Polygon Group

FINANCIAL INTERIM REPORT

Q1 2019

POLYGON

Always By Your Side.

Interim Report Polygon AB

January – March 2019

2019

Sales

+8%

EUR 160.0 million (148.2)

2019

Adjusted

EBITA

+2 %

EUR 10.0 million (9.8)

FIRST QUARTER 2019

- Sales grew 7.9% to EUR 160.0 million. Organic growth amounted to 3.6% and acquired growth contributed another 4.2%.
- Adjusted EBITA amounted to EUR 10.0 million, an increase of 2% compared to last year. This slower profit growth reflects planned investments in the organisation to secure future organic growth.
- As of 1 March, Polygon acquired Alvisa Holding AG (Alvisa24) in Switzerland with yearly sales of EUR 11 million.
- Lars Blecko was elected as a new member of the Board of Directors. Lucas Hendriks, Lars-Ove Håkansson and Ole Skov have resigned and Nadia Meier-Kirner was elected Chairman of the Board.
- Martin Hamner was appointed as CFO of Polygon Group effective from 1 April 2019.

GROUP KEY FIGURES

EUR million	**Q1**		**12 Months**
	2019	**2018**	**LTM**
Sales of services	**160.0**	**148.2**	**631.0**
Adjusted EBITDA	**12.8**	**12.2**	**51.0**
Adjusted EBITDA, %	*8.0*	*8.3*	*8.1*
Adjusted EBITA	**10.0**	**9.8**	**39.8**
Adjusted EBITA, %	*6.2*	*6.6*	*6.3*
EBIT	**8.1**	**6.8**	**26.7**
Operating cash flow	-2.0	-6.5	31.9
Net debt	264.6	183.6	264.6
-where of lease liability	74.7	3.4	74.7
Full-time employees	3,960	3,588	3,960

Note: 2018 figures have not been restated for the implementation of IFRS 16 Leases.

Comments from the CEO

A good start to the year

Axel Gränitz

I am pleased to report that we have had a good start to the year. Our sales increased by 7.9%, of which organic growth accounted for 3.6% and acquired growth for 4.2%. Our industry, which still consists of many small and medium-sized players and only a very few larger players, is expected to see continued long-term consolidation. This will provide us with plenty of opportunities to grow both organically and through acquisitions. As we have been investing in our organisation for future growth, adjusted EBITA came in 2% higher than last year. After several years of strong organic growth, 2019 will be a year in which we need to invest further in our structures to realise our strategic initiatives and prepare for future growth. This means that our indirect costs will be higher compared to previous years, but I am convinced these investments in our organisation will have a great payoff going forward.

Restoration is our core business. We bring valuable properties back to life. This limits the use of new materials and equipment and reduces waste. Polygon works as a local supplier in 14 countries, but also has the international strength to solve customers' problems, big or small and across borders. When a fire ravaged a factory in Italy, Polygon in Austria was given responsibility for clean-up and restoration of the production facility. Since the job demanded significant resources, the Major and Complex Claims team in Germany, Polygonvatro, was contacted. This mobile team is able to mobilise extensive manpower and support throughout Europe for damage restoration. The greatest challenge in the assignment was to restart and secure production, side by side with customer´s employees, while at the same time restoring the property. Polygon worked in two teams, one during the day and one at night, in order to minimise the disruption of operations as far as possible. Four days after the fire, parts of the factory's production were up and running and the production rate rose successively in pace with the restoration of the facility. All in all, the clean-up and restoration took five weeks to complete and required a total of 11,000 work hours. This was made possible through cross-border collaboration, our ability to respond rapidly and an immense amount of employee dedication which is the key to success for Polygon.

Polygon is the European market leader, but we are not yet number one or two in all the markets where we currently operate. We are constantly looking for interesting acquisition targets and there are several attractive markets we would like to enter. During the first quarter, we completed two small acquisitions in the Netherlands, first of which strengthened Polygon Netherlands' position in the areas of Leak Detection and Temporary Climate Solutions. The second, which will be consolidated as of the second quarter, will give us new capabilities in Document Restoration. With the acquisition of Alvisa24 in Switzerland, Polygon entered a new market. Alvisa24 is a leading company in the Swiss market for Fire Damage Restoration, with annual sales of EUR 11 million and will be a great addition to the Polygon family.I am impressed by the culture of entrepreneurship and innovative customer focus that is very similar to how we operate at Polygon.

Long-term outlook

The market for property damage control is relatively stable over time and is, by nature, characterized by a large share of annually recurring claims. A smaller share of the market is related to more extreme and less predictable events caused by weather and fire.

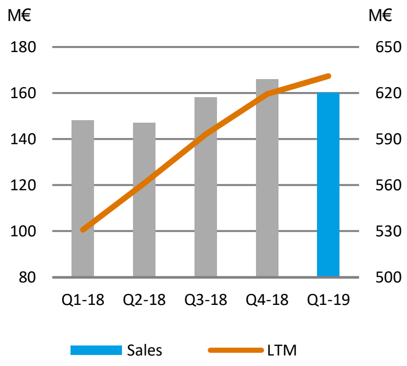
There are several trends in the property damage control market that are benefiting larger players like Polygon, such as procurement centralisation, a customer preference for one-stop shops and the more complex requirements for front-end IT systems. Climate change is gradually increasing rainfall levels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

Stockholm, 10 May 2019

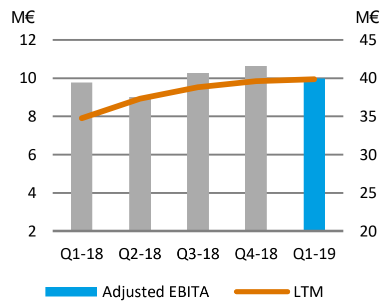
Axel Gränitz
President and CEO

Financial information

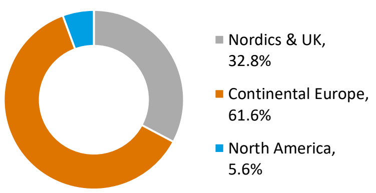
Sales development



Adjusted EBITA



Sales by segment LTM (%)



Sales and profit

Group

FIRST QUARTER 2019

Sales amounted to EUR 160.0 million, up 7.9% compared with the first quarter of 2018. Organic growth remained favourable at 3.6%. Acquisitions contributed EUR 6.2 million in sales, corresponding to growth of 4.2%.

Adjusted EBITA amounted to EUR 10.0 million (9.8). This slower profit growth reflects planned investments to strengthen the organisation in order to realise ongoing strategic initiatives and create future organic growth. Items affecting comparability were recognised in a negative amount of EUR 0.5 million (neg: 1.4), mainly consisting of acquisition-related costs (see page 11 for further details). Net financial expenses for the period amounted to EUR 3.5 million (6.9).

Tax in the period amounted to EUR 2.1 million (0.5) and was impacted by the recognition of deferred tax in the Parent Company and Polygon International AB for internal loans in foreign currencies as well as EUR and SEK amounting to EUR 1.0 million. Net profit amounted to EUR 2.5 million (loss 0.6).

ACQUISITIONS

Polygon Netherlands strengthended its regional presence through the acquisitions of Tiedema Lekdetectie BV and Tiedema Droogtechniek BV with yearly sales of EUR 1.2 million and 12 employees in January.

In March, Polygon acquired the shares of Alvisa Holding AG (Alvisa24). Alvisa24 is one of the market leaders in Switzerland, specialised in Fire Damage Restoration and Major & Complex Claims with annual sales of EUR 11 million and 67 employees. This step is in line with Polygon's ambition to become the market leader in all countries where it operates and to further expand into new geographies. The acquisition of Alvisa24 and the establishment in Switzerland are important strategic milestones for Polygon.

The total cash expenditure for acquisitions in the first quarter of 2019 was EUR 6.5 million.

CASH FLOW AND NET DEBT

The operating cash flow for the first quarter amounted to EUR negative 2.0 million (neg: 6.5) and followed the normal seasonal pattern, with a working capital increase compared with year-end 2018

Total interest-bearing net debt was EUR 264.6 million, of which EUR 74.7 million pertained to leases. The Group’s liquidity buffer amounted to EUR 57.9 million, consisting of cash and cash equivalents of EUR 22.3 million and unutilised revolving credit facility commitments of EUR 35.6 million.

Net debt consists mainly of a EUR 210.0 million bond due in 2023 with a fixed rate coupon of 4% per annum. In addition, there is a revolving credit facility amounting to EUR 40.0 million .

Segments

CONTINENTAL EUROPE

Continental Europe continued its strong performance with sales of EUR 98.7 million, representing growth of 7.1%, driven by favourable organic growth in Germany. Adjusted EBITA amounted to EUR 5.8 million (6.1).

NORDICS & UK

Nordics & UK reported sales of EUR 52.6 million, corresponding to growth of 9.2% in the quarter, driven by acquired growth in Neways (UK) and Caliber and Refix (Sweden). Adjusted EBITA increased to EUR 2.5 million (1.9).

NORTH AMERICA

North America reported sales of EUR 8.7 million, which was an increase of 9.8%. Adjusted EBITA amounted to EUR 1.1 million (0.8).

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 loss for Polygon AB for the first quarter amounted to EUR 0.8 million (loss: 5.9).

Significant risks and uncertainties

As a decentralised company with operations in 14 countries, Polygon faces internal and external risks that may impact its ability to achieve strategic objectives and financial targets. The Group is active in the property damage control business meaning work related to water damage restoration, fire damage restoration and temporary climate solutions. The general identified risks are mainly within the following categories: financial, operational, contract and assignment, IT, sustainability, governance and branding.

Polygon has a risk management process in place which is part of the Polygon Model. Successful risk mitigation creates opportunities and competitive advantages.

For further details about the Group's risks and uncertainties, please refer to the 2018 Annual Report and the prospectus prepared in connection with the 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.

Related party transactions

The Group is wholly owned by 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 completed the acquisition of the three VANWAARDE companies with total annual sales of EUR 1.7 million and 14 employees.

Consolidated income statement

EUR thousands	Q1	Q1	Full-year
	2019	2018	2018
Sales of services	159,977	148,219	619,264
Cost of sales	-121,023	-112,703	-473,277
Gross profit	**38,954**	**35,516**	**145,987**
Administrative and selling expenses	-30,278	-26,794	-113,590
Other operating expenses	-546	-1,951	-7,066
Operating profit	**8,130**	**6,771**	**25,331**
Financial items	-3,514	-6,876	-14,595
Profit/loss before income taxes	**4,616**	**-105**	**10,736**
Income taxes	-2,126	-475	-4,233
Profit/loss for the period	**2,490**	**-580**	**6,503**
Profit/loss attributable to:			
Owners of the Parent Company	2,259	-776	6,113
Non-controlling interests	231	196	390
Total	**2,490**	**-580**	**6,503**

Consolidated statement of comprehensive income

EUR thousands	Q1		Full-year
	2019	2018	2018
Profit/loss for the period	**2,490**	**-580**	**6,503**
Comprehensive income			
Items that cannot be reclassified to profit or loss			
Actuarial gains and losses on defined benefit plans	-915	-413	-208
Tax	196	91	37
Items that can be subsequently reclassified to profit or loss			
Exchange differences on transactions of foreign operations	1,705	-417	-1,081
Total comprehensive income, net of tax	**3,476**	**-1,319**	**5,251**
Total comprehensive income attributable to:			
Owners of the Parent Company	3,245	-1,515	4,861
Non-controlling interests	231	196	390
Total	**3,476**	**-1,319**	**5,251**

Consolidated balance sheet

EUR thousands	31 Mar 2019	31 Mar 2018	31 Dec 2018
ASSETS			
Non-current assets			
Goodwill	144,243	129,002	137,126
Other intangible assets	51,176	61,320	53,329
Right-of-use assets	74,040	-	-
Tangible assets	48,906	41,168	46,101
Deferred tax assets	13,604	18,234	13,375
Other financial fixed assets	1,118	839	941
Total non-current assets	**333,087**	**250,563**	**250,872**
Current assets			
Contract assets from customers	42,996	37,297	44,730
Trade receivables	97,591	86,409	92,493
Receivables from Parent Company	322	289	315
Prepaid expenses	7,363	7,440	5,476
Cash and cash equivalents	22,275	32,365	33,192
Total current assets	**170,547**	**163,800**	**176,206**
TOTAL ASSETS	**503,634**	**414,363**	**427,078**
EQUITY AND LIABILITIES			
Equity			
Issued capital	58	58	58
Other contributed capital	10,771	10,771	10,771
Other capital reserves	-90	-1,131	-1,795
Retained earnings	56,301	47,720	54,761
Equity attributable to owners of the Parent Company	**67,040**	**57,418**	**63,795**
Non-controlling interests	11,927	11,523	11,696
Total equity	**78,967**	**68,941**	**75,491**
Non-current liabilities			
Provisions	10,741	5,714	6,614
Deferred tax liabilities	19,702	20,460	18,471
Shareholder loans	6,153	5,594	6,153
Non-current interest-bearing liabilities	206,284	210,916	208,632
Non-current lease liability	53,405	-	-
Total non-current liabilities	**296,285**	**242,684**	**239,870**
Current liabilities			
Trade payables	35,385	29,577	45,550
Current lease liability	21,263	-	-
Other liabilities	28,283	33,948	27,487
Accrued expenses	43,451	39,213	38,680
Total current liabilities	**128,382**	**102,738**	**111,717**
TOTAL EQUITY AND LIABILITIES	**503,634**	**414,363**	**427,078**

Consolidated statement of cash flow

EUR thousands	Q1 2019	Q1 2018	Full-year 2018
Operating activities			
Operating profit	8,130	6,771	25,331
Adjustments for non-cash items before tax	9,824	4,867	23,912
Income tax paid	-1,071	-956	-6,313
Cash flow from operating activities before changes in working capital	**16,883**	**10,682**	**42,931**
Cash flow from changes in working capital			
Changes in operating receivables	-4,819	-3,074	-4,062
Changes in contract assets from customers	2,969	-4,895	-11,601
Changes in operating liabilities	-9,621	-7,761	3,924
Cash flow from operating activities	**5,412**	**-5,048**	**31,192**
Investing activities			
Acquisition of subsidiary, net of cash acquired	-6,472	-22,329	-34,038
Purchase of tangible assets	-4,421	-3,516	-16,288
Purchase of intangible fixed assets	-431	-379	-2,239
Sale of non-current assets	413	55	694
Cash flow from investing activities	**-10,911**	**-26,169**	**-51,871**
Cash flow before financing activities	**-5,499**	**-31,217**	**-20,679**
Cash flow from financing activities			
New borrowings	-	210,442	210,000
Dividend	-	-	8
Repayment of borrowings	-	-180,856	-181,410
Lease payment	-5,419	-	-
Net financial items received and paid	-67	-9,177	-17,066
Net cash flow from financing activities	**-5,486**	**20,409**	**11,532**
Cash flow for the period	-10,985	-10,808	-9,147
Cash and cash equivalents, opening balance	33,192	42,541	42,541
Translation difference in cash and cash equivalents	68	632	-202
Cash and cash equivalents, closing balance	**22,275**	**32,365**	**33,192**

Consolidated statement of changes in equity

EUR thousands	Attributable to owners of the Parent Company						
	Share capital	Other contributed capital	Other capital reserves	Retained earnings	Total	Non-controlling interests	Total equity
Closing balance, 31 December 2017	**58**	**10,771**	**-714**	**48,819**	**58,934**	**820**	**59,754**
New issues of shares	-	-	-	-	-	10,507	10,507
Profit/ loss for the period	-	-	-	-776	-776	196	-580
Other comprehensive income	-	-	-417	-322	-739	-	-739
Closing balance, 31 March 2018	**58**	**10,771**	**-1,131**	**47,721**	**57,419**	**11,523**	**68,941**
New issues of shares	-	-	-	-	-	-21	-21
Profit for the period	-	-	-	6,889	6,889	194	7,083
Other comprehensive income	-	-	-664	151	-513	-	-513
Closing balance, 31 December 2018	**58**	**10,771**	**-1,795**	**54,761**	**63,795**	**11,696**	**75,491**
Profit for the period	-	-	-	2,259	2,259	231	2,490
Other comprehensive income	-	-	1,705	-719	986	-	986
Closing balance, 31 March 2019	**58**	**10,771**	**-90**	**56,301**	**67,040**	**11,927**	**78,967**

Income statement, Parent Company

EUR thousands	Q1 2019	Q1 2018	Full-year 2018
Operating profit/loss	**47**	**-57**	**-720**
Result for the period	**-1,207**	**-5,900**	**-4,154**

Statement of comprehensive income, Parent Company

EUR thousands	Q1 2019	Q1 2018	Full-year 2018
Total comprehensive income	**-1,207**	**-5,900**	**-4,154**

Statement of financial position, Parent Company

EUR thousands	31 Mar 2019	31 Mar 2018	31 Dec 2018
ASSETS			
Financial fixed assets	252,671	251,109	252,287
Current assets	54,041	51,226	52,978
TOTAL ASSETS	**306,712**	**302,335**	**305,265**
EQUITY AND LIABILITIES			
Equity	92,187	91,648	93,394
Non-current interest-bearing liabilities	208,198	207,739	207,464
Current liabilities	6,327	2,948	4,407
TOTAL EQUITY AND LIABILITIES	**306,712**	**302,335**	**305,265**

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	Q1 2019	Q1 2018	Full-year 2018
Sales of services			
Nordics & UK	52,647	48,215	202,690
Continental Europe	98,682	92,107	382,717
North America	8,681	7,906	34,724
Intercompany sales	-33	-9	-867
Total	**159,977**	**148,219**	**619,264**
Adjusted EBITA			
Nordics & UK	2,513	1,883	8,388
Continental Europe	5,832	6,104	21,290
North America	1,051	836	4,373
Other	580	933	5,579
Adjusted EBITA	**9,976**	**9,756**	**39,630**

Of the sales of services above, 6.7% (6.8) of revenue is recognised at one point in time. The remainder is recognised over time.

Adjusted EBITDA and EBITA

EUR thousands	Q1		Full-year
	2019	2018	2018
Adjusted EBITDA & EBITA breakdown			
Operating profit (EBIT)	8,130	6,771	25,331
Add back depreciations	2,901	2,510	11,259
Add back amortisations	6,781	2,190	8,726
Operating profit before depreciation and amortisation(EBITDA)	**17,812**	**11,471**	**45,316**
Operational amortisations*	-5,475	-644	-2,650
Add back items affecting comparability (IAC)	501	1,415	7,720
Operating profit before depreciation and IAC (Adjusted EBITDA)	**12,838**	**12,242**	**50,386**
Operational depreciations	-2,862	-2,486	-10,756
Operating profit before amortization and IAC (Adjusted EBITA)	**9,976**	**9,756**	**39,630**

*of total amount in Q1 2019 4,875 refers to lease liability amortisation

Consolidated net debt

EUR thousands	31 Mar 2019	31 Mar 2018	31 Dec 2018
Defined benefit plans	5,894	5,032	5,188
Non-current interest-bearing liabilities	206,284	207,504	205,854
Lease liability	74,668	3,412	2,778
Cash and bank	-22,275	-32,365	-33,192
Net debt	**264,571**	**183,583**	**180,628**

Operating cash flow

EUR thousands	Q1 2019	Q1 2018	Full-year 2018
Operating cashflow breakdown			
Cash flow from operating activities	5,412	-5,048	31,192
Purchase of tangible assets	-4,421	-3,516	-16,288
Purchase of intangible fixed assets	-431	-379	-2,238
Add back items affecting comparability (IAC)	915	1,470	8,414
Lease payments less interest	-4,578	-	-
Add back Income tax paid	1,071	956	6,314
Operating cashflow	**-2,032**	**-6,517**	**27,392**

Items affecting comparability (IAC)

EUR thousands	Q1 2019	Q1 2018	Full-year 2018
Transaction costs, acquisition	-701	-30	-884
Restructuring	-58	-761	-4,231
Impairment IT systems and tangible assets	-	-	-1,921
Negative goodwill Norway	-	-	-658
Other	258	-624	-26
Total	**-501**	**-1,415**	**-7,720**

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 for currency hedging are measured at fair value, according to level 2, in compliance with IFRS 13. Other financial instruments are measured at their carrying amounts.

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 Mar 2019		31 Mar 2018		31 Dec 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Trade receivables	93,055	93,055	84,271	84,271	88,369	88,369
Other current assets	3,512	3,512	2,590	2,590	2,963	2,963
Receivables from Parent Company	322	322	289	289	315	315
Cash and cash equivalents	22,275	22,275	32,365	32,365	33,192	33,192
Total	**119,164**	**119,164**	**119,515**	**119,515**	**124,839**	**124,839**
Liabilities						
Non-current interest-bearing liabilities	208,987	212,880	211,223	214,161	208,632	212,778
Other interest-bearing liabilities	6,153	6,153	5,594	5,594	6,153	6,153
Non-current lease liability	51,682	51,682	-	-	-	-
Current lease liability	20,283	20,283	-	-	-	-
Trade payables	35,385	35,385	29,577	29,577	45,550	45,550
Other current liabilities	20,423	20,423	23,021	23,021	20,309	20,309
Accrued expenses	4,326	4,326	996	996	1,866	1,866
Total	**347,239**	**351,132**	**270,411**	**273,349**	**282,510**	**286,656**
Derivatives for hedging purposes						
Currency hedging derivatives	20	20	-307	-307	93	93
Total	**20**	**20**	**-307**	**-307**	**93**	**93**

Acquisitions of subsidiaries

At the beginning of the first quarter, Polygon Netherlands acquired Tiedema Lekdetectie BV and Tiedema Droogtechniek BV with yearly sales of EUR 1.2 million, and in March Polygon entered the Swiss market through the acquisition of Alvisa24 with yearly sales of EUR 11 million.

Company	Corp. ID. No.	Country	Closing date	Estimated annual net sales in MEUR	No of employees
Tiedema Droogtechniek B.V.	1,098,498	Netherlands	1 January 2019	0.4	4
Tiedema Lekdetectie B.V.	1,159,013	Netherlands	1 January 2019	0.8	8
Alvisa Holding AG	CHF-358.912.902	Switzerland	1 March 2019	11.0	67

The purchase price allocation displayed below includes the acquired subsidiaries above and is preliminary.

EUR thousands	**Q1**
Fair value recognised on acquisition	**2019**
Customer relationships	1,268
Acquired order backlog	7
Equipment	585
Other non-current receivables	1,377
Current receivables	1,384
Inventory	721
Total identifiable assets at fair value	**5,342**
Long-term loans and other liabilities	1,491
Current liabilities	726
Less: Cash and cash equivalents	-528
Total identifiable liabilites less cash at fair value	**1,689**
Total identifiable net assets at fair value	**3,653**
Goodwill	5,574
Purchase consideration transferred	**9,227**
Purchase consideration	
Cash paid	7,000
Liability to seller	2,227
Total consideration	**9,227**
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary	-528
Cash paid	7,000
Closing balance	**6,472**

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 2018. More detailed accounting policies can be found on pages 66-71 of the Annual Report for 2018.

IFRS 16 Leases (effective from 1 January 2019)

This standard replaces IAS 17 and introduces a single lessee accounting model requiring lessees to recognise right-of-use assets and lease liabilities for leases with a term of more than 12 months. This significantly increases the total intangible assets in the balance sheet and affects net debt and other key performance indicators in both the balance sheet and income statement. During 2018, the Group set guidelines, reviewed leases in all countries and implemented an administrative support system to support the Group with consistent calculations according to the new standard. The main leases for the Group are for premises and vehicles, with premises accounting for 60% if the total lease cost and vehicles for 40%. While leases for premises are few in number, they are more complex, and while vehicle leases are numerous, they are often standardised with good supporting administration available. The Group will apply the modified transition method using the practical expedients for contracts with a duration of less than 12 months (short-term) on the commencement date and contracts where the underlying asset is valued at less than EUR 5,000 (low-value asset). These leases are not included in the right of use or in the liability. The comparable year will not be restated. An incremental borrowing rate has been set per country to be used if contractual information regarding rate is not available. The average incremental borrowing rate on 1 January, 2019 amounted to about 5%. The transition has not had any impact on equity.

The impact in balance sheet is shown below.

EUR thousands Impact in balance sheet	Opening balance 1 January 2019	Impact IFRS 16	New opening balance 1 January 2019
Other intangible assets	53,329	-2,561	50,768
Right of use assets	-	71,687	71,687
Deferred tax receivables	13,375	-	13,375
Total impact Assets	**66,704**	**69,126**	**135,830**
Equity	75,491	-	75,491
Non-current interest bearing liabilities	208,632	-2,779	205,854
Non-current lease liabilities	-	52,201	52,201
Deferred tax liabilities	18,471	-	18,471
Current liabilities	11,696	-	11,696
Lease liability	-	19,703	19,703
Total impact Equity & Liabilities	**314,290**	**69,126**	**383,416**

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
Adjusted EBITDA	Earnings before interest, tax, acquisition-related depreciation and amortisation and items affecting comparability
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
Operational cash flow	Cash flow from operating activities excluding IAC payments and income tax paid less repayment of lease liabilities and capital expenditure
Operational amortisations	Amortisation of intangible assets not related to acquisitions
Operational depreciations	Depreciation of tangible assets not related to acquisitions
Adjusted EBITDA, Adjusted EBITA margin	Adjusted EBITDA 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 lease liabilities) minus cash and cash equivalents
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	Sales growth excluding the impact of foreign exchange and acquisitions
Acquried growth	Sales from acquired companies during their first 12 months in the Group
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 when 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.

This report has not been audited.

Financial calendar 2019

This report was published on the Group's website on 10 May 2019.

Interim Report

Q2 2019 will be published on 9 August 2019

Q3 2019 will be published on 8 November 2019

Q4 2019 will be published on 10 February 2020

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