Polygon Group

FINANCIAL INTERIM REPORT

Q2 2020

Always By Your Side.

Interim Report Polygon AB

January – June 2020

SECOND QUARTER 2020

- Sales grew 8.6% to EUR 171.3 million, organic growth amounted to 6.3% and acquired growth contributed 3.8%.
- Adjusted EBITA amounted to EUR 9.5 million, an increase of 15% compared to last year.
- Operating profit amounted to EUR 8.4 million (5.4).
- Polygon has signed agreements to acquire Hiotlabs in Sweden, Aretech and Hydrotech in France, and UTG in Luxembourg.
- For the second quarter 2020, the impact of the covid-19 outbreak has been limited for the Group.

JANUARY – JUNE 2020

- Sales grew 12.7% to EUR 358.4 million, organic growth amounted to 8.0% and acquired growth contributed 5.8%.
- Adjusted EBITA amounted to EUR 21.9 million, an increase of 20% compared to last year.
- Operating profit amounted to EUR 19.0 million (13.6).
- In March, Polygon acquired the remaining shares of Polygon A/S in Denmark.

GROUP KEY FIGURES

EUR million	**Q2**		**Q1–2**		**12 Months**
	2020	**2019**	**2020**	**2019**	**LTM**
Sales of services	171.3	157.8	358.4	317.8	717.8
Adjusted EBITDA	**20.1**	**17.2**	**42.9**	**35.5**	**88.7**
Adjusted EBITDA, %	*11.7*	*10.9*	*12.0*	*11.2*	*12.4*
Adjusted EBITA	**9.5**	**8.3**	**21.9**	**18.3**	**48.0**
Adjusted EBITA, %	*5.6*	*5.2*	*6.1*	*5.7*	*6.7*
Operating profit (EBIT)	**8.4**	**5.4**	**19.0**	**13.6**	**39.7**
Operating cash flow	29.5	-3.0	29.1	-5.2	66.4
Net debt	288.1	295.5	288.1	295.5	
- of which lease liability	84.4	74.2	84.4	74.2	
Full-time employees	4,657	4,294	4,657	4,294	

Comments from the CEO

Great performance in an exceptional quarter

Axel Gränitz

I am proud to report that we managed to deliver another great quarter, despite the exceptional circumstances during the corona outbreak. Our sales amounted to EUR 171.3 million, an increase of 8.6% compared to last year, of which organic growth was 6.3% and acquired growth was 3.8%. Sales were negatively impacted by local governmental restrictions and changed behaviour at insurance companies, which led to temporary lay-offs of approximately 10% of our workforce. We saw a clear recovery at the end of the quarter but expect to continue to fight the effects of corona in the third quarter as well. We won a couple of major projects during the quarter that helped our performance, and we estimate that we have gained market shares in several markets during the crisis due to the trust our customers have in our ability to deliver. Our year-to-date organic growth of 8% is good proof of that.

Adjusted EBITA came in at EUR 9.5 million, or 15% higher than last year. Organic growth and improved operational efficiency were the main drivers of the improvement. This is, in my mind, a fantastic performance, given the challenges we faced during the quarter with much uncertainty following the corona outbreak and local lockdowns. Our decentralised business model has yet again shown its strength when many decisions had to be made quickly to adapt to local circumstances. We put a lot of trust in our people and it is great to see how our organisation has handled the crisis with both difficult decisions and a great fighting spirit. Our industry is, overall, relatively resilient to business swings due to the "must have" character of our services, but this time we also had to fight new factors such as customers being afraid to let us in and insurance companies delaying projects and offering more cash settlements. Adjusted EBITA to date this year has increased by 20% compared to this time last year, which means that we are continuing to build a stronger platform in Europe, where we are the undisputed market leader.

During the crisis, we have continued to look for attractive acquisition targets. Polygon is a market leader in Europe and has a market share of around 10%. We are not yet number one or two in all the markets where we currently operate and there are several attractive markets where we would like to enter. M&A markets were heavily affected by the uncertainty from the corona outbreak, which delayed several of our ongoing projects. In May we signed an agreement to acquire Hiotlabs, a Swedish company offering market-leading technology solutions based on the Internet of Things and machine learning. The solutions consist of sensors and a software platform that detects and prevents water damage in buildings. This has great potential to develop our market position in property damage prevention. In France we acquired Hydrotech and Aretech, which are active in the Rhône-Alpes and Auvergne region and focus on, respectively, leak detection and major and complex claims. These acquisitions will add 55 employees to the French organisation and a turnover of around EUR 5 million. Around the quarter end we also signed agreements to enter into two new countries that will be important for further developing our European platform. UTG in Luxembourg is a growing entrepreneurial company focused on fire damage restoration and asbestos removal, with 15 employees and annual sales of about EUR 1.5 million. Recotech in Italy is a property damage restoration company specialized in water and fire damage restoration and major and complex claims with annual sales of EUR 5 million and around 40 employees. Recotech is present in the northern part of Italy and has a highly motivated and knowledgeable management team which will be a great base for our future growth in the region.

As a leading company, it is always important to improve and innovate in our daily business. We were recognised for our efforts and were recently nominated as the most innovative company in our industry in Germany for our customer-oriented digital solutions. We are working in three digital focus areas: Digitalized operations for internal efficiency and cost reductions, Customer-facing digitalization for more efficient customer service and Digitally enabled business models for new service line offerings. These areas will be important for becoming even more competitive and for fuelling future growth.

Long-term outlook

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

There are several trends in property damage control markets that benefit larger players like Polygon, such as procurement centralization, 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, 10 August 2020

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.

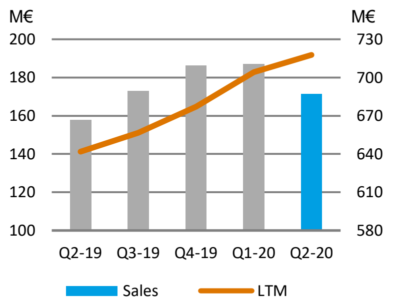
Lars Blecko

Chairman of the Board

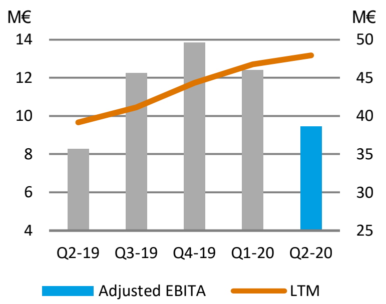
Gunilla Andersson Board member	Evert Jan Jansen Board member
Nadia Meier-Kimer Board member	Jonas Samuelson Board member

Axel Gränitz
President and CEO

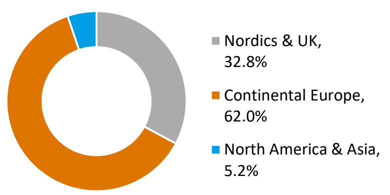
Sales development



Adjusted EBITA



Sales by segment LTM (%)



Financial information

Group

SECOND QUARTER 2020

Sales amounted to EUR 171.3 million, up 8.6% compared with the second quarter of 2019. Organic growth totalled 6.3%. Acquisitions contributed EUR 5.9 million in sales, corresponding to growth of 3.8%. Organic growth was driven by a combination of continued growth with the main insurance customers and several Major & Complex Claim projects.

Adjusted EBITA amounted to EUR 9.5 million (8.3). Both existing and acquired companies continued to perform at a high level. Government grants reduced the costs for employees temporary laid off. Items affecting comparability (IAC) amounted to EUR 0.3 million (-1.4). Net financial expenses for the period totalled EUR 4.1 million (3.5). Tax expense for the period amounted to EUR 1.2 million (1.1). Net profit totalled EUR 3.1 million (0.9).

JANUARY – JUNE 2020

Sales amounted to EUR 358.4 million, up 12.8 % compared with the first half year of 2019. Organic growth amounted to 8.0%, while acquired growth amounted to 5.8 %.

Adjusted EBITA amounted to EUR 21.9 million (18.3).

Items affecting comparability amounted to EUR -0.2 million (-1.9), mainly comprising acquisition-related costs. Net financial expenses for the period amounted to EUR 8.1 million (6.8).

Tax for the period amounted to EUR 3.5 million (3.2). Net profit amounted to EUR 7.4 million (3.4).

ACQUISITIONS

In January, Polygon Sweden completed the acquisitions 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 has signed agreements to acquire Hiotlabs in Sweden, Aretech and Hydrotech in France and UTG in Luxembourg. Those acquisions are expected to be closed in the third quarter. Those acquisitions add annual sales of EUR 7 million and 75 employees.

The total cash expenditure for acquisitions amounted to EUR 3.1 million (18.1) for the second quarter of 2020 and EUR 18.5 million (24.5) for the first half year 2020. Main part of the amount relates to acquisition of the remaining 33.6 % of shares in Denmark.

CASH FLOW AND NET DEBT

The operating cash flow for the second quarter amounted to EUR 29.5 million (-3.0) and was helped by temporary covid-19 support measures from local governments and improved collection of accounts receivable. The operating cash flow for the first half year amounted to EUR 29.1 million (-5.1).

Total interest-bearing net debt was EUR 288.1 million (295.5), of which EUR 84.4 million (74.2) pertained to leases. The Group's liquidity buffer amounted to EUR 85.4 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 second quarter of 2020 with sales of EUR 110.0 million, representing growth of 13.5%. Adjusted EBITA amounted to EUR 6.5 million (6.2). Continental Europe reported sales of EUR 228.3 million in the first half year, representing growth of 16.7%. Adjusted EBITA amounted to EUR 16.2 million (14.0).

Nordics & UK reported sales of EUR 50.5 million (50.3). Adjusted EBITA was EUR 2.6 million (2.4). Nordics & UK reported sales of EUR 110.4 million in the first halv of the year, corresponding to growth of 7.2% in the period. Adjusted EBITA amounted to EUR 7.1 million (6.2).

North America & Asia reported sales of EUR 10.8 million in the second quarter of 2020, up 2.5%. Adjusted EBITA amounted to EUR 2.1 million (1.8). North America reported sales of EUR 19.8 million in the first half of 2020 (19.2). Adjusted EBITA amounted to EUR 3.0 million (2.8).

Parent Company

The consolidated figures in this report are presented at the consolidated level for Polygon AB. The Parent Company, Polygon AB (corporate identity number 556816-5855), directly and indirectly holds 100% of the shares in all subsidiaries in the Group. The net result for Polygon AB for the second quarter amounted to EUR -0.3 million (-1.8) and for the period January-June 2020 to EUR -6.5 million (-2.6).

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 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 July 1st Polygon has signed an agreement to acquire Recotech in Italy. Recotech has annual sales of EUR 5 million and 40 employees. The acquisition will be closed in the third quarter.

Consolidated income statement in summary

EUR thousands	Q2		Q1–2		Full-year
	2020	2019	2020	2019	2019
Sales of services	171 334	157 782	358 435	317 759	677 080
Cost of sales	-133 275	-120 904	-277 019	-241 928	-514 650
Gross profit	**38 059**	**36 878**	**81 416**	**75 831**	**162 430**
Administrative and selling expenses	-27 711	-29 914	-59 883	-60 192	-123 522
Other operating expenses	-1 920	-1 523	-2 560	-2 068	-4 590
Operating profit	**8 428**	**5 441**	**18 973**	**13 571**	**34 318**
Financial items	-4 103	-3 508	-8 097	-7 022	-17 720
Profit after financial items	**4 325**	**1 933**	**10 876**	**6 549**	**16 598**
Income taxes	-1 201	-1 073	-3 519	-3 199	-6 084
Profit for the period	**3 124**	**860**	**7 357**	**3 350**	**10 514**
Profit attributable to:					
Owners of the Parent Company	3 124	850	7 158	3 110	9 803
Non-controlling interests	-	10	199	240	711
Total	**3 124**	**860**	**7 357**	**3 350**	**10 514**

Consolidated statement of comprehensive income

EUR thousands	Q2		Q1–2		Full-year
	2020	2019	2020	2019	2019
Profit for the period	**3,124**	**860**	**7,357**	**3,350**	**10,514**
Comprehensive income					
Items that cannot be reclassified to profit or loss					
Actuarial gains and losses on defined benefit plans	-510	-570	-825	-1,485	-1,632
Tax	109	122	176	318	340
Items that can be subsequently reclassified to profit or loss					
Exchange differences on transactions of foreign operations	3,243	-1,384	-2,240	322	3,691
Total comprehensive income, net of tax	**5,966**	**-972**	**4,468**	**2,505**	**12,913**
Total comprehensive income attributable to:					
Owners of the Parent Company	5,966	-982	4,269	2,265	12,202
Non-controlling interests	-	10	199	240	711
Total	**5,966**	**-972**	**4,468**	**2,505**	**12,913**

Consolidated balance sheet

EUR thousands	30 Jun 2020	30 Jun 2019	31 Dec 2019
ASSETS			
Non-current assets			
Goodwill	166,483	161,860	165,459
Right-of use assets	81,987	73,148	80,530
Other intangible assets	54,433	53,982	57,215
Tangible assets	54,534	50,784	52,713
Deferred tax assets	14,725	14,028	14,434
Other financial fixed assets	583	1,142	1,086
Total non-current assets	**372,745**	**354,944**	**371,437**
Current assets			
Contract assets from customers	40,472	39,492	45,857
Trade and other receivables	97,550	100,053	102,203
Receivables from Parent Company	356	325	332
Prepaid expenses	6,926	7,283	7,020
Cash and cash equivalents	49,927	-	50,612
Total current assets	**195,231**	**147,153**	**206,024**
TOTAL ASSETS	**567,976**	**502,097**	**577,461**
EQUITY AND LIABILITIES			
Equity			
Issued capital	58	58	58
Other contributed capital	10,771	10,771	10,771
Other capital reserves	-344	-1,473	1,896
Retained earnings	67,661	56,704	64,120
Equity attributable to owners of the Parent Company	**78,146**	**66,060**	**76,845**
Non-controlling interests	-	11,936	11,890
Total equity	**78,146**	**77,996**	**88,735**
Non-current liabilities			
Provisions	16,705	11,118	16,025
Deferred tax liabilities	20,380	20,710	21,279
Shareholder loans	6,438	6,153	6,438
Non-current interest-bearing liabilities	246,441	208,554	246,481
Non-current lease liability	58,071	51,349	57,589
Total non-current liabilities	**348,035**	**297,884**	**347,812**
Current liabilities			
Trade payables	30,208	29,479	43,219
Current lease liability	26,283	22,830	24,761
Other liabilities	39,782	30,184	32,139
Accrued expenses	45,522	37,177	40,795
Bank overdraft	-	6,547	-
Total current liabilities	**141,795**	**126,217**	**140,914**
TOTAL EQUITY AND LIABILITIES	**567,976**	**502,097**	**577,461**

Consolidated statement of cash flow

EUR thousands	Q2		Q1–2		Full-year
	2020	2019	2020	2019	2019
Operating activities					
Operating profit	8,428	5,441	18,973	13,571	34,318
Adjustments for non-cash items before tax	11,092	10,208	22,887	19,977	41,790
Income tax paid	4	-1,469	-1,759	-2,540	-4,890
Cash flow from operating activities before changes in working capital	**19,524**	**14,180**	**40,101**	**30,008**	**71,218**
Cash flow from changes in working capital					
Changes in operating receivables	7,416	1,424	3,550	-3,395	-3,259
Changes in contract assets from customers	5,421	3,741	4,584	6,710	965
Changes in operating liabilities	6,800	-15,308	850	-24,965	-6,808
Cash flow from operating activities	**39,161**	**4,037**	**49,085**	**9,358**	**62,116**
Investing activities					
Acquisition of subsidiary, net of cash acquired	-3,076	-18,072	-18,543	-24,546	-32,583
Purchase of tangible assets	-3,285	-4,374	-9,112	-8,794	-16,423
Purchase of intangible fixed assets	-825	-652	-1,361	-1,083	-2,367
Sale of non-current assets	67	12	82	427	979
Cash flow from investing activities	**-7,119**	**-23,086**	**-28,934**	**-33,996**	**-50,394**
Cash flow before financing activities	**32,042**	**-19,049**	**20,151**	**-24,638**	**11,722**
Cash flow from financing activities					
New borrowings	-	-	-	-	40,000
Lease payments	-6,257	-4,887	-12,526	-9,350	-20,460
Net financial items received and paid	-6,422	-5,454	-7,854	-6,299	-13,706
Net cash flow from financing activities	**-12,679**	**-10,341**	**-20,380**	**-15,649**	**5,834**
Cash flow for the period	**19,363**	**-29,390**	**-229**	**-40,287**	**17,556**
Cash and cash equivalents, opening balance	30,739	22,275	50,612	33,192	33,192
Translation difference in cash and cash equivalents	-175	568	-456	548	-136
Cash and cash equivalents, closing balance	**49,927**	**-6,547**	**49,927**	**-6,547**	**50,612**

Consolidated statement of changes in equity

EUR thousands	Attributable to owners of the Parent Company						
	Share capital	Other contributed capital	Other capital reserves	Retained earnings	Total	Non-controlling interests	Total equity
Closing balance, 31 December 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**	**-1,474**	**56,704**	**66,060**	**11,936**	**77,996**
Other changes	-	-	-	517	517	-517	-
Shareholder´s contribution	-	-	-	329	329	-	329
Profit for the period	-	-	-	6,695	6,695	471	7,166
Other comprehensive income	-	-	3,370	-124	3,246	-	3,246
Closing balance, 31 December 2019	**58**	**10,771**	**1,896**	**64,120**	**76,845**	**11,890**	**88,735**
Acquisition of non-controlling interests	-	-	-	-3,167	-3,167	-12,089	-15,256
Profit for the period	-	-	-	7,158	7,158	199	7,357
Other comprehensive income	-	-	-2,240	-649	-2,889	-	-2,889
Closing balance, 30 June 2020	**58**	**10,771**	**-344**	**67,661**	**78,146**	**-**	**78,146**

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	Q2		Q1–2		Full-year
	2020	2019	2020	2019	2019
Sales of services	807	542	1,732	2,270	4,055
Gross profit	**807**	**542**	**1,732**	**2,270**	**4,055**
Administrative and selling expenses	-947	-295	-1,776	-1,966	-4,220
Other operating income/expenses	-216	-328	-348	-338	-208
Operating Profit/loss	**-356**	**-81**	**-392**	**-34**	**-373**
Financial items	-931	-1,414	-6,312	-2,156	-5,516
Loss after financial items	**-1,287**	**-1,495**	**-6,704**	**-2,190**	**-5,889**
Group contribution received	-	253	-	253	9,253
Result before income taxes	**-1,287**	**-1,242**	**-6,704**	**-1,937**	**3,364**
Taxes	974	-520	164	-668	-1,759
Result for the period	**-313**	**-1,762**	**-6,540**	**-2,605**	**1,605**
Total comprehensive income	**-313**	**-1,762**	**-6,540**	**-2,605**	**1,605**

Balance sheet, Parent Company

EUR thousands	30 Jun 2020	30 Jun 2019	31 Dec 2019
ASSETS			
Non-current assets			
Financial fixed assets	269,753	252,684	271,706
Current assets	71,096	50,147	76,135
TOTAL ASSETS	**340,849**	**302,831**	**347,841**
EQUITY AND LIABILITIES			
Equity			
Issued capital	58	58	58
Share premium reserve	6,771	6,771	6,771
Unrestricted equity	81,959	83,960	88,499
Total equity	**88,788**	**90,789**	**95,328**
Non-current interest-bearing liabilities	248,043	208,592	248,196
Current liabilities	4,018	3,450	4,317
TOTAL EQUITY AND LIABILITIES	**340,849**	**302,831**	**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	Q2		Q1–2		Full-year
	2020	2019	2020	2019	2019
Sales of services					
Nordics & UK	50,470	50,250	110,358	102,898	229,340
Water damage restoration	26,209	25,932	54,147	60,493	126,225
Fire damage restoration	22,571	22,305	51,729	37,699	94,335
Climate control	1,690	2,013	4,482	4,706	8,780
Continental Europe	110,035	96,970	228,285	195,652	414,635
Water damage restoration	55,185	47,101	116,038	95,045	208,246
Fire damage restoration	53,093	47,812	107,807	95,489	197,135
Climate control	1,757	2,057	4,440	5,118	9,254
North America & Asia	10,829	10,562	19,792	19,242	37,074
Water damage restoration	1,389	3,423	3,118	5,646	8,374
Fire damage restoration	272	143	619	195	770
Climate control	9,168	6,996	16,055	13,401	27,930
Intercompany sales	-	-	-	-33	-3,969
Total	**171,334**	**157,782**	**358,435**	**317,759**	**677,080**
Adjusted EBITA					
Nordics & UK	2,636	2,408	7,134	6,228	19,007
Continental Europe	6,469	6,222	16,197	14,003	29,387
North America & Asia	2,194	1,795	3,012	2,805	5,259
Other	-1,788	-2,143	-4,426	-4,778	-9,315
Adjusted EBITA	**9,511**	**8,282**	**21,917**	**18,258**	**44,338**

EUR thousands	Q2		Q1–2		Full-year
	2020	2019	2020	2019	2019
Point in time for revenue recognition					
Nordics & UK	50,470	50,250	110,358	102,898	229,340
Revenue recognised at one point in time	2,558	3,298	4,412	7,342	11,043
Revenue recognised over time	44,648	43,320	98,212	87,539	202,966
Revenue recognised according to practical exemption at invoicing	3,264	3,632	7,734	8,017	15,331
Continental Europe	110,035	96,970	228,285	195,652	414,635
Revenue recognised at one point in time	6,502	6,270	13,465	12,872	25,987
Revenue recognised over time	101,776	88,643	210,380	177,662	379,394
Revenue recognised according to practical exemption at invoicing	1,757	2,057	4,440	5,118	9,254
North America & Asia	10,829	10,562	19,792	19,242	37,074
Revenue recognised at one point in time	14	21	27	34	68
Revenue recognised over time	1,647	3,545	3,710	5,807	9,076
Revenue recognised according to practical exemption at invoicing	9,168	6,996	16,055	13,401	27,930
Intercompany sales	-	-	-	-33	-3,969
Total	**171,334**	**157,782**	**358,435**	**317,759**	**677,080**

Adjusted EBITDA and EBITA

EUR thousands	Q2		Q1–2		Full-year
	2020	2019	2020	2019	2019
Adjusted EBITDA and EBITA breakdown					
Operating profit (EBIT)	8 428	5 441	18 973	13 571	34 318
Add back depreciations	3 410	3 097	6 693	5 997	12 489
Add back amortisations	8 550	7 266	17 058	14 048	30 716
Operating profit before depreciation and amortisation (EBITDA)	**20 388**	**15 803**	**42 724**	**33 616**	**77 523**
Add back items affecting comparability (IAC)	-313	1 426	202	1 927	3 756
Operating profit before depreciation and IAC (Adjusted EBITDA)	**20 075**	**17 230**	**42 926**	**35 543**	**81 279**
Operational depreciations	-3 368	-3 056	-6 624	-5 919	-12 333
Operational amortisations	-7 196	-5 891	-14 385	-11 366	-24 608
Operating profit before amortisation and IAC (Adjusted EBITA)	**9 511**	**8 282**	**21 917**	**18 258**	**44 338**

Consolidated net debt

EUR thousands	30 Jun 2020	30 Jun 2019	31 Dec 2019
Defined benefit plans	7,222	6,255	6,536
Non-current interest-bearing liabilities	246,433	208,554	246,481
Lease liability	84,355	74,179	82,346
Cash and bank	-49,927	6,547	-50,612
Net debt	**288,083**	**295,535**	**284,752**

Operating cash flow

EUR thousands	Q2		Q1–2		Full-year
	2020	2019	2020	2019	2019
Operating cash flow breakdown					
Cash flow from operating activities	39 161	4 037	49 085	9 358	62 116
Purchase of tangible assets (net)	-3 285	-4 374	-9 112	-8 794	-16 423
Purchase of intangible fixed assets	-825	-652	-1 361	-1 083	-2 367
Sale of fixed assets	67	12	82	427	813
Add back cash-related part of items affecting comparability (IAC)	666	1 436	1 181	2 194	3 350
Lease payments	-6 257	-4 887	-12 526	-9 350	-20 460
Operating cash flow incl income tax paid	**29 527**	**-4 428**	**27 349**	**-7 248**	**27 029**
Add back income tax paid	-4	1 469	1 759	2 540	4 890
Operating cash flow	**29 523**	**-2 959**	**29 108**	**-4 708**	**31 918**

Items affecting comparability (IAC)

EUR thousands	Q2		Q1–2		Full-year
	2020	2019	2020	2019	2019
Acquisition-related items	614	-1,019	237	-1,720	-2,935
Restructuring	-	-417	-	-475	-435
Other, net	-301	10	-392	268	-386
Total	**313**	**-1,426**	**-155**	**-1,927**	**-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 Jun 2020		30 Jun 2019		31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Trade receivables	92 825	92 825	95 323	95 323	97 837	97 837
Other current assets	4 769	4 769	4 192	4 192	4 558	4 558
Cash and cash equivalents	49 927	49 927	-	-	50 612	50 612
Total	**147 521**	**147 523**	**99 515**	**99 515**	**153 007**	**153 007**
Liabilities						
Non-current interest-bearing liabilities	255 006	258 753	209 321	212 962	255 031	258 756
Shareholder loans	6 438	6 438	6 153	6 153	6 438	6 438
Non-current lease liability	58 071	58 071	49 576	49 576	57 589	57 589
Current lease liability	26 283	26 283	21 822	21 822	24 761	24 761
Trade payables	30 208	30 208	29 479	29 479	43 219	43 219
Other current liabilities	31 030	31 030	22 056	22 056	23 735	23 735
Bank overdraft	-	-	6 547	6 547	-	-
Accrued expenses	2 544	2 544	2 407	2 407	2 376	2 376
Total	**409 580**	**413 327**	**347 361**	**351 002**	**413 149**	**416 874**
Derivatives for hedging purposes						
Currency hedging derivatives	-	-	-13	-13	-3	-3
Total	**-**	**-**	**-13**	**-13**	**-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 10 August 2020

Interim Report Q3 2020 will be published on 9 November 2020

Interim Report Q4 2020 will be published on 10 February 2021

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