

Interim Report Polygon AB

January – December 2018

2018

Sales

+19%

EUR 165.9 million (139.8)

2018

Adjusted

EBITA

+11%

EUR 10.6 million (9.5)

FOURTH QUARTER 2018

- Sales grew 18.7% to EUR 165.9 million. Adjusted organic growth remained strong at 6.4%, driven by Continental Europe reporting growth of 12.4%. Acquisitions, completed in late 2017 and early 2018, contributed EUR 17.4 million in sales, corresponding to growth of 12.5%. The stronger euro had a negative impact of 0.2%. Order intake in the quarter was up 17.0% on last year.
- Adjusted EBITA amounted to EUR 10.6 million (9.5), up 11.2%. Continental Europe was up slightly compared with last year by 3.3%, while earnings in Nordics & UK decreased 5.4% and earnings in North America improved 58.2% impacted by hurricanes.
- EBITA amounted to EUR 5.4 million (8.0). Items affecting comparability were recognised in a net amount of EUR 5.2 million (1.6) during the quarter, mainly consisting of impairment of IT systems, acquisition related and restructuring costs.
- In the beginning of the quarter, Polygon Sweden acquired Refix Skadesanering AB with yearly sales of EUR 3 million and Polygon UK acquired Neways Property Care Ltd with yearly sales of EUR 6 million.

JANUARY – DECEMBER 2018

- Sales growth for the period was 20.8% and amounted to EUR 619.3 million. Adjusted organic growth totalled 7.4% driven by Continental Europe reporting growth of 11.4%, and acquisitions contributed EUR 72.8 million in sales, corresponding to growth of 14.2%. Currency rates had a negative effect of 0.8%.
- Adjusted EBITA amounted to EUR 39.6 million (33.0), up 20.0%. Earnings in Nordics & UK improved 39.9%, Continental Europe was up on last year by 7.7% and North America was slightly up on the year-earlier period after an improvement in the fourth quarter. Earnings for Nordics & UK improved due to recent acquisitions and a strong performance in the UK.
- EBITA amounted to EUR 31.9 million (30.1). Items affecting comparability were recognised in a net amount of EUR 7.7 million (2.9).
- Cash flow from operating activities totalled EUR 31.2 million, compared with EUR 40.7 million last year due to increased working capital as a result of high growth in the months before closing. The liquidity buffer amounted to EUR 69.1 million (Dec 2017: 60.9).
- During the year, Polygon completed six acquisitions with total yearly sales of EUR 46 million, of which Dansk Byggningskontrol accounted for EUR 29 million. After the closing date, Polygon Netherlands signed a contract to acquire Tiedema Lekdetectie BV and Tiedema Droogtechniek BV with yearly sales of EUR 1 million and Polygon signed a contract to acquire a company with yearly sales of EUR 10 million in Switzerland.
- Axel Gränitz was appointed as CEO of Polygon Group effective from 15 October 2018. Lars Blecko (formerly of Loomis) joined the Board in December. Lucas Hendriks, Lars-Ove Håkansson and Ole Skov resigned from the Board at the same time.

GROUP KEY FIGURES

EUR million

	Q4		Full-year	
	2018	2017	2018	2017
Sales of services	165.9	139.8	619.3	512.4
EBITDA	9.1	10.8	45.3	40.1
EBITDA, %	5.5%	7.7%	7.3%	7.8%
Adjusted EBITDA	14.3	12.3	53.0	43.0
Adjusted EBITDA, %	8.6%	8.8%	8.6%	8.4%
EBITA	5.4	8.0	31.9	30.1
EBITA, %	3.3%	5.7%	5.2%	5.9%
Adjusted EBITA	10.6	9.5	39.6	33.0
Adjusted EBITA, %	6.4%	6.8%	6.4%	6.4%
EBIT	3.6	6.8	25.3	25.4
EBIT, %	2.2%	4.9%	4.1%	5.0%
Earnings per share (EUR)	-0.10	0.32	1.09	1.00
Cash flow from operating activities	21.5	22.3	31.2	40.7
Net debt	180.6	141.9	180.6	141.9
Full-time employees	3,810	3,279	3,810	3,279

Note: 2017 figures have been restated for implementation of IFRS 15 Revenue from Contracts with Customers.

Comments from the CEO

The trend continued in the fourth quarter



Axel Gränitz

I am pleased to report that my first whole quarter was in line with expectations. As expected, the order intake from the third quarter was converted into sales in the final quarter of the year, despite a decline in activity in December due to fewer working days. Adjusted organic growth remained favourable at 6.4% in the fourth quarter, corresponding to growth of 7.4% for the whole year. That means that Polygon has reported adjusted organic growth of more than 7% for the last five years, which is well above the underlying market growth. The quality of our services is fundamental when it comes to increasing the “share of wallet” as it is, in many cases, the basis for allocating jobs. We also see evidence of this in the fact that our measurements of customer satisfaction, are moving in the right direction. We are broadening our service scope by adding reconstruction service in the UK through the acquisition of Neways and are entering the fire damage market in Sweden following two acquisitions during 2018. We are confident that our customers will appreciate this move, which will give us a basis for growth in these countries. The consistency of our financial performance was proven by our result (adjusted EBITA) in the fourth quarter, which was 11% above last year. Looking back over the year, we see sales growth of 21% and similar profit growth (adjusted EBITA). Nevertheless, our P&L has been hit by the implementation of the field force system. We are on the way to restoring profitability in the affected countries. In general, the acquisitions carried out in late 2017 and early 2018 have developed according to expectations and contributed sales growth of 14% for the full year.

What I noticed during the time I spent travelling to our various countries of operation is how skilled and dedicated our staff are at all levels, and it is clear that we provide them with continuous training in both specialist technical issues and management/leadership skills. The cross-border collaboration and usage of specialist competence within Major and Complex Claims (M&CC) in Germany and our in-depth knowledge in the area of Document Restoration in the UK have taken off in 2018, and we expect a further increase in the coming years. Through these centres of excellence, we have cutting-edge competence in a cost-efficient set-up.

What struck me even more is the opportunities we have to develop Polygon further. We have started by setting a successful pace for acquisitions and will increase this pace by adding resources both centrally and locally (“Accelerating M&A”). Polygon in Europe, as a market leader, has a market share below 10% and we are not yet number one or two in all the markets where we currently operate. Furthermore, we are not even present in some attractive markets so there is a lot to do. Although we are a strong niche player in North America, we no longer have a presence in our core services in this huge market following the closure of a weak property damage restoration (PDR) business in the US. Despite a recent acquisition, we are still a small player in a large country such as France. We have several digital initiatives in progress which should be a benefit for both Polygon and our customers. For example, we are implementing a tailor-made solution for property managers which will simplify the value chain. We also have the potential to increase the scope of our services in several countries like we did in the UK and Sweden.

Based on our clear agenda and observations from my first quarter, and the knowledge that Polygon has the ability to solve difficult problems when they occur which has been proven in several turnarounds, we definitely have the basis to achieve our ambitious goals.

Last but not least, I am very happy about the agreement signed after the year end to enter the Swiss market. Taking this step will allow us to create a platform for further expansion in Switzerland.

Short-term outlook

Order intake in the fourth quarter remained favourable, providing a base for the first quarter of 2019. Growth will be slower due to the tough comparable figures resulting from M&A in the first quarter of 2018.

Market development

There are several trends in the property damage restoration market that are benefiting larger players like Polygon, such as procurement centralisation, the customer preference for one-stop shops and the more complex requirements for front-end IT systems. Global warming is gradually increasing rainfall levels and extreme weather conditions, which will consequently increase water damage.

Stockholm, 8 February 2019

Axel Gränitz
President and CEO

Financial information

Sales and profit

Group

FOURTH QUARTER 2018

Sales amounted to EUR 165.9 million, up 18.7% compared with the corresponding quarter in the preceding year. Adjusted organic growth remained favourable at 6.4% (currency effects amounted to a negative 0.2%) fuelled mainly by growth in the current portfolio. Acquisitions, mainly in the Nordics, contributed EUR 17.4 million in sales, corresponding to growth of 12.5%.

Adjusted EBITA amounted to EUR 10.6 million (9.5). Earnings in Continental Europe were up slightly compared with last year by 3.3%, while earnings in Nordics & UK decreased 5.4% due to a weak December in the Nordic region and earnings in North America improved 58.2% impacted by hurricanes. EBITA amounted to EUR 5.4 million (8.0). Items affecting comparability were recognised in an amount of EUR 5.2 million (1.6) mainly consisting of impairment of IT systems, acquisition related and restructuring costs (see page 13 for further details).

Net financial expenses for the period amounted to EUR 2.4 million (4.2), of which EUR 2.6 million (2.9) refers to net interest expenses and EUR 0.2 million to exchange rate gains (losses 1.3). The decrease in net interest expenses compared with the corresponding period in the preceding year is due to the issue of a new bond of EUR 210.0 million in March 2018 with more favourable terms as well as the impact from exchange revaluation from internal financial loans reported in other comprehensive income.

Tax in the period amounted to EUR 1.9 million (0.9) and was impacted by changes in tax rates that increased the deferred tax in the period. The Group posted profit before tax of EUR 1.3 million (2.7) and a net loss of EUR 0.6 million (profit 1.8).

JANUARY – DECEMBER 2018

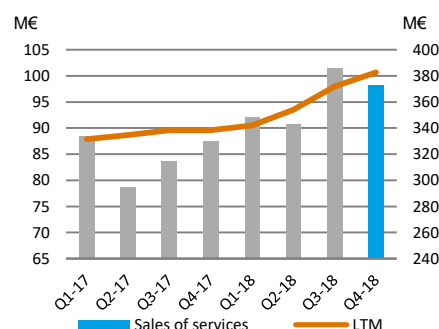
Sales amounted to EUR 619.3 million, up 20.8% compared with the corresponding period in the preceding year. Adjusted organic growth was 7.4% (currency effects amounted to a negative 0.8%). Organic growth was especially strong in the second and third quarters of the year. Acquisitions, mainly in the Nordics, contributed EUR 72.8 million in sales, corresponding to growth of 14.2%.

Adjusted EBITA amounted to EUR 39.6 million (33.0). Earnings in Continental Europe increased 7.7% compared with last year, earnings in Nordics & UK increased 39.9% driven by acquisitions and earnings in North America remained at a high level, after a strong fourth quarter, with increase of 1.9%. EBITA amounted to EUR 31.9 million (30.1). Items affecting comparability were recognised in an amount of EUR 7.7 million (2.9) and consisted mainly of costs for impairment of IT system, restructuring and acquisition-related costs (see page 13 for further details).

Net financial expenses for the period amounted to EUR 14.6 million (17.0), of which EUR 14.5 million (11.7) refers to net interest expenses and EUR 0.1 million to exchange rate (gains: 5.3). The interest expenses compared with the corresponding period in the preceding year are slightly lower due to a lower interest rate level for the new bond issued in March 2018, and the financial expenses for the bond issue in the first quarter are main reason for total higher net interest expenses. The exchange losses from internal financial loans have been recognised in other comprehensive income for 2018.

Tax for the year to date amounted to EUR 4.2 million (3.0) and was high due to the prudent recognition of deferred tax on loss carry forwards, mainly relating to interest, as well as changes in tax rates in several countries. The Group posted profit before tax of EUR 10.7 million (8.5) and net profit of EUR 6.5 million (5.5).

Continental Europe



Fourth quarter

- Sales amounted to EUR 98.3 million, up 12%
- Adjusted EBITA totalled EUR 4.5 million (4.3)

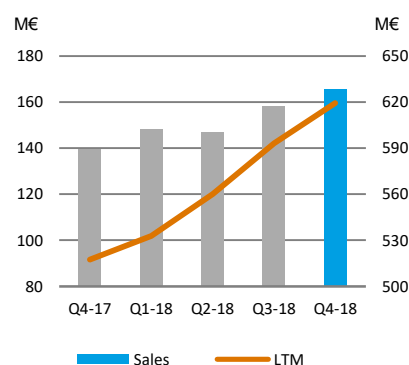
January – December

- Sales amounted to EUR 382.7 million, up 14%
- Adjusted EBITA totalled EUR 21.3 million (19.8)
- Acquisitions in France and Germany consolidated from January 2018

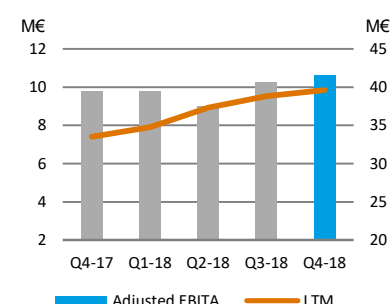
FOURTH QUARTER 2018

Continental Europe continued its strong performance with sales of EUR 98.3 million, representing growth of 12.4%, of which 10.1% was organic growth excluding acquisitions in Germany and France. Germany

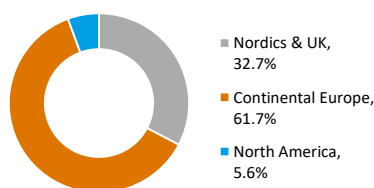
Sales development



Adjusted EBITA



Sales by segment LTM (%)

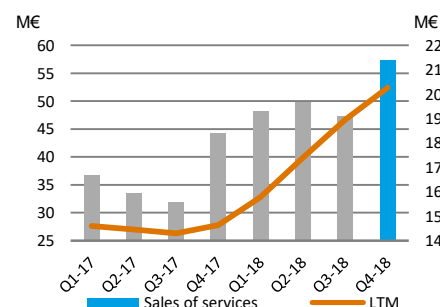


grew its portfolio and reported organic growth of 12.4%, corresponding to EUR 9.5 million. Growth in France remained high at 59.0% as a result of the acquisition in late 2017. Austria and the Netherlands reported negative growth during the quarter due to a low level of claims and an unusual warm period. Adjusted EBITA amounted to EUR 4.5 million (4.3), representing a margin of 4.6%, down 0.4 percentage points on the preceding year.

JANUARY – DECEMBER 2018

Sales amounted to EUR 382.7 million, corresponding to growth of 13.9%, of which 11.4% was organic growth. Except for Austria, all countries reported increased sales. Adjusted EBITA amounted to EUR 21.3 million (19.8), representing a margin of 5.6% (5.9%). France and the Netherlands reported improved adjusted EBITA due to strong sales from an acquisition (France) and M&CC projects (the Netherlands). Adjusted EBITA in Germany was up slightly on last year.

Nordics & UK



Fourth quarter

- Sales amounted to EUR 57.3 million, up 30%
- Adjusted EBITA totalled EUR 3.4 million (3.5)

January – December

- Sales amounted to EUR 202.7 million, up 41%
- Adjusted EBITA totalled EUR 8.4 million (6.0)
- Acquisitions in Denmark (January 2018), Sweden (second quarter of 2018) and Norway ((fourth quarter of 2017 and third quarter of 2018)
- Two acquisitions closed in the beginning of October (the UK and Sweden)

FOURTH QUARTER 2018

Nordics & UK reported sales of EUR 57.3 million, corresponding to growth of 29.7% in the quarter, driven by the large acquisition in Denmark (Dansk Byggningskontrol in January 2018). The UK reported growth of close to 40% in local currency due to high activity and the acquisition of Newways. Adjusted EBITA decreased with EUR 0.1 million to EUR 3.4 million, mostly due to the loss of working days in December. Norway and Finland recovered from a challenging start to the year. The UK reported a strong increase in adjusted EBITA as a result of favourable growth.

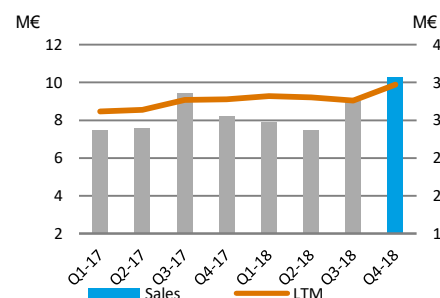
Polygon UK acquired Newways in October with yearly sales of EUR 6.1 million thereby entering the market for reconstruction service. Polygon Sweden acquired Refix Skadesanering in October with yearly sales of EUR 3.2 million enabling Polygon to provide the Stockholm area with fire damage restoration (FDR) service.

JANUARY – DECEMBER 2018

Nordics & UK reported sales of EUR 202.7 million, corresponding to full-year growth of over 40%, driven by the large acquisitions in Denmark and Norway. The UK reported growth of 15.2% in local currency, while Finland had negative growth of 5.0%. Adjusted EBITA increased almost 40% due to EUR 8.4 million driven by acquisitions. Finland reported a loss due to a drop in sales in combination with issues linked to the implementation of a new field force system. The company's performance stabilised during the second half of the year.

Polygon Norway acquired the remainder of the shares in two franchise partners (in Drammen and Kongsberg). Polygon Sweden entered the market for FDR service through two acquisitions (Caliber Sanering and Refix Skadeservice) and the UK acquired Newways to advance its reconstructing business.

North America



Fourth quarter

- Sales amounted to EUR 10.3 million, up 26%
- Adjusted EBITA totalled EUR 1.6 million (1.0)

January – December

- Sales amounted to EUR 34.7 million (32.6)
- Adjusted EBITA totalled EUR 4.4 million (4.3)

FOURTH QUARTER 2018

North America reported sales of EUR 10.3 million, which was an increase of over 25%. This growth was impacted by hurricanes in the US, with a larger portion of hurricane-related work performed in the fourth quarter, compared with the preceding year when most of this work took place in the third quarter.

Adjusted EBITA amounted to EUR 1.6 million, up EUR 0.6 million on the preceding year with improved earnings in both the US and Canada compared with last year.

JANUARY – DECEMBER 2018

Following a strong fourth quarter, full-year sales were up 6.5%. In local currency the US growth was close to 9% and Canada over 25%, driven by successful sales to new customers. Adjusted EBITA amounted to EUR 4.4 million, which was on par with the preceding year. In the US, both years have been positively impacted by hurricane events. In the second quarter, Polygon Canada added franchisees to its organisation in Quebec, one in the Montreal West Island area and one in the Lanaudière region.

Cash flow and financing

Cash flow from operating activities for the fourth quarter amounted to EUR 21.5 million (22.3) and was impacted positively by a decrease in working capital from improved invoicing, a reduction of contract assets and increased payables. Cash flow from operating activities for full-year 2018 was EUR 31.2 million (40.7) and was impacted negatively by an increase in working capital from the strong growth of the business and from the acquired companies.

Total interest-bearing net debt was EUR 180.6 million (December 2017: 141.9). The Group's liquidity buffer amounted to EUR 69.1 million (December 2017: 60.9), consisting of cash and cash equivalents of EUR 33.2 million (December 2017: 42.5) and unutilised revolving credit facility (RCF) commitments of EUR 35.9 million (December 2017: 18.4). During the first quarter, the Group was refinanced by issuing a EUR 210.0 million bond with a fixed rate coupon of 4.000% per annum, replacing the previous EUR 180 million note, originally dating back to April 2014. In the new bond agreement, the RCF was increased to EUR 40.0 million (22.5).

During the first quarter, the Group acquired Dansk Bygningskontrol, with annual sales of EUR 29 million, Von der Lieck, with annual sales of EUR 4 million, and the assets and liabilities of Metodia, with total annual sales of EUR 0.4 million. Minority shares in four Norwegian franchise partners and in Caption Data were also acquired during the first quarter. During the second quarter, the Group acquired the assets and liabilities of Caliber, a Swedish company, with annual sales of EUR 2.0 million. During the third quarter, the Group acquired the remaining shares of two Norwegian franchise partners, Drammen and Kongsberg, with total sales of EUR 3.5 million. During the fourth quarter, Polygon acquired Refix, a Swedish company, with annual sales of EUR 3.2 million, and Neways, a UK company, with an annual sales of 6.1 million. The total cash expenditure for acquisitions for 2018 was EUR 34.0 million.

Equity amounted to EUR 75.5 million (December 2017: 59.8).

Capital expenditure

Capital expenditure for the fourth quarter amounted to EUR 3.9 million (5.1) and was mainly driven by normal replacement investments and investments resulting from growth in Europe.

Parent Company

The consolidated figures in this report are presented at the consolidated level for Polygon AB. The Parent Company, Polygon AB (corporate identity number 556816-5855), directly and indirectly holds 100% of the shares in all subsidiaries in the Group, except for the companies in Denmark, in which the non-controlling interest is 33.6%. The net profit for Polygon AB for the fourth quarter amounted to EUR 4.4 million (loss: 1.2).

Significant risks and uncertainties

The Group is active in the property damage restoration business meaning work related to water damage restoration, fire damage restoration and document restoration. The frequency of property damage can vary depending on circumstances beyond Polygon's control, the outdoor temperature and the weather. Polygon estimates that, on average for the last five years, around 95% of the property damage is, by nature, attributable to the large share of annually recurring claims, while the remainder is related to more extreme and less predictable events caused by weather and fire. Since part of Polygon's cost structure is fixed, the proceeds of the operations are to some extent unpredictable and vary over time.

Polygon is to a large degree dependent on its key customers — the insurance companies — and must maintain mutually beneficial relationships with them in order to compete effectively. The Group's top ten customers represent about one third of Polygon's sales, with the newest customer on the top ten list having an eight-year relationship with the Group.

For further details about the Group's risks and uncertainties, please refer to the 2017 Annual Report and the prospectus prepared in connection with listing of the EUR 210,000,000 senior secured floating rate notes issued by Polygon AB (publ) (refer to the website: www.polygongroup.com). Polygon's view is that there have not been any significant changes during the reporting period with regard to the risks and

uncertainties presented in the Annual Report, except for risks associated with the increased acquisition rate toward the end of 2017.

Related party transactions

The Group is under the controlling influence of Polygon Holding AB, the Parent Company of Polygon AB. Polygon Holding AB is under the controlling influence of MuHa No2 LuxCo S.á.r.l. There have been no material transactions with companies in which MuHa No2 LuxCo S.á.r.l has a significant or controlling influence.

Other

The Board of Directors of Polygon AB (publ) or any of its subsidiaries may from time to time resolve to purchase notes issued by Polygon AB (publ), which are listed on Nasdaq Stockholm, on the market or in any other manner. Any purchase of notes will be made in accordance with the terms and conditions of the notes and the applicable laws and regulations. No such purchases have been carried out to date.

Subsequent events

After the closing date, Polygon Netherlands signed a contract to acquire Tiedema Lekdetectie BV and Tiedema Droogtechniek BV with yearly sales of EUR 1 million and Polygon signed a contract to acquire a company with yearly sales of EUR 10 million in Switzerland.

Consolidated income statement

EUR thousands	Q4		Full-year	
	2018	2017	2018	2017
Sales of services	165,867	139,766	619,264	512,429
Cost of sales	-126,284	-104,746	-473,277	-385,750
Gross profit	39,583	35,020	145,987	126,679
Administrative and selling expenses	-31,628	-26,572	-113,590	-98,072
Other operating expenses	-4,305	-1,652	-7,066	-3,169
Operating profit	3,650	6,796	25,331	25,438
Financial income	56	27	91	151
Financial expenses	-2,432	-4,169	-14,686	-17,097
Profit/loss before income taxes	1,274	2,654	10,736	8,492
Income taxes	-1,914	-869	-4,233	-3,024
Profit/loss for the period	-640	1,785	6,503	5,468
Profit/loss attributable to:				
Owners of the Parent Company	-553	1,817	6,113	5,590
Non-controlling interests	-86	-32	390	-122
Total	-640	1,785	6,503	5,468

Consolidated statement of comprehensive income

EUR thousands	Q4		Full-year	
	2018	2017	2018	2017
Profit/loss for the period	-640	1,785	6,503	5,468
Comprehensive income				
<i>Items that cannot be reclassified to profit or loss</i>				
Actuarial gains and losses on defined benefit plans	120	-410	-208	-222
Tax	-35	59	37	18
<i>Items that can be subsequently reclassified to profit or loss</i>				
Exchange differences on transactions of foreign operations	-1,189	227	-1,081	511
Total comprehensive income, net of tax	-1,744	1,661	5,250	5,775
Total comprehensive income attributable to:				
Owners of the Parent Company	-1,658	1,693	4,861	5,897
Non-controlling interests	-86	-32	390	-122
Total	-1,744	1,661	5,250	5,775
Number of shares	5,600	5,600	5,600	5,600
Earnings per share (EUR)	-0.10	0.32	1.09	1.00

Consolidated balance sheet

EUR thousands	31 Dec 2018	31 Dec 2017
ASSETS		
Non-current assets		
Goodwill	137,126	110,942
Other intangible assets	53,329	41,960
Tangible assets	46,101	40,200
Deferred tax assets	13,375	16,744
Other financial fixed assets	941	2
Total non-current assets	250,872	209,848
Current assets		
Contract assets from customers	44,730	28,246
Trade receivables	92,493	78,676
Receivables from Parent Company	315	308
Prepaid expenses	5,476	5,602
Cash and cash equivalents	33,192	42,541
Total current assets	176,206	155,373
TOTAL ASSETS	427,078	365,221
EQUITY AND LIABILITIES		
Equity		
Issued capital	58	58
Other contributed capital	10,771	10,771
Other capital reserves	-1,795	-714
Retained earnings	54,761	48,819
Equity attributable to owners of the Parent Company	63,795	58,934
Non-controlling interests	11,696	820
Total equity	75,491	59,754
Non-current liabilities		
Provisions	6,614	5,556
Deferred tax liabilities	18,471	15,806
Shareholder loans	6,153	5,594
Non-current interest-bearing liabilities	208,632	178,614
Total non-current liabilities	239,870	205,570
Current liabilities		
Provisions	3,120	5,065
Trade payables	45,550	35,647
Current liabilities	2,207	3,638
Other liabilities	22,160	18,864
Accrued expenses	38,680	36,683
Total current liabilities	111,717	99,897
TOTAL EQUITY AND LIABILITIES	427,078	365,221

Consolidated net debt

EUR thousands	31 Dec 2018	31 Dec 2017
Defined benefit plans	5,188	4,988
Other long-term loans, interest-bearing	205,854	178,614
Current loans, interest-bearing	2,778	885
Cash and bank	-33,192	-42,541
Net debt	180,628	141,946

Consolidated statement of cash flow

EUR thousands	Q4		Full-year	
	2018	2017	2018	2017
Operating activities				
Operating profit	3,650	6,796	25,331	25,438
Adjustments for non-cash items before tax	8,596	-156	23,912	8,972
Income tax paid	-3,262	-788	-6,313	-2,961
Cash flow from operating activities before changes in working capital	8,984	5,852	42,931	31,449
Cash flow from changes in working capital				
Changes in operating receivables	3,648	2,108	-4,062	564
Changes in contract assets from customers	3,020	1,958	-11,601	9,855
Changes in operating liabilities	5,862	12,381	3,924	-1,195
Cash flow from operating activities	21,514	22,299	31,192	40,673
Investing activities				
Acquisition of subsidiary, net of cash acquired	-3,616	-4,648	-34,038	-7,108
Purchase of tangible assets	-3,367	-4,567	-16,288	-16,925
Purchase of intangible fixed assets	-507	-566	-2,239	-2,390
Sale of non-current assets	393	86	694	86
Cash flow from investing activities	-7,097	-9,695	-51,871	-26,337
Cash flow before financing activities	14,417	12,604	-20,679	14,336
Cash flow from financing activities				
New borrowings	-	-	210,000	-
Dividend	-	-	8	4
Dividend to non-controlling interests	-	-	-	-163
Repayment of borrowings	-255	-4	-181,410	-14
Utilization of overdraft	-	-	-	-
Financial income received	56	27	83	147
Financial expenses paid	-5,289	-2,385	-17,149	-9,293
Net cash flow from financing activities	-5,488	-2,362	11,532	-9,319
Cash flow for the period	8,929	10,242	-9,147	5,017
Cash and cash equivalents, opening balance	24,434	32,285	42,541	36,585
Translation difference in cash and cash equivalents	-171	14	-202	939
Cash and cash equivalents, closing balance	33,192	42,541	33,192	42,541

Consolidated statement of changes in equity

EUR thousands	Attributable to owners of the Parent Company						Non-controlling interests	Total equity
	Share capital	Other contributed capital	Other capital reserves	Retained earnings	Total			
Closing balance, 31 December 2016	58	10,771	-1,225	43,432	53,036	1,105		54,141
Dividend	-	-	-	-	-	-163		-163
Profit for the period	-	-	-	5,591	5,591	-122		5,469
Other comprehensive income	-	-	511	-204	308	-		308
Closing balance, 31 December 2017	58	10,771	-714	48,819	58,934	820		59,754
New issues of shares	-	-	-	-	-	10,486		10,486
Profit/ loss for the period	-	-	-	6,113	6,113	390		6,503
Other comprehensive income	-	-	-1,081	-171	-1,252	-		-1,252
Closing balance, 31 December 2018	58	10,771	-1,795	54,761	63,795	11,696		75,491

Segment reporting

The segment information is presented based on company management's perspective, and operating segments are identified based on the internal reporting to Polygon's chief operating decision maker.

EUR thousands	Q4		Full-year	
	2018	2017	2018	2017
Sales of services				
Nordic & UK	57,347	44,224	202,690	144,053
Continental Europe	98,281	87,459	382,717	335,922
North America	10,320	8,219	34,724	32,618
Intercompany sales	-81	-136	-867	-164
Total	165,867	139,766	619,264	512,429
Adjusted EBITA				
Nordic & UK	3,353	3,543	8,388	5,995
Continental Europe	4,475	4,334	21,290	19,771
North America	1,602	1,013	4,373	4,293
Other	1,191	659	5,579	2,963
Adjusted EBITA	10,621	9,549	39,630	33,022
Items affecting comparability (IAC)	-5,197	-1,562	-7,720	-2,908
EBITA	5,424	7,987	31,910	30,114
Amortization of acquisition-related tangible and intangible assets	-1,774	-1,191	-6,579	-4,676
Operating profit	3,650	6,796	25,331	25,438
Net financial items	-2,376	-4,142	-14,595	-16,946
Profit/ loss after financial items	1,274	2,654	10,736	8,492

Of the sales of services above, 6.7% (4.9) of revenue is recognised at one point in time. The remainder is recognised over time.

Alternative performance measures

EUR thousands	Q4		Full-year	
	2018	2017	2018	2017
Adjusted EBITDA breakdown				
Operating profit (EBIT)	3,650	6,796	25,331	25,438
Add back amortization of acquisition-related tangible and intangible assets	1,774	1,191	6,579	4,676
Operating profit before amortization (EBITA)	5,424	7,987	31,910	30,114
Add back depreciation	3,639	2,800	13,406	9,986
Operating profit before depreciation (EBITDA)	9,063	10,787	45,316	40,100
Add back items affecting comparability (IAC)	5,197	1,562	7,720	2,908
Operating profit before depreciation and IAC (Adjusted EBITDA)	14,260	12,349	53,036	43,008
Adjusted EBITA breakdown				
Operating profit (EBIT)	3,650	6,796	25,331	25,438
Add back amortization of acquisition-related tangible and intangible assets	1,774	1,191	6,579	4,676
Operating profit before amortization (EBITA)	5,424	7,987	31,910	30,114
Add back items affecting comparability (IAC)	5,197	1,562	7,720	2,908
Operating profit before amortization and IAC (Adjusted EBITA)	10,621	9,549	39,630	33,022

Income statement, Parent Company

EUR thousands	Q4		Full-year	
	2018	2017	2018	2017
Sales of services	1,282	1,264	3,752	3,533
Gross profit	1,282	1,264	3,752	3,533
Administrative and selling expenses	-1,086	-1,227	-3,561	-3,280
Other operating income/expenses	-836	-8	-911	-176
Operating profit/loss	-640	29	-720	77
Financial income	742	894	2,964	3,960
Financial expenses	-3,783	-3,273	-14,004	-12,162
Loss after financial items	-3,681	-2,350	-11,760	-8,125
Group contribution received	7,070	680	7,070	680
Result before income taxes	3,389	-1,670	-4,690	-7,445
Taxes	997	478	536	478
Result for the period	4,386	-1,192	-4,154	-6,967

Statement of comprehensive income, Parent Company

EUR thousands	Q4		Full-year	
	2018	2017	2018	2017
Result for the period	4,386	-1,192	-4,154	-6,967
Comprehensive income	-	-	-	-
Comprehensive income after tax	4,386	-1,192	-4,154	-6,967
Total comprehensive income	4,386	-1,192	-4,154	-6,967

Statement of financial position, Parent Company

EUR thousands	31 Dec 2018	31 Dec 2017
ASSETS		
Non-current assets		
Participations in subsidiaries	185,902	185,902
Receivables from subsidiaries	64,603	64,283
Deferred tax assets	1,782	812
Total non-current assets	252,287	250,997
Current assets		
Receivables from Parent Company	604	308
Other receivables	245	87
Prepaid expenses	15	14
Receivables from subsidiaries	52,114	28,007
Total current assets	52,978	28,416
TOTAL ASSETS	305,265	279,413
EQUITY AND LIABILITIES		
Equity		
Issued capital	58	58
Share premium reserve	6,771	6,771
Unrestricted equity	86,565	90,719
Total equity	93,394	97,548
Non-current liabilities		
Provisions	150	-
Deferred tax liabilities	936	502
Non-current interest-bearing liabilities	206,378	177,796
Total non-current liabilities	207,464	178,298
Current liabilities		
Payables to subsidiaries	53	-
Trade payables	889	53
Other current liabilities	569	290
Accrued expenses	2,896	3,224
Total other current liabilities	4,407	3,567
TOTAL EQUITY AND LIABILITIES	305,265	279,413

Pledged assets and contingent liabilities, Parent Company

EUR thousands	31 Dec 2018	31 Dec 2017
Pledged assets and contingent liabilities		
Pledged assets		
Shares in subsidiaries	185,902	185,902
Total pledged assets	185,902	185,902
Contingent liabilities	None	None

Items affecting comparability (IAC)

EUR thousands	Q4		Full-year	
	2018	2017	2018	2017
Transaction costs, acquisition	-705	-1,306	-884	-1,450
Restructuring	-2,064	-3,683	-4,231	-4,017
Impairment IT systems and tangible assets	-1,667	-558	-1,921	-588
Negative goodwill Norway	-658	3,992	-658	3,992
Other	-103	-7	-26	-845
Total	-5,197	-1,562	-7,720	-2,908

Financial instruments

Polygon is exposed to a number of financial market risks that the Group is responsible for managing under the finance policy approved by the Board of Directors. The overall objective is to have cost-effective funding in the Group companies. The financial risks in the Group are mainly managed through a weekly exchange of non-euro cash into euros and, to a limited extent, through the use of financial instruments. The main exposures for the Group are liquidity risk, interest rate risk and currency risk.

Derivatives are measured at fair value according to level 2 and additional considerations according to level 3, in compliance with IFRS 13. Other financial instruments are measured at carrying amounts.

Interest swaps are subject to ISDA agreements which allow netting, in case of any failure. On the closing day, there was currency hedging but no interest swaps.

The significant financial assets and liabilities are shown below. According to Polygon's assessment, there is no significant difference between the carrying amounts and fair values.

EUR thousands	31 Dec 2018		31 Dec 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Trade receivables	88,369	88,369	76,570	76,570
Other current assets	3,056	3,056	2,522	2,522
Receivables from Parent Company	315	315	308	308
Cash and cash equivalents	33,192	33,192	42,541	42,541
Total	124,932	124,932	121,941	121,941
Liabilities				
Non-current interest-bearing liabilities	208,632	212,778	178,614	179,999
Other interest-bearing liabilities	6,153	6,153	5,594	5,594
Trade payables	45,550	45,550	35,647	35,647
Other current liabilities	20,402	20,402	17,641	17,641
Accrued expenses	1,866	1,866	1,900	1,900
Total	282,603	286,749	239,396	240,781
Derivatives for hedging purposes				
Currency hedging derivatives	93	93	-202	-202
Total	93	93	-202	-202

Acquisitions of subsidiaries

At beginning of the fourth quarter, Polygon Sweden acquired Refix Skadesanering AB and Polygon UK acquired Neways Property Care Ltd. The acquisitions added 84 employees and turnover of EUR 9.3 million. In the third quarter, Polygon Norway acquired the remaining 80% of the shares in its franchise partners in Drammen and Kongsberg. During the first three quarters, the Group acquired two companies in Denmark and Germany, the assets and liabilities of two companies in Sweden (Metodia AB and Caliber Sanering Sverige AB) and two franchise partners in Norway. Minority share in Caption Data in the UK and two other franchise partners in Norway were also acquired during this period.

Company	Corp. ID. No.	Country	Ownership	Closing date	Estimated annual net sales in MEUR	No of employees
2017						
Villaklimat OBM AB	556637-3857	Sweden	100%	31 March 2017	2.0	14
Polygon Nord AS	956 827 264	Norway	100%	25 September 2017	5.0	47
Skadegruppen AS	943 578 524	Norway	100%	26 September 2017	27.0	208
Bretagne Assèchement	440 853 547	France	100%	28 December 2017	2.4	21
Bretagne Assèchement Nord	503 279 697	France	100%	28 December 2017	2.2	22
Normandie Assistance	499 557 478	France	100%	28 December 2017	0.5	4
					39.1	316
2018						
Von Der Lieck GmbH & Co KB	HRA 6565	Germany	100%	02 January 2018	4.0	25
Dansk Bygningskontrol A/S	31 85 98 83	Denmark	66%	04 January 2018	29.0	236
Polygon Kongsberg AS	884 251 192	Norway	100%	02 July 2018	1.7	17
Buskerud Skadebegrensning AS	977 073 189	Norway	100%	03 July 2018	1.8	20
Refix Skadesanering AB	556858-0335	Sweden	100%	01 October 2018	3.2	30
Neways Property Care Ltd	4373558	UK	100%	03 October 2018	6.1	54
					45.8	382

The purchase price allocation displayed below includes the acquired subsidiaries and is for 2018, preliminary, and for 2017, final.

EUR thousands	Q4		Full-year	
Fair value recognized on acquisition	2018	2017	2018	2017
Customer relationships	-	-	12,295	-
Trademarks	-	-	790	-
Acquired order backlog	-	-	104	-
Equipment	322	182	1,109	1,079
Licences	-	-	-	-
Other non-current receivables	19	31	3,851	31
Current receivables	1,204	1,347	13,722	5,974
Inventory	71	15	71	4,088
Total identifiable assets at fair value	1,616	1,575	31,943	11,172
Long-term loans and other liabilities	43	-	4,248	-
Current liabilities	1,025	1,702	6,953	7,464
Deferred tax liabilities	18	-	472	384
Less: Cash and cash equivalents	-512	-1,527	-521	-3,219
Total identifiable liabilities less cash at fair value	573	175	11,154	4,629
Total identifiable net assets at fair value	1,042	1,400	20,790	6,543
Non-controlling interest measured at fair value	-	-	-10,523	-
Negative goodwill	-	-	-	-3,334
Goodwill	4,038	6,150	23,663	9,076
Purchase consideration transferred	5,080	7,550	33,931	12,285
Purchase consideration				
Cash paid	3,134	7,550	31,829	11,562
Takeover of debt	-	-	156	-
Liability to seller	1,946	-	1,946	723
Total consideration	5,080	7,550	33,931	12,285
Analysis of cash flows on acquisition:				
Net cash acquired with the subsidiary	-512	-1,527	-521	-3,219
Cash paid	3,134	7,550	31,829	11,562
Closing balance	2,622	6,023	31,307	8,343

Nordics & UK

The acquisition of Dansk Bygningskontrol A/S was closed at the beginning of January 2018 and is consolidated from this date. The integration process is continuing as planned with the merger of the two organisations. Polygon Sweden acquired the assets and liabilities of Metodía AB at the beginning of January. Polygon Sweden acquired the assets and liabilities of Caliber Sanering Sverige AB at the beginning of the second quarter and Refix Skadesanering AB in the fourth quarter. Both companies focus on restorations after fire damage and have added this service offering to Polygon Sweden. The acquisition in the fourth quarter added 30 employees and annual sales of EUR 3.2 million.

In January, Polygon Norway acquired minority shares in four franchise partners, with a call option to increase the ownership to 100%: Buskerud Skadesanering AS and Kongsberg AS (20% in each), Polygon Haugesund AS (49%) and Polygon Innlandet AS (40%). An additional payment of EUR 551 thousand was made for Polygon Nord AS in June. In the beginning of the third quarter, Polygon Norway exercised the call option for two of its franchisees, Buskerud Skadesanering AS and Kongsberg AS, with total sales of EUR 3.5 million. The purchase price allocation for Skadegruppen AS from the previous year has been adjusted for claims and bad project execution in an amount of EUR 658 thousand. Polygon acquired a minority share (20%) in Caption Data Limited (CDL). CDL has a remote monitoring platform and is a leader in machine-to-machine interaction and real-time client facility conditions monitoring.

In the beginning of the fourth quarter Polygon UK acquired Neways Property Care in the UK. The acquisition enables Polygon to offer its customers a full range of property damage repair and restoration service. The acquisition added 54 employees and annual sales of EUR 6.1 million.

Continental Europe

The acquisition of Von Der Lieck GmbH & Co in Germany was signed in October 2017 and completed at the beginning of January 2018 with final additional payment in April, resulting in an adjustment to the total consideration of EUR 436 thousand. A minor adjustment was made to the preliminary purchase price allocation for the French acquisition completed in December 2017, adding EUR 550 thousand in goodwill for the Group.

Accounting policies

Accounting policies

The interim report for the Group has been prepared in accordance with IAS 34 Interim Reporting. The interim report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act. The Group applies the International Financial Reporting Standards (IFRS) as adopted by the EU and the Swedish Annual Accounts Act.

The accounting policies applied in this interim report are the same as those applied in the consolidated annual accounts for 2017. More detailed accounting policies can be found on pages 14-19 of the Annual Report for 2017.

Net investment in foreign operations

Foreign currency exchange differences arising on consolidation of net investment in foreign operations are recognised in other comprehensive income. Loans in foreign currencies are revalued at exchange rates prevailing on the balance sheet date. Effects from the revaluation of internal loans (that are considered part of the net investment in foreign operations) are recognised in other comprehensive income. Foreign currency exchange gains (losses) and tax effects attributable to such revaluation are recognised in other comprehensive income. Accumulated exchange differences are reclassified to profit or loss on disposal of the net investment.

IFRS 15 Revenue from Contracts with Customers (effective from 1 January 2018)

The standard combines, enhances and replaces specific guidance on recognising revenue with a single standard. Most of the performance obligations in Polygon are satisfied over time as the work generally is ongoing for one to at least three months on assets controlled by the customer and the revenue is recognised over time in pace with fulfillment. Leak detection, consulting and document restoration are fulfilled at one point in time and are recognised accordingly. The portfolio approach, which allows bundling of similar performance obligations for more effective handling, is used to handle the large amount of generally small (under EUR 2 thousand) and short-term (less than three months) obligations that make up the bulk of the Group's business. The remaining obligations with a longer duration are, as earlier, recognised using the percentage of completion method on a cost base approach. The Group applies the standard retrospectively, utilising the practical expedient to not restate contracts that begin and end within the same annual accounting period or are completed at the beginning of the earliest period presented.

Introduction of the new standard had a positive one-time effect of EUR 0.8 million on equity in 2016. Revenue recognition at the total annual level, with the application of the new standard, has not been significantly affected. Revenue for 2017 is EUR 6.4 million less than with the application of the previous standard.

EUR thousands	Full-year		
	Actual 2017	Restated 2017	Change
Impact in income statement			
Sales of services	518,814	512,429	-6,385
Cost of sales	-391,649	-385,750	5,899
Gross profit	127,165	126,679	-486
Adjusted EBITA	33,508	33,022	-486
EBITA	30,600	30,114	-486
Operating profit (EBIT)	25,924	25,438	-486
Profit before income taxes	9,100	8,614	-486
Income taxes	-3,165	-2,977	188
Profit for the period	5,935	5,637	-298
Items impacted in balance sheet			
Work in progress	20,400	-	-20,400
Contract assets from customers	-	27,840	27,840
Equity	58,531	58,934	403
Contract liabilities	-	876	876

IFRS 9 Financial Instruments (effective from 1 January 2018)

The standard introduces a single approach for the classification and measurement of financial assets according to their cash flow characteristics and the business model in which they are managed and provides a new impairment model based on expected credit losses.

The main focus for the Group has been the impairment model for expected credit losses as trade receivables are a material part of the balance sheet. The existing model in the Group has been valued to cover the requirements of the new standard. If necessary, the Group will provide an additional central reserve.

Standards and changes in standards effective from 1 January 2019

Polygon does not intend to apply these in advance.

IFRS 16 Leases

This standard will replace IAS 17 and introduce a single lessee accounting model requiring lessees to recognise right-to-use assets and lease liabilities for leases with a term of more than 12 months. This will significantly increase total tangible assets in the balance sheet and affect net debt and other key performance indicators in both the balance sheet and income statement. During the fourth quarter, the main efforts regarding the implementation of the standard have included gathering data and setting up and testing of the selected administrative support systems. The main leases for the Group are for premises and vehicles with an allocation of 50% of the total lease cost to each category. While leases for premises are few, they are more complex and while the vehicle leases may be numerous, they are often standardised with good supporting administration available. The Group will apply the modified transition method using the practical expedients for contracts less than 12 month duration at start. The first anticipated impact on EBITDA for 2018 is an increase of 4%, with a minor impact on EBIT and an increase of 12% for the total balance sheet.

The term "IFRS" as used in this document refers to the application of IAS and IFRS as well as the interpretations of these standards published by the IASB's Standards Interpretation Committee (SIC).

Definitions

Sales	Sales net of VAT and discounts
Gross profit	Sales minus cost of goods sold
EBITDA	Earnings before interest, tax, depreciation and amortisation
Adjusted EBITDA	Earnings before interest, tax, depreciation, amortisation and items affecting comparability
EBITA	Earnings before interest, tax, depreciation and amortisation of acquisition-related tangible and intangible assets
Adjusted EBITA	Earnings before interest, tax, depreciation and amortisation of acquisition-related tangible and intangible assets, and items affecting comparability
EBIT	Earnings before interest and tax
Operating margin	EBIT as a percentage of sales
EBITDA, Adjusted EBITDA, EBITA, Adjusted EBITA margin	EBITDA, Adjusted EBITDA, EBITA and Adjusted EBITA as a percentage of sales
Net financial expenses	Financial income minus financial expenses including exchange rate differences related to financial assets and liabilities
Net debt	Interest-bearing debt (including pension and leasing debts) minus cash and cash equivalents
Earnings per share	Profit for the period attributable to owners of the company/average number of shares during the period
Items affecting comparability (IAC)	Items attributable to capital gains/losses, impairment, restructuring, redundancy costs and other material non-recurring items
Capital expenditures	Resources used to acquire intangible and tangible assets that are capitalised
Organic growth	Business expansion generated within the existing company excluding the impact of foreign exchange
Adjusted organic growth	Business expansion generated within the existing company excluding the impact of foreign exchange and adjusted for acquired and disposed businesses
LTM	Last 12 months

Amounts in brackets in this report refer to the corresponding period in the preceding year.

The Group's key figures are presented in EUR million, rounded off to the nearest thousand, unless otherwise stated. All individual figures (including totals and sub-totals) are rounded off to the nearest thousand. From a presentation standpoint, certain individual figures may therefore differ from the computed totals.

Polygon presents certain financial performance measures that are not defined in the interim report in accordance with IFRS. Polygon believes that these measures provide useful supplemental information to investors and the company's management evaluating trends and the company's performance. As not all companies calculate the performance measures in the same way, these are not always comparable to measures used by other companies. These performance measures should not be seen as a substitute for measures defined under IFRS.

Financial calendar 2019

This report was published on the Group's website on 8 February 2019.

Interim Report

Q1 2019 will be published on 10 May 2019

Annual Report

Annual Report 2018 will be published on 8 April 2019

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