



Interim Report Polygon AB

January - December 2017

FOURTH QUARTER 2017

- Sales grew by 3.6% to EUR 141.2 million. Adjusted organic growth was slightly below last year at 2.0%. Recurring jobs coming from an increased share of wallet have, to a large extent, compensated for last year's extraordinary high level of jobs caused by extreme weather. Acquisitions in Norway and Sweden (Skadegruppen, Polygon Nord and Villaklimat) have contributed by EUR 9.1 million in sales.
- Adjusted EBITA amounted to EUR 9.8 million (10.2). Adjusted EBITA in the Nordics & UK was at a similar level as last year after measures carried out to turn around the negative development in earlier quarters.
- EBITA was EUR 8.2 million (9.1). Items affecting comparability were booked in a net amount of EUR 1.6 million (1.1) in the quarter, and consisted mainly of items related to acquisitions (transaction, restructuring costs and negative goodwill).
- The acquisitions of Bretagne Assèchement, Bretagne Assèchement Nord and Normandie Assistance, with total annual sales of EUR 5 million, were closed at the end of the quarter. The acquisitions of Dansk Bygningskontrol A/S (Denmark) and Von Der Lieck GmbH & Co (Germany) were closed in January 2018.

JANUARY - DECEMBER 2017

- Sales growth for the period was 6.9% and amounted to EUR 518.8 million. Continental Europe was the driver, with growth of 8.9% and amounted to EUR 27.8 million. Adjusted organic growth was 5.7%. The industry claims level was below last year's level.
- Adjusted EBITA amounted to EUR 33.5 million (32.1), an increase of 4.4%. Development in Continental Europe and North America was strong while the Nordic area was weak in the first nine months of the year. The adjusted EBITA margin was 6.5% (6.6%).
- EBITA was EUR 30.6 million (30.3). Items affecting comparability were booked in an amount of EUR 2.9 million (1.8).
- Cash flow from operating activities was EUR 40.7 million (33.2). The liquidity buffer amounted to EUR 60.9 million (46.4).
- Four add-on acquisitions were closed and consolidated during the period (Sweden, Norway and France). Two acquisitions were closed in January 2018 (Dansk Bygningskontrol and Von Der Lieck). Combined pro forma sales for the six acquisitions amounted to approximately EUR 65 million.
- The Board of Directors was further strengthened with the appointment of Nadia Meier-Kirner in February and with Gunilla Andersson in December. Group management was extended to support M&A and process improvement.

GROUP KEY FIGURES

EUR million	Q4		Full Year	
	2017	2016	2017	2016
Sales of services	141.2	136.3	518.8	485.3
EBITDA	11.0	11.4	40.6	39.6
EBITDA, %	7.8%	8.4%	7.8%	8.2%
Adjusted EBITDA	12.6	12.5	43.5	41.4
Adjusted EBITDA, %	8.9%	9.2%	8.4%	8.5%
EBITA	8.2	9.1	30.6	30.3
EBITA, %	5.8%	6.7%	5.9%	6.2%
Adjusted EBITA	9.8	10.2	33.5	32.1
Adjusted EBITA, %	6.9%	7.5%	6.5%	6.6%
EBIT	7.0	7.9	25.9	25.1
EBIT, %	5.0%	5.8%	5.0%	5.2%
Earnings per share (EUR)	0.34	0.21	1.06	1.83
Cash flow from operating activities	22.3	18.0	40.7	33.2
Net debt	141.9	144.6	141.9	144.6
Full time employees	3,279	2,909	3,279	2,909

2017

Sales

+7%

518.8 million (485.3)

2017

Adjusted EBITA

+4%

33.5 million (32.1)

Comments from the CEO

Strong organic growth following exceptional development in previous year

I am particularly pleased with our ability to replace the supplemental volumes from last year's extreme weather events in Central Europe with a larger share of recurring business from our existing customers. In fact, we have grown faster than anticipated, even if organic sales in Q4 were slightly below last year, which was boosted by the summer floods. In 2017 we managed to grow faster than the European property damage restoration market, which we expect to increase by 1-3% annually. The driving force behind this performance is improved service delivery, which is confirmed by a high net performance score (NPS) from our end customers. Continued investments in the development of our employees, coupled with the implementation of an improved field management system and strict quality control processes, are clearly paying off. Polygon is also benefitting from having a higher than benchmark employee engagement level, which remains crucial in a decentralized business services environment.

After several years of working on the basics, we can once more conclude that our house is now in order and our organizational maturity gives us scope to be more outward looking. This is also reflected in several business areas. Our Major & Complex Claims business under the PolygonVatro brand has recently been successful in expanding its reach from Germany to cross-border projects in Norway, Austria, Belgium and the Netherlands. There is a renewed focus on the property management customer segment, where we believe we can create valuable partnerships. Special work streams are developing digital solutions that will benefit our customers in the future. Perhaps most importantly, we have now also seen proof of our ability to execute on our M&A strategy.

As mentioned in the last report, we have geared up our acquisition pace, signing six deals during the year of which three took place during Q4. We were able to acquire companies across different geographies, namely Sweden, Norway, Denmark, Germany and France. Due to their timing, these acquisitions will have a limited effect on the result for 2017, but are expected to make a significant contribution in 2018. The acquisitions of Dansk Bygningskontrol in Denmark and Skadegruppen in Norway now make Polygon the largest company within the property damage restoration industry in the Nordic region, and at the same time strengthen our European leadership position. The short-term focus will be on integrating the new companies as smoothly as possible, while continuing our work on the pipeline for new add-on acquisitions.

Our Norwegian business has seen a temporary drop in performance due to inadequate project and process management, which resulted in low utilization levels. A planned restructuring to secure improved profitability now coincides with the integration of Skadegruppen.

Our adjusted EBITA in Q4 was in line with our expectations, meeting very challenging figures from last year. Seen over a period of three years, the adjusted EBITA has increased by an impressive over 180%. Countries such as Germany and the US have increased their profit substantially, which was crucial for success, while we have at the same time succeeded in maintaining profitability levels in high-performing countries. Looking at the consolidated figures, most of the margin improvement is attributable to the discipline we have had in keeping tight control over the indirect costs. The leverage on our structure or indirect costs is strong. Gross margin has also improved, but has been hampered in 2017 by a temporary drop in Denmark and Norway.

As a focused and specialized property damage control company, we will continue to look for acquisitive growth opportunities that will enhance our organic development. Our overall market share on a European scale today remains below 10%, indicating ample opportunities to continue growing our core. We carefully select our bolt-on targets and see this as an important way of limiting the integration risk.

Short-term outlook

Our result is expected to be positively impacted by the newly acquired businesses. Our backlog and order intake levels are both on healthy levels and will support our short-term performance.

Market development

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

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

Stockholm, 29 January 2018

Evert Jan Jansen
President and CEO



Financial information

Sales and profit for the fourth quarter of 2017

Group

Sales amounted to EUR 141.2 million, up by 3.6% compared to the same quarter of last year. Acquisitions contributed sales of EUR 9.1 million, resulting in an adjusted organic growth that was negative at 2.0% (excluding currency effects, neg. 1.1%). An increased share of wallet compensated to a large extent for the extraordinary high level of event jobs last year.

Adjusted EBITA amounted EUR 9.8 (10.2) million. The Nordics & UK segment recovered after a couple of tough quarters. North America reported a strong profit development supported by the hurricanes in the autumn. EBITA was EUR 8.2 million (9.1). Items affecting comparability were booked in an amount of EUR 1.6 million (1.1) in the quarter, and consisted mainly of costs connected to acquisitions (transaction, restructuring costs and negative goodwill).

Net financial expenses for the period amounted to EUR 4.1 million (0.5), of which EUR 2.9 million (2.4) refers to net interest expenses and EUR 1.2 million to exchange rate losses (gains 1.9). The increase in net interest expenses compared to same period of last year is due to the increase in the Bond by EUR 60.0 million in late 2016 and by that a replacing shareholder loan.

Tax in the period amounted to EUR 1.0 million (2.2) which gives an effective tax rate of 35%. Most of the amount refers to the tax rate change in the US from 35% to 21% and affects the loss carried forward and deferred tax related to that, but otherwise has no major impact on the Group's tax situation.

Profit before tax amounted to EUR 2.9 million (3.4) and net profit was EUR 1.9 million (1.3).

Continental Europe

Continental Europe continued its robust performance reporting, in a more challenging environment than last year, with stable sales of EUR 87.8 million after the exceptional growth that was seen in 2016. Germany was flat versus last year and Austria, Belgium and France showed double digit growth, while development in the Netherlands was negative due to a generally low level of claims. Adjusted EBITA of EUR 4.4 million was 9% below last year. Pressure on the gross margin was offset by leverage on indirect costs.

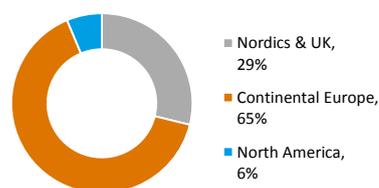
Nordics & UK

The Nordics & UK reported sales of EUR 45.2 million, equal to a growth of 11%. Effects from acquisitions in Norway and Sweden boosted growth by 22%. UK sales were 13% below last year after an exceptionally low level of claims from events. Adjusted EBITA at EUR 3.7 million was on a level with last year. Development was positive in Denmark and Norway after the actions initiated in Q2/Q3 and additional effects from acquisitions.

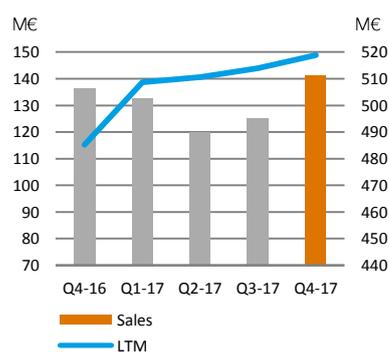
North America

Sales in North America grew by 2% in the quarter to EUR 8.3 million, driven by the US which reported growth of close to 20% in local currency. Hurricanes Irma and Harvey were key factors behind the growth. Adjusted EBITA of EUR 1.0 million represented an increase of 32% fuelled by development in the US.

Sales by segment LTM (%)



Sales development



Sales and profit for January – December 2017

Group

Sales amounted to EUR 518.8 million, up by 6.9% compared to the same period of last year. Adjusted organic growth was 5.7%. The key driver behind this development was Continental Europe. The overall effects of weather events were on low level compared to 2016. Growth has been driven by the development of the customer portfolio and effects from new contracts gained.

Adjusted EBITA of EUR 33.5 million was 4.4% better than last year. Strong development in Continental Europe compensated for negative development in the Nordics (Denmark and Norway). Leverage on indirect costs continued in 2017 as a result of the sales growth and compensated for the lower gross margin. EBITA was EUR 30.6 million (30.3). Items affecting comparability were booked in an amount of EUR 2.9 million (1.8) in the period. The main amount consists of items in connection with acquisitions.

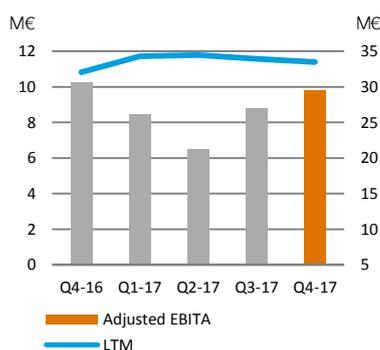
Net financial expenses for the year amounted to EUR 16.9 million (8.4), of which EUR 11.5 million (9.7) was attributable to net interest expenses and EUR 5.4 million (gains 1.3) to negative exchange rate changes. The increase in the Bond by EUR 60.0 million in late 2016 has resulted in higher net interest expenses and most of the exchange rate losses have arisen from unrealized exchange rate deviations in USD in the past three quarters of the year.

Tax in the period amounted to EUR 3.2 million (2.3), resulting in an effective tax rate of 35%. EUR 1.0 million refers to the change in tax rate in the US and EUR 0.6 million to a tax audit in Germany. The effective tax rate excluding these effects is 18%.

Profit before tax amounted to EUR 9.0 million (12.7) and net profit was EUR 5.8 million (10.4).

Continental Europe

Continental Europe grew its sales by 9% and amounted to EUR 338.7, with Germany as the main engine. An increase in the share of wallet was the reason for the trend, which was in turn driven by high quality in delivery of services. Major and complex losses in Germany kept up its volumes with an increase in medium sized jobs, which compensated for fewer jobs above EUR 1 million. Sales in the other countries were in-line with last year. Adjusted EBITA of EUR 19.9 million was 37% above last year.

Adjusted EBITA**Nordic & UK**

With sales of EUR 147.4 million, the Nordics & UK showed modest growth. Adjusted organic sales growth was down by 2%, mainly as an effect of weak performance in the Nordics (Denmark and Norway). Sales were affected by a generally low claims level and the loss of one large customer in Denmark. The UK maintained sales at last year's level despite a year with a very low level of event jobs. Adjusted EBITA in the Nordics & UK was weak at EUR 6.4 million, at -21% compared to last year due to lower capacity utilization in the Nordics. The UK improved its result by 4%.

North America

Sales in North America grew by 7% and amounted to EUR 32.8 million as a result of both increased jobs from the hurricanes in the US and effects from earlier restructuring to focus the business on Temporary Climate Solutions (TCS) and Emergency Drying Services (EDS). Adjusted EBITA of EUR 4.3 million was an improvement of close to 70%. The past years' investments and refocus in the US combined with lower fixed costs after restructuring are paying off.

Cash flow and financing

Cash flow from operating activities for the fourth quarter was EUR 22.3 million (18.0) and was positively impacted by lower working capital mainly resulting from less work in progress compared to the same period last year. Cash flow from operating activities for the full year was EUR 40.7 million (33.2) and showed the same trend as the quarter compared to the same period of last year and year-end 2016.

Total interest-bearing net debt amounted to EUR 141.9 million (144.6). The Group's liquidity buffer is EUR 60.9 million (46.4), consisting of cash and cash equivalents of EUR 42.5 million (36.6) and unutilized contracted RCF commitments of EUR 18.4 million (9.8). The RCF was increased in December by EUR 8.5 Million. A subsequent issue of EUR 60.0 million 3M EURIBOR +5.00% notes was completed in Q4 2016 under the terms and conditions of the up to EUR 180.0 million senior secured floating rate notes originally dated 14 April 2014.

Villaklimat OBM AB in Sweden, with annual sales of EUR 2 million, was acquired at the end of the first quarter. Polygon Nord AS (franchise), with sales of EUR 5 million was acquired late in Q3. The acquisition of Skadegruppen AS with annual sales of EUR 27 million was closed on the first of November. Bretagne Assèchement, Bretagne Assèchement Nord and Normandie Assistance, with annual sales of EUR 5 million, were acquired in France and the deals were closed before year-end. Total cash expenditure regarding acquisitions was EUR 7.1 million.

Equity amounted to EUR 59.4 million (53.4).

Capital expenditure

Capital expenditure in the fourth quarter amounted to EUR 5.1 million (4.5). As in previous quarters, this was driven by a focus on Temporary Climate Solutions (TCS), the upgrading of facilities for large loss projects and equipment to handle the increased number of jobs and investments in the new field force IT systems. The new field force system is implemented in all countries within the scope. Capital expenditure of EUR 19.3 million for the full year is an increase of EUR 1.7 million compared to the same period of last year.

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 company in Denmark, in which the non-controlling interest is 24.2%. The net loss for Polygon AB for the fourth quarter amounted to EUR 1.2 million (0.0).

Significant risks and uncertainties

The Group is active in the property damage restoration business, e.g. work related to water damage restoration, fire damage restoration and document restoration. The frequency of property damage can vary depending on circumstances beyond Polygon's control, the outdoor temperature and the weather. Polygon estimates that, on average for the last five years, around 95% of the property damages are by nature from the large mass of claims, recurring year by year while the remaining part is related to more extreme and less predictable events caused by weather and fire. Since part of Polygon's cost structure is fixed, the proceeds of the operations are to some extent unpredictable and vary from time to time.

Polygon is to a large degree dependent on its key customers, the insurance companies, and must maintain mutually beneficial relationships with them in order to compete effectively. Our top ten customers represent about one third of Polygon's sales, with the newest customer on the top ten list having an eight year relationship.

For further details about the Group's risks and uncertainties, please refer to the 2016 Annual Report and prospectus regarding listing of the EUR 60,000,000 senior secured floating rate notes issued by Polygon AB (publ)(see 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 that were presented in the Annual Report.

Related party transactions

The Group is under the controlling influence of Polygon Holding AB, the Parent Company of Polygon AB. Polygon Holding AB is under the controlling influence of MuHa No2 LuxCo S.á.r.l. There have been no material transactions with companies in which MuHa No2 LuxCo S.á.r.l. has 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 purchase has been done.

Changes in the Board of Directors

The Board of Directors was further strengthened with the appointment of Nadia Meier-Kirner in February and Gunilla Andersson in December.

Subsequent events

The acquisition of Dansk Bygningskontrol A/S was signed in October and approval from the competition authorities in Denmark was received on 15 December. The deal was closed on 4 January 2018. An additional acquisition in Germany, Von Der Lieck GmbH & Co, was also signed in October and closed in the beginning of January 2018.

On the 26 January 2018 Polygon AB press released information that the Group on an on-going basis evaluates options for optimizing the company's capital structure (including refinancing of all or part of the group's indebtedness). For this purpose, Polygon has mandated Carnegie Investment Bank AB (publ) and Nordea Bank AB (publ).

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	Q4		Full Year	
	2017	2016	2017	2016
Sales of services				
Nordic & UK	45,225	40,815	147,438	143,702
Continental Europe	87,824	87,350	338,724	310,946
North America	8,255	8,126	32,816	30,714
Intercompany sales	-136	-29	-164	-80
Total	141,168	136,262	518,814	485,282
Adjusted EBITA				
Nordic & UK	3,691	3,719	6,390	8,118
Continental Europe	4,430	4,875	19,864	14,513
North America	1,014	769	4,291	2,559
Other	659	872	2,963	6,862
Adjusted EBITA	9,794	10,235	33,508	32,052
Items affecting comparability (IAC)	-1,562	-1,135	-2,908	-1,761
EBITA	8,232	9,100	30,600	30,291
Amortization of acquisition related tangible and intangible assets	-1,191	-1,169	-4,676	-5,189
Operating profit	7,041	7,931	25,924	25,102
Net financial items	-4,142	-4,496	-16,946	-12,385
Profit after financial items	2,899	3,435	8,978	12,717

Consolidated income statement

EUR thousands	Q4		Full Year	
	2017	2016	2017	2016
Sales of services	141,168	136,262	518,814	485,282
Cost of sales	-105,903	-99,944	-391,649	-361,207
Gross profit	35,265	36,318	127,165	124,075
Administrative and selling expenses	-26,572	-27,180	-98,072	-96,433
Other operating income	-	-	-	-
Other operating expenses	-1,652	-1,207	-3,169	-2,540
Operating profit	7,041	7,931	25,924	25,102
Financial income	27	-7	151	125
Financial expenses	-4,169	-489	-17,097	-8,510
Profit after financial items	2,899	7,435	8,978	16,717
Group contribution given	-	-4,000	-	-4,000
Profit before income taxes	2,899	3,435	8,978	12,717
Income taxes	-1,011	-2,178	-3,165	-2,274
Profit for the period	1,888	1,257	5,813	10,443
Profit attributable to:				
Owners of the parent company	1,920	1,184	5,935	10,246
Non-controlling interests	-32	73	-122	197
Total	1,888	1,257	5,813	10,443
Number of shares	5,600	5,600	5,600	5,600
Earnings per share (EUR)	0.34	0.21	1.06	1.83

Consolidated statement of comprehensive income

EUR thousands	Q4		Full Year	
	2017	2016	2017	2016
Profit for the period	1,888	1,257	5,813	10,443
Comprehensive income				
<i>Items that can not be reclassified to profit or loss</i>				
Actuarial gains and losses on defined benefit plans	-410	1,129	-222	-776
Tax	59	-281	18	138
<i>Items that can be subsequently reclassified to profit or loss</i>				
Exchange differences on transactions of foreign operations	229	-714	531	-367
Total comprehensive income, net of tax	1,766	1,391	6,140	9,438
Total comprehensive income attributable to:				
Owners of the parent company	1,798	1,318	6,262	9,241
Non-controlling interests	-32	73	-122	197
Total	1,766	1,391	6,140	9,438

Alternative performance measures

EUR thousands	Q4		Full Year	
	2017	2016	2017	2016
Adjusted EBITDA breakdown				
Operating profit (EBIT)	7,041	7,931	25,924	25,102
Add back amortization of acquisition related tangible and intangible assets	1,191	1,169	4,676	5,189
Operating profit before amortization (EBITA)	8,232	9,100	30,600	30,291
Add back depreciation	2,800	2,306	9,986	9,348
Operating profit before depreciation (EBITDA)	11,032	11,406	40,586	39,639
Add back items affecting comparability (IAC)	1,562	1,135	2,908	1,761
Operating profit before depreciation and IAC (Adjusted EBITDA)	12,594	12,541	43,494	41,400
Adjusted EBITA breakdown				
Operating profit (EBIT)	7,041	7,931	25,924	25,102
Add back amortization of acquisition related tangible and intangible assets	1,191	1,169	4,676	5,189
Operating profit before amortization (EBITA)	8,232	9,100	30,600	30,291
Add back items affecting comparability (IAC)	1,562	1,135	2,908	1,761
Operating profit before amortization and IAC (Adjusted EBITA)	9,794	10,235	33,508	32,052

Consolidated balance sheet

EUR thousands	31 Dec 2017	31 Dec 2016
ASSETS		
Non-current assets		
Goodwill	110,942	104,181
Other intangible assets	41,960	45,561
Property, plant and equipment	40,200	33,251
Deferred tax assets	16,419	23,424
Total non-current assets	209,521	206,417
Current assets		
Work in progress	20,806	29,613
Trade receivables	78,676	72,235
Receivables from parent company	308	347
Prepaid expenses	5,264	5,843
Cash and cash equivalents	42,541	36,585
Total current assets	147,595	144,623
TOTAL ASSETS	357,116	351,040
EQUITY AND LIABILITIES		
Equity		
Issued capital	58	58
Other contributed capital	10,771	10,771
Other capital reserves	-694	-1,225
Retained earnings	48,397	42,664
Equity attributable to owners of the parent company	58,532	52,268
Non-controlling interests	820	1,105
Total equity	59,352	53,373
Non-current liabilities		
Provisions	5,556	5,119
Deferred tax liabilities	15,393	21,890
Shareholder loans	5,594	5,085
Non-current interest-bearing liabilities	178,614	176,197
Total non-current liabilities	205,157	208,291
Current liabilities		
Provisions	5,065	1,611
Trade payables	35,647	42,893
Current interest-bearing liabilities	3,638	3,309
Other liabilities	17,988	14,096
Accrued expenses	30,269	27,467
Total current liabilities	92,607	89,376
TOTAL EQUITY AND LIABILITIES	357,116	351,040

Consolidated net debt

EUR thousands	31 Dec 2017	31 Dec 2016
Defined benefit plans	4,989	5,035
Other long-term loans, interest bearing	178,614	176,197
Current loans, interest bearing	885	-
Cash and bank	-42,541	-36,585
Net debt	141,947	144,647

Consolidated statement of cash flow

EUR thousands	Q4		Full Year	
	2017	2016	2017	2016
Operating activities				
Operating profit	7,041	7,931	25,924	25,102
Adjustments for non-cash items before tax	-156	4,221	8,972	13,999
Income tax paid	-788	-617	-2,961	-1,427
Cash flow from operating activities before changes in working capital	6,097	11,535	31,935	37,674
Cash flow from changes in working capital				
Changes in operating receivables	2,190	2,695	464	-7,557
Changes in work in progress	2,313	-7,190	12,451	-12,380
Changes in operating liabilities	11,700	10,995	-4,177	15,436
Cash flow from operating activities	22,300	18,035	40,673	33,173
Investing activities				
Acquisition of subsidiary, net of cash acquired	-4,648	-	-7,108	-
Purchase of property, plant and equipment	-4,567	-4,167	-16,925	-14,955
Purchase of intangible fixed assets	-566	-341	-2,390	-2,622
Sale of non-current assets	86	1	86	4
Cash flow used in investing activities	-9,695	-4,507	-26,337	-17,573
Cash flow before financing activities	12,605	13,528	14,336	15,600
Cash flow from financing activities				
New borrowings	-	57,262	-14	57,262
Dividend	-	-2,192	4	-2,192
Dividend to non-controlling interests	-	-	-163	-130
Repayment of borrowings	-	-52,946	-	-52,960
Financial income received	27	-7	147	125
Financial expenses paid	-2,389	-3,261	-9,293	-8,081
Net cash flow from financing activities	-2,362	-1,144	-9,319	-5,976
Cash flow for the period	10,243	12,384	5,017	9,624
Cash and cash equivalents, opening balance	32,285	24,847	36,585	26,529
Translation difference in cash and cash equivalents	13	-646	939	432
Cash and cash equivalents, closing balance	42,541	36,585	42,541	36,585

Consolidated statement of changes in equity

EUR thousands	Attributable to the 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 2015	58	6,771	-858	35,248	41,219	1,038	42,257	
Shareholder's contribution	-	4,000	-	-	4,000	-	4,000	
Dividend	-	-	-	-2,192	-2,192	-130	-2,322	
Profit for the period	-	-	-	10,246	10,246	197	10,443	
Other comprehensive income	-	-	-367	-638	-1,005	-	-1,005	
Closing balance, 31 December 2016	58	10,771	-1,225	42,664	52,268	1,105	53,373	
Dividend	-	-	-	-	-	-163	-163	
Profit for the period	-	-	-	5,935	5,935	-122	5,813	
Other comprehensive income	-	-	531	-202	329	-	329	
Closing balance, 31 December 2017	58	10,771	-694	48,397	58,532	820	59,352	

Income statement, Parent Company

EUR thousands	Q4		Full Year	
	2017	2016	2017	2016
Sales of services	1,264	674	3,533	3,087
Gross profit	1,264	674	3,533	3,087
Administrative and selling expenses	-1,225	-686	-3,280	-3,015
Other operating income/expenses	-10	-	-176	18
Operating profit	29	-12	77	90
Financial income	894	-528	3,573	4,917
Financial expenses	-3,273	-2,338	-11,775	-6,930
Profit after financial items	-2,350	-2,878	-8,125	-1,923
Group contribution received	680	7,300	680	7,300
Group contribution given	-	-4,000	-	-4,000
Profit before income taxes	-1,670	422	-7,445	1,377
Taxes	478	-464	478	-210
Profit for the period	-1,192	-42	-6,967	1,167

Statement of comprehensive income, Parent Company

EUR thousands	Q4		Full Year	
	2017	2016	2017	2016
Profit for the period	-1,192	-42	-6,967	1,167
Comprehensive income	-	-	-	-
Comprehensive income after tax	-1,192	-42	-6,967	1,167
Total comprehensive income	-1,192	-42	-6,967	1,167

Statement of financial position, Parent Company

EUR thousands	31 Dec 2017	31 Dec 2016
ASSETS		
Non-current assets		
Participations in subsidiaries	185,902	185,902
Receivables from subsidiaries	64,283	64,462
Deferred tax assets	812	-
Total non-current assets	250,997	250,364
Current assets		
Receivables from parent company	308	347
Other receivables	87	217
Prepaid expenses	14	12
Receivables from subsidiaries	28,007	36,018
Total current assets	28,416	36,594
TOTAL ASSETS	279,413	286,958
EQUITY AND LIABILITIES		
Equity		
Issued capital	58	58
Share premium reserve	6,771	6,771
Unrestricted equity	90,719	97,686
Total equity	97,548	104,515
Non-current liabilities		
Deferred tax liabilities	502	179
Non-current interest-bearing liabilities	177,796	176,207
Total non-current liabilities	178,298	176,386
Current liabilities		
Payables to subsidiaries	-	2,402
Trade payables	53	315
Other current liabilities	290	156
Accrued expenses	3,224	3,184
Total other current liabilities	3,567	6,057
TOTAL EQUITY AND LIABILITIES	279,413	286,958

Consolidated Items affecting comparability (IAC)

EUR thousands	Q4		Full Year	
	2017	2016	2017	2016
Transaction costs, acquisition	-1,306	-145	-1,450	-145
Restructuring	-3,683	-37	-4,017	-208
Impairment IT systems and tangible assets	-558	-592	-588	-592
Negative goodwill Norway	3,992	-	3,992	-
Others	-7	-361	-846	-816
Total	-1,562	-1,135	-2,908	-1,761

Financial instruments

Polygon is exposed to a number of financial market risks that the Group is responsible for managing under the finance policy approved by the Board of Directors. The overall objective is to have cost-effective funding in the Group companies. The financial risks in the Group are mainly managed through a weekly exchange of non-euro cash into euros and, to a limited extent, through the use of financial instruments. The main exposures for the Group are liquidity risk, interest rate risk and currency risk.

Derivatives are valued at fair value according to level 2 with additional considerations according to level 3, in compliance with IFRS 13. Other financial instruments are valued at the carrying amount.

Interest swaps are subject to ISDA agreements which allow netting, in case of any failure. On the closing day there was currency hedging but no interest swaps.

The significant financial assets and liabilities are shown below. According to Polygon's assessment, there is no significant difference between the carrying amounts and fair values.

EUR thousands	31 Dec 2017		31 Dec 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Trade receivables	76,570	76,570	70,079	70,079
Other current assets	2,522	2,522	2,248	2,248
Receivables from parent company	308	308	347	347
Cash and cash equivalents	42,541	42,541	36,585	36,585
Total	121,941	121,941	109,259	109,259
Liabilities				
Non-current interest-bearing liabilities	178,614	180,000	176,197	180,014
Other interest-bearing liabilities	5,594	5,594	5,085	5,085
Trade payables	35,647	35,647	42,893	42,893
Other current liabilities	17,641	17,641	13,859	13,859
Accrued expenses	1,900	1,900	1,742	1,742
Total	239,396	240,782	239,776	243,593
Derivatives for hedging purposes				
Currency hedging derivatives	-202	-202	113	113
Total	-202	-202	113	113

Pledged assets and contingent liabilities, Parent company

EUR thousands	31 Dec 2017	31 Dec 2016
Pledged assets and contingent liabilities		
Pledged assets		
Shares in subsidiaries	185,902	185,902
Total assets pledged	185,902	185,902
Contingent liabilities	None	None

Acquisitions of subsidiaries

During the year the Group has acquired six companies and two subsequently. The purchase price allocation displayed below includes all and is preliminary.

Company	Corp. ID. No.	Country	Ownership	Closing date	Annual net sales*	No of employees
Villaklimat OBM AB	556637-3857	Sweden	100%	31 March 2017	2	14
Polygon Nord AS	956 827 264	Norway	100%	25 September 2017	5	47
Skadegruppen AS	943 578 524	Norway	100%	26 September 2017	27	208
Bretagne Assèchement	440 853 547	France	100%	28 December 2017	2	21
Bretagne Assèchement Nord	503 279 697	France	100%	28 December 2017	2	22
Normandie Assistance	499 557 478	France	100%	28 December 2017	1	4
Von Der Lieck GmbH & Co KB	HRA 6565	Germany	100%	02 January 2018	4	25
Dansk Bygningskontrol A/S	31 85 98 83	Denmark	70%	04 January 2018	29	236
					72	577

*Estimated at acquisition in MEUR

Nordics & UK

Polygon Sweden acquired Villaklimat OBM AB at the end of March in order to strengthen its regional presence in Southern part of Sweden.

Polygon Norway AS acquired Polygon Nord AS on 25 September. The acquired company is franchise of Polygon since 1991 and its business covers with its business the Northern part of Norway. Skadegruppen AS was signed in September and approved by the Norwegian competition authorities in October. The company was acquired from Coor Management Service Holding AB and will contribute to a larger share of wallet, a wider customer base and strengthening of the market leader position for Polygon Norway AS. The closing was completed 1 November 2017 and the company was consolidated from that date. The company was loss making at the take over and a performance improvement program has been initiated. The negative goodwill that occurs at the acquisition will cover the restructuring costs booked in the last quarter.

The acquisition of Dansk Bygningskontrol A/S (DB) was closed at the beginning of January 2018 and will be consolidated from that date. DB will strengthen our market position in Denmark and the company is close to three times the size of Polygon's existing business in the country. A restructuring program after the merger of the two companies will realise synergies and create a highly effective organization.

Continental Europe

Three companies in the northwest part of France were acquired by Polygon France on 28 December 2017. The companies will strengthen Polygon with their geographical presence in northwest of France.

An acquisition in Germany, Von Der Lieck GmbH & Co (VDL), was signed in October and was closed at the beginning of January 2018. VDL will strengthen Polygon in the West region close to the Dutch border.

EUR thousands	Q4		Full Year		Subsequent
Fair value recognized on acquisition	2017	2016	2017	2016	2018
Customer relationships	-	-	-	-	8,433
Equipment	655	-	995	-	4,485
Licences	53	-	53	-	-
Other non-current receivables	31	-	31	-	-
Current receivables	4,967	-	6,700	-	5,640
Inventory	3,219	-	4,148	-	5,637
Total identifiable assets at fair value	8,925	-	11,927	-	24,195
Long-term loans and other liabilities	-	-	-	-	4,186
Current liabilities	5,471	-	7,661	-	4,785
Deferred tax liabilities	345	-	391	-	560
Less: Cash and cash equivalents	-2,251	-	-3,149	-	6
Total identifiable liabilities less cash at fair value	3,565	-	4,903	-	9,537
Total identifiable net assets at fair value	5,360	-	7,024	-	14,658
Negative goodwill	-3,907	-	-3,907	-	-
Goodwill	5,547	-	8,315	-	12,831
Purchase consideration transferred	7,000	-	11,432	-	27,489

EUR thousands	Q4		Full Year		Subsequent
	2017	2016	2017	2016	2018
Purchase consideration					
Cash paid	7,000	-	10,212	-	21,117
Liability to seller	-	-	1,220	-	6,372
Total consideration	7,000	-	11,432	-	27,489
Analysis of cash flows on acquisition:					
Net cash acquired with the subsidiary	-2,251	-	-3,149	-	6
Cash paid	7,000	-	10,212	-	21,117
Translation difference	-101	-	45	-	14
Closing balance	4,648	-	7,108	-	21,137

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 2016. More detailed accounting policies can be found on pages 11-16 of the Annual Report for 2016.

A number of standards and changes in standards are effective from 1 January 2018. Polygon have not applied these in advance.

IFRS 15 Revenue from Contracts with Customers

The standard combines, enhances and replaces specific guidance on recognizing revenue with a single standard. In the Group, work on the new standard was completed during the fourth quarter with final adjustments to the Group guidance and continuation of the restatement of actual figures for 2017. Most of the performance obligations in Polygon are satisfied over time as the work generally is ongoing for one to at least three months on assets controlled by the customer and the revenue will be recognized over time in pace with the fulfillment. Leak detection, consulting and document restoration are different as these obligations are fulfilled at one point in time and will be recognized accordingly. The portfolio approach, which allows bundling of similar performance obligations for more effective handling, will be used to handle the large amount of generally small (under EUR 2 thousand) and short-term (less than three months) obligations that make up the bulk of the Group's business. The remaining obligations with a longer duration will, as earlier, be accounted for using the percentage of completion method on a cost base approach.

The Group will use the standard retrospectively, utilizing the practical expedient to not restate contracts that begin and end within the same annual accounting period or are completed contracts at the beginning of the earliest period presented.

When introducing the new standard, the reallocation of revenue recognition will have a positive one-time effect on equity of EUR 2.1 million in 2016. Revenue recognition at the total annual level, with the application of the new standard, will not be significantly affected. The recalculation carried out confirms the earlier assumption that the allocation of revenue between months will be changed, and will show the level of business activities in the month of recognition. Revenue for 2017 will be EUR 6.2 million less than with the application of the previous standard.

EUR thousands	Full Year		
	Actual 2017	Restated 2017	Change
Sales of services	518,814	512,614	-6,200
Cost of sales	-391,649	-385,750	5,899
Gross profit	127,165	126,864	-301
EBITA	30,600	30,299	-301
Operating profit (EBIT)	25,924	25,623	-301
Profit before income taxes	9,100	8,799	-301
Income taxes	-3,165	-3,036	129
Profit for the period	5,935	5,763	-172

IFRS 9 Financial Instruments

The standard introduces a single approach for the classification and measurement of financial assets according to their cash flow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses.

The review of the impact of the new standard on the Group that was conducted during the year indicated that there will be no expected impact. The main focus for the Group has been the impairment model for expected credit losses as trade receivables are a material part of the balance sheet. The existing model in the Group has been valued with the new standard in mind and the outcome is that it will have a minor, not material, impact on the reserves for credit losses, and that the previously used method will cover the requirements of the new standard.

Standards and changes in standards those are effective from 1 January 2019

Polygon does not intend to apply these in advance.

IFRS 16 Leases

This standard will replace IAS 17 and introduces a single lessee accounting model requiring lessees to recognize right-to-use assets and lease liabilities for leases with a term of more than twelve months. This will increase significantly total property, plant and equipment in balance sheet and affect net debt and other key performance indicators both in balance and income statement. The initial introduction and planning of implementation of the new standard in the Group has started and is scheduled to continue during 2018. The main leases for the Group are premises and vehicles.

The term "IFRS" as used in this document refers to the application of IAS and IFRS as well as the interpretations of these standards published by the IASB's Standards Interpretation Committee (SIC).

Definitions

Sales	Sales net of VAT and discounts
Gross profit	Sales minus cost of goods sold
EBITDA	Earnings before interest, tax, depreciation and amortization
Adjusted EBITDA	Earnings before interest, tax, depreciation, amortization and items affecting comparability
EBITA	Earnings before interest, tax, amortization of acquisition related tangible and intangible assets
Adjusted EBITA	Earnings before interest, tax, amortization of acquisition related tangible and intangible assets and items affecting comparability
EBIT	Earnings before interest and tax
Operating margin	EBIT as a percentage of sales
EBITDA-, Adjusted EBITDA-, EBITA-, Adjusted EBITA-margin	EBITDA, Adjusted EBITDA, EBITA, Adjusted EBITA as percentage of sales
Net financial expenses	Financial income minus financial expenses including exchange rate differences related to financial assets and liabilities
Net debt	Interest-bearing debt (including pension and leasing debts) minus cash and cash equivalents
Earnings per share	Profit for the period attributable to owners of the company/average number of shares during the period
Items affecting comparability (IAC)	Items attributable to capital gains/losses, impairment, restructuring, redundancy costs and other material non-recurring items
Capital expenditures	Resources used to acquire intangible and property, plant and equipment that are capitalized
Organic growth	Business expansion generated within the existing company excluding the impact of foreign exchange
Adjusted organic growth	Business expansion generated within the existing company excluding the impact of foreign exchange and adjusted for acquired and disposed businesses
LTM	Last twelve months

Amounts in brackets in this report refer to the corresponding period during the previous year.

The Group's key figures are presented in million EUR, 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 they allow evaluation of trends and the company's performance. As not all companies calculate the performance measures in the same way, these are not always comparable to measures used by other companies. These performance measures should not be seen as a substitute for measures defined under IFRS.

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

This report has not been subject to audit.

Financial calendar 2018

This report was published on the Group's website on 29 January 2018.

The Annual report 2017 will be published on 27 April 2018.

Interim Report

Q1 2018 will be published on 9 May 2018

Q2 2018 will be published on 9 August 2018

Q3 2018 will be published on 9 November 2018

Q4 2018 will be published on 8 February 2019

For more information please contact:

Mats Norberg, CFO, + 46 70 331 65 71

Email address: ir@polygongroup.com

Polygon AB

Sveavägen 9

SE-111 57 Stockholm