene announces its partnership with one of the world's leading designer lifestyle brands Tommy Hilfiger, which is owned by PVH Corp. Polygiene Stays Fresh Technology will be introduced in Spring 2020 TOMMY SPORT men's and women's tops, shorts and tank tops.
- Polygiene is launching with industry leader, UNTUCKit® to further expand their position and leadership as a category disruptor in the dress shirt business. The new Polygiene® Stays Fresh treated shirts launched in September with UNTUCKit's Wrinkle-Free Performance collection with plans to continue expanding in future seasons.
- Polygiene is for the first time launching unique performance socks, treated with the Polygiene Stays Fresh combination product, with Korean partner VTINON.



TOMMY HILFIGER

Significant events after Q3

- Polygiene is proud to present the partnership with Brazilian brand, Osklen and the launch of a limited edition run of their classic black t-shirts with Polygiene.
- Polygiene (Shanghai) Ltd has been registered as a wholly owned subsidiary of Polygiene (Hong Kong) Ltd. Polygiene (Shanghai) Ltd will primarily conduct sales and marketing activities in China.
- Nina Forsvall has been appointed as CFO of Polygiene AB and, as of January 2, 2020, will assume her duties.

Message from the CEO

Record sales, strong earnings and positive cash flow

Net sales this quarter totalled MSEK 20.5 (18.3), up 12% compared to the same period last year. Adjusted against proceeds from the divestment of Protective Surfaces, the corresponding increase is 20%. Operating profit after tax increased compared to the previous year, amounting to MSEK 1.6 (0.3). Cash flow was positive with a surplus of MSEK 1.8 (0.4), an improvement over last year.

The third quarter 2019 was the strongest ever in the company's history, with net sales exceeding MSEK 20 for the first time. Gross margin remains stable at 69.9%, in line with the year to date accumulated margin of 69.7%. Operating profit after tax improved compared to the previous year, ending at MSEK 1.6 (0.3) this quarter. Finally, cash flow was positive at MSEK 1.8 (0.4).

Market events during the quarter

North America has recovered from a tough first half of the year, with gratifying results this quarter. Customers who decreased volumes during the first six months have now raised them to the same levels as last year. Apart from a few customers who have reduced volumes during the year, growth among our existing brand partners increased by 23%. Several new brand partners, primarily within the Lifestyle segment, came on board this quarter and have potential to form strong alliances with Polygiene. Growth in the Lifestyle segment, that represents 16% (12%) of total Polygiene sales, is a welcome trend occurring across all regions.

In Brazil, Polygiene introduced yet another brand partner, the premium brand Osklen, which is an important brand, strategically speaking. Response to Osklen's first limited collection with Polygiene Stays Fresh Technology has been overwhelming, including positive coverage in Vogue Brazil. The collection has already sold out, and new collections are underway. We continue to invest in the Brazilian market, and I am convinced that in the near future we will see the result of two years of intensive efforts there.

Europe has delivered strong numbers throughout the year, including a 32% increase this quarter. The increase is partly due to the continued positive relationship with our largest customer in the region and partly due to a number of new



Ulrika Björk
CEO Polygiene AB

partners added this quarter. As in North America, the Lifestyle segment is growing here, and we were proud to announce a new collaboration with Tommy Hilfiger this quarter.

In other exciting news, Home Textiles is beginning to garner attention in Europe. Stiftung Warentest (the German equivalent of the Swedish Consumer Agency) recently conducted an independent test of a total of 11 synthetic duvets. "Lidl Meradiso Duo-Steppbett Polygiene" treated with Polygiene* was named 'Best in Test'. The magazine article led to an immediate, sizable repeat order from Lidl. Sales in Asia also were strong, up 27%. However, Japan experienced the highest growth, a 70% increase over the same period last year. The majority of growth here comes from key partners, including Yonex, Champion Japan och The North Face Japan.

Polygiene (Shanghai) Ltd has been registered as a wholly owned subsidiary of Polygiene (Hong Kong) Ltd., and is ready to start up operations. The company will initially focus on sales and marketing activities in China.

**Stiftung Warentest, Ausgabe 10/2019*

Successful trade shows and events

Polygiene has had an intensive third quarter with a major presence at trade shows and events around the world. We have been more active this year than in previous years due to growing interest in Polygiene Stays Fresh Technology, thanks to clearer communication and our strong focus on sustainability and the environment. Winning the prestigious Sustainability Award for our new biocide-free product Odor Crunch also contributed to piquing interest in Polygiene. Our new focus also led to broader media attention, resulting in several feature articles in Sweden and across the globe, which highlight our vision of changing consumer behavior in a vulnerable industry.

Besides exhibiting at the traditional trade shows, Outdoor by ISPO in Munich and Functional Fabric Fair in New York, we debuted at ISPO Shanghai, which was well-received. We also visited a few new trade shows, including Première Vision in Paris and Eurobike in Munich, as well as niche events in the US. At September's European Outdoor Summit in Switzerland, symposium discussions focused on sustainability, and Polygiene received highly positive mentions in several sessions. We plan to continue the year with the same intensity, participating at Next Textiles in Borås, Titas in Taiwan,

Scandinavian Outdoor Group in Oslo, and Functional Fabric Fair in Portland, to mention a few.

Prospects ahead

The textile industry's climate impact is bigger than that of the global airline and shipping industries combined. Taking care, and extending the lifespan, of textiles already produced through the use of smart technologies is part of the solution. Our vision for a more sustainable world by changing consumers behavior with regard to textile purchase and use is therefore timely.

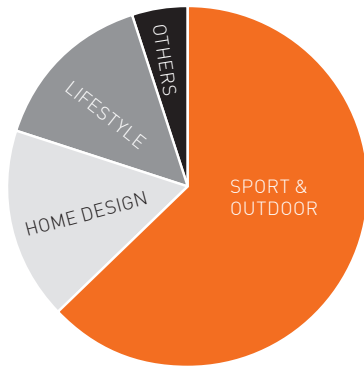
With a strong quarter behind us and several projects in the pipeline going forward, I am convinced that Polygiene is on the right track. Our hard work over the course of the past year is yielding results. It is of utmost importance that we stick to our strategic plan, work systematically, focus on our core business, endure given opportunities to collaborate, and triumph over adversity. It is the Polygiene recipe for success as we now enter the fourth quarter of the year. It is my hope to end the year in the same positive spirit we experienced this quarter.

Ulrika Björk, CEO



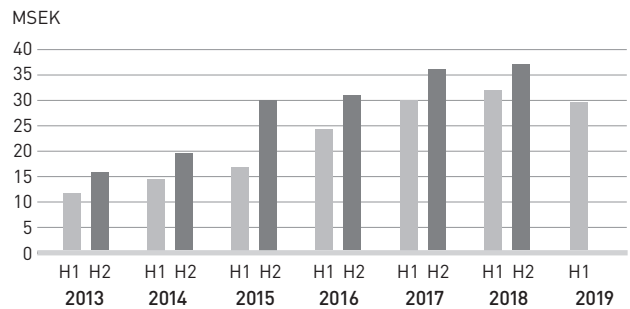
Polygiene in brief

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.



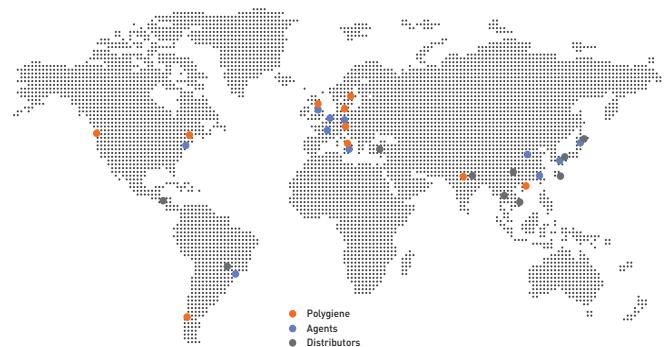
Net sales first/second half of the years 2013–2018

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 on polygiene.com/partners.



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

Q3 net revenues for the group and parent company totalled MSEK 20.5 (18.3), for an increase of 11.9% over the same quarter the previous year. Other operating income for the quarter totalled MSEK 1.3 (-0.7) and consist of positive exchange rate differences.

Gross margins for the quarter reported at 69.9% (70.1). The accumulated gross margin is 69.7%. Cost of sold goods totalled MSEK -6.1 (-5.5) for the quarter.

Costs

Other external expenses for the period totalled MSEK -9.5 (-7.9), which is an increase of 20.3% over the same period the previous year. These costs include:

- *Selling expenses* MSEK -4.0 (-2.6) where MSEK -3.3 (-1.7) are variable. Variable expenses include commissions to agents and distributors.
- *Marketing expenses* - MSEK -1.6 (-2.0). Lower costs resulted from decreased consulting costs and less marketing material during this period.
- *Administrative expenses* - MSEK -1.7 (-1.8). Cost decreases are primarily due to decreased consulting costs.
- *Technology and development* - MSEK -1.0 (-0.5). Increased costs for testing during this period.
- *Contracted consultants* - MSEK -1.2 (-1.0).

Staff costs totalled MSEK -3.5 (-3.1), where the increase is partly because of the new rule about boards assignments must be taxed as salary.

Foreign withholding tax is a type of deduction at source that Polygiene can recover when previous tax loss carry forwards are utilised. Since Polygiene has shown negative figures previously during the earlier periods the company has applied the precautionary principle and the withholding tax was recognized as an expense during the periods. 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 -0.3 (-0.2).

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

Result

Operating profit/loss (EBIT) totalled MSEK 2.0 (0.6), corresponding to operating margins of 9.3 (-3.5)%. The result after taxes totalled MSEK 1.6 (0.3).

Financial position

Financial non-current assets

Financial non-current assets at the period end where MSEK 8.9 (5.9) 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 24.9.

Intangible and tangible non-current assets

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

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

Equity

Equity totalled MSEK 36.0 (32.9) at the period end. The equity assets ratio as of 30/09/2019 was 69.7 (66.5)%.

Cash flow and liquidity

Cash flow of the third quarter amounted to MSEK 1.8 (0.4). Cash and cash equivalents for the group totalled MSEK 9.8 (9.9) at the period-end.

Staff

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

Statements of profit or loss of group

TSEK	Note	Group 2019-07-01 2019-09-30	Group 2018-07-01 2018-09-30	Group 2019-01-01 2019-09-30	Group 2018-01-01 2018-09-30	Group 2018-01-01 2018-12-31
Operating revenue						
Net sales	8	20,471	18,297	49,770	50,394	69,039
Other operating income		1,331	-726	2,488	1,661	2,455
Total operating revenue		21,802	17,571	52,258	52,055	71,494
Operating expenses						
Costs of goods sold		-6,144	-5,460	-15,063	-16,869	-23,717
Other external expenses		-9,348	-7,864	-27,783	-26,141	-35,077
Personnel expenses		-3,553	-3,106	-11,710	-9,763	-14,309
Withholding tax		-	-759	-	-1,984	-
Depreciation and write-downs		-258	-215	-773	-552	-798
Other operating expenses		-467	446	-1,432	7	-398
Total operating expenses		-19,770	-16,958	-56,761	-55,302	-74,299
Operating profit/loss		2,032	613	-4,503	-3,247	-2,805
Profit from financial items						
Interest expenses and similar items		-14	-	-40	-2	-2
Profit after financial items		2,018	613	-4,543	-3,249	-2,807
Tax income for the period		-439	-309	937	259	-1,874
Profit of the period from continuing operations		1,579	304	-3,606	-2,990	-4,681
Profit of the period from discontinued operations		-	-	-	-	10,588
Profit of the period		1,579	304	-3,606	-2,990	5,907
Earnings per share (after tax)		0.08	0.01	-0.18	0.15	0.28

Statements of financial position of group

TSEK	Note	Group 2019-09-30	Group 2018-09-30	Group 2018-12-31
ASSETS				
Fixed assets				
Intangible assets	9	1,965	3,749	4,123
Tangible assets		1,578	–	–
Financial assets	10	8,952	5,928	6,999
Total fixed assets		12,495	9,677	11,122
Current assets				
Finished items and items for sale		188	759	497
Trade receivables	10	20,511	26,726	26,054
Other current assets	10	8,729	2,508	13,596
Cash and cash equivalents		9,766	9,891	3,696
Total current assets		39,194	39,884	43,843
TOTAL ASSETS		51,689	49,561	54,965
TOTAL EQUITY AND LIABILITIES				
Equity		36,024	32,941	41,848
Long-term liabilities				
Leasing of office premises		1,284	–	–
Total Long-term liabilities		1,284	–	–
Short-term liabilities				
Accounts payable		7,617	11,905	8,135
Other current liabilities		6,764	4,715	4,982
Total short-term liabilities		14,381	16,620	13,117
Total liabilities		15,665	16,620	13,117
TOTAL EQUITY AND LIABILITIES		51,689	49,561	54,965

Statement of changes in equity of group

Group, TSEK	2019-07-01 2019-09-30	2018-07-01 2018-09-30	2018-01-01 2018-12-31
Equity at period start	34,445	32,637	35,885
New share issues and warrants	–	–	56
Transactions with the owners	34,445	32,637	35,941
Earnings of period	1,579	304	5,907
Total earnings of period	1,579	304	5,907
Equity at period end	36,024	32,941	41,848

Cash flow statement of group

TSEK	2019-07-01 2019-09-30	2018-07-01 2018-09-30	2019-01-01 2019-09-30	2018-01-01 2018-09-30	2018-01-01 2018-12-31
Current activities					
Profit/loss before financial items	2,032	613	-4,503	-3,250	7,782
Non-cash adjustment	126	216	640	544	798
Interest paid	-14	-	-40	-1	-2
Paid income tax	-	-	-	-	-1,874
Cash flow from operating activities before changes in operating capital	2,144	829	-3,903	-2,707	6,704
<i>Changes in working capital</i>					
Increase/decrease in inventory	24	-298	308	-447	-184
Increase/decrease in current receivables	-3,137	1,303	13,781	4,641	-6,611
Increase/decrease in current liabilities	3,885	-1,229	120	-864	-4,099
Net cash flow from operating activities	2,916	605	10,306	623	-4,190
Net cash flow from current activities	2,916	605	10,306	623	-4,190
Investment activities					
Acquisition of intangible assets	-261	-230	-379	-1,768	-2,388
Acquisition of tangible assets	-	-	-1,964	-	-
Acquisition of financial assets	-840	-	-1,967	-	-712
Disposal of tangible assets	-	-	14	-	-
Cash flow from investing activities	-1,101	-230	-4,296	-1,768	-3,100
Financing activities					
New share issue	-	-	60	56	56
Cash flow from financial activities	0	0	60	56	56
Cash flow of period	1,815	375	6,070	-1,089	-7,234
Cash and cash equivalents at period start	7,951	9,516	3,696	10,980	10,930
Cash and cash equivalents at period end	9,766	9,891	9,766	9,891	3,696

Multi-year overview of group

Group	July-Sept 2019	July-Sept 2018	YTD 2019	YTD 2018	Full year 2018
Net sales, TSEK	20,471	18,297	49,770	50,394	69,039
Sales growth, %	12	-4	-1	3	4
Operating profit/loss EBIT, TSEK	2,032	613	-4,503	-3,247	-2,805
Profit after tax, TSEK	1,579	304	-3,606	-2,990	5,907
Operating margin EBIT, %	9	3	-9	-6	9
Operating margin after tax, %	7	2	-7	-6	7
Cash flow, TSEK	1,815	375	6,011	-1,089	-7,234
Equity, TSEK	36,024	32,941	36,024	32,941	41,848
Balance sheet total, TSEK	51,689	49,561	51,689	49,561	54,965
Equity/assets ratio, %	69.7	66.5	69.7	66.5	76.1
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	0.08	0.01	-0.18	-0.15	0.28
Cash flow per share, SEK	0.09	0.02	0.29	-0.05	-0.35
Equity per share, SEK	1.76	1.61	1.76	1.61	2.04

Statements of profit or loss of parent company

TSEK	Note	Parent company 2019-07-01 2019-09-30	Parent company 2018-07-01 2018-09-30	Parent company 2019-01-01 2019-09-30	Parent company 2018-01-01 2018-09-30	Parent company 2018-01-01 2018-12-31
Operating revenue						
Net sales	8	20,471	18,297	49,770	50,394	69,039
Other operating income		1,331	-726	2,488	1,661	13,043
Total operating revenue		21,802	17,571	52,258	52,055	82,082
Operating expenses						
Costs of goods sold		-6,144	-5,460	-15,063	-16,869	-23,717
Other external expenses		-9,535	-7,864	-28,298	-26,141	-35,077
Personnel expenses		-3,553	-3,106	-11,710	-9,763	-14,309
Withholding tax		-	-759	-	-1,984	-
Depreciation and write-downs		-85	-215	-254	-552	-798
Other operating expenses		-467	446	-1,431	7	-388
Total operating expenses		-19,784	-16,958	-56,756	-55,302	-74,289
Operating profit/loss		2,018	613	-4,498	-3,247	7,793
Profit from financial items						
Interest expenses and similar items		-2	-	-2	-2	-2
Profit after financial items		2,016	613	-4,500	-3,249	7,791
Tax income for the period		-439	-309	934	259	-1,874
Profit of the period		1,577	304	-3,566	-2,990	5,917
Earnings per share (after tax)		0.08	0.01	-0.17	0.15	0.29

Statements of financial position of parent company

TSEK	Note	Parent company 2019-09-30	Parent company 2018-09-30	Parent company 2018-12-31
ASSETS				
Fixed assets				
Intangible assets	9	1,965	3,749	4,123
Tangible assets		–	–	–
Financial assets	10	9,002	5,978	7,049
Total fixed assets		10,967	9,727	11,172
Current assets				
Finished items and items for sale		188	759	497
Trade receivables	10	20,511	26,726	26,054
Other current assets	10	8,899	2,508	13,596
Cash and cash equivalents		9,611	9,795	3,600
Total current assets		39,209	39,788	43,747
TOTAL ASSETS		50,176	49,515	54,919
TOTAL EQUITY AND LIABILITIES				
Equity		35,953	32,895	41,802
Short-term liabilities				
Accounts payable		7,617	11,905	8,135
Other current liabilities		6,606	4,715	4,982
Total short-term liabilities		14,223	16,620	13,117
Total liabilities		14,223	16,620	13,117
TOTAL EQUITY AND LIABILITIES		50,176	49,515	54,919

Statement of changes in equity of parent company

Parent company, TSEK	2019-07-01 2019-09-30	2018-07-01 2018-09-30	2018-01-01 2018-12-31	2017-01-01 2017-12-31
Equity at period start	34,376	32,637	35,885	41,294
New share issues and warrants	-	-	-	-
Transactions with the owners	34,376	32,637	35,885	41,294
Earnings of period	1,577	304	5,917	-5,409
Total earnings of period	1,577	304	5,917	-5,409
Equity at period end	35,953	32,941	41,802	35,885

Cash flow statement of parent company

TSEK	2019-07-01 2019-09-30	2018-07-01 2018-09-30	2019-01-01 2019-09-30	2018-01-01 2018-09-30	2018-01-01 2018-12-31
Operating activities					
Profit/loss before financial items	2,018	613	-4,498	-3,248	7,793
Non-cash adjustment	85	216	253	552	797
Interest paid	-2	-	-	-1	-2
Paid income tax	-	-	-	-	-1,874
Cash flow from operating activities before changes in operating capital	2,101	829	-4,245	-2,697	6,714
<i>Changes in working capital</i>					
Increase/decrease in inventory	24	-298	308	-447	-184
Increase/decrease in current receivables	-3,307	1,303	13,611	4,641	-6,611
Increase/decrease in current liabilities	4,098	-1,229	-1,331	-864	-4,099
Net cash flow from current activities	2,916	605	8,343	633	-4,180
Net cash flow from operating activities	2,916	605	8,343	633	-4,180
Investing activities					
Acquisition of intangible assets	-261	-230	-379	-1,768	-2,388
Acquisition of tangible assets	-	-	-	-	-
Acquisition of financial assets	-840	-	-1,967	-	-762
Disposal of tangible assets	-	-	14	-	-
Cash flow from investing activities	-1,101	-230	-2,332	-1,768	-3,150
Financing activities					
New share issue	-	-	-	-	-
Cash flow from financing activities	0	0	0	0	0
Cash flow of period	1,815	375	6,011	-1,135	-7,330
Cash and cash equivalents at period start	7,796	9,420	3,600	10,930	10,930
Cash and cash equivalents at period end	9,611	9,795	9,611	9,795	3,600

Multi-year overview of parent company

Parent company	July-Sept 2019	July-Sept 2018	YTD 2019	YTD 2018	Full year 2018	Full year 2017
Net sales, TSEK	20,471	18,297	49,770	50,394	69,039	66,152
Sales growth, %	12	-4	-1	3	4	19
Operating profit/loss EBIT, TSEK	2,018	613	-4,498	-3,247	7,793	-6,101
Profit after tax, TSEK	1,577	304	-3,566	-2,990	5,917	-5,409
Operating margin EBIT, %	9	3	-9	-6	9	-9
Operating margin after tax, %	7	2	-7	-6	7	-8
Cash flow, TSEK	1,815	375	6,011	-1,135	-7,330	-9,093
Equity, TSEK	35,953	32,941	35,953	32,941	41,802	35,885
Balance sheet total, TSEK	50,176	49,515	50,176	49,561	54,919	53,101
Equity/assets ratio, %	71.7	66.4	71.7	66.5	76.1	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	0.08	0.01	-0.17	-0.15	0.29	-0.26
Cash flow per share, SEK	0.09	0.02	0.29	-0.06	-0.36	-0.44
Equity per share, SEK	1.75	1.61	1.75	1.61	2.04	1.75
Share price at period end, SEK	4.8	6.4	4.8	6.4	5.6	11.5

Additional information and notes

Note 1: Nature of operations

Polygiene is the world-leading provider of odor control and Stays Fresh solutions for clothes, sports equipment, textiles and other material designed so the user can feel fresh no matter what they do or where they do it. Today, the group has over 140 global partners in many segments including Sports & Outdoor, Lifestyle, Home design, Footwear, Workwear and Protective surfaces. In addition to the objective of building growth as a global ingredient brand, Polygiene also wants to drive change in consumer behavior with the motto, Wear More. Wash Less®. The group's brand is a significant asset whereby the company conducts continual activities to strengthen our brand and awareness is vital to achieving future targets. Polygiene AB (publ.), the group parent, is a public limited company formed and domiciled in Sweden. The main offices and primary operations location are at Styr-mansgatan 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 July to 30 September 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 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. A change has been made in quarter three of 2019 through an index adjustment. The

right to use the leasing object has increased and the new value as of 1 January 2019 is TSEK 2.111, previously TSEK 1.965. The leasing debt is still TSEK 1.965.

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 July to 30 September 2019 was approved for publishing by the board of directors on November 6, 2019.

Note 3: Significant accounting and valuation policies of the parent

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

Revenue

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

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

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

for transferred products or services shall be paid when the customer receives the products.

Financial instruments

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

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

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

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

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

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

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

Leasing

IFRS 16 Leasing replaces IAS 17 as of January 1 2019. The new standard means that the majority of leased assets are recognized in the statement of financial position. The only exemptions are short-term and low-value leases agreements, 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 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.

Nina Forsvall has been appointed the new Chief Financial Officer (CFO) of Polygiene AB.

Note 6: Seasonality and cyclicity

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

Note 7: Contingent liabilities

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

Note 8 Net sales from contracts with customers

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

TSEK 19-09-30	Goods	Royalty	Total
Primary geographic markets			
Asia	5,067	2,370	7,437
Europe	4,712	4,117	8,829
North America	1,150	3,032	4,182
Rest of the world	1	22	23
	10,930	9,541	20,471

TSEK 18-09-30	Goods	Royalty	Total
Primary geographic markets			
Asia	2,942	3,300	6,242
Europe	3,554	3,088	6,642
North America	2,366	3,002	5,368
Rest of the world	5	40	45
	8,867	9,430	18,297

Note 9 Other intangible asset

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

TSEK	Group 2019-09-30	Group 2018-09-30	Group 2018-12-31
Opening acquisition value	3,430	5,415	5,644
Acquisitions	261	-	621
Closing accrued expenses	3,691	5,415	6,265
Opening accumulated depreciation	-1,641	-1,680	-1,896
Depreciations of the period	-85	-	-246
Closing accumulated depreciation	-1,726	-1,680	-2,142
Recognized value	1,965	3,735	4,123

Note 10 Financial assets

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

TSEK	Group 2019-09-30	Group 2018-09-30	Group 2018-12-31
Deferred tax assets			
Opening balance	16,999	24,256	31,699
Change during the period	3,512	3,638	-5,645
Closing balance	20,511	27,894	26,054
Withholding tax			
Opening balance	3,763	-	-
Change during the period	840	-	2,636
Closing balance	4,603	-	2,636
Deposits			
Opening balance	-	14	14
Change during the period	-	-	-
Closing balance	-	14	14
Contracted assets			
Opening balance	336	-	-
Change during the period	-60	-	-
Closing balance	276	-	-

Share capital, the share and ownership structure

Share capital

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

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

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

Shares

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

During the second quarter, the total number of shares traded was 1,120,563, which corresponds on average to 16,978 shares per trading day. The share price at the end of the period was SEK 4.76, which corresponds to market

capitalization of MSEK 97.7. The highest and the lowest share prices during the period were SEK 6.22 and 4.36, respectively.

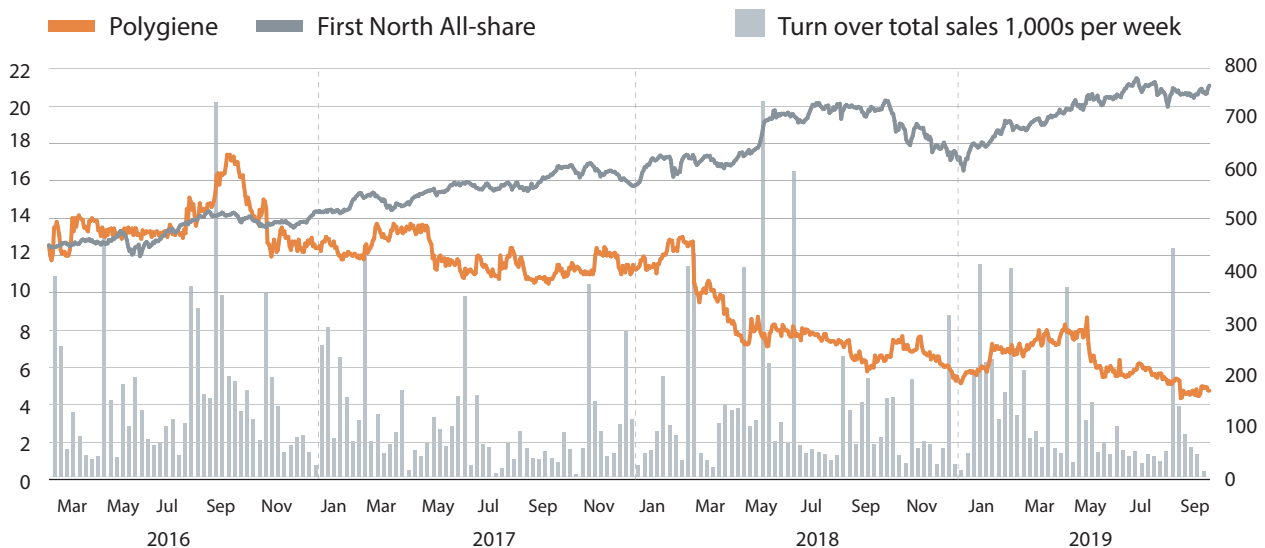
Ownership structure

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

Shareholders	Shares	Percent
Håkan Lagerberg*	1,718,473	8.4%
SIX SIS AG	1,166,542	5.7%
Svanberg & Co Invest	1,105,299	5.4%
JPM Chase NA	940,000	4.6%
Jonas Wollin*	874,500	4.3%
Jonas Pålsson	855,000	4.2%
Aktia Fund Management	846,008	4.1%
Lennart Holm	770,115	3.8%
Mats Georgson*	750,819	3.7%
Avanza Pension	637,129	3.1%
Other	10,852,115	52.9%
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 September





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 2020

End Report	February 27
Interim Report Q1	May 7
Annual General Meeting	May 15
Interim Report Q2	August 27
Interim Report Q3	November 5

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 November 7, 2019.

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. Erik Penser Bank AB acts as its Certified Adviser, phone: +46 8 463 83 00, e-mail: certifiedadviser@penser.se



Polygiene®
STAYS FRESH