

Polygon Group

FINANCIAL INTERIM REPORT

Q3 2020

Always By Your Side.



Interim Report Polygon AB

January – September 2020

THIRD QUARTER 2020

- Sales grew 8.6% to EUR 187.9 million, organic growth amounted to 6.8% and acquired growth contributed 2.1%.
- Adjusted EBITA amounted to EUR 13.8 million, an increase of 13% compared to last year.
- Operating profit amounted to EUR 11.7 million (10.5).
- Polygon has acquired Hiotlabs in Sweden, Aretech and Hydrotech in France, UTG in Luxembourg and Recotech in Italy.
- For the third quarter 2020, the impact of the covid-19 outbreak has been limited for the Group.

JANUARY – SEPTEMBER 2020

- Sales grew 11.3% to EUR 546.4 million, organic growth amounted to 7.6% and acquired growth contributed 4.4%.
- Adjusted EBITA amounted to EUR 35.7 million, an increase of 17% compared to last year.
- Operating profit amounted to EUR 30.7 million (24.1).
- In March, Polygon acquired the remaining shares of Polygon A/S in Denmark.

GROUP KEY FIGURES

EUR million	Q3		Q1–3		12 Months
	2020	2019	2020	2019	LTM
Sales of services	187.9	173.0	546.4	490.7	732.7
Adjusted EBITDA	24.5	21.8	67.5	57.3	91.4
<i>Adjusted EBITDA, %</i>	<i>13.1</i>	<i>12.6</i>	<i>12.3</i>	<i>11.7</i>	<i>12.5</i>
Adjusted EBITA	13.8	12.2	35.7	30.5	49.5
<i>Adjusted EBITA, %</i>	<i>7.3</i>	<i>7.1</i>	<i>6.5</i>	<i>6.2</i>	<i>6.8</i>
Operating profit (EBIT)	11.7	10.5	30.7	24.1	40.9
Operating cash flow	6.3	16.9	35.4	12.0	55.5
Net debt	290.9	286.9	290.9	286.9	
- of which lease liability	83.3	79.6	83.3	79.6	
Full-time employees	4,744	4,361	4,744	4,361	

Comments from the CEO

Continued strong performance in uncertain times



Axel Gränitz

I am proud to report that we succeeded in delivering another great quarter in these uncertain times that we currently live in. Our sales for the quarter amounted to EUR 187.9 million or an increase of 8.6% compared to last year, of which organic growth was 6.8% and acquired growth was 2.1%. Sales were less impacted by local governmental restrictions and changed behaviour at insurance companies. Temporary lay-offs decreased steadily over the quarter and ended at a low level. We are almost back to normal but a second wave of corona virus may of course bring further restrictions for us to overcome in our daily service deliveries. A positive sign from the US is that we have won a large project in our Temporary Climate Solutions (TCS) business where we deliver very specific humidity level at several manufacturing sites, which quickly had to start new production with specific conditions. TCS is a service line with many opportunities to deliver new solutions that create added value for existing customers and reaches new customers. Looking at our overall sales performance for the year it is clear that we continue to gain market share in several markets due to the trust our customers have in our ability to deliver. Our year to date organic growth of 7.6% is a solid proof of that.

Adjusted EBITA for the quarter came in at EUR 13.8 million or 13% higher than last year. Sales growth and improved operational efficiency were the main drivers of the improvement. Continental Europe and North America & Asia reported a strong performance. Adjusted EBITA has year to date increased by 17% compared to last year which means that we are continuing to build on our strong platform in Europe where we are the undisputed market leader.

Polygon has now turned 10 years old. The Group was founded in 2010 through an acquisition of a small service division owned by a large manufacturing company. After some initial restructuring to close down unprofitable parts of the business, assigning a clear focus on the core business and moving to a decentralised management model, our growth journey started. Now ten years later we have tripled in size and increased profitability even more. I am already looking forward to the next ten years to see what it will bring. We can certainly see many opportunities in driving further consolidation in our industry and moving to the next level as the global expert in property damage control.

We are continuing to seek out attractive acquisition targets. During the quarter we entered two new markets, Italy and Luxembourg, and we strengthened our presence in France and our offering in damage prevention through an acquisition in Sweden. M&A markets have started to open up and we have quite a few ongoing discussions that are likely to materialise in the near future and the pipeline is building up.

Sustainability is a very important topic for us as it is very much part of everything we do. We address it through a programme that we call "Our responsibility" that covers Environmental, Social and Governance. This time I would like to focus on the Environmental part. Restoration is our core business, we bring valuable property back to life. This limits the use of new materials and equipment and reduces waste. But we also have a clear ambition to grow in damage prevention using new technology where we see potential to reduce total damage costs. The property damage restoration part of the total damage costs for European insurance companies is only about 20%. With better prevention the restoration part is likely to grow even if the total damage costs go down. Last year we entered into an environmentally friendly segment covering hard surface repair, which is a business that saves costs and resources on every repair we do. This is definitely a business with great potential going forward. We are working on the sustainability agenda closely together with our customers, this partnership is a strength and enables us to make a difference.

Long-term outlook

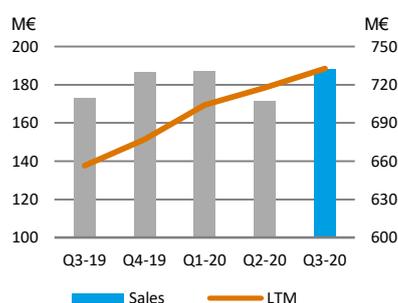
Markets for property damage control are growing slowly over time and are relatively stable by nature, attributable to a large share of annually recurring claims. A smaller part is related to more extreme and less predictable events caused by weather and fire.

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

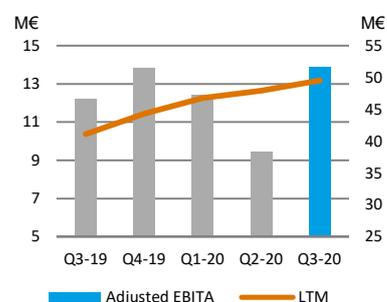
Stockholm, 9 November 2020

Axel Gränitz
President and CEO

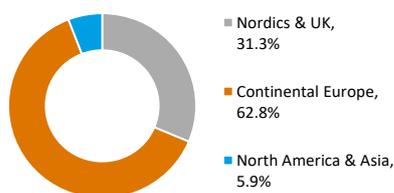
Sales development



Adjusted EBITA



Sales by segment LTM (%)



Financial information

Group

THIRD QUARTER 2020

Sales amounted to EUR 187.9 million, up 8.6% compared with the third quarter of 2019. Organic growth totalled 6.8%. Acquisitions contributed EUR 3.6 million in sales, corresponding to growth of 2.1%. Organic growth was driven by a continued sales growth with the main insurance customers.

Adjusted EBITA amounted to EUR 13.8 million (12.2). Both existing and acquired companies continued to perform at a high level. Items affecting comparability (IAC) amounted to EUR -0.9 million (-0.2). Net financial expenses for the period totalled EUR 4.8 million (4.3). Tax expense for the period amounted to EUR 1.9 million (0.9). Net profit totalled EUR 4.9 million (5.3).

JANUARY – SEPTEMBER 2020

Sales amounted to EUR 546.4 million, up 11.3 % compared with the same period of 2019. Organic growth amounted to 7.6%, while acquired growth amounted to 4.4 %.

Adjusted EBITA amounted to EUR 35.7 million (30.5). Government grants reduced the cost for employees temporary laid off.

Items affecting comparability amounted to EUR -1.1 million (-2.2), mainly comprising restructuring and acquisition-related costs. Net financial expenses for the period amounted to EUR 12.9 million (11.3).

Tax for the period amounted to EUR 5.4 million (4.1). Net profit amounted to EUR 12.3 million (8.7).

ACQUISITIONS

In January, Polygon Sweden completed the acquisition of Saneringsfirman Hedbergs AB with annual sales of EUR 2.5 million and 30 employees. In March the remaining shares in Polygon A/S in Denmark were acquired.

In the second quarter Polygon signed agreements to acquire Hiotlabs in Sweden, Aretch and Hydrotech in France and UTG in Luxembourg. The acquisitions were closed in the third quarter and will add annual sales of EUR 7 million and 75 employees.

In the third quarter Recotech in Italy was acquired and this acquisition will add annual net sales of EUR 5 million and 40 employees.

The total cash expenditure for acquisitions amounted to EUR 5.8 million (2.0) for the third quarter of 2020 and EUR 24.3 million (26.5) for the first nine months 2020. The main part of the amount relates to the acquisition of the remaining 33.6 % of shares in Denmark.

CASH FLOW AND NET DEBT

The operating cash flow for the third quarter amounted to EUR 6.3 million (16.9). The operating cash flow for the first nine months amounted to EUR 35.4 million (12.0) and was helped by temporary covid-19 support measures from local governments and improved collection of accounts receivable.

Total interest-bearing net debt was EUR 290.9 million (286.9), of which EUR 83.3 million (79.6) pertained to leases. The Group's liquidity buffer amounted to EUR 81.2 million. Net debt consists mainly of a EUR 250.0 million bond due in 2023 with a fixed rate coupon of 4% per annum, after a tap issue in December 2019 of EUR 40 million. In addition, there is a revolving credit facility amounting to EUR 40.0 million.

Segments

Continental Europe continued its strong performance in the third quarter of 2020 with sales of EUR 120.9 million, representing growth of 13.3%. Adjusted EBITA amounted to EUR 8.4 million (7.6). Continental Europe reported sales of EUR 349.2 million in the first nine months, representing growth of 15.5%. Adjusted EBITA amounted to EUR 24.6 million (21.6).

Nordics & UK reported sales of EUR 52.8 million (59.8). Adjusted EBITA was EUR 4.7 million (5.5). Nordics & UK reported sales of EUR 163.2 million (162.7) in the first nine months of the year. Adjusted EBITA amounted to EUR 11.8 million (11.8).

North America & Asia reported sales of EUR 14.1 million in the third quarter of 2020, up 61.5%. Adjusted EBITA amounted to EUR 3.3 million (1.4). North America reported sales of EUR 33.8 million in the first nine months of 2020, representing growth of 21.1%. Adjusted EBITA amounted to EUR 6.3 million (4.0).

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. The net result for Polygon AB for the third quarter amounted to EUR 2.4 million (-1.7) and for the period January-September 2020 to EUR -4.2 million (-4.3).

Significant risks and uncertainties

As a decentralised company with operations in 16 countries, Polygon faces internal and external risks that may impact its ability to achieve its 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. 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 2019 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) as well as the latest investor presentation released in connection with the issue of EUR 40,000,000 under the same terms and conditions (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 apart from the covid-19 situation, which is changing rapidly and involves a high level of uncertainty.

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. and this company is under the controlling influence of Triton Fund III. 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

On 6 November Polygon acquired Renovo in Austria. Renovo has annual sales of EUR 9 million and 65 employees.

Consolidated income statement in summary

EUR thousands	Q3		Q1-3		Full-year
	2020	2019	2020	2019	2019
Sales of services	187,922	172,961	546,356	490,720	677,080
Cost of sales	-143,397	-131,879	-420,416	-373,807	-514,650
Gross profit	44,525	41,082	125,940	116,913	162,430
Administrative and selling expenses	-32,839	-30,559	-95,281	-93,087	-128,519
Operating profit	11,686	10,523	30,660	24,094	34,318
Financial items	-4,845	-4,293	-12,942	-11,315	-17,720
Profit after financial items	6,841	6,230	17,718	12,778	16,598
Income taxes	-1,923	-907	-5,443	-4,106	-6,084
Profit for the period	4,918	5,323	12,275	8,672	10,514
Profit attributable to:					
Owners of the Parent Company	4,918	5,824	12,075	8,933	9,803
Non-controlling interests	-	-501	200	-261	711
Total	4,918	5,323	12,275	8,672	10,514

Consolidated statement of comprehensive income

EUR thousands	Q3		Q1-3		Full-year
	2020	2019	2020	2019	2019
Profit for the period	4,918	5,323	12,275	8,672	10,514
Comprehensive income					
<i>Items that cannot be reclassified to profit or loss</i>					
Actuarial gains and losses on defined benefit plans	6	-907	-819	-2,392	-1,632
Tax	-1	194	175	512	340
<i>Items that can be subsequently reclassified to profit or loss</i>					
Exchange differences on transactions of foreign operations	-1,398	2,272	-3,551	2,594	3,691
Total comprehensive income, net of tax	3,525	6,881	8,080	9,386	12,913
Total comprehensive income attributable to:					
Owners of the Parent Company	3,525	7,383	7,880	9,647	12,202
Non-controlling interests	-	-501	200	-261	711
Total	3,525	6,882	8,080	9,386	12,913

Consolidated balance sheet

EUR thousands	30 Sep 2020	30 Sep 2019	31 Dec 2019
ASSETS			
Non-current assets			
Goodwill	171,357	163,012	165,459
Right-of use assets	80,412	78,140	80,530
Other intangible assets	54,426	52,925	57,215
Tangible assets	55,014	52,487	52,713
Deferred tax assets	14,893	14,808	14,434
Other financial fixed assets	559	1,031	1,086
Total non-current assets	376,661	362,403	371,437
Current assets			
Contract assets from customers	45,374	42,272	45,857
Trade and other receivables	105,790	101,828	102,203
Receivables from Parent Company	366	323	332
Prepaid expenses	6,528	6,833	7,020
Cash and cash equivalents	46,567	5,558	50,612
Total current assets	204,625	156,814	206,024
TOTAL ASSETS	581,286	519,217	577,461
EQUITY AND LIABILITIES			
Equity			
Issued capital	58	58	58
Other contributed capital	10,771	10,771	10,771
Other capital reserves	-2,992	281	1,896
Retained earnings	72,383	61,815	64,120
Equity attributable to owners of the Parent Company	80,220	72,925	76,845
Non-controlling interests	-	11,435	11,890
Total equity	80,220	84,360	88,735
Non-current liabilities			
Provisions	18,971	14,425	16,025
Deferred tax liabilities	21,082	20,808	21,279
Shareholder loans	6,438	6,153	6,438
Non-current interest-bearing liabilities	246,969	205,954	246,481
Non-current lease liability	57,382	54,612	57,589
Total non-current liabilities	350,842	301,952	347,812
Current liabilities			
Trade payables	32,527	33,599	43,219
Current lease liability	25,932	24,975	24,761
Other liabilities	37,826	32,498	32,139
Accrued expenses	53,939	41,833	40,795
Total current liabilities	150,224	132,905	140,914
TOTAL EQUITY AND LIABILITIES	581,286	519,217	577,461

Consolidated statement of cash flow

EUR thousands	Q3		Q1-3		Full-year 2019
	2020	2019	2020	2019	
Operating activities					
Operating profit	11,686	10,523	30,660	24,094	34,318
Adjustments for non-cash items before tax	11,408	11,523	34,294	31,502	41,790
Income tax paid	-1,003	-903	-2,762	-3,443	-4,890
Cash flow from operating activities before changes in working capital	22,091	21,143	62,192	52,152	71,218
Cash flow from changes in working capital					
Changes in operating receivables	-4,665	-329	-1,115	-3,724	-3,259
Changes in contract assets from customers	-4,595	-2,701	-11	4,010	965
Changes in operating liabilities	2,552	7,225	3,403	-17,740	-6,808
Cash flow from operating activities	15,383	25,338	64,469	34,698	62,116
Investing activities					
Acquisition of subsidiary, net of cash acquired	-5,768	-1,954	-24,311	-26,500	-32,583
Purchase of tangible assets	-4,064	-3,850	-13,175	-12,645	-16,423
Purchase of intangible fixed assets	-1,190	-327	-2,552	-1,410	-2,367
Sale of non-current assets	85	6	167	435	979
Cash flow from investing activities	-10,937	-6,125	-39,871	-40,120	-50,394
Cash flow before financing activities	4,446	19,213	24,598	-5,422	11,722
Cash flow from financing activities					
New borrowings	-	-	-	-	40,000
Lease payments	-6,360	-5,359	-18,886	-14,542	-20,460
Net financial items received and paid	-1,257	-1,250	-9,103	-7,522	-13,706
Net cash flow from financing activities	-7,617	-6,609	-27,989	-22,064	5,834
Cash flow for the period	-3,171	12,604	-3,391	-27,486	17,556
Cash and cash equivalents, opening balance	49,927	-6,547	50,612	33,192	33,192
Translation difference in cash and cash equivalents	-189	-75	-654	-149	-136
Cash and cash equivalents, closing balance	46,567	5,558	46,567	5,558	50,612

Consolidated statement of changes in equity

EUR thousands	Attributable to owners of the Parent Company					non-controlling interests	Total equity
	Share capital	Other contributed capital	Other capital reserves	Retained earnings	Total		
Closing balance, 31 December 2018	58	10,771	-1,796	54,761	63,795	11,696	75,491
Other changes	-	-	-	517	517	-517	-
Profit for the period	-	-	-	8,417	8,417	256	8,672
Other comprehensive income	-	-	2,077	-1,880	197	-	197
Closing balance, 30 September 2019	58	10,771	281	61,815	72,925	11,435	84,360
Shareholder's contribution	-	-	-	329	329	-	329
Profit for the period	-	-	-	1,388	1,388	455	1,843
Other comprehensive income	-	-	1,615	589	2,204	-	2,204
Closing balance, 31 December 2019	58	10,771	1,896	64,120	76,845	11,890	88,735
Acquisition of non-controlling interests	-	-	-	-3,168	-3,168	-12,090	-15,258
Profit for the period	-	-	-	12,075	12,075	200	12,275
Other comprehensive income	-	-	-4,888	-644	-5,532	-	-5,532
Closing balance, 30 September 2020	58	10,771	-2,992	72,383	80,220	-	80,220

In March 2020 the Group acquired the remaining 33.6% shares of Polygon A/S in Denmark. Cash consideration of EUR 13.8 million was paid to the non-controlling shareholders. The carrying amount was EUR 11.9 million and the difference of EUR 1.9 million was recognised in retained earnings. Additional 1.3 million was paid in second quarter, amount recognised directly in equity.

Income statement, Parent Company

EUR thousands	Q3		Q1-3		Full-year	
	2020	2019	2020	2019	2019	2019
Sales of services	912	716	2,644	2,986	4,055	
Gross profit	912	716	2,644	2,986	4,055	
Administrative and selling expenses	-875	-981	-2,655	-2,937	-4,220	
Other operating income/expenses	-111	151	-455	-197	-208	
Operating Profit/loss	-74	-114	-466	-148	-373	
Profit from shares in group companies	4,830	-	4,830	-	-	
Financial items	2,733	-1,949	-3,579	-4,105	-5,516	
Loss after financial items	7,489	-2,063	785	-4,334	-5,889	
Group contribution received	-4,830	-	-4,830	253	9,253	
Result before income taxes	2,659	-2,063	-4,045	-4,000	3,364	
Taxes	-269	369	-105	-299	-1,759	
Result for the period	2,390	-1,694	-4,150	-4,299	1,605	
Total comprehensive income	2,390	-1,694	-4,150	-4,299	1,605	

Balance sheet, Parent Company

EUR thousands	30 Sep 2020	30 Sep 2019	31 Dec 2019
ASSETS			
Non-current assets			
Financial fixed assets	267,741	268,342	271,706
Current assets	73,629	34,933	76,135
TOTAL ASSETS	341,370	303,275	347,841
EQUITY AND LIABILITIES			
Equity			
Issued capital	58	58	58
Share premium reserve	6,771	6,771	6,771
Unrestricted equity	79,519	82,266	88,499
Total equity	86,348	89,095	95,328
Non-current interest-bearing liabilities	248,603	208,962	248,196
Current liabilities	6,419	5,218	4,317
TOTAL EQUITY AND LIABILITIES	341,370	303,275	347,841

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. Adjusted EBITA distribution between the segments has been changed and the previous year has been restated accordingly.

EUR thousands	Q3		Q1-3		Full-year
	2020	2019	2020	2019	2019
Sales of services					
Nordics & UK	52,805	59,850	163,164	162,748	229,340
Water damage restoration	25,501	30,525	79,649	91,018	126,225
Fire damage restoration	25,962	27,557	77,691	65,256	94,335
Climate control	1,342	1,768	5,824	6,474	8,780
Continental Europe	120,930	106,699	349,215	302,351	414,635
Water damage restoration	62,089	54,065	178,127	149,110	208,246
Fire damage restoration	57,224	51,154	165,031	146,643	197,135
Climate control	1,617	1,480	6,057	6,598	9,254
North America & Asia	14,051	8,698	33,843	27,940	37,074
Water damage restoration	2,421	1,355	5,539	7,001	8,374
Fire damage restoration	340	233	959	428	770
Climate control	11,290	7,110	27,345	20,511	27,930
Intercompany sales	134	-2,286	134	-2,319	-3,969
Total	187,922	172,961	546,356	490,720	677,080
Adjusted EBITA					
Nordics & UK	4,685	5,535	11,819	11,764	19,007
Continental Europe	8,446	7,596	24,644	21,598	29,387
North America & Asia	3,286	1,372	6,298	3,994	5,259
Other	-2,627	-2,258	-7,054	-6,853	-9,315
Adjusted EBITA	13,790	12,245	35,707	30,503	44,338
Point in time for revenue recognition					
Nordics & UK					
Revenue recognised at one point in time	1,813	2,125	6,225	9,467	11,043
Revenue recognised over time	48,369	54,446	146,581	141,985	202,966
Revenue recognised according to practical exemption at invoicing	2,624	3,279	10,358	11,296	15,331
Continental Europe					
Revenue recognised at one point in time	7,672	6,226	21,137	19,098	25,987
Revenue recognised over time	111,641	98,993	322,021	276,655	379,394
Revenue recognised according to practical exemption at invoicing	1,617	1,480	6,057	6,598	9,254
North America & Asia					
Revenue recognised at one point in time	1	14	28	48	68
Revenue recognised over time	2,760	1,574	6,470	7,381	9,076
Revenue recognised according to practical exemption at invoicing	11,290	7,110	27,345	20,511	27,930
Intercompany sales	135	-2,286	134	-2,319	-3,969
Total	187,922	172,961	546,356	490,720	677,080

Adjusted EBITDA and EBITA

EUR thousands	Q3		Q1-3		Full-year
	2020	2019	2020	2019	2019
Adjusted EBITDA and EBITA breakdown					
Operating profit (EBIT)	11,686	10,523	30,660	24,093	34,318
Add back depreciations	3,474	3,260	10,167	9,257	12,489
Add back amortisations	8,511	7,748	25,569	21,797	30,716
Operating profit before depreciation and amortisation (EBITDA)	23,671	21,531	66,396	55,147	77,523
Add back items affecting comparability (IAC)	868	234	1,070	2,161	3,756
Operating profit before depreciation and IAC (Adjusted EBITDA)	24,539	21,765	67,466	57,308	81,279
Operational depreciations	-3,417	-3,222	-10,042	-9,141	-12,333
Operational amortisations	-7,332	-6,298	-21,717	-17,664	-24,608
Operating profit before amortisation and IAC (Adjusted EBITA)	13,790	12,245	35,707	30,503	44,338

Consolidated net debt

EUR thousands	30 Sep 2020	30 Sep 2019	31 Dec 2019
Defined benefit plans		7,163	6,893
Non-current interest-bearing liabilities		246,963	205,954
Lease liability		83,314	79,587
Cash and bank		-46,567	-5,558
Net debt	290,873	286,876	284,752

Operating cash flow

EUR thousands	Q3		Q1-3		Full-year
	2020	2019	2020	2019	2019
Operating cash flow breakdown					
Cash flow from operating activities	15,383	25,338	64,469	34,698	62,116
Purchase of tangible assets (net)	-4,064	-3,850	-13,175	-12,645	-16,423
Purchase of intangible fixed assets	-1,190	-327	-2,552	-1,410	-2,367
Sale of fixed assets	85	-	167	435	813
Add back cash-related part of items affecting comparability (IAC)	1,413	234	2,593	1,993	3,350
Lease payments	-6,360	-5,359	-18,886	-14,542	-20,460
Operating cash flow incl income tax paid	5,267	16,036	32,616	8,429	27,029
Add back income tax paid	1,003	903	2,762	3,443	4,890
Operating cash flow	6,270	16,939	35,378	11,972	31,919

Items affecting comparability (IAC)

EUR thousands	Q3		Q1-3		Full-year
	2020	2019	2020	2019	2019
Acquisition-related items	-562	-116	-324	-1,836	-2,935
Restructuring	-420	-118	-420	-593	-435
Other, net	114	-	-326	268	-386
Total	-868	-234	-1,070	-2,161	-3,756

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 Sep 2020		30 Sep 2019		31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Trade receivables	100,640	100,640	97,533	97,533	97,837	97,837
Other current assets	5,186	5,186	4,059	4,059	4,558	4,558
Cash and cash equivalents	46,567	46,567	5,558	5,558	50,612	50,612
Total	152,393	152,393	107,150	107,150	153,007	153,007
Liabilities						
Non-current interest-bearing liabilities	257,619	261,056	205,954	209,243	255,031	258,756
Shareholder loans	6,438	6,438	6,153	6,153	6,438	6,438
Non-current lease liability	57,382	57,382	54,612	54,612	57,589	57,589
Current lease liability	25,932	25,932	24,975	24,975	24,761	24,761
Trade payables	32,527	32,527	33,599	33,599	43,219	43,219
Other current liabilities	27,632	27,632	18,976	18,976	23,735	23,735
Accrued expenses	5,207	5,207	4,932	4,932	2,376	2,376
Total	412,737	416,174	349,201	352,490	413,149	416,874
Derivatives for hedging purposes						
Currency hedging derivatives	-	-	-18	-18	-3	-3
Total	-	-	-18	-18	-3	-3

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 2019. More detailed accounting policies can be found on pages 65-71 of the 2019 Annual Report.

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, 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 margin, 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 acquisitions, 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 2020

This report was published on the Group's website on 9 November 2020

Interim Report Q4 2020 will be published on 10 February 2021

Annual Report 2020 will be published 29 April 2021.

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