

Polygiene AB (publ.)

Interim Report October 1–December 31 2019



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Contents

Q4 in brief	3
Significant events	4
Message from the CEO	5
Polygiene in brief	7
Financial trends	8
Statements of profit or loss, group	9
Statements of financial position, group	10
Statement of changes in equity, group	11
Cash flow statement, group	12
Multi-year overview, group	13
Statements of profit or loss, parent company	14
Statements of financial position, parent company	15
Statement of changes in equity, parent company	16
Cash flow statement, parent company	17
Multi-year overview, parent company	18
Additional information and notes	19
Share capital, the share and ownership structure	22
Risks and uncertainties	23
Financial calendar	23
Definitions	23

Q4 in brief

Growth, continuous strong gross margin and improved cashflow compared to last year

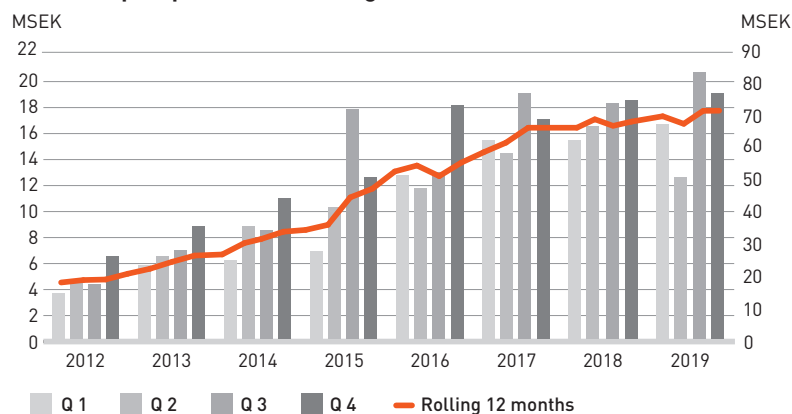
- Net sales increased by 2.1 % during the fourth quarter compared to the same period last year and amounted to MSEK 19.0 (18.6). Adjusted from the divestment of Protective surfaces, the corresponding figure is 6.7 %.
- The operating profit/loss before tax for the period ended at MSEK -2.2 (0.5). The result is affected by MSEK 1.2 in extraordinary costs.
- The gross margin is continuous strong and amounted to 68.6 (63.3) % for the period.
- Cash flow of the fourth quarter improved from last year and amounted to MSEK -4.9 [-6.2].
- At the end of the quarter, the group's operational organization consisted of 21 (18) employees.

Key ratios

Group	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Net sales, MSEK	19.0	18.6	68.8	69.0
Operating profit EBIT, MSEK	-2.2	0.5	-6.6	-2.8
Operating margin EBIT, %	-11.7	2.3	-9.2	-3.9
Profit after tax, MSEK	-1.8	8.9	-5.2	5.9
Operating margin after tax, %	-9.4	45.8	-7.2	8.2
Earnings per share, SEK	-0.09	0.43	-0.25	0.28
Cash flow, MSEK	-4.9	-6.2	1.2	-7.2

Parent company	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Net sales, MSEK	19.0	18.6	68.8	69.0
Operating profit EBIT, MSEK	-2.2	11.0	-6.7	7.8
Operating margin EBIT, %	-11.7	36.7	-9.4	9.5
Profit after tax, MSEK	-1.7	8.9	-5.3	5.9
Operating margin after tax, %	-9.0	30.0	-7.4	7.2
Earnings per share, SEK	-0.08	0.43	-0.26	0.29
Cash flow, MSEK	-5.3	-6.2	0.7	-7.3

Net sales per quarter and rolling 12 months



Significant events in brief

Events during Q4 2019 (Oct-Dec)

- Polygiene is proud to present the partnership with Osklen and the launch of a limited edition of their classic black t-shirts with Polygiene.
- The Japanese partner Takeo Kikuchi showed record sales of their new styles of the “FRE-POLO” shirt, Oxford shirts, t-shirts, and trousers, with Polygiene stays fresh technology. The styles ended up being one of the summer season’s main and best-selling items.
- On November 24, Polygiene partook in a huge Wonder Women Marathon event hosted by Warner Bros in São Paulo. All 13,000 participants received a T-shirt with Polygiene Stays Fresh Technology.
- A new vision based on the major environmental benefits of the Polygiene treatments was developed and implemented in the market. If people globally washed half as much as today, the CO₂ emissions would be reduced by roughly 6 times that of Sweden.



FUNCTIONAL FABRIC FAIR PORTLAND, OCT 2019

Significant events after Q4

- Nina Forsvall has been appointed the new Chief Financial Officer (CFO) of Polygiene AB and started her service on January 1, 2020.

Message from the CEO

Two consecutive strong quarters pave the way to 2020

Net sales for the fourth quarter amounted to MSEK 19.0 (18.6), an increase of 2.1% compared to the previous year. Adjusted to reflect the divestment of Protective Surfaces, the corresponding increase is 6.7%. Operating profit before tax declined compared to the same quarter last year, amounting to MSEK -2.2 M (0.5). Negative cash flow showed a loss of MSEK -4.9 (-6.2), although cash flow improved year-over-year.

Despite a relatively low growth rate during the period, the last quarter of the year was nevertheless the company's second best in terms of sales, following close on the heels of record sales in the third quarter. Operating profit declined year-over-year, due in part to an expanded organization and in part to extraordinary costs (MSEK -1.2 million) which negatively impacted the quarter. Gross margin remains strong, amounting to 68.6% (63.3%)

Lifestyle and Home Textile – the winners this quarter

The growth of our brand partners increased by 12% this quarter. However, sales to our distributors decreased by MSEK -1.5 during the period, therefore resulting in a total growth of 2.1%. Being more selective when acquiring new customers is paying off as, increasingly, we see larger and more strategic partners signing on. This quarter, three new partners made our top 10 list. Two of these belong to the Lifestyle segment, which continues to grow at a high rate, this quarter alone by as much as 84%. Lifestyle now represents 18.2% (11.1%) of total sales. This reflects the 2017 market survey forecasts, which predicted growth in the Lifestyle segment would represent a greater share of Polygiene's total sales. The total addressable market is significantly larger in Lifestyle than in any other segment.

The third new partner in the top 10 list belongs to the Home Textile segment, which experienced a growth rate of 120% this quarter. The sheer increase in the number of partners here is proof that the company is breaking new ground in this segment. In 2019, there were 21 home textile customers of various sizes, compared with 13 in 2018. Most of these are based in Asia, but there is also an increased interest in functional bed textiles in North America and Europe. Sport & Outdoor declined by 7% this quarter despite growth in Europe and Asia. This is because the US market still has not yet fully recovered from the downturn experienced during 2019. Sport & Outdoor represented 67.4% of total



Ulrika Björk
CEO Polygiene AB

sales this period, which is fully aligned with our strategy to increase sales within Lifestyle and Home Textile. According to our long-term strategic plan Sport & Outdoor will, in the future, represent a lower percentage of total sales while Lifestyle and Home Textile will continue to grow at increasingly higher rates. Achieving a more equitable distribution among the business segments will boost growth and make the company less dependent on a few major customers.

Significant market events in the regions

North America has faced challenges during the year and, despite a recovery in the third quarter, experienced a temporary decline this quarter. The Americas region accounts for approximately 25% of total annual sales. The activity level is high, among other things and during the quarter, we participated in October with success in Performance Days in Portland, Oregon. PD is an important functional fabrics fair for outdoor, activewear and accessories in the sport industry. During the last quarter, we also conducted several digital marketing campaigns to communicate the added value Polygiene brings to products and to strengthen collaboration with key partners.

Europe continues on a successful journey with a steady 39% increase in sales this quarter. This is largely due to our new home textile partners and, in part, to strengthening

strategic partnerships with key customers to expand business throughout the year. This has provided stable growth and, above all, strong collaboration with these customers. Europe now accounts for 40% of the company's total revenues. Polygiene also participated in Performance Days in Munich during the month of November.

Partners in Asia, excluding distributors, have increased by 27% this quarter. Moreover, Polygiene's own sales efforts tripled, compared to the same period in 2018. This is due to our expanded organization, with bringing on Polygiene employees in China during the year. It is also due to solid growth of our existing customers, such as 2XU and Kathmandu, in Oceania which is considered part of Asia in our organization. The markets in Japan and Korea also experienced growth of 13-15% during the period. India also became part of our Asia organization, and there are exciting projects there that I hope to be able to share with you in the near future. The Asia region amounts to 32.1% of total revenues.

Novel coronavirus and its effect on operations

2020 began strong up until the beginning of Chinese New Year in mid-January. The outbreak of the novel coronavirus has unfortunately affected our operations, stagnating and delaying production in China by three to four weeks. My initial assessment is that we will see a delay in sales. Hopefully the virus will not significantly impact our business throughout the year. On the contrary, we have seen an increased interest in our technology, which has an anti-bacterial but also an anti-viral effect. Hygiene and cleanliness probably have never been more relevant, especially in the areas currently most vulnerable to the virus.

Several important trade fairs, the ISPO Beijing and the Boston Materials Show, where we planned to participate were cancelled due to the coronavirus.

Looking ahead

Now that we have closed the books for 2019, I can sum up a year as one that has been very satisfying despite leaving much to be desired in terms of growth. The past two consecutive quarters have been strong, which speaks volumes about having set our course in the right direction. The organization is more closely knitted than ever and, sharing a common vision for the year, we have a very strong position in the market. Interest in Polygiene as part of the solution to a global environmental problem has grown steadily over the past year. For example, we are extremely proud of being mentioned in French TV news report in connection with a large fashion fair in Paris.

I am very upbeat about 2020 and believe that this year Polygiene will start delivering even stronger reports to the market. This statement is based on the fact that the transition period for Polygiene is now over, and we are now working with more focus and much more systematically than ever. We are a strong team that are now ready to show that Polygiene is a company to be reckoned with in the future. Our transition from an odor control company to an environmental and sustainability company has been very well received in the market. Wear More, Wash Less is something that appeals to almost everyone!

The recruitment of Nina Forsvall as our new CFO is very gratifying. Since March 2019, I have held both roles, which has not been ideal. With Nina on board, I can focus time and energy solely on developing the company and driving sales forward.

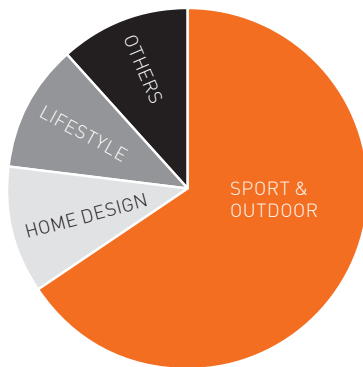
I also want to take this opportunity to thank all of our customers, partners and shareholders for continuing to believe in Polygiene and to follow us on our journey. Finally, a big thank you to the entire Polygiene team for a fantastic job in 2019!

Ulrika Björk, CEO



Polygiene in brief

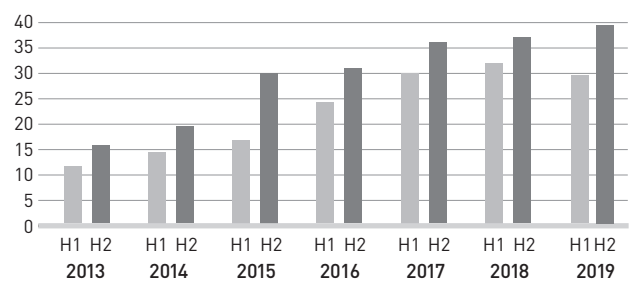
With Polygiene®, we can reduce washing our clothes by 50% and use them twice as long. To change the consumer mindset, people must feel confident that clothing and other products will stay fresh, without smelling bad. By working with that brand promise, we have become the leading global brand in odor 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 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.

MSEK



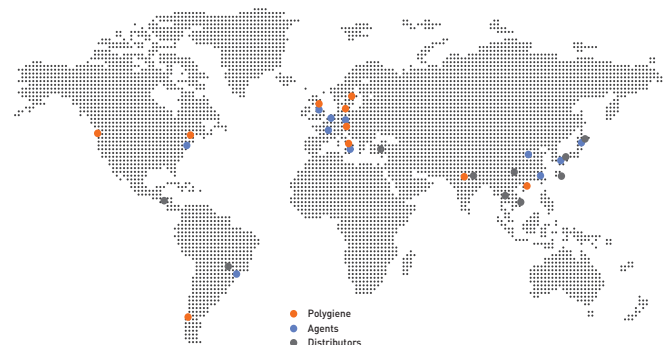
Net sales first/second half of the years 2013–2019

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.



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

Q4 net revenues for the group and parent company totalled MSEK 19.0 (18.6), for an increase of 2.1 % over the same quarter the previous year. The full year 2019 totalled 68.8 (69.0) which is an decrease of -0.3 % over the same period last year. Other operating income for the quarter totalled MSEK 0.1 (0.8) and consist of positive exchange rate differences.

Gross margins for the quarter reported at 68.6 % (63.3). Full year gross margin was 69.4 % (65.6). Cost of sold goods totalled MSEK -6.0 (-6.8) for the quarter.

Costs

Other external expenses for the period totalled MSEK -9.9 (-8.9), which is an increase of 12.7 % over the same period the previous year. These costs include:

- *Selling expenses* MSEK -3.9 (-2.7) where MSEK -3.2 (-1.5) are variable. Variable expenses include commissions to agents and distributors.
- *Marketing expenses* - MSEK -1.5 (-1.5).
- *Administrative expenses* - MSEK -2.9 (-2.6). Increased costs because of extraordinary costs for attorneys .
- *Technology and development* - MSEK -0.2 (-0.8). Decreased costs because of capitalized costs of development.
- *Contracted consultants* - MSEK -1.4 (-1.3).

Staff costs totalled MSEK -3.7 (-4.5). The decrease is due to the fact that board fees is accrued for the full year 2018 in the fourth quarter and during 2019 it was made continuously during the year.

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 since then believes that the withholding tax can continue to be reversed and balanced.

Depreciation on intangible- and tangible assets totalled MSEK -0.6 (-0.2).

Other operating expenses relate to exchange rate differences

and totalled MSEK -1.2 (0.4) for the quarter.

Result

Operating profit/loss (EBIT) totalled MSEK -2.2 (0.5), corresponding to operating margins of -11.7 % (2.3). The result after taxes totalled MSEK -1.8 (8.9). EBIT the full year was MSEK -6.6 (-2.8) for an operating margin of -9.2 % (-3.9). Profit/loss full year after tax was MSEK -5.2 (5.9).

Financial position

Financial non-current assets

Financial non-current assets at the period end where MSEK 11.0 (7.0) 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 27.0.

Intangible and tangible non-current assets

The intangible fixed assets contains mainly of investments in the ERP system. Developing costs where capitalized in the fourth quarter.

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

Equity

Equity totalled MSEK 34.5 (41.8) at the period end. The equity assets ratio as of 31/12/2019 was 68.5 % (76.1).

Cash flow and liquidity

Cash flow from operating activities of the fourth quarter amounted to MSEK -2.2 (-4.5). Cash and cash equivalents for the group totalled MSEK 4.9 (3.7) at the period-end.

Staff

At the period-end, the operating organization, regardless the degree of service, was 21 (18) people. 17 (14) where employed and 4 (4) are contracted consultants.

Statements of profit or loss of group

TSEK	Note	2019-10-01 2019-12-31	2018-10-01 2018-12-31	2019-01-01 2019-12-31	2018-01-01 2018-12-31
Operating revenue					
Net sales	8	19,033	18,645	68,803	69,039
Other operating income		74	794	2,562	2,455
Total operating revenue		19,107	19,439	71,365	71,494
Operating expenses					
Costs of goods sold		-5,977	-6,848	-21,039	-23,717
Other external expenses		-9,898	-8,936	-37,462	-35,077
Personnel expenses		-3,697	-4,546	-15,624	-14,309
Withholding tax		–	1,984	–	–
Depreciation and write-downs		-585	-246	-1,192	-798
Other operating expenses		-1,189	-395	-2,619	-398
Total operating expenses		-21,346	-18,987	-77,936	-74,299
Operating profit/loss		-2,239	452	-6,571	-2,805
Profit from financial items					
Interest expenses and similar items		-12	–	-52	-2
Profit after financial items		-2,251	452	-6,623	-2,807
Tax income for the period		458	-2,133	1,452	-1,874
Profit of the period from continuing operations		-1,793	-1,681	-5,171	-4,681
Profit of the period from discontinued operations		–	10,588	–	10,588
Profit of the period		-1,793	8,907	-5,171	5,907
Earnings per share (after tax)		-0.09	0.43	-0.25	0.28

Statements of financial position of group

TSEK	Note	2019-12-31	2018-12-31
ASSETS			
Fixed assets			
Intangible assets	9	2,530	4,123
Tangible assets		1,265	–
Financial assets	10	11,036	6,999
Total fixed assets		14,831	11,122
Current assets			
Finished items and items for sale		1,027	497
Trade receivables	10	20,937	26,054
Other current assets	10	8,604	13,596
Cash and cash equivalents		4,909	3,696
Total current assets		35,477	43,843
TOTAL ASSETS		50,308	54,965
TOTAL EQUITY AND LIABILITIES			
Equity		34,453	41,848
Long-term liabilities			
Leasing of office premises		168	–
Total Long-term liabilities		168	–
Short-term liabilities			
Accounts payable		10,400	8,135
Leasing of office premises		1,006	–
Other current liabilities		4,281	4,982
Total short-term liabilities		15,687	13,117
Total liabilities		15,855	13,117
TOTAL EQUITY AND LIABILITIES		50,308	54,965

Statement of changes in equity of group

TSEK	2019-10-01 2019-12-31	2018-10-01 2018-12-31	2019-01-01 2019-12-31	2018-01-01 2018-12-31
Equity at period start	36,246	32,941	41,848	35,885
Adjustment	–	–	-2,284	–
New share issues and warrants	–	–	60	56
Transactions with the owners	36,246	32,941	39,624	35,941
Earnings of period	-1,793	8,907	-5,171	5,907
Total earnings of period	-1,793	8,907	-5,171	5,907
Equity at period end	34,453	41,848	34,453	41,848

Cash flow statement of group

TSEK	2019-10-01 2019-12-31	2018-10-01 2018-12-31	2019-01-01 2019-12-31	2018-01-01 2018-12-31
Current activities				
Profit/loss before financial items	-2,239	11,040	-6,521	-2,805
Non-cash adjustment	519	246	638	797
Interest paid	-12	–	-52	-2
Paid income tax	458	-2,133	1,452	-1,874
Cash flow from operating activities before changes in operating capital	-1,274	9,153	-4,483	-3,884
<i>Changes in working capital</i>				
Increase/decrease in inventory	-839	262	-530	-184
Increase/decrease in current receivables	-301	-10,414	10,109	-6,611
Increase/decrease in current liabilities	206	-3,504	2,754	-4,099
Net cash flow from operating activities	-2,208	-4,503	7,850	-14,778
Cash flow from discontinued operations	–	–	–	10,588
Net cash flow from current activities	-2,208	-4,503	7,850	-4,190
Investment activities				
Acquisition of intangible assets	-565	-621	-676	-2,388
Acquisition of tangible assets	–	–	-1,984	–
Acquisition of financial assets	-2,084	-1,071	-4,051	-712
Disposal of tangible assets	–	–	14	–
Cash flow from investing activities	-2,649	-1,692	-6,697	-3,100
Financing activities				
New share issue	–	–	60	56
Cash flow from financial activities	–	–	60	56
Cash flow of period	-4,857	-6,195	1,213	-7,234
Cash and cash equivalents at period start	9,766	9,891	3,696	10,930
Cash and cash equivalents at period end	4,909	3,696	4,909	3,696

Multi-year overview of group

Group	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Net sales, TSEK	19,033	18,645	68,803	69,039
Sales growth, %	2	9	0	4
Operating profit/loss EBIT, TSEK	-2,239	452	-6,571	-2,805
Profit after tax, TSEK	-1,793	8,907	-5,171	5,907
Operating margin EBIT, %	-12	2	-9	-4
Operating margin after tax, %	-9	46	-7	8
Cash flow, TSEK	-4,857	-6,195	1,213	-7,234
Equity, TSEK	34,453	41,848	34,453	41,848
Balance sheet total, TSEK	50,308	54,965	50,308	54,965
Equity/assets ratio, %	68.5	76.1	68.5	76.1
Number of shares at period-end, thousands	20,516	20,516	20,516	20,516
Average no. of shares at period-end, thousands	20,516	20,516	20,516	20,516
Earnings per share, SEK	-0.09	0.43	-0.25	0.28
Cash flow per share, SEK	-0.24	-0.30	0.06	-0.35
Equity per share, SEK	1.68	2.04	1.68	2.04

Statements of profit or loss of parent company

TSEK	Note	2019-10-01 2019-12-31	2018-10-01 2018-12-31	2019-01-01 2019-12-31	2018-01-01 2018-12-31
Operating revenue					
Net sales	8	19,033	18,645	68,803	69,039
Other operating income		74	11,382	2,562	13,043
Total operating revenue		19,107	30,027	71,365	82,082
Operating expenses					
Costs of goods sold		-5,977	-6,848	-21,039	-23,717
Other external expenses		-10,071	-8,936	-38,431	-35,077
Personnel expenses		-3,697	-4,546	-15,346	-14,309
Withholding tax		-	1,984	-	-
Depreciation and write-downs		-402	-246	-656	-798
Other operating expenses		-1,189	-395	-2,619	-388
Total operating expenses		-21,336	-18,987	-78,091	-74,289
Operating profit/loss		-2,229	11,040	-6,726	7,793
Profit from financial items					
Interest expenses and similar items		-2	-	-4	-2
Profit after financial items		-2,231	11,040	-6,730	7,791
Tax income for the period		508	-2,133	1,442	-1,874
Profit of the period		-1,723	8,907	-5,288	5,917
Earnings per share (after tax)		-0.08	0.43	-0.26	0.29

Statements of financial position of parent company

TSEK	Note	2019-12-31	2018-12-31
ASSETS			
Fixed assets			
Intangible assets	9	2,530	4,123
Financial assets	10	11,076	7,049
Total fixed assets		13,606	11,172
Current assets			
Finished items and items for sale		1,027	497
Trade receivables	10	21,356	26,054
Other current assets	10	8,604	13,596
Cash and cash equivalents		4,335	3,600
Total current assets		35,322	43,747
TOTAL ASSETS		48,928	54,919
TOTAL EQUITY AND LIABILITIES			
Equity		34,230	41,802
Short-term liabilities			
Accounts payable		10,400	8,135
Other current liabilities		4,298	4,982
Total short-term liabilities		14,698	13,117
Total liabilities		14,698	13,117
TOTAL EQUITY AND LIABILITIES		48,928	54,919

Statement of changes in equity of parent company

TSEK	2019-10-01 2019-12-31	2018-10-01 2018-12-31	2019-01-01 2019-12-31	2018-01-01 2018-12-31
Equity at period start	35,953	32,895	41,802	35,885
Adjustment	–	–	-2,284	–
New share issues and warrants	–	–	–	–
Transactions with the owners	35,953	32,895	39,518	35,885
Earnings of period	-1,723	8,907	-5,288	5,917
Total earnings of period	-1,723	8,907	-5,288	5,917
Equity at period end	34,230	41,802	34,230	41,802

Cash flow statement of parent company

TSEK	2019-10-01 2019-12-31	2018-10-01 2018-12-31	2019-01-01 2019-12-31	2018-01-01 2018-12-31
Operating activities				
Profit/loss before financial items	-2,229	11,040	-6,726	7,793
Non-cash adjustment	388	246	-14	797
Interest paid	-2	-	-4	-2
Paid income tax	508	-2,133	1,442	-1,874
Cash flow from operating activities before changes in operating capital	-1,335	9,153	-5,302	6,714
<i>Changes in working capital</i>				
Increase/decrease in inventory	-839	262	-530	-184
Increase/decrease in current receivables	-552	-10,414	9,689	-6,611
Increase/decrease in current liabilities	491	-3,504	1,581	-4,099
Net cash flow from current activities	-2,235	-4,503	5,438	-4,180
Net cash flow from operating activities	-2,235	-4,503	5,438	-4,180
Investing activities				
Acquisition of intangible assets	-967	-621	-676	-2,388
Acquisition of financial assets	-2,074	-1,071	-4,041	-762
Disposal of tangible assets	-	-	14	-
Cash flow from investing activities	-3,041	-1,692	-4,703	-3,150
Financing activities				
New share issue	-	-	-	-
Cash flow from financing activities	-	-	-	-
Cash flow of period	-5,276	-6,195	735	-7,330
Cash and cash equivalents at period start	9,611	9,795	3,600	10,930
Cash and cash equivalents at period end	4,335	3,600	4,335	3,600

Multi-year overview of parent company

Parent company	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018	Full year 2017	Full year 2016
Net sales, TSEK	19,033	18,645	68,803	69,039	66,152	55,407
Sales growth, %	2	9	0	4	19	18
Operating profit/loss EBIT, TSEK	-2,229	11,040	-6,726	7,793	-6,101	-3,392
Profit after tax, TSEK	-1,723	8,907	-5,288	5,917	-5,409	-3,164
Operating margin EBIT, %	-12	37	-9	9	-9	-6
Operating margin after tax, %	-9	30	-7	7	-8	-6
Cash flow, TSEK	-5,276	-6,195	735	-7,330	-9,093	-7,522
Equity, TSEK	34,230	41,802	34,230	41,802	35,885	41,293
Balance sheet total, TSEK	48,928	54,919	48,928	54,919	53,101	57,318
Equity/assets ratio, %	70.0	76.1	70.0	76.1	67.5	72
Number of shares at period-end, thousands	20,516	20,516	20,516	20,516	20,516	20,516
Average no. of shares at period-end, thousands	20,516	20,516	20,516	20,516	20,516	19,716
Earnings per share, SEK	-0.08	0.43	-0.26	0.29	-0.26	-0.16
Cash flow per share, SEK	-0.26	-0.30	0.04	-0.36	-0.44	-0.38
Equity per share, SEK	1.67	2.04	1.67	2.04	1.75	2.01
Share price at period end, SEK	8.9	5.6	8.9	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 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 October to 31 December 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 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 four of 2019 through an index adjustment. The leasing debt amounts to TSEK 1.984.

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 is 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 October to 31 December 2019 was approved for publishing by the board of directors on 26, February 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 2018 financial statements.

Revenue

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

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

Revenue from the sale of chemicals at a fixed price are recognized on the date the group transfer controls of the assets to the 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 2018 annual reports.

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

Nina Forsvall is appointed as 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 from 2018 contains a clause whereby Polygiene undertakes to deduct the agreed purchase price. Today, the contingent liability amount to MSEK 5.3. Final payment of the purchase price is not yet settled.

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 19-12-31	Goods	Royalty	Total
Primary geographic markets			
Asia	4,651	2,120	6,771
Europe	4,801	2,238	7,039
North America	1,525	3,320	4,845
Rest of the world	378	–	378
	11,355	7,678	19,033

TSEK 18-12-31	Goods	Royalty	Total
Primary geographic markets			
Asia	4,338	2,180	6,518
Europe	3,366	1,684	5,050
North America	2,882	4,121	7,003
Rest of the world	63	11	74
	10,649	7,996	18,645

Note 9 Other intangible asset

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

TSEK	Group 2019-12-31	Group 2018-12-31
Opening acquisition value	3,691	5,644
Acquisitions	967	621
Closing accrued expenses	4,658	6,265
Opening accumulated depreciation	-1,726	-1,896
Depreciations of the period	-402	-246
Closing accumulated depreciation	-2,128	-2,142
Recognized value	2,530	4,123

Note 10 Financial assets

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

TSEK	Group 2019-12-31	Group 2018-12-31
Deferred tax assets		
Opening balance	20,511	31,699
Change during the period	426	-5,645
Closing balance	20,937	26,054
Withholding tax		
Opening balance	4,603	–
Change during the period	632	2,636
Closing balance	5,235	2,636
Deposits		
Opening balance	–	14
Change during the period	–	–
Closing balance	–	14
Contracted assets		
Opening balance	276	–
Change during the period	488	–
Closing balance	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 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 fourth quarter, the total number of shares traded was 2,363,860 which corresponds on average to 37,522 shares per trading day. The share price at the end of the period was SEK 8.90, which corresponds to market Share capital, the share and ownership structure capitalization of MSEK 182.6.

The highest and the lowest share prices during the period were SEK 8.90 and 4.10, respectively.

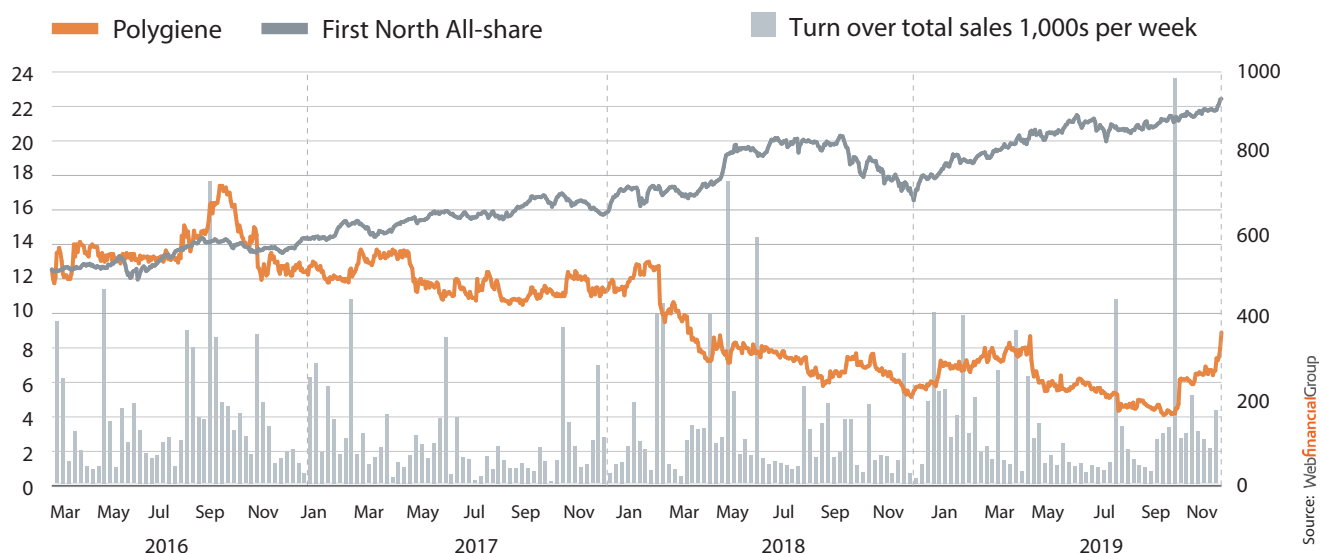
Ownership structure

The number of shareholders at the end of the period was 819 (778). The table below lists the 10 largest shareholders as of December 31, 2019.

Shareholders	Shares	Percent
Håkan Lagerberg*	2,049,720	10,0%
SIX SIS AG	1,166,542	5,7%
Svanberg & Co Invest	1,105,749	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%
Clearstream Banking S.A.	609,946	3,0%
Other	10,547,601	51,4%
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 December





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

Interim Report Q4 2019	February 27, 2020
Interim Report Q1 2020	May 7, 2020
Annual Report 2019	April 24, 2020
Annual General Meeting 2020	May 15, 2020
Interim Report Q2 2020	August 27, 2020
Interim Report Q3 2020	November 5, 2020

Definitions

Operating profit EBIT: Earnings before interest and tax.

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

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

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

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

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

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

Contact information

Questions related to the report:

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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 February 27, 2020.

About Polygiene

As the world leader in stays fresh and odor control technologies, we want to change the way we view clothes - from fast consumables to durables. We treat clothes, home products and textiles to help people stay fresh, wash less and let clothes and products live longer. Over 140 global premium brands have chosen to use the Polygiene brand with their products. Polygiene is listed on Nasdaq First North Growth Market in Stockholm, Sweden. Erik Penser Bank AB acts as its Certified Adviser, phone: +46 8 463 83 00, e-mail: certifiedadviser@penser.se

