

Interim Report Polygon AB

January - June 2018

2018

Sales

+26%

EUR 147.1 million (116.8)

2018

Adjusted

EBITA

+43%

EUR 9.0 million (6.3)

SECOND QUARTER 2018

- Sales grew 25.9% to EUR 147.1 million. Adjusted organic growth was strong at 9.9%, with Continental Europe reporting impressive growth of 14.5%. Recent acquisitions, completed in late 2017 and early 2018 contributed EUR 19.8 million in sales, corresponding to a growth of 17.0%. The stronger euro had a negative impact of 1.0%. Order intake in the quarter was up 50% on last year.
- Adjusted EBITA amounted to EUR 9.0 million (6.3), up 42.5%. Continental Europe and Nordics & UK posted improved earnings while North America reported decreased earnings due to weak performance in Canada Nordics & UK posted positive earnings of EUR 1.6 million (0.0) due to recent acquisitions.
- EBITA amounted to EUR 8.4 million (5.4). Items affecting comparability were recognized in a net amount of EUR 0.6 million (0.9) during the quarter.
- Polygon Sweden acquired the assets and liabilities of Caliber Sanering Sverige AB in order to enter into the fire damage restoration market (FDR).

JANUARY - JUNE 2018

- Sales growth for the period was 19.8% and amounted to EUR 295.3 million. Adjusted organic growth was 7.3% and acquisitions contributed growth of 13.8%. Currency rates had a negative effect of 1.3%.
- Adjusted EBITA amounted to EUR 18.7 million (14.9), up 26%. Continental Europe and Nordics & UK improved earnings while North America was in line with last year. Earnings for Nordics & UK improved over 100% due to recent acquisitions.
- EBITA amounted to EUR 16.8 million (13.9). Items affecting comparability were recognized in a net amount of EUR 2.0 million (1.0).
- Cash flow from operating activities totalled negative EUR 2.5 million, compared with positive EUR 8.3 million last year due to increased level of working capital. The liquidity buffer amounted to EUR 58.9 million (Dec 2017: 60.9).
- During the first half year, Polygon completed the acquisitions of Dansk Byggningskontrol (Denmark), Von Der Lieck (Germany), Metodia AB (Sweden, asset deal), Caliber Sanering Sverige AB (Sweden, asset deal), minority shares both in Caption Data (UK) and in four Norwegian franchisees. After the closing date, Polygon Norway acquired the remaining 80% of the shares in their franchise partners in Drammen and Kongsberg (sales EUR 3.5 million).

GROUP KEY FIGURES

EUR million	Q2		Q1-2		12 Months	
	2018	2017	2018	2017	LTM	2017
Sales of services	147.1	116.8	295.3	246.5	561.2	512.4
EBITDA	11.7	7.8	23.2	18.6	44.7	40.1
EBITDA, %	7.9	6.7	7.8	7.5	8.0	7.8
Adjusted EBITDA	12.3	8.7	25.1	19.5	48.6	43.0
Adjusted EBITDA, %	8.3	7.4	8.5	7.9	8.7	8.4
EBITA	8.4	5.4	16.8	13.9	33.0	30.1
EBITA, %	5.7	4.6	5.7	5.6	5.9	5.9
Adjusted EBITA	9.0	6.3	18.7	14.9	36.9	33.0
Adjusted EBITA, %	6.1	5.4	6.3	6.0	6.6	6.4
EBIT	6.8	4.3	13.6	11.6	27.4	25.4
EBIT, %	4.6	3.6	4.6	4.7	4.9	5.0
Earnings per share (EUR)	0.54	-0.31	0.40	0.33	1.07	1.00
Cash flow from operating activities	2.6	6.2	-2.5	8.3	29.9	40.7
Net debt	191.6	151.6	191.6	151.6	191.6	141.9
Full-time employees	3,646	2,963	3,646	2,963	3,962	3,279

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

Comments from the CEO

Q2 up slightly on already high expectations

Our second quarter is traditionally our weakest when looking at our seasonality. I am therefore pleased to note that we closed the quarter with record earnings compared to the same period previous years, actually not too far from our first quarter earnings. This indicates that we are still accelerating, as a result of high activity levels and contributions from the newly acquired businesses. Integration is progressing well, showing that our buy & build strategy through add-on acquisitions is the right focus going forward.

While our strong performance cannot be attributed to a single reason, our continued efforts to improve our planning and dispatch of technicians, combined with tight cost control were vital components of what we have internally been referring to as "Save Q2". Just four years ago, our second quarter barely broke even. On the whole, the integration of the newcomers proceeded according to our expectations. The main challenge was in Norway, where we merged two large organizations and focused on handling agreements with Polygon's franchises and partners from Skadegruppen in the best possible way. Unfortunately, we also experienced some setbacks in the Nordic countries in connection with the roll-out of our new field force system, resulting in lower productivity than planned.

We saw improvements in the later part of the quarter, with increased stability in the system for both technicians and back-office employees. Bearing this in mind, considerable progress was made in terms of offsetting these negative effects on profit and loss, and we ultimately achieved the strongest second-quarter result in the history of Polygon. For the year to date, adjusted EBITA is now up 26.1% year-on-year.

As communicated before, we slowed down our buy & build activity during the second quarter, choosing instead to focus on the integration of recently acquired companies. We are now refocusing on new opportunities and expect to see increased activity toward the end of the year. In the beginning of the third quarter, we signed an agreement to acquire 100% of our franchise partner in Drammen and Kongsberg in Norway. We expect integration to proceed as smoothly as it did for our former franchise partner, Polygon Nord, which was acquired in the third quarter of 2017.

We are continuing to work with our pipeline and are also looking for opportunities outside our current countries of operation. We have a proven ability to acquire companies as well as discipline when it comes to achieving the right timing and ensuring that we have the right people to manage the integration process.

Our strategic agenda is clear and starts with having the right people on board. With our excellent management teams, professional support staff and highly engaged field technicians I am confident that we can continue to grow our business organically, above market trends, supported by cross-border sales and digital initiatives. By pursuing these initiatives and continuing with our buy & build agenda, our financial performance will continue to develop favourably.

Short-term outlook

As in the preceding quarter, our order intake was favourable, which bodes well for the third quarter. We expect to continue to develop positively in the third quarter, with ongoing positive contributions by our recent acquisitions.

Market development

There are several trends in the property damage restoration market that are benefiting larger players like Polygon, such as procurement centralization, 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, 9 August 2018

Evert-Jan Jansen
President and CEO

The undersigned give their assurance that this interim report provides a true and fair overview of the business activities, financial position and results of the Parent Company and the Group and describes the significant risks and uncertainties to which the Parent Company and its subsidiaries are exposed.

Luc Hendriks
Chairman of Board

Petter Darin
Member of Board

Jonas Samuelson
Member of Board

Ole Skov
Member of Board

Lars Ove Håkansson
Member of Board

Nadia Meier-Kirner
Member of Board

Gunilla Andersson
Member of Board



Financial information

Sales and profit

Group

Second quarter 2018

Sales amounted to EUR 147.1 million, up 25.9% compared with the corresponding quarter in the preceding year. Adjusted organic growth was strong at 9.9% (currency effects amounted to a negative 1.0%). Organic growth was fuelled by growth in the current portfolio and by cross-border projects, mainly in the Major & Complex Claims (M&CC) area. Acquisitions, mainly in the Nordics, contributed EUR 19.8 million in sales corresponding to growth of 17.0%.

Adjusted EBITA amounted to EUR 9.0 million (6.3). Continental Europe, Nordics & UK continued to increase earnings while North America performed below last year due to a weak quarter in Canada. Developments in Nordics & UK were boosted by acquisitions. EBITA amounted to EUR 8.4 million (5.4). Items affecting comparability were recognized in an amount of EUR 0.6 million (0.9) (see page 13 for further details).

Net financial expenses for the period amounted to EUR 2.8 million (5.8), of which EUR 2.6 million (3.0) refers to net interest expenses and EUR 0.2 million to exchange rate losses (2.8). 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 and impact from exchange revaluation from internal financial loans reported in other comprehensive income.

Tax in the period amounted to EUR 0.9 million (0.2) and was primarily attributable to deferred tax adjustment due to the decision regarding change of tax rate in Sweden.

The Group posted profit before tax of EUR 4.0 million (loss: 1.6) and net profit of EUR 3.1 million (loss: 1.7).

January – June 2018

Sales amounted to EUR 295.3 million, up 19.8% compared with the corresponding quarter in the preceding year. Adjusted organic growth was 7.3% (currency effects amounted to a negative 1.3%). Organic growth was stronger in the second quarter of the year mainly due to very strong comparable sales in the first quarter of 2017. Acquisitions, mainly in the Nordics, contributed EUR 34.0 million in sales, corresponding to growth of 13.8%.

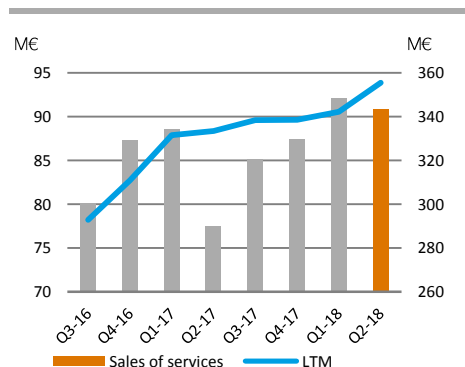
Adjusted EBITA amounted to EUR 18.7 million (14.9). Continental Europe, Nordics & UK continued to increase earnings while North America was on the same level as last year. Contribution from acquisitions was strong in the Nordic area. EBITA amounted to EUR 8.4 million (5.4). Items affecting comparability were recognized in an amount of EUR 2.0 million (1.0) and consisted mainly on acquisition-related costs (see page 13 for further details).

Net financial expenses for the period amounted to EUR 9.7 million (9.2), of which EUR 9.1 million (5.8) refers to net interest expenses and EUR 0.6 million to exchange rate losses (3.5). The increase in net interest expenses compared with the corresponding period in the preceding year is due to the issue of a new bond in March 2018 and consists of fees and other costs related to previous financing as well as overlapping financing during March. The exchange losses from internal financial loans were reported in other comprehensive income 2018.

Tax in the period amounted to EUR 1.3 million (0.5) and the decision regarding change of tax rate in Sweden had impact on deferred taxes in the Group as well as deferred tax for the Parent Company's unrealized exchange exposure in EUR.

The Group posted profit before tax of EUR 3.9 million (2.3) and net profit of EUR 2.5 million (1.9).

Continental Europe



Second quarter

- Sales amounted to EUR 90.8 million, up 17%
- Adjusted EBITA totalled EUR 5.4 million (4.7)

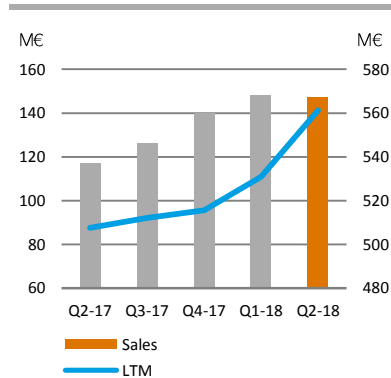
January - June

- Sales amounted to EUR 182.9 million, up 12%
- Adjusted EBITA totalled EUR 11.5 million (10.5)
- Acquisition in France and Germany consolidated from January 2018

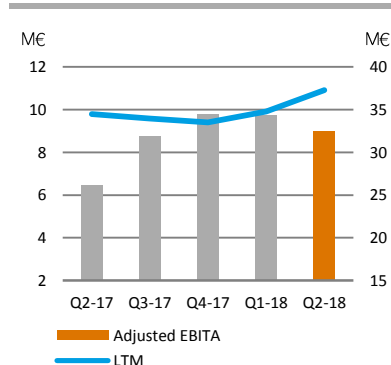
Second quarter 2018

Continental Europe continued its strong performance with sales of EUR 90.8 million representing a growth of 17.2%, of which 14.5% was organic growth excluding acquisitions in Germany and France. Germany

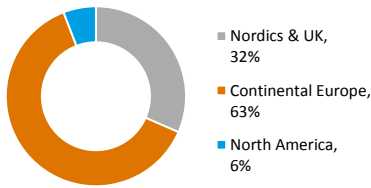
Sales development



Adjusted EBITA



Sales by segment LTM (%)

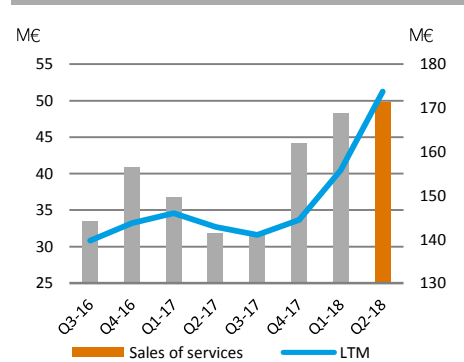


grew its portfolio and reported adjusted organic growth of 16.5%. France almost doubled its size through the acquisition in late 2017 and the Netherlands grew close to 50% through successful cross-border projects. Adjusted EBITA amounted to EUR 5.4 million (4.7), representing a margin of 5.9%, down slightly on the preceding year. France and the Netherlands reported improved adjusted EBITA margins as a result of strong sales growth. Adjusted EBITA in Germany was on par with last year.

January – June 2018

Sales amounted to EUR 182.9 million corresponding to a growth of 12.0%, of which 9.3% was adjusted organic growth. Except for Austria, all countries reported strong growth fuelled in France by the acquisition 2017. Adjusted EBITA amounted to EUR 11.5 million (10.5), representing a margin of 6.3% (6.4). France and the Netherlands reported improved adjusted EBITA margins as a result of the strong growth. Adjusted EBITA in Germany was slightly up on last year.

Nordics & UK



Second quarter

- Sales amounted to EUR 49.8 million, up 56%
- Adjusted EBITA totalled EUR 1.6 million (0.0)

January - June

- Sales amounted to EUR 98.0 million, up 44%
- Adjusted EBITA totalled EUR 3.5 million (1.7)
- Acquisitions in Denmark (January 2018) and Norway (Q4 2017)
- Two acquisitions were closed in the beginning of Q3 (former franchisees in Norway)

Second quarter 2018

Nordics & UK reported sales of EUR 49.8 million in the quarter driven by large acquisitions in Denmark (Dansk Bygningskontrol in January 2018) and Norway (Polygon Nord at the end of Q3 and Skadegruppen in Q4 2017). The UK reported growth of 12.6% in the quarter after a long period with a calm market. Sweden, Finland and Norway suffered from difficulties connected to the new field force system. Adjusted EBITA nevertheless increased from zero to EUR 1.6 million driven by acquisitions.

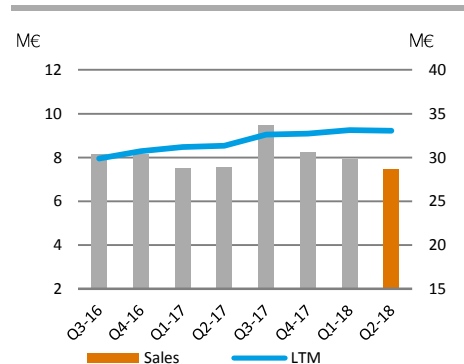
Polygon Sweden finalized an acquisition of assets and liabilities in order to enter into the FDR service line in the beginning of the quarter. The integration of Dansk Bygningskontrol in Denmark was finalized and efforts can now be focused on the market. In Norway, issues remains regarding the integration with the new system and processes, which needs to be optimized.

January – June 2018

Sales grew with 43.5% to EUR 98.0 million. Acquisitions in Denmark and Norway were the main driver behind the strong growth. Adjusted organic growth was 2.6% in the segment. UK sales were positive after a long period with negative growth due to low claim levels. Adjusted EBITA of EUR 3.5 million was more than 100% up on last year. Denmark reported a very strong increase in profitability, while Finland suffered from a slightly slower market in combination with problems connected to new systems /processes.

After the end of the quarter, Polygon Norway acquired the remainder of the shares in two franchise partners (in Drammen and Kongsberg).

North America



Second quarter

- Sales amounted to EUR 7.5 million, down 1%
- Adjusted EBITA totalled EUR 0.6 million (0.9)

January - June

- Sales amounted to EUR 15.4 million, up 3%
- Adjusted EBITA totalled EUR 1.5 million (1.4)

Second quarter 2018

North America reported sales of EUR 7.5 million, which was in line with last year. Adjusted organic growth was positive at 6.3%. The US reported double digit growth and thus continued to perform at a high level after streamlining the business in 2015. Following a good start in the first quarter, Canada had a setback with negative growth. Adjusted EBITA of EUR 0.9 million was EUR 0.3 million down on last year.

Polygon Canada added two new franchisees to its organization in Quebec, one in the Montreal West Island area and one in the Lanaudière region.

January – June 2018

Sales grew with 2.9% to EUR 15.4 million. Adjusted organic growth was 12.8% driven by the US. Canada reported sales growth of over 20% after a strong first quarter. Adjusted EBITA of EUR 1.5 million was in line with last year.

Cash flow and financing

Cash flow from operating activities for the second quarter amounted to EUR 2.6 million (6.2) and was impacted by an increase in operating receivables due to the high growth. Cash flow for the first half of 2018 was negative EUR 2.5 million (positive 8.3) and followed the normal seasonal pattern, with a working capital increase compared with year-end 2017 and working capital increase from growth in acquired companies.

Total interest-bearing net debt was EUR 191.6 million (December 2017: 141.9). The Group's liquidity buffer amounted to EUR 58.9 million (December 2017: 60.9), consisting of cash and cash equivalents of EUR 23.0 million (December 2017: 42.5) and unutilized 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 revolving credit facility (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. The total cash expenditure for acquisitions for the first half of 2018 was EUR 24.0 million.

Equity amounted to EUR 73.8 million (December 2017: 59.8).

Capital expenditure

Capital expenditure in the second quarter amounted to EUR 6.7 million (6.0) and was mainly driven by normal replacement investments and investments in Temporary Climate Solutions (TCS) equipment in the US to meet additional growth as well as in an upgrade of the fleet to meet new environmental regulations.

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 24.2% and 33.6%. The net loss for Polygon AB for the second quarter amounted to EUR 1.1 million (2.5).

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. Our 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 end of the quarter, Polygon Norway exercised the call option for the remaining 80% of the shares in the franchisees Buskerud Skadesanering AS and Kongsberg AS (in Drammen and Kongsberg).

Consolidated income statement

EUR thousands	Q2		Q1-2		Full-Year
	2018	2017	2018	2017	2017
Sales of services	147,072	116,821	295,291	246,514	512,429
Cost of sales	-112,052	-87,852	-224,755	-185,455	-385,750
Gross profit	35,020	28,969	70,536	61,059	126,679
Administrative and selling expenses	-28,042	-23,782	-54,836	-48,399	-98,072
Other operating expenses	-191	-935	-2,142	-1,082	-3,169
Operating profit	6,787	4,252	13,558	11,578	25,438
Financial income	18	28	37	64	151
Financial expenses	-2,840	-5,835	-9,734	-9,305	-17,097
Profit/loss after financial items	3,965	-1,555	3,861	2,337	8,492
Income taxes	-864	-170	-1,340	-483	-3,024
Profit/loss for the period	3,101	-1,725	2,521	1,854	5,468
Profit/loss attributable to:					
Owners of the Parent Company	3,027	-1,749	2,251	1,823	5,590
Non-controlling interests	74	24	270	31	-122
Total	3,101	-1,725	2,521	1,854	5,468

Consolidated statement of comprehensive income

EUR thousands	Q2		Q1-2		Full Year
	2018	2017	2018	2017	2017
Profit/loss for the period	3,101	-1,725	2,521	1,854	5,468
Comprehensive income					
<i>Items that cannot be reclassified to profit or loss</i>					
Actuarial gains and losses on defined benefit plans	216	188	-197	188	-222
Tax	-48	-41	43	-41	18
<i>Items that can be subsequently reclassified to profit or loss</i>					
Exchange differences on transactions of foreign operations	821	113	538	339	511
Total comprehensive income, net of tax	4,090	-1,465	2,905	2,340	5,775
Total comprehensive income attributable to:					
Owners of the Parent Company	4,016	-1,489	2,635	2,309	5,897
Non-controlling interests	74	24	270	31	-122
Total	4,090	-1,465	2,905	2,340	5,775
Number of shares	5,600	5,600	5,600	5,600	5,600
Earnings per share (EUR)	0.54	-0.31	0.40	0.33	1.00

Consolidated balance sheet

EUR thousands	30 Jun 2018	30 Jun 2017	31 Dec 2017
ASSETS			
Non-current assets			
Goodwill	130,708	103,812	110,942
Other intangible assets	59,579	44,043	41,960
Tangible assets	44,769	36,502	40,200
Deferred tax assets	17,946	23,702	16,744
Other financial fixed assets	852	3	2
Total non-current assets	253,854	208,062	209,848
Current assets			
Contract assets from customers	39,141	24,574	28,246
Trade receivables	97,230	72,839	78,676
Receivables from Parent Company	296	312	308
Prepaid expenses	6,398	5,785	5,602
Cash and cash equivalents	23,010	30,537	42,541
Total current assets	166,075	134,047	155,373
TOTAL ASSETS	419,929	342,109	365,221
EQUITY AND LIABILITIES			
Equity			
Issued capital	58	58	58
Other contributed capital	10,771	10,771	10,771
Other capital reserves	-176	-886	-714
Retained earnings	50,914	45,401	48,819
Equity attributable to owners of the Parent Company	61,567	55,344	58,934
Non-controlling interests	11,598	973	820
Total equity	73,165	56,317	59,754
Non-current liabilities			
Provisions	5,701	5,148	5,556
Deferred tax liabilities	20,451	21,781	15,806
Shareholder loans	5,594	5,085	5,594
Non-current interest-bearing liabilities	209,726	177,297	178,614
Total non-current liabilities	241,472	209,311	205,570
Current liabilities			
Provisions	3,547	913	5,065
Trade payables	36,486	29,738	35,647
Current liabilities	5,239	3,540	3,638
Other liabilities	22,074	13,784	18,864
Accrued expenses	37,946	28,506	36,683
Total current liabilities	105,292	76,481	99,897
TOTAL EQUITY AND LIABILITIES	419,929	342,109	365,221

Consolidated net debt

EUR thousands	30 Jun 2018	30 Jun 2017	31 Dec 2017
Defined benefit plans	4,886	4,824	4,988
Other long-term loans, interest-bearing	206,567	177,297	178,614
Current loans, interest-bearing	3,159	-	885
Cash and bank	-23,010	-30,537	-42,541
Net debt	191,602	151,584	141,946

Consolidated statement of cash flow

EUR thousands	Q2		Q1-2		Full-Year
	2018	2017	2018	2017	2017
Operating activities					
Operating profit	6,787	4,252	13,558	11,578	25,438
Adjustments for non-cash items before tax	6,265	2,526	11,131	5,738	8,972
Income tax paid	-725	-749	-1,681	-838	-2,961
Cash flow from operating activities before changes in working capital	12,327	6,029	23,008	16,478	31,449
Cash flow from changes in working capital					
Changes in operating receivables	-9,274	2,392	-12,348	815	564
Changes in contract assets from customers	-1,854	4,869	-6,749	9,446	9,855
Changes in operating liabilities	1,351	-7,112	-6,409	-18,457	-1,195
Cash flow from operating activities	2,550	6,178	-2,498	8,282	40,673
Investing activities					
Acquisition of subsidiary, net of cash acquired	-1,686	92	-24,015	-484	-7,108
Purchase of tangible assets	-5,730	-5,421	-9,246	-8,563	-16,925
Purchase of intangible fixed assets	-966	-596	-1,345	-1,236	-2,390
Sale of non-current assets	121	-	176	-	86
Cash flow from investing activities	-8,261	-5,925	-34,430	-10,283	-26,337
Cash flow before financing activities	-5,711	253	-36,928	-2,001	14,336
Cash flow from financing activities					
New borrowings	-	-3	210,000	-7	-
Dividend	8	-	8	-	4
Dividend to non-controlling interests	-	-119	-	-163	-163
Repayment of borrowings	-675	-	-181,090	-	-14
Financial income received	10	28	29	64	147
Financial expenses paid	-2,068	-2,432	-11,263	-4,630	-9,293
Net cash flow from financing activities	-2,725	-2,526	17,684	-4,736	-9,319
Cash flow for the period	-8,436	-2,273	-19,244	-6,737	5,017
Cash and cash equivalents, opening balance	32,365	32,258	42,541	36,585	36,585
Translation difference in cash and cash equivalents	-919	552	-287	689	939
Cash and cash equivalents, closing balance	23,010	30,537	23,010	30,537	42,541

Consolidated statement of changes in equity

EUR thousands	Attributable to owners of the Parent Company				Total	Non-controlling interests	Total equity
	Share capital	Other contributed capital	Other capital reserves	Retained earnings			
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	-	-	-	1,823	1,823	31	1,854
Other comprehensive income	-	-	339	147	486	-	486
Closing balance, 30 June 2017	58	10,771	-886	45,402	55,345	973	56,318
Profit/ loss for the period	-	-	-	3,768	3,768	-153	3,615
Other comprehensive income	-	-	172	-351	-178	-	-178
Closing balance, 31 December 2017	58	10,771	-714	48,818	58,934	820	59,754
New issues of shares	-	-	-	-	-	10,508	10,508
Profit/ loss for the period	-	-	-	2,251	2,251	270	2,521
Other comprehensive income	-	-	538	-155	383	-	383
Closing balance, 30 June 2018	58	10,771	-176	50,914	61,567	11,598	73,165

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	Q2		Q1-2		Full-Year
	2018	2017	2018	2017	2017
Sales of services					
Nordic & UK	49,772	31,820	97,987	68,283	144,053
Continental Europe	90,805	77,465	182,912	163,302	335,922
North America	7,464	7,539	15,370	14,942	32,618
Intercompany sales	-969	-3	-978	-13	-164
Total	147,072	116,821	295,291	246,514	512,429
Adjusted EBITA					
Nordic & UK	1,571	-9	3,455	1,662	5,995
Continental Europe	5,357	4,742	11,461	10,495	19,771
North America	622	919	1,458	1,441	4,293
Other	1,412	636	2,369	1,270	2,963
Adjusted EBITA	8,962	6,288	18,743	14,868	33,022
Items affecting comparability (IAC)	-567	-877	-1,982	-975	-2,908
EBITA	8,395	5,411	16,761	13,893	30,114
Amortization of acquisition-related tangible and intangible assets	-1,608	-1,158	-3,202	-2,316	-4,676
Operating profit	6,787	4,253	13,559	11,577	25,438
Net financial items	-2,822	-5,808	-9,698	-9,241	-16,946
Profit/ loss after financial items	3,965	-1,555	3,861	2,336	8,492

Of the sales of services above, 6.8% (3.1) of revenue is recognized at one point in time. The remainder is recognized over time.

Alternative performance measures

EUR thousands	Q2		Q1-2		Full-Year
	2018	2017	2018	2017	2017
Adjusted EBITDA breakdown					
Operating profit (EBIT)	6,787	4,252	13,558	11,578	25,438
Add back amortization of acquisition-related tangible and intangible assets	1,632	1,161	3,202	2,316	4,676
Operating profit before amortization (EBITA)	8,419	5,413	16,760	13,894	30,114
Add back depreciation	3,269	2,375	6,398	4,674	9,986
Operating profit before depreciation (EBITDA)	11,688	7,788	23,158	18,568	40,100
Add back items affecting comparability (IAC)	567	877	1,982	975	2,908
Operating profit before depreciation and IAC (Adjusted EBITDA)	12,255	8,665	25,140	19,543	43,008
Adjusted EBITA breakdown					
Operating profit (EBIT)	6,787	4,252	13,558	11,578	25,438
Add back amortization of acquisition-related tangible and intangible assets	1,632	1,161	3,202	2,316	4,676
Operating profit before amortization (EBITA)	8,419	5,413	16,760	13,894	30,114
Add back items affecting comparability (IAC)	567	877	1,982	975	2,908
Operating profit before amortization and IAC (Adjusted EBITA)	8,986	6,290	18,742	14,869	33,022

Income statement, Parent Company

EUR thousands	Q2		Q1-2		Full-Year
	2018	2017	2018	2017	2017
Sales of services	1 060	917	1 563	1 411	3 533
Gross profit	1 060	917	1 563	1 411	3 533
Administrative and selling expenses	-1 024	-899	-1 583	-1 394	-3 280
Other operating income/expenses	-15	-5	-16	-2	-176
Operating profit/loss	21	13	-36	15	77
Financial income	710	895	1 506	1 785	3 960
Financial expenses	-1 724	-3 249	-7 884	-6 024	-10 802
Loss before income taxes	-993	-2 341	-6 414	-4 224	-6 765
Taxes	-122	-148	-601	-124	478
Loss for the period	-1 115	-2 489	-7 015	-4 348	-6 287

Statement of comprehensive income, Parent Company

EUR thousands	Q2		Q1-2		Full-Year
	2018	2017	2018	2017	2017
Loss for the period	-1 115	-2 489	-7 015	-4 348	-6 287
Comprehensive income	-	-	-	-	-
Comprehensive income after tax	-1 115	-2 489	-7 015	-4 348	-6 287
Total comprehensive income	-1 115	-2 489	-7 015	-4 348	-6 287

Statement of financial position, Parent Company

EUR thousands	30 Jun 2018	30 Jun 2017	31 Dec 2017
ASSETS			
Non-current assets			
Participations in subsidiaries	185,902	185,902	185,902
Receivables from subsidiaries	64,668	64,198	64,283
Deferred tax assets	790	-	812
Total non-current assets	251,360	250,100	250,997
Current assets			
Receivables from Parent Company	972	312	308
Other receivables	107	207	87
Prepaid expenses	-	23	14
Receivables from subsidiaries	48,492	29,701	28,007
Total current assets	49,571	30,243	28,416
TOTAL ASSETS	300,931	280,343	279,413
EQUITY AND LIABILITIES			
Equity			
Issued capital	58	58	58
Share premium reserve	6,771	6,771	6,771
Unrestricted equity	83,704	93,338	90,719
Total equity	90,533	100,167	97,548
Non-current liabilities			
Deferred tax liabilities	1,081	303	502
Non-current interest-bearing liabilities	206,187	176,937	177,796
Total non-current liabilities	207,268	177,240	178,298
Current liabilities			
Payables to subsidiaries	35	2	-
Trade payables	120	42	53
Other current liabilities	382	374	290
Accrued expenses	2,593	2,518	3,224
Total other current liabilities	3,130	2,936	3,567
TOTAL EQUITY AND LIABILITIES	300,931	280,343	279,413

Consolidated items affecting comparability (IAC)

EUR thousands	Q2		Q1-2		Full-Year
	2018	2017	2018	2017	2017
Transaction costs, acquisition	-48	-62	-78	-155	-1,450
Restructuring	-441	-728	-1,201	-728	-4,017
Impairment IT systems and tangible assets	-	-	-	-	-588
Negative goodwill Norway	-	-	-	-	3,992
Other	-78	-87	-703	-92	-845
Total	-567	-877	-1,982	-975	-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 with 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	30 Jun 2018		30 Jun 2017		31 Dec 2017	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Trade receivables	94,610	94,610	70,537	70,537	76,570	76,570
Other current assets	2,846	2,846	2,859	2,859	2,522	2,522
Receivables from Parent Company	296	296	312	312	308	308
Cash and cash equivalents	23,010	23,010	30,537	30,537	42,541	42,541
Total	120,762	120,762	104,245	104,245	121,941	121,941
Liabilities						
Non-current interest-bearing liabilities	209,726	213,160	177,313	180,023	178,614	179,999
Other interest-bearing liabilities	5,594	5,594	5,085	5,085	5,594	5,594
Trade payables	36,486	36,486	29,738	29,738	35,647	35,647
Other current liabilities	20,572	20,572	12,921	12,921	17,641	17,641
Accrued expenses	2,225	2,225	2,077	2,077	1,900	1,900
Total	274,603	278,037	227,134	229,844	239,396	240,781
Derivatives for hedging purposes						
Currency hedging derivatives	-250	-250	-16	-16	-202	-202
Total	-250	-250	-16	-16	-202	-202

Pledged assets and contingent liabilities, Parent Company

EUR thousands	30 Jun 2018	30 Jun 2017	31 Dec 2017
Pledged assets and contingent liabilities			
Pledged assets			
Shares in subsidiaries	185,902	185,902	185,902
Total pledged assets	185,902	185,902	185,902
Contingent liabilities	None	None	None

Acquisitions of subsidiaries

At beginning of the second quarter, Polygon Sweden acquired the assets and liabilities of Caliber Sanering Sverige AB, which focuses on restorations after fire damage. In the first quarter, the Group acquired two companies in Denmark and Germany, the assets and liabilities of one company in Sweden (Metodia AB), minority shares in four franchise partners in Norway and a minority share in Caption Data in the UK. The purchase price allocation displayed below includes the acquired subsidiaries and is preliminary.

Company	Corp. ID. No.	Country	Ownership	Closing date	Estimated annual net sales	No of employees
Von Der Lieck GmbH & Co KB	HRA 6565	Germany	100.0%	2 January 2018	4	25
Dansk Bygningskontrol A/S	31 85 98 83	Denmark	66.4%	4 January 2018	29	236

EUR thousands	Q2		Q1-2		Full-Year
Fair value recognized on acquisition	2018	2017	2018	2017	2017
Customer relationships	-	-	12,883	-	-
Trademarks	-	-	551	-	-
Equipment	-	-	669	92	995
Licences	-	-	-	-	53
Other non-current receivables	-	-	3,761	-	31
Current receivables	-	-	11,555	394	6,700
Inventory	-	-	-	20	4,148
Total identifiable assets at fair value	-	-	29,419	506	11,927
Long-term loans and other liabilities	-	-	4,180	-	-
Current liabilities	-	-	7,132	498	7,661
Deferred tax liabilities	-	-	455	-	391
Less: Cash and cash equivalents	-	-	-9	-90	-3,149
Total identifiable liabilities less cash at fair value	-	-	11,758	408	4,903
Total identifiable net assets at fair value	-	-	17,661	98	7,024
Non-controlling interest measured at fair value	-	-	-8,341	-	-
Negative goodwill	-	-	-	-	-3,992
Goodwill	-	-	18,775	737	8,400
Purchase consideration transferred	-	-	28,094	835	11,432
Purchase consideration					
Cash paid	-	-	22,722	646	10,212
Takeover of debt	-	-	-	-	-
Liability to seller	-	-	5,372	189	1,220
Total consideration	-	-	28,094	835	11,432
Analysis of cash flows on acquisition:					
Net cash acquired with the subsidiary	-	-	-9	-90	-3,149
Cash paid	-	-	22,722	646	10,212
Translation difference	-	-	400	146	45
Closing balance	-	-	23,113	702	7,108

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 organizations. Polygon Sweden acquired the assets and liabilities of Metodia AB at the beginning of January. In the beginning of second quarter, Polygon Sweden acquired the assets and liabilities of Caliber Sanering Sverige AB, which focuses on restorations after fire damage.

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%).

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. After the end of the period, 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.

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. A minor adjustment was made to 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 is recognized 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 recognized in other comprehensive income. Foreign currency exchange gains (losses) and tax effects attributable to such revaluation are recognized 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 recognizing 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 are recognized over time in pace with fulfillment. Leak detection, consulting and document restoration are fulfilled at one point in time and recognized accordingly. The portfolio approach, which allows bundling of similar performance obligations for more effective handling, are 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, be recognized using the percentage of completion method on a cost base approach.

The Group apply the standard retrospectively, utilizing 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 gave a positive one-time effect of EUR 2.1 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 6.2 million less than with the application of the previous standard.

EUR thousands	Q1-2		
	Actual 2017	Restated 2017	Change
Impact in income statement			
Sales of services	252,631	246,514	-6,117
Cost of sales	-191,497	-185,455	6,041
Gross profit	61,134	61,059	-75
EBITA	13,969	13,894	-75
Operating profit (EBIT)	11,653	11,578	-75
Profit before income taxes	2,381	2,306	-75
Income taxes	-483	-483	-
Profit for the period	1,898	1,823	-75
Items impacted in balance sheet			
Work in progress	18,635	-	-18,635
Contract assets from customers	-	24,538	24,538
Equity	54,678	55,345	667
Contract liabilities	-	666	666

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 recognize 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. The initial introduction and planning of the implementation of the new standard in the Group has continued during the quarter with the drafting of guidelines, data gathering and further investigation regarding administrative support systems. The main leases for the Group are 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 standardized with good supporting administration available.

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 amortization
Adjusted EBITDA	Earnings before interest, tax, depreciation, amortization and items affecting comparability
EBITA	Earnings before interest, tax, depreciation and amortization of acquisition-related tangible and intangible assets
Adjusted EBITA	Earnings before interest, tax, depreciation and amortization 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 capitalized
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.

The definition of items affecting comparability (IAC) has been further specified to also include other material non-recurring items that have been reported.

This report has not been audited.

Financial calendar 2018

This report was published on the Group's website on 9 August 2018.

Interim Report

Q3 2018 will be published on 9 November 2018

Q4 2018 will be published on 8 February 2019

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