

Polygiene AB (publ.)

# Interim Report 1 January–30 June 2017



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**Polygiene®**  
STAYS FRESH

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# Q2 in brief

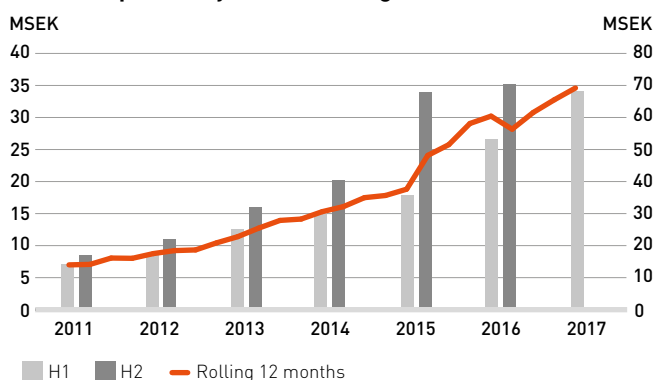
## Continued strong growth and aggressive investments

- Net revenue increased by 28.2% (22.1% after foreign-exchange effects) in Q2, and amounted to MSEK 16.7 (13.0). Net revenue was MSEK 69.2 (60.4) for the rolling 12-month period.
- The operating profit for the period was MSEK -3.7 (-2.3).
- The adjusted operating profit was MSEK -2.3 (-2.7) for the quarter, after unrealized currency effects and withholding tax.
- The result was affected by higher personnel expenses as a consequence of reinforcement of the sales and marketing organization, in order to increase future growth.
- The company's operative organization at the close of the quarter comprised 18 (13) employees.
- Costs of marketing activities and administrative costs are at the level of the equivalent quarter of the previous year.
- The result for the period was affected negatively by unrealized exchange rate losses due to a lower dollar rate, at MSEK -0.9 (0.8).
- The cash flow for Q2 was MSEK -3.5 (-0.8) and partly comprises the costs of registration of trademarks in new markets at MSEK 1.4.

| Key ratios                      | April–June 2017 | April–June 2016 | Jan–June 2017 | Jan–June 2016 | Rolling 12 months | Full year 2016 |
|---------------------------------|-----------------|-----------------|---------------|---------------|-------------------|----------------|
| Net sales, MSEK                 | 16.7            | 13.0            | 34.1          | 26.4          | 69.2              | 61.6           |
| Operating profit EBIT, MSEK     | -3.7            | -2.3            | -6.8          | -3.6          | -6.5              | -3.4           |
| Operating margin EBIT, %        | -22.2           | -17.6           | -19.8         | -13.7         | -9.4              | -5.5           |
| Adjusted operating profit, MSEK | -2.3            | -2.7            | -4.4          | -3.3          | -4.3              | -3.3           |
| Adjusted operating profit, %    | -14.0           | -20.5           | -12.8         | -12.6         | -6.2              | -5.4           |
| Profit after tax, MSEK          | -3.7            | -2.3            | -6.8          | -3.6          | -6.3              | -3.2           |
| Operating margin after tax, %   | -22.2           | -17.6           | -19.8         | -13.7         | -9.1              | -5.1           |
| Earnings per share, SEK         | -0.18           | -0.13           | -0.33         | 0.20          | -0.31             | -0.16          |
| Cash flows, MSEK                | -3.5            | -0.8            | -2.8          | -3.9          | -6.4              | -7.5           |

Adjusted operating profit is after foreign exchange effects and withholding tax

### Net sales per half-year and rolling 12 months



# Significant events during the quarter (April–June)

## **Expanded collaboration with Chinese ZSH**

Polygiene is expanding its strategic collaboration with the Chinese towel producer, ZSH. The company manufactures and sells high-quality, affordable towels for China's growing middle class, with explosive growth in recent years. Sales exclusively take place through a significant presence on China's large online shopping portals.

## **Polygiene introduces odor control for ellese in collaboration with the Japanese sportswear giant, Goldwin**

Polygiene and Tokyo-based sportswear brand Goldwin have expanded their collaboration, which now also includes the Italian brand, ellese, in Japan. In ellese's 2017 spring and summer tenniswear collection, 34 new items have Polygiene's permanent odor control. This corresponds to around 15 percent of the overall collection. Goldwin holds the ellese trademark rights in Japan.

## **Polygiene and Sinterama – first with 100 percent recovered air control technology at fiber level**

Together with the Italian company Sinterama, which is the leading polyester yarn producer in Europe, Polygiene has developed a completely new type of yarn. Polygiene's air control technology has been integrated in a fiber called "Newlife", made from 100 percent recovered polyester, instead of being applied to the exterior of yarn and textile weaves at the close of the fabric production process.

## **Polygiene in new cooperation with ECO Tech, a major Korean manufacturer of work gloves**

Via the new partnership, ECO Tech is now introducing Polygiene's air control technology in work gloves. This cooperation gives Polygiene a strong footing in new markets since the antibacterial protective gloves are produced for both the domestic Korean market and the international markets.

## **Board changes**

At the Annual General Meeting in May, Richard Tooby was elected new Chairman of the Board, succeeding Lennart Holm, who was re-elected as a member of the Board of Directors. Jonas Wollin, Jonas Sjögren and Mats Georgson were also re-elected. Mikael Bluhme resigned from the Board and was succeeded by Daniel Oelker.

## **New CFO at Polygiene**

Ulrika Björk took up the position as CFO on 10 May, and comes from a role as CFO at Hemmakväll. Prior to this, Ulrika had positions at IKEA, Stena Line and Kemira. Ulrika will continue to build up more structured follow-up and reporting processes within the company, and will focus on more detailed budgeting and forecasting work. She will also take active responsibility for Investor Relations, together with the CEO.



# Significant events after the end of the period

## **Polygiene increases its financial objectives**

The Board of Directors has increased Polygiene's financial objective for the 2017–2022 period. According to the new objectives, Polygiene must have net revenue exceeding SEK400 million, via organic growth, and an EBIT margin that exceeds 20 percent by no later than 2022.

## **Polygiene introduces the IFRS accounting standards and prepares for listing on First North Premier**

The Board of Directors has decided that the company is to replace the current K3 standard with the International Financial Reporting Standards (IFRS) and that the company will be prepared to change from listing on First North to First North Premier during 2017/2018.

## **Polygiene launches Polygiene News**

Polygiene will publish a more detailed newsletter with regular commercial updates on the latest developments in the company's global activities. The newsletter supplements the other capital markets communication and will be published in English two to three times per year between the formal quarterly reports. Polygiene has a high growth rate with a regular news flow concerning business partners, product launches and technical development. The newsletter will also give greater insights into air control technology development in a global perspective.

## **Hanesbrands chooses Polygiene for Champion athletic wear collection**

Hanesbrands Japan Inc. collaborates with Polygiene in offering Japanese consumers odorless garments in Champion's iconic autumn-winter 2017/18 athletic wear collection, with a total of 70 different products for basketball, golf and training, besides Champion practise wear and socks.

## **Polygiene appoints a Commercial Operations Director for North America**

Polygiene has appointed Judd Salvas as Commercial Operations Director for North America. Judd Salvas is based in Park City, Utah, and is responsible for Polygiene's commercial activities in North America. Judd has more than ten years' experience from the Outdoor industry and can contribute a number of valuable skills and a strong network. His previous experience within retail is also very important in order to be successful on the North American market. Together with our agent he will increase the sales rate and develop business relations with new partners for Polygiene.

## Comments from the CEO

# Continued strong growth and higher financial targets

Q2 2017 saw strong sales growth. Net revenue for the quarter amounted to MSEK 16.7, equivalent to 28 percent sales growth. This means that we achieved growth of 29 percent during the first half-year, and are continuing our strong growth journey.

In order to consolidate our position as a market leader and ensure a sustained high growth rate within odor control, during the quarter we continued to invest in the organization, activities with our brand partners (customers) and more extensive trademark protection. A large element of our marketing activities is being moved over to social media, to increase both penetration and cost effectiveness.

After the end of the quarter the management and Board took a shared decision to raise the company's financial objective. This decision was based on extensive analysis work, which took place during the spring. The assessment indicates very high sales potential for the company in the medium term. By 2022 at the latest, our new objective will be to achieve net sales exceeding MSEK 400, with an operating margin (EBIT) of at least 20 percent.

Today, we are the leading brand for odor control in the Sport & Outdoor segment, and are working actively to build up the same position within the Lifestyle, Foot Wear, Work Wear and Home Textile product segments. Odor control is still a relatively young and immature market, but there is growing consumer and brand awareness of the benefits of this functionality. It is becoming more and more evident that this generates good growth among both new and existing customers. We are working with customers to increase their sell-through in the various channels. Together with our agents, we actively sell in new projects and undertake various market activities in order to build awareness of the benefits to consumers of our functionality.

Just as we have very successfully strengthened the European sales organization, we have now recruited a Head of Sales for North America. The recruitment process was completed after the end of the quarter, and we were very pleased to appoint Judd Salvas in August. We are convinced that our recruitment initiatives in the sales organization in these key markets will also augment our global growth, as the most important international brands originate from the EU and North America.



A key advantage of Polygiene as an "ingredient brand" is that our brand partners obtain a clear functionality which enables them to differentiate themselves from their competitors and other brands. This clearly results in opportunities for increased sales and higher margins. We can also see that our partners are increasingly describing the functionality in their communication with both stores and end-consumers. This generates increased exposure and awareness of the Polygiene brand, strengthening the importance and value of our brand. To further cement this development, we are continuing to invest in both brand awareness and brand protection.

### **Sport & Outdoor**

This is our largest segment in sales terms, in which we are continuing our aggressive growth among both new and existing customers. Today, such customers as Adidas, Athleta, Polartec, Patagonia, Eddie Bauer and 2XU are among the company's top-10 in sales terms. Our aim is to continuously add Polygiene treatment to more and more collections and product groups.

We secured several new agreements during the quarter with customers that include ellese and Henri Lloyd, ensuring a good balance between organic growth among both existing partners and new additions. One example is 2XU, which became a Polygiene partner less than one year ago, but which is already among the top-10 in sales terms. This shows how quickly results can be achieved when Polygiene is introduced in a clothing brand.

We have successfully participated in and achieved a strong response at the two large fairs in this segment: Outdoor in Friedrichshafen and Outdoor Retailer in Salt Lake City. These fairs are an excellent opportunity to strengthen the cooperation with existing partners and to meet potential new customers.

Our success in Asia is continuing, most recently illustrated by the press release after the end of the quarter concerning Champion Japan (a leader within training, mainly basketball, and part of Hanesbrands) which has now chosen Polygiene as its preferred odor control solution.

### **Home Textile**

Within a short time this segment has grown into our second-largest, to a great extent due to our success in Asia. We are growing rapidly with 8H and ZSH. Several of our top-20 customers are active in the Home Textile segment, selling through traditional channels (retail) and online directly to consumers (internet). We are now devoting more time and resources to expanding Polygiene's sales in this segment, also outside Asia.

### **Lifestyle**

We can now see that the lifestyle segment is also generating greater interest in the functionality in general, and in odor control specifically. Athleisure, the brand convergence between Athletic and Leisure, is a continuing trend from which we can benefit. Several visitors to the major sports fairs are from Lifestyle brands and we have already become established among such brands as Wacoal, World Group and Traveler. We view the cooperation with Sinterama and their Newlife yarn as a key tool to further stimulate interest within Lifestyle.

Our primary target groups are manufacturers and brands within shirts, underwear, socks, jeans and outerwear. Reducing the laundry burden (Wear More. Wash Less®) is a key argument for clothing to stay fresh longer and also reduce the impact on the environment.

### **Foot Wear**

This is a very interesting segment with great potential in which we have become established for such brands as Converse Japan, SOLE, ASTRAL, etc. There is considerable interest and demand from consumers for air control solutions for footwear. In combination with positive signals from

our test projects, undertaken together with several different shoe manufacturers in the first half-year, this means that we consider the outlook for the segment to be very positive.

We also respect that the value chain for footwear differs considerably from the clothing and textile value chains we work with, and it takes time to become established in a new value chain. The major shoe factories are located in Asia, and to gain a footing here we need to work with subcontractors in several stages of the value chain. During the quarter, our efforts began to bear fruit, and we expect to be able to present exciting news in the future.

### **Work Wear**

During the quarter, we launched work gloves with Eco Tech in Korea. The application is primarily for handling food products, which is an obvious area when it comes to preventing bacteria growth. Eco Tech is also launching further technologies within this product, and it is evident that the segment is adding new functionalities for clothing and equipment.

In relative terms, Work Wear is a smaller market with a small number of large operators. We can see clear odor control benefits within this area, and believe that there is great potential for Polygiene, as we become established among the major workwear manufacturers.

### **Future outlook**

We see sustained strong interest in Polygiene's functionality and brand, not only within our traditional Sport & Outdoor segment, but also the other segments presented. Our consumer surveys reveal the same positive trend, and we are convinced that our exciting growth journey has only just begun.

As a consequence of our strong faith in the future, we have raised our financial objective and geared up our organization to handle increased volumes and sales. We have achieved important milestones within focused segments and key customers. We are building our sustained growth on a broad and stable customer base, which now comprises more than 140 partners (brands), and we are strongly increasing our sales, season by season.

We can note that during the first half-year we incurred considerable extra costs and investments that we consider to be important in order to create the required conditions for continued accelerated growth in the coming years. On a temporary basis, this has negatively affected our results, but we are now entering the second half-year with stronger seasonal sales which, combined with good cost control, will improve our achieved results. Our priority in this phase of the company's development is to continue to build volume and achieve commercial diversification.

Christian von Uthmann, CEO

# Operations

Polygiene has developed and offers products and treatment methods which ensure permanent odor control from first use and throughout the garment's lifetime.

Synthetic materials – especially polyester\* – represent a growing share of global textile production. Polyester is used to manufacture sportswear, lifestyle and functional clothing, shoes, accessories, protective gear and home textiles. Textile materials based on polyester fibers have many advantages in terms of good, flexible characteristics, as well as cost and resource efficiency. Polyester and other synthetic fibers can also be recycled.

However, a well-known disadvantage of polyester-based fabrics is that they provide an excellent breeding ground for odor-causing bacteria. Polygiene offers an effective, environmentally friendly solution that keeps clothing, shoes, protective gear (such as helmets and knee pads), and other garments and articles odor free. There are several fundamentally different approaches to avoiding the problem:

- Wash clothing more frequently.
- Reduce the conditions for bacterial growth by choosing a material, for instance wool, which does not promote the growth of bacteria.
- Encapsulate or absorb the odor that arises.
- Treat the material with a solution that reduces bacterial growth.

Polygiene's method is based on the last-mentioned, i.e. treating the material to reduce bacterial growth. To a great extent, Polygiene's solutions are based on naturally occurring silver salt made from recycled silver. The silver salt

effectively inhibits bacterial growth, thereby reducing odor, as well as the need to frequently wash the treated garments. The solutions can be applied to thread as well as fabric, and are so effective that the application of only a small amount of solution is sufficient to provide lasting odor control that remains effective throughout the garment's lifetime.

## Business model and offering

Polygiene focuses mainly on manufacturers of leading premium clothing brands and their customers and works actively with the entire value chain, from development and manufacture at subcontractor sites, to marketing, distribution and active customer support.

Polygiene currently delivers products and solutions to more than 140 leading clothing brands and is continuously developing the market.

Garments treated with Polygiene can be worn for longer without this affecting their freshness. This reduces washing and increases the garments' lifetime, contributing to a positive environmental impact.

The offering comprises treatment of textile or materials, functional solutions, expertise and active support concerning odor control and Polygiene's STAYS FRESH concept. The business model not only includes sales of the functionality to customers, but also an overall solution which includes a communication and information package for stores and consumers, training of the customer's sales team, ongoing customer support, hardware handling as the application of the actual preparation at the specific customer's textile supplier, all related administration, and quality control and follow-up.

**2/3** 2/3 OF THE ENVIRONMENTAL IMPACT OF APPAREL OCCURS DURING CONSUMER USE



Source: Study conducted in 2006 by Cambridge University, titles "Well dressed?"



Polygiene is developed in close collaboration with the company's partners and new cooperation within additional segments and geographical markets continues to be established. Significant resources are invested in training customers' employees, and also in marketing in order to continually increase the value of the Polygiene brand and of the partner brands that use Polygiene in their products. Through this co-branding, Polygiene helps both its partners' brands and its partners' retailers with marketing and communicating clear customer value to consumers.

### Market and competitors

Today, Polygiene is the market leader in the odor control segment, with regard to technology leadership as well as brand recognition. Polygiene now operates globally, and primarily cooperates with premium brands within six different segments.

- *Sport & Outdoor* (sportswear, protective gear, outdoor, hunting, fishing and more)
- *Lifestyle* (shirts, blouses, trousers, suits, undergarments, socks)
- *Home Textiles* (towels, bedsheets, pillowcases, mattresses, pillows and more)
- *Footwear* (shoes and insoles)
- *Work Wear* (workwear for professional use)
- *Other* (paint, flooring, sanitary equipment and more)

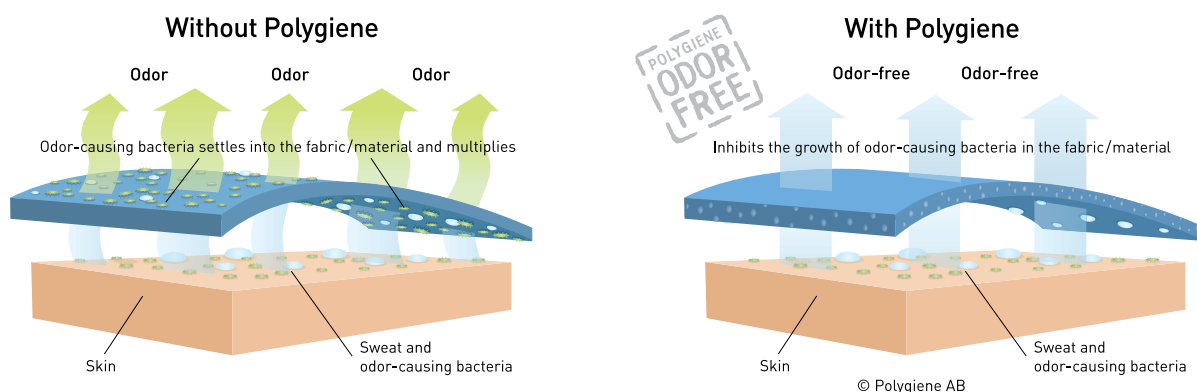
The most successful brand leaders in the textile industry within the "ingredient brands" category (such as Gore-tex and Lycra) are characterized by distinct functionality. These brands address a clear and perceived consumer need, thereby creating significant customer value. This customer value can be communicated through co-branding in a simple

and consistent manner in the marketing of consumer products which apply the functionality, such as waterproof shoes or jackets with Gore-Tex membranes. Polygiene offers an overall concept that is based on careful testing throughout the entire value chain, together with quality assurance of the many different applications. Polygiene is the global category leader within the Sport & Outdoor segment and has taken advantage of this position to expand its category leadership to other segments.

New segments that are now being actively promoted are clothing (fashion wear, sportswear and workwear), shoes, home textiles, etc. For several application areas, market promotion has only commenced to a limited extent, and the level of penetration is still low. It is therefore assessed that significant potential can be expected within these newly-added segments.

### Trends and Sustainability

The development is driven by several interacting factors, such as a growing middle class with increased disposable income, and an underlying health trend that, in principle, is increasing throughout the world. Another factor that is increasingly affecting demand is the wish of many consumers to make climate- and resource-smart choices. Garments treated with Polygiene can be used for considerably longer and require far less frequent washing than untreated garments. This reduces the environmental impact from textile manufacture and cleaning, saving both water and energy. This also saves time for consumers, who do not have to wash their clothes so often. Polygiene holds OEKO-TEX® and bluesign® certification, which are important for environmentally aware companies.



# Partners

## A selection of Polygiene's partners

Due to its unique offering and consistent working methods, Polygiene has continuously built up the odor control market and also won market shares, and is now the leading odor control supplier to the premium brand market. Polygiene currently has over 140 partner brands.



# Financial Performance

## Net revenue and profit

### Net revenue

The company's net revenue for Q2 totaled MSEK 16.7 (13.0), corresponding to an increase of 28.2 percent compared to the same quarter of 2016 (22.1 percent adjusted for foreign exchange effects). This growth was achieved in all geographical markets and from both new and existing customers. The highest growth is primarily in Asia, where Polygiene gained many new and strategically important collaboration partners. The Home Textile segment was very successful in this region during the first half-year.

Other operating income was MSEK 0.3 (1.7) and consists of positive exchange-rate differences.

### Gross margin

A lower gross margin was reported for the quarter, compared to the previous year. This was due to quarterly variations in the sales mix, as the price model varies according to customer and product. Accumulated for the first half-year, this quarterly variation is equalized, and the margin is in line with the previous year.

Costs of goods sold increased by MSEK 1.9 and are related directly to the increase in net sales.

### Costs

Other external costs for Q2 totaled MSEK -13.0 (-11.2), which is an increase by 16 percent and concerns the following items:

- Sales costs comprising e.g. commission to agents remain at the same level, at MSEK -1 (-1), despite the strongly increasing revenue. The reason is that, as we build up our own sales organization, the ratio of commission-based revenue will be lower, which will have a positive impact on the result.
- Marketing costs amounted to MSEK -3.1 (-3.2) for the quarter and to a great extent these costs are managed according to planned market activities. Historically, fairs and events are concentrated in the first half-year, and the costs should therefore not be viewed as a linear cost.
- Administrative costs amounted to MSEK -2.2(-2.2) and are in line with the previous year. This item includes customary operating costs, but mainly IR costs, since for just over one year, Polygiene has been a listed company.
- Costs of personnel and hired consultants have increased since five persons have been added to the operative organization since the equivalent period of the previous year. Achieving the new objectives set will be conditional on building up a sound organization with strong expertise and a local presence in the markets in which Polygiene is represented. During the quarter, these costs totaled MSEK -4.9 (-3.5).

- Other operating costs comprise foreign exchange effects and withholding tax (WHT). WHT is a type of tax at source which Polygiene can recover when previous taxable deficits are activated. As Polygiene has previous deficits of MSEK 25.1 WHT is recognized as a cost.

## Results

The operating profit, EBIT, for the quarter amounted to MSEK -3.7 (-2.3), representing an operating margin of -22.2 (-17.6) percent. For the sake of comparison, it is important to present the adjusted result after elimination of foreign exchange effects and WHT. These items have been eliminated from the adjusted operating profit in order to achieve a more accurate analysis of the development in core activities. The adjusted operating profit for Q2 amounted to MSEK -2.3 (-2.7).

## Financial position

### Financial assets

Financial assets at the end of the period were MSEK 6.9 (5.5) and relate to deferred tax assets concerning tax loss carry forwards arising in previous years. The total tax loss carry forwards at the period end were MSEK 25.1.

### Intangible assets

To prevent infringement of the Polygiene brand, during the quarter, MSEK 1.4 was invested in registering trademarks in new markets. The costs have been capitalized in the balance sheet and will be written off over a five-year period.

### Equity

Equity amounted to MSEK 34.5 (37.2) at the end of the period. The equity/assets ratio as of June 30 2017 was 70.6 (79.2) percent.

### Cash flow and liquidity

Cash flow from operating activities amounted to MSEK -3.5 (-0.8) for the period. Besides the negative result, the cash flow for the quarter was also affected by investments in trademark registration in new markets for a value of MSEK 1.4.

Cash and cash equivalents totaled MSEK 17.3 (23.6) at the end of Q2.

## Staff

The company's operating organization at the end of the quarter included 18 (13) staff members, of whom 14 (9) are employed and 4 (4) are contracted consultants. The increase is mainly related to the addition of sales and marketing expertise.

# Income Statement

| Income Statement in brief, TSEK                | April–June<br>2017 | April–June<br>2016 | Jan–June<br>2017 | Jan–June<br>2016 | Rolling<br>12 months | Full year<br>2016 |
|--|--------------------|--------------------|------------------|------------------|----------------------|-------------------|
| <b>Operating revenue</b>                       |                    |                    |                  |                  |                      |                   |
| Net sales                                      | 16,687             | 13,014             | 34,080           | 26,441           | 69,196               | 61,557            |
| Other operating income                         | 344                | 1,689              | 533              | 2,488            | 1,123                | 3,574             |
|  | <b>17,031</b>      | <b>14,703</b>      | <b>34,613</b>    | <b>28,929</b>    | <b>70,319</b>        | <b>65,131</b>     |
| <b>Operating expenses</b>                      |                    |                    |                  |                  |                      |                   |
| Costs of sales                                 | -7,706             | -5,814             | -14,622          | -11,189          | -29,483              | -26,049           |
| Sales costs                                    | -1,004             | -962               | -3,079           | -2,153           | -6,323               | -5,397            |
| Marketing costs                                | -3,149             | -3,233             | -6,809           | -5,351           | -12,031              | -10,573           |
| Administrative costs                           | -2,230             | -2,190             | -4,443           | -4,570           | -7,863               | -7,991            |
| Contracted employees                           | -1,400             | -1,067             | -2,750           | -1,884           | -5,217               | -4,352            |
| Personnel expenses                             | -3,532             | -2,409             | -6,735           | -4,613           | -12,626              | -10,505           |
| Other operating costs                          | -1,710             | -1,312             | -2,935           | -2,791           | -3,303               | -3,656            |
|  | <b>-20,731</b>     | <b>-16,988</b>     | <b>-41,373</b>   | <b>-32,552</b>   | <b>-76,847</b>       | <b>-68,523</b>    |
| <b>Operating profit/loss</b>                   | <b>-3,701</b>      | <b>-2,285</b>      | <b>-6,760</b>    | <b>-3,623</b>    | <b>-6,527</b>        | <b>-3,392</b>     |
| <b>Financial income and expenses</b>           |                    |                    |                  |                  |                      |                   |
| Interest income                                | 0                  | 0                  | 0                | 0                | 0                    | 0                 |
| Interest costs                                 | -1                 | -1                 | -3               | -1               | -7                   | -5                |
|  | <b>-1</b>          | <b>-1</b>          | <b>-3</b>        | <b>-1</b>        | <b>-7</b>            | <b>-5</b>         |
| <b>Profit/loss before tax</b>                  | <b>-3,702</b>      | <b>-2,286</b>      | <b>-6,763</b>    | <b>-3,624</b>    | <b>-6,534</b>        | <b>-3,397</b>     |
| Tax  | 0                  | 0                  | 0                | 0                | 233                  | 233               |
| <b>Profit/loss after tax</b>                   | <b>-3,702</b>      | <b>-2,286</b>      | <b>-6,763</b>    | <b>-3,624</b>    | <b>-6,301</b>        | <b>-3,164</b>     |
| Profit after tax per share, SEK                | -0.18              | -0.13              | -0.33            | -0.20            | -0.31                | -0.16             |
| Profit after tax per share after dilution, SEK | -0.18              | -0.13              | -0.33            | -0.20            | -0.31                | -0.16             |

# Balance Sheet

| Balance Sheet in brief, TSEK        | 2017-06-30    | 2016-06-30    | 2016-12-31    |
|-------------------------------------|---------------|---------------|---------------|
| <b>Assets</b>                       |               |               |               |
| <b>Fixed assets</b>                 |               |               |               |
| Intangible assets                   | 1,369         | 0             | 0             |
| Tangible assets                     | 0             | 0             | 0             |
| Financial assets                    | 5,537         | 5,304         | 5,537         |
| <b>Total fixed assets</b>           | <b>6,907</b>  | <b>5,304</b>  | <b>5,537</b>  |
| <b>Current assets</b>               |               |               |               |
| Inventories                         | 260           | 312           | 218           |
| Trade receivables                   | 23,149        | 15,722        | 29,927        |
| Other current assets                | 1,297         | 2,035         | 1,613         |
| Cash and cash equivalents           | 17,269        | 23,631        | 20,023        |
| <b>Total current assets</b>         | <b>41,975</b> | <b>41,700</b> | <b>51,781</b> |
| <b>TOTAL ASSETS</b>                 | <b>48,881</b> | <b>47,004</b> | <b>57,318</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b> |               |               |               |
| <b>Equity</b>                       | <b>34,531</b> | <b>37,233</b> | <b>41,293</b> |
| <b>Liabilities</b>                  |               |               |               |
| Accounts payable                    | 10,375        | 6,315         | 9,139         |
| Other current liabilities           | 3,976         | 3,456         | 6,886         |
| <b>Total liabilities</b>            | <b>14,351</b> | <b>9,771</b>  | <b>16,025</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>48,881</b> | <b>47,004</b> | <b>57,318</b> |

## Statement of Changes in Equity

| Statement of Changes in Equity, TSEK | April–June<br>2017 | April–June<br>2016 | Jan–June<br>2017 | Jan–June<br>2016 | Full year<br>2016 |
|--------------------------------------|--------------------|--------------------|------------------|------------------|-------------------|
| Equity at period start               | 38,232             | 39,519             | 41,294           | 40,843           | 40,843            |
| New share issues and warrants        | 0                  | 0                  | 0                | 14               | 3,614             |
| Earnings for the period              | -3,701             | -2,286             | -6,763           | -3,624           | -3,164            |
| <b>Equity at period end</b>          | <b>34,531</b>      | <b>37,233</b>      | <b>34,531</b>    | <b>37,233</b>    | <b>41,293</b>     |

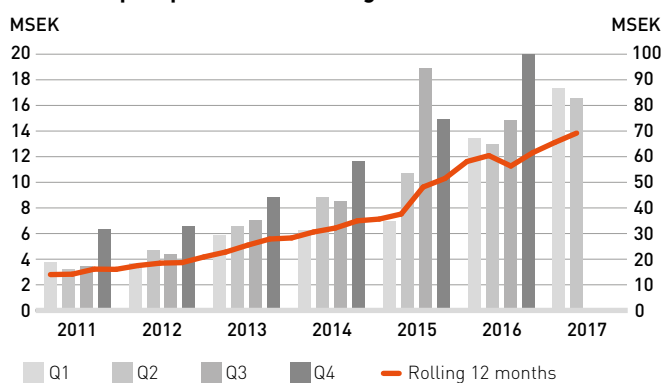
## Cash Flow Statement

| Cash Flow Statement, TSEK  | Jan–June 2017 | Jan–June 2016 | Full year 2016 |
|--|---------------|---------------|----------------|
| Profit/loss before financial items   | -6,760        | -3,623        | -3,392         |
| Interest paid  | -3            | -1            | -5             |
| <b>Cash flow from operating activities before changes in operating capital</b> | <b>-6,763</b> | <b>-3,624</b> | <b>-3,397</b>  |
| Increase/decrease in inventory   | -42           | -87           | 7              |
| Increase/decrease in current receivables                                       | 7,093         | -363          | -14,146        |
| Increase/decrease in current liabilities                                       | -1,674        | 146           | 6,400          |
| <b>Cash flow from operating activities</b>                                     | <b>-1,385</b> | <b>-3,928</b> | <b>-11,136</b> |
| <b>Investment activities</b>   |               |               |                |
| Investments in intangible fixed assets   | -1,369        | 0             | 0              |
| <b>Cash flow from investing activities</b>                                     | <b>-1,369</b> | <b>0</b>      | <b>0</b>       |
| <b>Financing activities</b>  |               |               |                |
| New share issue  | 0             | 0             | 3,600          |
| Option premiums  | 0             | 14            | 14             |
| <b>Cash flow from financing activities</b>                                     | <b>0</b>      | <b>14</b>     | <b>3,614</b>   |
| <b>Change in cash and cash equivalents</b>                                     | <b>-2,755</b> | <b>-3,914</b> | <b>-7,522</b>  |
| Cash and cash equivalents at the beginning of the year                         | 20,023        | 27,545        | 27,545         |
| <b>Cash and cash equivalents at the end of the year</b>                        | <b>17,269</b> | <b>23,631</b> | <b>20,023</b>  |

## Multi-year overview

| Multi-year overview                            | Apr–June 2017 | Apr–June 2016 | Jan–June 2017 | Jan–June 2016 | Full year 2016 | Full year 2015 |
|--|---------------|---------------|---------------|---------------|----------------|----------------|
| Net sales, TSEK                                | 16,687        | 13,014        | 34,080        | 26,441        | 61,557         | 51,511         |
| Sales growth, %                                | 28.2          | 21.4          | 28.9          | 50.8          | 19.5           | 47.4           |
| Operating profit EBIT, TSEK                    | -3,701        | -2,285        | -6,760        | -3,623        | -3,392         | 5,599          |
| Operating margin EBIT, %                       | -22.2         | -17.6         | -19.8         | -13.7         | -5.5           | 10.9           |
| Adjusted operating profit, TSEK                | -2,336        | -2,662        | -4,358        | -3,320        | -3,309         | 6,836          |
| Adjusted operating profit, %                   | -14.0         | -20.5         | -12.8         | -12.6         | -5.4           | 13.3           |
| Profit after tax, TSEK                         | -3,702        | -2,286        | -6,763        | -3,624        | -3,164         | 9,171          |
| Operating margin after tax, %                  | -22.2         | -17.6         | -19.8         | -13.7         | -5.1           | 17.8           |
| Cash flows, TSEK                               | -3,498        | -806          | -2,754        | -3,914        | -7,522         | 21,471         |
| Equity, TSEK                                   | 34,531        | 37,233        | 34,531        | 37,233        | 41,293         | 40,843         |
| Balance sheet total, TSEK                      | 48,881        | 47,004        | 48,881        | 47,004        | 57,318         | 50,468         |
| Equity/assets ratio, %                         | 70.6          | 79.2          | 70.6          | 79.2          | 72.0           | 80.9           |
| Number of shares at period-end, thousands      | 20,516        | 19,316        | 20,516        | 19,316        | 20,516         | 19,316         |
| Average no. of shares at period-end, thousands | 20,516        | 18,066        | 20,516        | 18,066        | 19,716         | 16,566         |
| Earnings per share, SEK                        | -0.18         | -0.13         | -0.33         | -0.20         | -0.16          | 0.55           |
| Cash flow per share, SEK                       | -0.17         | -0.04         | -0.13         | -0.22         | -0.37          | 1.30           |
| Equity per share, SEK                          | 1.68          | 1.93          | 1.68          | 1.93          | 2.01           | 2.11           |
| Share price at period end, SEK                 | 10.80         | 13.15         | 10.80         | 13.15         | 12.50          | —              |

### Net sales per quarter and rolling 12 months



# 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 class of share and each share carries an equal right to dividend. Par value for each share is SEK 0.10.

In 2015, Polygiene issued 250,000 warrants to staff and members of the board and the board chair, which entitle holders to subscribe for an equivalent number of shares. These warrants may be exercised during the period from 1 to 31 December 2018 and have an exercise price of SEK 15.00 per share.

For more information regarding changes in equity, see the company's 2016 Annual Report.

## Share

The Polygiene AB (publ.) share was listed on Nasdaq First North in Stockholm on 14 March 2016.

Total turnover for the Polygiene share in Q2 was 1,339,792 shares, corresponding to an average of 22,708 shares per trading day. The share price at the end of the period was SEK 10.80, corresponding to market capitalization of MSEK 221.6. Highest and lowest prices during the period were SEK 14.00 and 10.70, respectively.

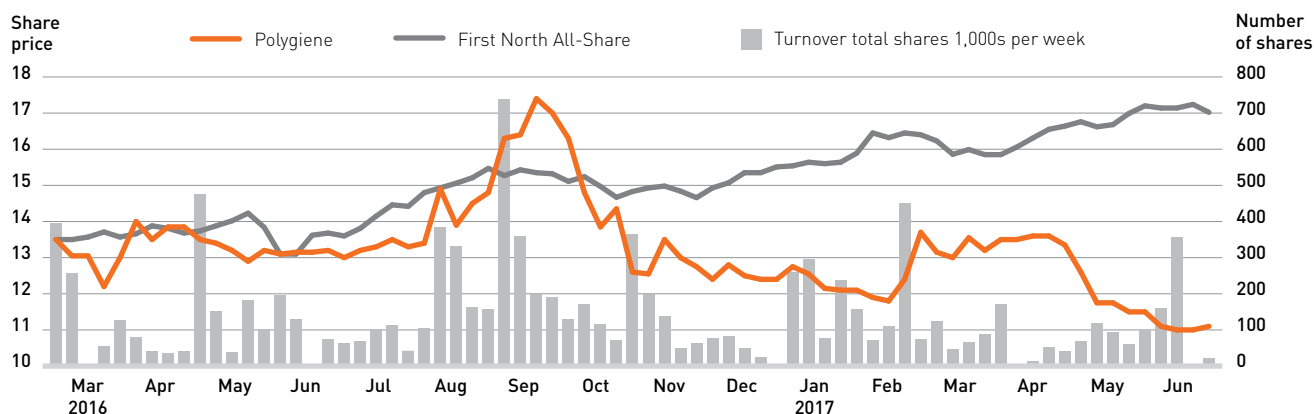
## Ownership structure

The company had a total of 785 (438) shareholders at the period end. The table below lists the 10 largest shareholders as of 30 June 2017.

| Shareholders                        | Shares            | Percent       |
|-------------------------------------|-------------------|---------------|
| Richard Tooby*                      | 2,065,800         | 10.1%         |
| JP Morgan Bank Luxembourg           | 2,019,108         | 9.8%          |
| Erik A i Malmö AB                   | 1,348,800         | 6.6%          |
| Clearstream Banking S.A. Luxembourg | 1,265,977         | 6.2%          |
| JPM Chase NA                        | 940,000           | 4.6%          |
| Christian von Uthmann*              | 898,978           | 4.4%          |
| Jonas Wollin*                       | 813,500           | 4.0%          |
| Lennart Holm*                       | 800,220           | 3.9%          |
| JP Morgan Chase N.A.                | 743,700           | 3.6%          |
| Mats Georgson*                      | 707,000           | 3.4%          |
| Other                               | 8,912,917         | 43.4%         |
| <b>Total</b>                        | <b>20,516,000</b> | <b>100.0%</b> |

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

## Polygiene 2016-03-14–2017-06-30







## Accounting policies

This interim report was prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Accounting Standards Board General Recommendations BFAR 2012:1 Annual reporting and consolidated financial statements (K3). The accounting policies used in preparing these financial statements match the accounting policies used in preparing the 2016 Annual Accounts and Financial Statements.

Amounts are expressed in TSEK (thousands of Swedish kronor) unless otherwise stated. Figures in parenthesis refer to corresponding amounts for the previous year.

This report has not been audited by the Company's auditors.

## 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 2016 Annual Report.

## Definitions

**Operating profit EBIT:** Profit before interest and tax.

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

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

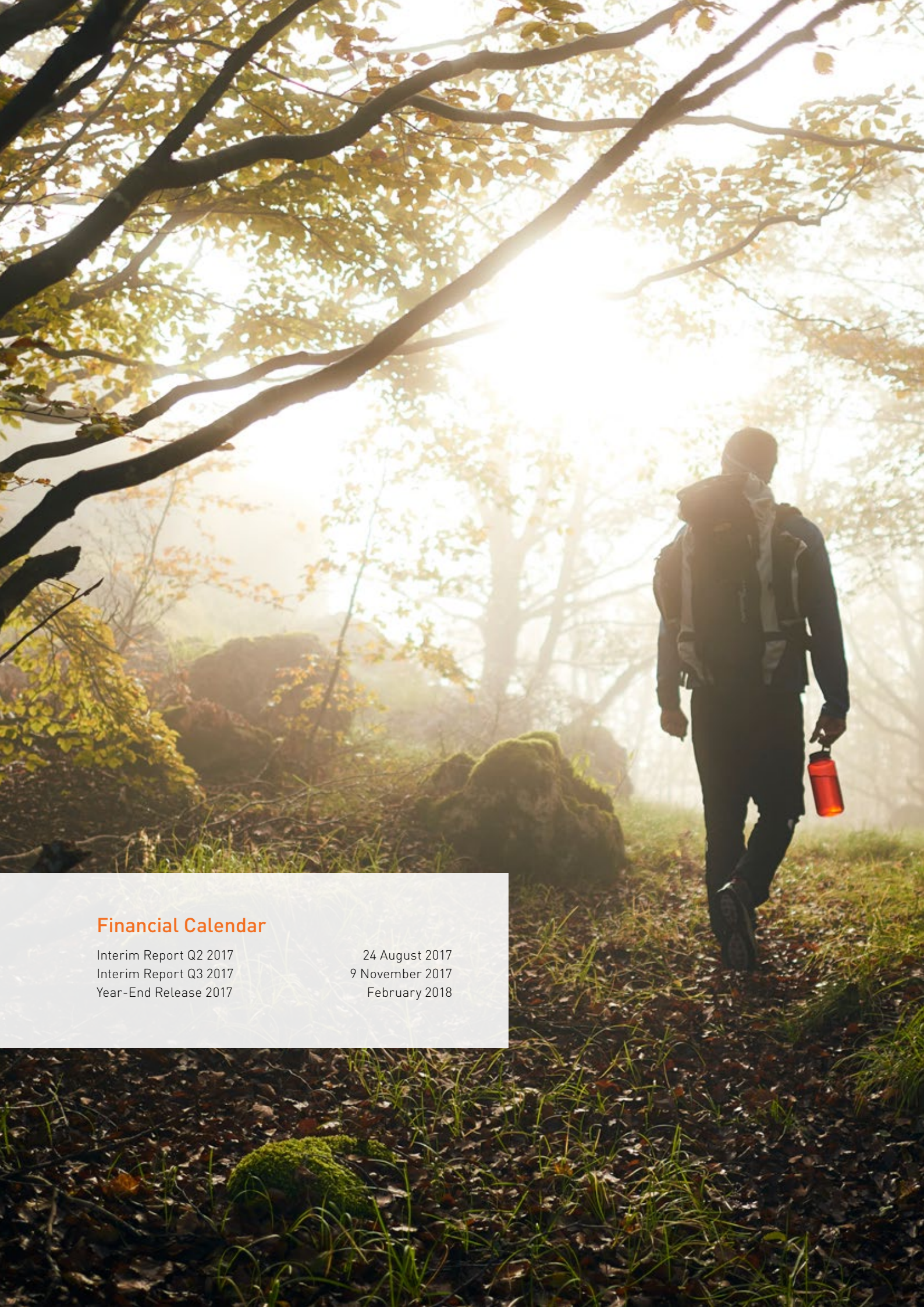
**Adjusted operating profit :** Adjusted operating profit is after foreign exchange effects and withholding tax.

**Earnings per share:** Profit 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

Interim Report Q2 2017  
Interim Report Q3 2017  
Year-End Release 2017

24 August 2017  
9 November 2017  
February 2018

## Contact details, Addresses

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This information is information that Polygiene AB (publ.) is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 08.30 CET on 24 August 2017.

### About Polygiene

Polygiene is the world-leading provider of odor control technology and Stays Fresh solutions for clothing, sports equipment, lifestyle textiles and other materials to help people stay fresh and confident. Polygiene brings the Scandinavian values of quality and care for the environment to life through its products and services. More than 100 global premium brands have chosen to use Polygiene Odor Control Technology in their products. Polygiene was established in 2006 and is listed on Nasdaq First North in Stockholm, Sweden. Remium Nordic AB acts as its Certified Adviser.



**Polygiene®**  
STAYS FRESH