

Polygon Group

FINANCIAL

INTERIM

REPORT

Q2 2019



Interim Report Polygon AB

January – June 2019

SECOND QUARTER 2019

- Sales grew 7.3% to EUR 157.8 million, organic growth amounted to 0.3% and acquired growth contributed 7%. Organic growth slowed in the quarter due to weaker demand in Europe overall compared to the strong second quarter of 2018 and fewer working days in the quarter.
- Adjusted EBITA amounted to EUR 8.3 million, a decrease of 7.8% compared to last year. The quarter was affected by a negative business mix with fewer cases of water damage and Major & Complex Claims compared to 2018.
- On 1 April, Polygon Netherland acquired VanWaarde group, with annual sales of EUR 1.8 million.
- Polygon acquired The Plastic Surgeon Holding Ltd in the UK on 10 May, with annual sales of EUR 15 million.
- On 3 June, Polygon acquired Tehokuivaus Oy in Finland, with annual sales of EUR 7 million.
- Polygon signed an agreement at the end of June to acquire the shares of Nettag AG, a water and fire damage restoration company based in Switzerland. The acquisition will add sales of about EUR 4.5 million and is expected to close in August.

JANUARY - JUNE 2019

- Sales growth for the period was 7.6% and turnover amounted to EUR 317.8 million. Organic growth was 1.9% and acquired growth amounted to 5.6%.
- Adjusted EBITA amounted to EUR 18.3 million, down by 2.1%. This reflects a negative business mix and continued investments in the organisation to ensure future organic growth.
- During the first half of the year, Polygon made six acquisitions, including Nettag in Switzerland, with combined sales of approximately EUR 40 million.

GROUP KEY FIGURES					
EUR million	Q2		Q1-2		12 Months
	2019	2018	2019	2018	LTM
Sales of services	157.8	147.1	317.8	295.3	641.7
Adjusted EBITDA	11.3	11.6	24.2	23.9	50.7
<i>Adjusted EBITDA, %</i>	7.2	7.9	7.6	8.1	7.9
Adjusted EBITA	8.3	9.0	18.3	18.7	39.1
<i>Adjusted EBITA, %</i>	5.2	6.1	5.7	6.3	6.1
Operating profit (EBIT)	5.4	6.8	13.6	13.6	25.3
Operating cash flow	-3.0	-2.9	-5.1	-9.4	28.5
Net debt	295.5	191.6	295.5	191.6	295.5
-where of lease liability	74.2	3.2	74.2	3.2	74.2
Full-time employees	4,294	3,646	4,294	3,646	4,294

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

Comments from the CEO

Continued progress but weaker demand in Europe for the quarter



Axel Gränitz

We are continuing on our successful journey and benefiting from the gradual transformation of the property damage control market. We are on a long term growth track, and our decentralised Polygon Model continues to prove itself with many small improvements throughout the Group thanks to our dedicated employees who are entrusted to run local operations. The second quarter turned out to be more challenging than expected, mainly because of a strong comparative period. This is normally our weakest period of the year but last year we had a great tailwind in the second quarter due to several weather events and some larger projects, and reported 10% organic growth and more than 40% EBITA growth. Sales for this quarter increased by 7.3%, of which organic growth was 0.3% and acquired growth was 7.0%. Many markets in Europe experienced a dry spring with fewer large projects, which make it harder to grow, but we defended our market shares well. Experience also tells us to be patient until demand picks up again. Adjusted EBITA came in at EUR 8.3 million (9.0) as we continue to invest in our organisation for future growth, for example, by opening a new technical centre in Germany to service Major & Complex Claims.

We had a high level of activity on the acquisition front in the quarter. In May, we closed the acquisition of The Plastic Surgeon, in the UK, active in cosmetic surface repair, specialising in fine finishing services on a wide range of surfaces including ceramics, brick, stone and glass. Annual sales amount to EUR 15 million with healthy profitability and the company employs around 250 people, most are field based, working across the UK. This is a new niche for Polygon where we see great potential going forward. In June, the acquisition of Tehokuivaus was completed. Tehokuivaus is a traditional Polygon company with annual sales of EUR 7 million and will be a great addition to our local operations. In the quarter we also signed a deal to acquire Nettag in Switzerland that is expected to close in August. Nettag has annual sales of EUR 4.5 million and is a natural second step into the Swiss market and will complement Alvisa, which we acquired in the beginning of the year, very well. During the first half year we made acquisitions with combined sales of approximately EUR 40 million.

Polygon's success is built on the efforts of all our great employees. This is evident in every corner of the Group that I visit, it is always a great pleasure to experience what I call the Polygon spirit in real life and learn about how we continuously solve our customers' problems applying our core values of integrity, excellence and empathy. We have a long history of annual employee surveys with excellent outcomes for both employee satisfaction and commitment. At Polygon we strongly believe that empowered employees deliver results. This is proven by the high correlation between employee satisfaction, customer satisfaction and financial performance. Our continued growth is closely connected with our ability to attract talented people with a mindset to assume personal responsibility and deliver great service to our customers.

Long-term outlook

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

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

Stockholm, 9 August 2019

Axel Gränitz
President and CEO

The Board of Directors and the CEO certify that this Interim Report gives a true and fair overview of the Parent Company and the Group's operations, their financial position and results of operations, and describes significant risks and uncertainties facing the Parent Company and other companies in the Group.

Lars Blecko, Chairman of the Board

Gunilla Andersson

Nadia Meier-Kirner

Jonas Samuelson

Financial information

Group

SECOND QUARTER 2019

Sales amounted to EUR 157.8 million, up 7.3% compared with the second quarter of 2018. Organic growth amounted to 0.3%. Acquisitions contributed EUR 10.2 million in sales, corresponding to growth of 7%. Organic growth slowed in the quarter due to weaker demand in Europe overall compared to the strong second quarter of 2018 and fewer working days in the quarter.

Adjusted EBITA amounted to EUR 8.3 million (9.0). The quarter was affected by a negative business mix with fewer cases of water damage and Major & Complex Claims compared to 2018. Items affecting comparability amounted to EUR -1.4 million (-0.6), mainly comprising acquisition-related costs. Net financial expenses for the period amounted to EUR 3.5 million (2.8).

Tax for the period amounted to EUR 1.1 million (0.9). Net profit amounted to EUR 0.9 million (3.1).

JANUARY – JUNE 2019

Sales amounted to EUR 317.8 million, up 7.6 % compared with the first half year of 2018. Organic growth amounted to 1.9%, while acquired growth amounted to 5.6 %.

Adjusted EBITA amounted to EUR 18.3 million (18.7). This reflects a negative business mix and continued investments in the organisation to ensure future organic growth.

Items affecting comparability amounted to EUR -1.9 million (-2.0), mainly comprising acquisition-related costs. Net financial expenses for the period amounted to EUR 7.0 million (9.7).

Tax for the period amounted to EUR 3.2 million (1.3) and was impacted by the recognition of deferred tax of EUR 1.2 million in the Parent Company and Polygon International AB for internal loans in foreign currencies. Net profit amounted to EUR 3.4 million (2.5).

ACQUISITIONS

Polygon Netherlands strengthened its regional presence with the acquisitions of Tiedema Lekdetectie BV and Tiedema Droogtechniek BV with annual sales of EUR 1.2 million 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. In April, Polygon Netherlands acquired VanWaarde group with annual sales of EUR 1.8 million, active in the document restoration business.

In May, Polygon UK acquired The Plastic Surgeon group with annual sales of EUR 15 million. This acquisition strengthens Polygon's offering in the area of property restoration and hard surface repairs and fits perfectly with Polygon's focus on restoring rather than replacing. In June, Polygon Finland acquired Tehokuivaus OY with estimated annual sales of EUR 7 million in the area of water and fire damage restoration. Tehokuivaus is a very successful company with high customer satisfaction, quality and professional approach to damage restoration. Polygon signed an agreement at the end of June to acquire the shares of Nettag AG, a water and fire damage restoration company based in Switzerland. The acquisition will add sales of about EUR 4.5 million and is expected to close in August.

The total cash expenditure for acquisitions in the second quarter of 2019 was EUR 18.1 million and for the first half of 2019 amounted to EUR 24.5 million.

CASH FLOW AND NET DEBT

The operating cash flow for the second quarter amounted to EUR -3.0 million (-2.9) and followed the normal seasonal pattern, with a working capital increase compared with year end 2018.

The operating cash flow for the first half year amounted to EUR -5.1 million (-9.4).

Total interest-bearing net debt was EUR 295.5 million, of which EUR 74.2 million pertained to leases. The Group's liquidity buffer amounted to EUR 29.1 million.

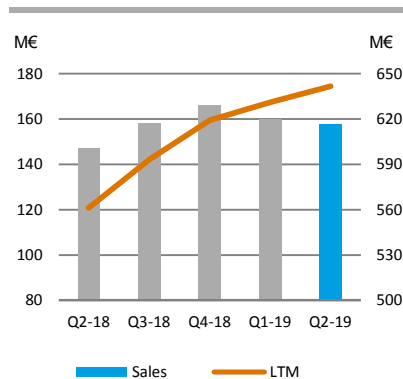
Net debt consists mainly of a EUR 210.0 million bond due in 2023 with a fixed rate coupon of 4% per annum. In addition, there is a revolving credit facility amounting to EUR 40.0 million.

Segments

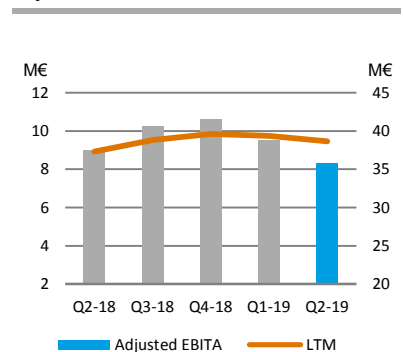
Continental Europe continued its strong performance in the second quarter of 2019 with sales of EUR 97.0 million, representing growth of 6.8%. Adjusted EBITA amounted to EUR 4.3 million (5.4). Continental Europe reported sales of EUR 195.7 million in the first half year, representing growth of 7.0%. Adjusted EBITA amounted to EUR 10.1 million (11.5).

Nordics & UK reported sales of EUR 50.3 million, corresponding to growth of 1% in the quarter. Adjusted EBITA was EUR 1.3 million (1.6). Nordics & UK reported sales of EUR 102.9 million in the first half of the year, corresponding to growth of 5.0% in the period. Adjusted EBITA amounted to EUR 3.8 million (3.5).

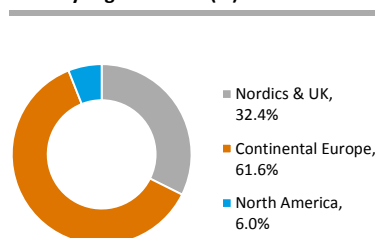
Sales development



Adjusted EBITA



Sales by segment LTM (%)



North America reported sales of EUR 10.6 million in the second quarter of 2019, up 41.5%. Adjusted EBITA amounted to EUR 1.4 million (0.6). North America reported sales of EUR 19.2 million in the first half of 2019, up 25.2% compared to 2018. Adjusted EBITA amounted to EUR 2.4 million (1.5).

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 result for Polygon AB for the second quarter amounted to EUR -1.8 million (-1.1) and for the period January-June 2019 to EUR -2.6 million (-7.0).

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.

This report has not been audited.

Subsequent events

In July, Lars Blecko was elected the new Chairman of the Board, Nadia Meier-Kirner remained on the Board as ordinary member. Petter Darin resigned from the Board.

Consolidated income statement

EUR thousands	Q2		Q1-2		Full-year
	2019	2018	2019	2018	2018
Sales of services	157,782	147,072	317,759	295,291	619,264
Cost of sales	-120,904	-112,052	-241,928	-224,755	-473,277
Gross profit	36,878	35,020	75,831	70,536	145,987
Administrative and selling expenses	-29,914	-28,042	-60,192	-54,836	-112,293
Other operating expenses	-1,523	-191	-2,068	-2,142	-8,364
Operating profit	5,441	6,787	13,571	13,558	25,331
Financial items	-3,508	-2,822	-7,022	-9,697	-14,595
Profit after financial items	1,933	3,965	6,549	3,861	10,736
Income taxes	-1,073	-864	-3,199	-1,340	-4,233
Profit for the period	860	3,101	3,350	2,521	6,503
Profit attributable to:					
Owners of the Parent Company	850	3,027	3,110	2,251	6,113
Non-controlling interests	10	74	240	270	390
Total	860	3,101	3,350	2,521	6,503

Consolidated statement of comprehensive income

EUR thousands	Q2		Q1-2		Full-year
	2019	2018	2019	2018	2018
Profit for the period	860	3,101	3,350	2,521	6,503
Comprehensive income					
<i>Items that cannot be reclassified to profit or loss</i>					
Actuarial gains and losses on defined benefit plans	-570	216	-1,485	-197	-208
Tax	122	-48	318	43	37
<i>Items that can be subsequently reclassified to profit or loss</i>					
Exchange differences on transactions of foreign operations	-1,384	821	322	538	-1,081
Total comprehensive income, net of tax	-972	4,090	2,505	2,905	5,251
Total comprehensive income attributable to:					
Owners of the Parent Company	-982	4,016	2,265	2,635	4,861
Non-controlling interests	10	74	240	270	390
Total	-972	4,090	2,505	2,905	5,251

Consolidated balance sheet

EUR thousands	30 Jun 2019	30 Jun 2018	31 Dec 2018
ASSETS			
Non-current assets			
Goodwill	161,860	130,708	137,126
Other intangible assets	53,982	59,579	53,329
Right of use assets	73,148	-	-
Tangible assets	50,784	44,769	46,101
Deferred tax assets	14,028	17,946	13,375
Other financial fixed assets	1,142	852	941
Total non-current assets	354,944	253,854	250,872
Current assets			
Contract assets from customers	39,492	39,141	44,730
Trade and other receivables	100,053	97,230	92,493
Receivables from Parent Company	325	296	315
Prepaid expenses	7,283	6,398	5,476
Cash and cash equivalents	-	23,010	33,192
Total current assets	147,153	166,075	176,206
TOTAL ASSETS	502,097	419,929	427,078
EQUITY AND LIABILITIES			
Equity			
Issued capital	58	58	58
Other contributed capital	10,771	10,771	10,771
Other capital reserves	-1,473	-176	-1,795
Retained earnings	56,704	50,914	54,761
Equity attributable to owners of the Parent Company	66,060	61,567	63,795
Non-controlling interests	11,936	11,598	11,696
Total equity	77,996	73,165	75,491
Non-current liabilities			
Provisions	11,118	5,701	6,614
Deferred tax liabilities	20,710	20,451	18,471
Shareholder loans	6,153	5,594	6,153
Non-current interest-bearing liabilities	208,554	209,726	208,632
Non-current lease liability	51,349	-	-
Total non-current liabilities	297,884	241,472	239,870
Current liabilities			
Trade payables	29,479	36,486	45,550
Current lease liability	22,830	-	-
Other liabilities	30,184	30,860	27,487
Accrued expenses	37,177	37,946	38,680
Bank overdraft	6,547	-	-
Total current liabilities	126,217	105,292	111,717
TOTAL EQUITY AND LIABILITIES	502,097	419,929	427,078

Consolidated statement of cash flow

EUR thousands	Q2		Q1-2		Full-year
	2019	2018	2019	2018	2018
Operating activities					
Operating profit	5,441	6,787	13,571	13,558	25,331
Adjustments for non-cash items before tax	10,208	6,265	19,977	11,131	23,912
Income tax paid	-1,469	-725	-2,540	-1,681	-6,313
Cash flow from operating activities before changes in working capital	14,180	12,327	31,008	23,008	42,930
Cash flow from changes in working capital					
Changes in operating receivables	1,424	-9,274	-3,395	-12,348	-4,062
Changes in contract assets from customers	3,741	-1,854	6,710	-6,749	-11,601
Changes in operating liabilities	-15,308	1,351	-24,965	-6,409	3,924
Cash flow from operating activities	4,037	2,550	9,358	-2,498	31,191
Investing activities					
Acquisition of subsidiary, net of cash acquired	-18,072	-1,686	-24,546	-24,015	-34,038
Purchase of tangible assets	-4,374	-5,730	-8,794	-9,246	-16,288
Purchase of intangible fixed assets	-652	-966	-1,083	-1,345	-2,239
Sale of non-current assets	12	121	427	176	694
Cash flow from investing activities	-23,086	-8,261	-33,996	-34,430	-51,871
Cash flow before financing activities	-19,049	-5,711	-24,638	-36,928	-20,680
Cash flow from financing activities					
New borrowings	-	-	-	210,000	210,000
Repayment of borrowings	-	-	-	-181,090	-181,410
Lease payments	-4,887	-	-9,350	-	-
Net financial items received and paid	-5,454	-2,725	-6,299	-11,226	-17,058
Net cash flow from financing activities	-10,341	-2,725	-15,649	17,684	11,532
Cash flow for the period	-29,390	-8,436	-40,287	-19,244	-9,148
Cash and cash equivalents, opening balance	22,275	32,365	33,192	42,541	42,541
Translation difference in cash and cash equivalents	568	-919	548	-287	-201
Cash and cash equivalents, closing balance	-6,547	23,010	-6,547	23,010	33,192

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 2017	58	10,771	-714	48,818	58,934	820	59,754
New issues of shares	-	-	-	-	-	10,508	10,508
Profit 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
New issues of shares	-	-	-	-	-	-21	-21
Profit for the period	-	-	-	3,862	3,862	119	3,981
Other comprehensive income	-	-	-1,619	-15	-1,634	-	-1,634
Closing balance, 31 December 2018	58	10,771	-1,795	54,761	63,795	11,696	75,491
Profit for the period	-	-	-	3,110	3,110	240	3,350
Other comprehensive income	-	-	322	-1,167	-845	-	-845
Closing balance, 30 June 2019	58	10,771	-1,473	56,704	66,060	11,936	77,996

Income statement, Parent Company

EUR thousands	Q2		Q1-2		Full-year
	2019	2018	2019	2018	
Operating profit/loss	-81	21	-34	-36	-720
Result for the period	-1,762	-1,115	-2,605	-7,015	-4,154

Statement of comprehensive income, Parent Company

EUR thousands	Q2		Q1-2		Full-year
	2019	2018	2019	2018	
Total comprehensive income	-1,762	-1,115	-2,605	-7,015	-4,154

Statement of financial position, Parent Company

EUR thousands	30 Jun 2019	30 Jun 2018	31 Dec 2018
ASSETS			
Non-current assets			
Financial fixed assets	252,684	251,360	252,287
Current assets	50,147	49,571	52,978
TOTAL ASSETS	302,831	300,931	305,265
EQUITY AND LIABILITIES			
Equity			
Issued capital	58	58	58
Share premium reserve	6,771	6,771	6,771
Unrestricted equity	83,960	83,704	86,565
Total equity	90,789	90,533	93,394
Non-current interest-bearing liabilities	208,592	207,268	207,464
Current liabilities	3,450	3,130	4,407
TOTAL EQUITY AND LIABILITIES	302,831	300,931	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	Q2		Q1-2		Full-year
	2019	2018	2019	2018	2018
Sales of services					
Nordic & UK	50,250	49,772	102,898	97,987	202,690
Continental Europe	96,970	90,805	195,652	182,912	382,717
North America	10,562	7,464	19,242	15,370	34,724
Intercompany sales	-	-969	-33	-978	-867
Total	157,782	147,072	317,759	295,291	619,264
Adjusted EBITA					
Nordic & UK	1,266	1,571	3,779	3,455	8,388
Continental Europe	4,250	5,357	10,083	11,461	21,290
North America	1,372	622	2,423	1,458	4,373
Other	1,394	1,412	1,973	2,369	5,579
Adjusted EBITA	8,282	8,962	18,258	18,743	39,630

Of the sales of services above, 6.1% (6.6) of revenue were recognised at a point in time in Q2, 6.4% (6.7) for the period Q1-Q2. The remainder is recognised over time.

Adjusted EBITDA and EBITA

EUR thousands	Q2		Q1-2		Full-year
	2019	2018	2019	2018	2018
Adjusted EBITDA & EBITA breakdown					
Operating profit (EBIT)	5,441	6,787	13,571	13,558	25,331
Add back depreciations	3,096	2,671	5,997	5,196	11,259
Add back amortisations	7,266	2,207	14,048	4,405	8,726
Operating profit before depreciation and amortisation (EBITDA)	15,803	11,665	33,616	23,159	45,316
Operational amortisations*	-5,891	-640	-11,366	-1,283	-2,650
Add back items affecting comparability (IAC)	1,426	567	1,927	1,982	7,720
Operating profit before depreciation and IAC (Adjusted EBITDA)	11,338	11,592	24,177	23,858	50,386
Operational depreciations	-3,056	-2,630	-5,919	-5,115	-10,756
Operating profit before amortization and IAC (Adjusted EBITA)	8,282	8,962	18,258	18,743	39,630

*of total amount in Q2 2019 5,232 relates to lease liability amortisation (10,106 Q1-Q2)

Consolidated net debt

EUR thousands	30 Jun 2019	30 Jun 2018	31 Dec 2018
Defined benefit plans	6,255	4,886	5,188
Non-current interest-bearing liabilities	208,554	206,567	205,854
Lease liability	74,179	3,159	2,778
Cash and bank/ bank overdraft	6,547	-23,010	-33,192
Net debt	295,535	191,602	180,628

Operating cash flow

EUR thousands	Q2		Q1-2		Full-year 2018
	2019	2018	2019	2018	
Operating cash flow breakdown					
Cash flow from operating activities	4,037	2,550	9,358	-2,498	31,191
Purchase of property, plant and equipm (net)	-4,374	-5,730	-8,794	-9,246	-16,288
Purchase of intangible fixed assets	-652	-966	-1,083	-1,345	-2,239
Add back items affecting comparability (IAC)	1,436	567	2,194	1,982	5,227
Lease payments	-4,887	-	-9,350	-	-
Operating cash flow incl income tax paid	-4,440	-3,579	-7,675	-11,107	17,891
Add back Income tax paid	1,469	725	2,540	1,681	6,313
Operating cash flow	-2,971	-2,854	-5,135	-9,426	24,204

Items affecting comparability (IAC)

EUR thousands	Q2		Q1-2		Full-year 2018
	2019	2018	2019	2018	
Transaction costs, acquisition	-1,019	-48	-1,720	-78	-884
Restructuring	-417	-442	-475	-1,201	-4,231
Impairment IT systems and tangible assets	-	-	-	-	-1,921
Negative goodwill Norway	-	-	-	-	-658
Other	10	-77	268	-703	-26
Total	-1,426	-567	-1,927	-1,982	-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 managed, 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	30 Jun 2019		30 Jun 2018		31 Dec 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Trade receivables	95,323	95,323	94,610	94,610	88,369	88,369
Other current assets	4,192	4,192	3,142	3,142	3,278	3,278
Cash and cash equivalents	-	-	23,010	23,010	33,192	33,192
Total	99,515	99,515	120,762	120,762	124,839	124,839
Liabilities						
Non-current interest-bearing liabilities	209,321	212,962	209,726	213,160	208,632	212,778
Other interest-bearing liabilities	6,153	6,153	5,594	5,594	6,153	6,153
Non-current lease liability	49,576	49,576	-	-	-	-
Current lease liability	21,822	21,822	-	-	-	-
Trade payables	29,479	29,479	36,486	36,486	45,550	45,550
Other current liabilities	22,056	22,056	20,572	20,572	20,308	20,308
Bank overdraft	6,547	6,547	-	-	-	-
Accrued expenses	2,407	2,407	2,225	2,225	1,866	1,866
Total	347,361	351,002	274,603	278,037	282,509	286,655
Derivatives for hedging purposes						
Currency hedging derivatives	-13	-13	-250	-250	93	93
Total	-13	-13	-250	-250	93	93

Acquisitions of subsidiaries

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
Vanwaarde Documentwacht B.V.	851,557,776	Netherlands	1 April 2019	0.6	5
Vanwaarde Museumwacht B.V.	821,366,026	Netherlands	1 April 2019	0.6	6
Vanwaarde Restauratie B.V.	850,412,869	Netherlands	1 April 2019	0.6	6
The Plastic Surgeon Holdings Limited	10,552,793	UK	10 May 2019	14.9	239
Tehokuivaus OY	1767199-4	Finland	3 June 2019	7.0	60

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

EUR thousands	Q1-2
Fair value recognized on acquisition	2019
Customer relationships	6,545
Trademarks	647
Acquired order backlog	1
Tangible and intangible assets	1,832
Other non-current receivables	3,517
Current receivables	6,389
Inventory	1,018
Total identifiable assets at fair value	19,949
Long-term loans and other liabilities	1,599
Current liabilities	6,423
Less: Cash and cash equivalents	-2,815
Total identifiable liabilities less cash at fair value	5,207
Total identifiable net assets at fair value	14,742
Goodwill	21,535
Purchase consideration transferred	36,277
Purchase consideration	
Cash paid	27,549
Liability to seller	8,728
Total consideration	36,277
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary	-2,815
Cash paid	27,549
Translation difference	-592
Closing balance	24,142

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 66-72 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% of 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 applies 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 is not 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 on the 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	-2,778	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 impact on the income statement is shown in the table below.

EUR thousands						
Income statement line items	Q2		Q1-2			
	Period values according to IAS 17	Impact IFRS 16	Period values according to IFRS 16	Period values according to IAS 17	Impact IFRS 16	Period values according to IFRS 16
Cost of sales	-121,127	223	-120,904	-242,272	344	-241,928
Gross profit	36,655	223	36,878	75,487	344	75,831
Administrative and selling expenses	-30,299	385	-29,914	-60,937	745	-60,192
Operating profit	4,833	608	5,441	12,482	1,089	13,571
Financial items	-2,667	-841	-3,508	-5,340	-1,682	-7,022
Profit before income taxes	2,166	-233	1,933	7,142	-593	6,549
Income taxes	-1,164	91	-1,073	-3,384	185	-3,199
Profit for the period	1,002	-142	860	3,758	-408	3,350
Adjusted EBITDA and EBITA						
Adjusted EBITDA	10,730	608	11,338	23,088	1,089	24,177
Adjusted EBITA	7,674	608	8,282	17,169	1,089	18,258

Definitions

Sales	Sales net of VAT and discounts
Organic growth	Sales growth excluding the impact of foreign exchange and acquisitions
Acquired growth	Sales from acquired companies during their first 12 months in the Group
Gross profit	Sales minus direct costs
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
Adjusted EBITDA, Adjusted EBITA margin	Adjusted EBITDA and Adjusted EBITA as a percentage of sales
Operational amortisations	Amortisation of intangible assets not related to acquisitions
Operational depreciations	Depreciation of tangible assets not related to acquisitions
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
Capital expenditures	Resources used to acquire intangible and tangible assets that are capitalised
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
LTM	Last 12 months
IFRS	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)

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.

Financial calendar 2019

This report was published on the Group's website on 9 August 2019

Interim Report

Q3 2019 will be published on 8 November 2019

Q4 2019 will be published on 10 February 2020

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