

# Interim Report for January - March 2014



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- Sales decreased 0,9% compared with the same period last year. Q1 in both 2013 and 2014 witnessed unusually warm weather in most of Europe, limiting freeze related damages.
- Operating profit before amortization and non-recurring items (EBITA before NRI) amounted to 3.9 M€, which was an improvement of 30%. The main reason for the increase is the improvements in Continental Europe driven by the development in Germany.
- Operating profit (EBITA) amounted to 3.1 M€ (2.8).
- After the reporting period, Polygon closed a bond issue of 120 M€, replacing bank financing at a total of 103 M€.
- Evert-Jan Jansen replaced Michael Berg as CEO on the 14th of April 2014.

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

## Group Key Figures (M€)

	2014 Q1	2013 Q1	2013	LTM
<b>Sales</b>	<b>104.5</b>	105.4	423.4	422.5
<b>EBITDA</b>	<b>5.3</b>	5.5	14.8	14.7
<b>EBITA</b>	<b>3.1</b>	2.8	4.6	5.0
<b>EBITA %</b>	<b>3.0</b>	2.6	1.1	1.2
<b>EBITA before NRI</b>	<b>3.9</b>	3.0	14.6	15.5
<b>EBITA before NRI %</b>	<b>3.8</b>	2.9	3.5	3.7
<b>Earnings per share</b>	<b>-0.03</b>	-0.20	-1.88	-1.71
<b>Cash flow from operating activities</b>	<b>1.3</b>	4.8	28.1	21.8
<b>Net debt</b>	<b>91.6</b>	105.2	89.9	91.6
<b>Full time employees at end of period</b>	<b>2 797</b>	2 798	2 779	2 797

## Comments from the CEO

Polygon's general market for the first quarters of both 2014 and 2013 was on a low level due to the lack of freeze damages in most of Europe. New framework agreements signed in the first quarter had limited effect in the first quarter, but are expected to contribute from the second quarter onwards. Polygon US signed a large contract in April to repair houses damaged during Hurricane Sandy in 2012, which will contribute positively to a good development of the business in North America on a full year basis.

The improvement in earnings compared with last year's first quarter is a result of a strong focus on project effectiveness and cost control, compensating for negative mix effects in the project portfolio. Freeze and water damages, that are managed with direct staff and have better margins than fire related damages, have suffered from the weather conditions.

The successful bond refinancing will give Polygon opportunities and flexibility to grow the business faster through both acquisitions and organic initiatives.

## Short term outlook

Due to the unfavourable weather, order intake is at a low level. New framework agreements and effects from productivity measurements should however partly compensate during the second quarter.





### Market development

There are several market trends in the property damage restoration market that benefit larger players like Polygon such as: the centralization of procurement, 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 which consequently will increase water damages.

Nevertheless, measured in number of claims, the market has been substantially below last year in the first quarter. From that perspective Polygon has done well in the market in the first quarter. Normal market growth is estimated to be around the GDP development.

Part of Polygon's business is dependent on extra-ordinary weather elements. Markets such as the US normally witness several hurricanes with consequent property damages.

### Net sales and profit for the first quarter 2014

Consolidated sales amounted to 104,5 M€ - a decrease of 0,9% compared to the same quarter last year. Europe shows modest growth (+3%) while North America is below last year's sales (-8%). Hurricane Sandy which hit the New York area late in 2012 had a positive effect at the beginning of 2013.

Operating profit before amortization and non-recurring items (EBITA before NRI) amounted to 3.9 M€ (3.0) an improvement with 30% versus the same period last year. Earnings have been positively impacted compared to last year, mainly due to improved cost control. Results improved in Nordics & UK and Continental Europe. North America was in line with last year.

Net financial income for the period amounted to -2.0 M€ (-2.1). Profit before tax for the period amounted to -0.2 M€ (-0.9), and net profit was -0.1 M€ (-1.1).

### Cash flow and financing

Cash flow from operating activities during the first quarter of 2014 amounted to 1.3 M€ (4.8), and cash flow before financing activities amounted to 0.0 M€ (2.6). Due to seasonality, working capital has increased since year-end.

Utilization of loans under the senior facilities agreement amounted to 101.0 M€ (December 2013: 100.2). Besides this, there is 13.0 M€ (December 2013: 13.0) as a revolving credit, included in the financing agreement. Total interest-bearing net debt amounted to 86.8 M€ (December 2013: 85.3).

Equity amounted to 53.7 € (December 2013: 53.9). The net debt/equity ratio therefore amounted to 162% (December 2013: 158%).

The group's liquidity buffer amounted to 16.1 M€ (December 2013: 17.5), comprising cash and cash equivalents of 14.4 M€ (December 2013: 15.8) and unutilized contracted loan commitments of 1.7 M€ (December 2013: 1.7).

In April the bank financing was replaced with a bond issue of 120 M€ plus a working capital facility of 14 M€.

### Capital expenditure

Capital expenditure during the first quarter of 2014 amounted to 1.7 M€ (2.2).

### Other information

It was announced in January that Jonas Granath had been appointed as the director of commerce for the Group and member of the Group Management Team.

### Parent company

The consolidated figures in the report are presented at the consolidated level of Polygon AB. The parent company, Polygon AB (corporate registration number 556816-5855) directly and indirectly holds 100% of the shares in all subsidiaries in the Group, except for the company in Denmark where the non-controlled interest is 24.2%.

Net profit for Polygon AB for the quarter amounted to 0.0 M€ (1.1).





### Most significant risks and uncertainty factors

The business carried out by the Group, property damage restoration, after for example flooding and fire, is dependent on the occurrence of property damages. The frequency of property damages can vary, depending on circumstances beyond Polygon's control, inter alia the outdoor temperature and weather. 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. However, the main part of the business is related to damages independent of weather etc.

Polygon is to a large extent dependent on its key customers, the insurance companies, and must maintain mutually beneficial relationships with them to compete effectively. Our top ten customers represent about 30% of Polygon's sales, with the newest customer on that list, we have a seven year relationship with.

The company has not faced any material changes during the reporting period in the risks and factors of uncertainty presented in the annual report.

For further elaboration about the Group's risk factors or uncertainty factors, please refer to the annual report for the year 2013.

### 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 are no material transactions with companies in which MuHa No2 LuxCo S.á.r.l has significant or controlling influence.

### Accounting policies

The interim report for the Group has been prepared in accordance with IAS 34 Interim Reporting. The interim report for the parent 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 2013. More specified accounting policies may be found on page 11-20 in the annual report for 2013.

A number of standards and changes of standards will be in effect from January 1, 2014. Polygon doesn't intend to apply them beforehand and the overall assessment is that they will have no major impact on the Group's result or position.

The term "IFRS" used in this document comprises the application of IAS and IFRS as well as the interpretation of these standards published by IASB's Standards Interpretation Committee (SIC) and International Reporting Interpretations Committee (IFRIC).

The undersigned assure that this interim report gives a true and valid overview of the mother company's and the Group's business, position and results describing essential risk and uncertainty factors that the mother company and its subsidiaries face.

Stockholm, August 6, 2014

**Evert-Jan Jansen**

President and CEO

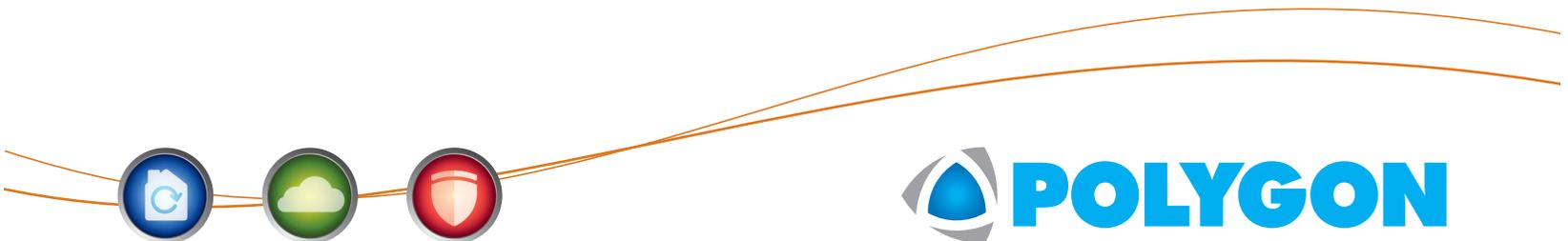




**SEGMENT REPORTING**

Segment information is based on the company management’s perspective, and operating segments are identified based on the internal reporting to Polygon’s chief operating decision maker.

T€	2014 Q1	2013 Q1	2013 FY
<b>Sales of services</b>			
Nordic & UK	32 487	33 131	129 770
Continental Europe	62 106	61 503	254 177
North America	9 907	10 794	39 414
Shared	0	0	0
<b>Total</b>	<b>104 500</b>	<b>105 428</b>	<b>423 361</b>
<i>(only minor amounts regards internal sales)</i>			
<b>Operating income</b>			
Nordic & UK	905	702	4 745
Continental Europe	-391	-605	1 215
North America	443	233	-853
Shared	1 509	1 155	3 616
Non-recurring items (NRI)	-716	-236	-10 028
<b>Total</b>	<b>1 705</b>	<b>1 249</b>	<b>-1 306</b>
Net financial items	-1 974	-2 130	-12 395
<b>Income after financial items</b>	<b>-224</b>	<b>-881</b>	<b>-13 701</b>



**CONSOLIDATED INCOME STATEMENT**

T€	2014 Q1	2013 Q1	2013 FY
Sale of services	104 500	105 428	423 361
Cost of sales	-79 086	-79 676	-323 360
<b>Gross profit</b>	<b>25 414</b>	<b>25 752</b>	<b>100 001</b>
Selling and distribution cost	-21 561	-22 736	-88 083
Other operating costs	-2 103	-1 767	-13 224
<b>Operating income</b>	<b>1 750</b>	<b>1 249</b>	<b>-1 306</b>
Finance income	22	29	175
Finance cost	-1 996	-2 159	-12 570
<b>Income before tax</b>	<b>-224</b>	<b>-881</b>	<b>-13 701</b>
Income taxes	80	-212	3 206
<b>Net income</b>	<b>-144</b>	<b>-1 093</b>	<b>-10 495</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

T€	2014 Q1	2013 Q1	2013 FY
<i>Items that cannot be reclassified to profit or loss</i>			
Actuarial gains and losses on defined benefit plans	0	0	344
Tax	0	0	-118
<i>Items that later can be reclassified to profit or loss</i>			
Cash flow hedges	0	0	732
Exchange differences on transactions of foreign operations	-166	217	243
Tax	0	0	-161
<b>Total comprehensive income, net of tax</b>	<b>-310</b>	<b>-876</b>	<b>-9 455</b>
<b>Net income attributable to:</b>			
Owners of the company	-164	-1 105	-10 513
Non-controlling interest	20	12	18
<b>Total comprehensive income attributable to:</b>			
Owners of the company	-330	-888	-9 473
Non-controlling interest	20	12	18
Number of shares	5 600	5 600	5 600
Net income per share (€)	-0.03	-0.20	-1.88

**FINANCIAL RATIOS**

T€	2014 Q1	2013 Q1	2013 FY
Operating income before depreciation and amortizations (EBITDA)	5 327	5 466	14 849
Depreciation	-2 190	-2 686	-10 230
Operating income before amortization (EBITA)	3 137	2 780	4 619
Amortization	-1 389	-1 531	-5 925
Operating income (EBIT)	1 748	1 249	-1 306
Operating margin %	1.7	1.2	-0.3



**CONSOLIDATED BALANCE SHEET**

T€	2014 March-31	2013 March-31	2013 Dec-31
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	156 435	165 221	157 571
Property, plant and equipment	26 161	33 239	27 298
Deferred tax assets	19 923	13 689	19 914
<b>Total non-current assets</b>	<b>202 519</b>	<b>212 149</b>	<b>204 783</b>
<b>Current assets</b>			
Work in progress	13 892	20 141	12 422
Receivables	65 442	67 974	70 819
Prepaid expenses	4 918	7 088	3 737
Cash and cash equivalents	14 414	10 914	15 789
<b>Total current assets</b>	<b>98 666</b>	<b>106 117</b>	<b>102 767</b>
<b>TOTAL ASSETS</b>	<b>301 185</b>	<b>318 266</b>	<b>307 550</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	6	6	6
Other contributed capital	6 771	6 771	6 771
Other capital reserves	-726	-1 897	-726
Retained earnings	46 514	109 052	46 843
<b>Equity attributable to owners of the parent company</b>	<b>52 565</b>	<b>113 932</b>	<b>52 894</b>
Non-controlling interests	1 043	1 018	1 024
<b>Total equity</b>	<b>53 608</b>	<b>114 950</b>	<b>53 918</b>
<b>Non-current liabilities</b>			
Provisions	5 240	6 376	5 180
Deferred tax liabilities	24 618	22 360	24 928
Long-term interest-bearing liabilities	156 193	109 254	146 308
Other liabilities	480	1 202	-
<b>Total non-current liabilities</b>	<b>186 531</b>	<b>139 192</b>	<b>176 416</b>
<b>Current liabilities</b>			
Provisions	1 107	1 279	1 109
Account payables	29 249	23 835	33 923
Short-term interest-bearing liabilities	10	41	9 637
Other liabilities	11 723	13 481	12 198
Accrued expenses	18 957	25 488	20 349
<b>Total current liabilities</b>	<b>61 046</b>	<b>64 124</b>	<b>77 216</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>301 185</b>	<b>318 266</b>	<b>307 550</b>

**FINANCIAL RATIOS**

T€	2014 March-31	2013 March-31	2013 Dec-31
Equity	53 608	114 950	53 918
Net debt	91.564	105.171	89.896



**CONSOLIDATED STATEMENT OF CASH FLOW**

T€	2014 March-31	2013 March-31	2013 Dec-31
<b>Operating activities</b>			
Income before taxes	1 750	1 250	-1 306
Adjustments for non-cash items before tax	3 485	4 211	19 612
Financial income received	22	29	152
Income tax paid	-279	-300	-1 463
<b>Cash flow from operating activities before changes in working capital</b>	<b>4 978</b>	<b>5 190</b>	<b>16 995</b>
<b>Cash flow from changes in working capital</b>			
Changes in operating receivables	4 294	7 183	4 648
Changes in work in progress	-1 433	-848	6 658
Changes in operating liabilities	-6 542	-6 766	-186
<b>Cash flow from operating activities</b>	<b>1 295</b>	<b>4 759</b>	<b>28 115</b>
<b>Investing activities</b>			
Acquisition of a subsidiary, net of cash acquired	0	0	-200
Purchase of property, plant and equipment	-1 493	-1 861	-6 492
Purchase of intangible fixed assets	-242	-359	-1 554
Sale of fixed assets	433	0	1 870
<b>Net cash flows used in investing activities</b>	<b>-1 302</b>	<b>-2 220</b>	<b>-6 376</b>
<b>Cash flows from financing activities</b>			
New share issue and capital contribution	-	-	-
New borrowings	-	-	16 000
Repayment of borrowings	-	-322	-9 285
Utilization of overdraft	-	-13 364	-13 364
Dividend to non-controlling interest	-	-	-322
Financial costs paid	-1 610	-1 583	-8 083
<b>Net cash flows from financing activities</b>	<b>-1 610</b>	<b>-15 269</b>	<b>-15 054</b>
<b>Cash flow for the year</b>	<b>-1 615</b>	<b>-12 730</b>	<b>6 685</b>
Cash and cash equivalents, opening balance	15 789	10 396	10 396
Translation difference in cash and cash equivalents	240	-117	-1 292
<b>Cash and cash equivalents, closing balance</b>	<b>14 414</b>	<b>-2 451</b>	<b>15 789</b>



### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2014	Attributable to the owners of the company				Total	Non-controlling interest	Total equity
	Share capital	Other contributed capital	Other capital reserves	Retained earnings			
T€							
<b>Opening balance January 1</b>	6	6 771	-726	46 843	<b>52 894</b>	1 024	<b>53 918</b>
Net income for the year				-164	-164	20	-144
Other comprehensive income			-166		-166		-166
<b>Closing balance March 31</b>	<b>6</b>	<b>6 771</b>	<b>-892</b>	<b>46 679</b>	<b>52 564</b>	<b>1 044</b>	<b>53 608</b>

2013	Attributable to the owners of the company				Total	Non-controlling interest	Total equity
	Share capital	Other contributed capital	Other capital reserves	Retained earnings			
T€							
<b>Opening balance January 1</b>	6	6 771	-1 771	109 812	<b>114 818</b>	1 330	<b>116 148</b>
Dividend						-322	<b>-322</b>
Net income for the year				-1 105	<b>-1 105</b>	12	<b>-1 092</b>
Other comprehensive income			-127	344	<b>217</b>		<b>217</b>
<b>Closing balance March 31</b>	<b>6</b>	<b>6 771</b>	<b>-1 898</b>	<b>109 051</b>	<b>113 930</b>	<b>1 020</b>	<b>114 950</b>



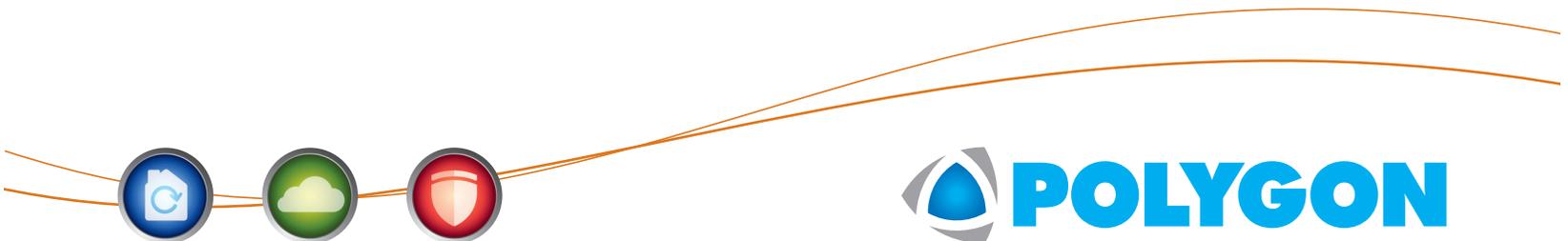


**INCOME STATEMENT, MOTHER COMPANY**

T€	2014 Q1	2013 Q1	2013 FY
Sales	878	790	3 368
<b>Gross profit</b>	<b>878</b>	790	3 368
General administration and sale expenses	-836	-578	-2 629
Other operating costs/income	9	-86	-440
<b>Operating income</b>	<b>51</b>	126	299
Income from shares in Group companies	-	-	1 791
Finance income	-	1 038	-
Finance costs	-9	-32	-1 153
<b>Income after financial items</b>	<b>42</b>	1 132	937
Group contribution	-	-	1 300
<b>Income before income taxes</b>	<b>42</b>	1 132	2 237
Taxes	-	-	-
<b>Net income</b>	<b>42</b>	1 132	2 237

**STATEMENT OF COMPREHENSIVE INCOME**

T€	2014 Q1	2013 Q1	2013 FY
Net income	42	1 132	2 237
Comprehensive income	-	-	-
Comprehensive income after tax	-	-	-
<b>Total comprehensive income, net of tax</b>	<b>42</b>	1 132	2 237




**STATEMENT OF FINANCIAL POSITION, MOTHER COMPANY**

T€	2014 March-31	2013 March-31	2013 Dec-31
<b>ASSETS</b>			
<b>Non-current assets</b>			
Participations in Group companies	76 296	76 296	76 296
<b>Total non-current assets</b>	<b>76 296</b>	76 296	76 296
<b>Current assets</b>			
Receivables, group company	2	52 451	1 527
Other receivables	34	326	30
Prepaid expenses	503	1 426	101
<b>Total current receivables</b>	<b>539</b>	54 203	1 658
Cash and cash equivalents	11 655	8 992	10 211
<b>Total current assets</b>	<b>12 194</b>	63 195	11 869
<b>TOTAL ASSETS</b>	<b>88 490</b>	139 491	88 165
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	6	6	6
Non restricted equity	87 067	138 371	87 025
<b>Total equity</b>	<b>87 073</b>	138 377	87 031
<b>Non-current liabilities</b>			
Accounts payables	234	2	37
Other current liabilities	191	149	194
Accrued costs	992	963	903
<b>Total current liabilities</b>	<b>1 417</b>	1 114	1 134
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>88 490</b>	139 491	88 165
<b>Pledged assets and contingent liabilities</b>			
<b>Pledged assets</b>			
Shares in subsidiaries	76 296	76 296	76 296
<b>Total assets pledged</b>	<b>76 293</b>	76 296	76 296
<b>Contingent liabilities</b>	<b>None</b>	None	None



## FINANCIAL INSTRUMENTS

Polygon is exposed to a number of financial market risks that the Group is responsible for managing under the financial policy approved by the Board of Directors. The overall objective is to have cost-effective funding in Group companies. The financial risks within the Group are mainly handled through weekly exchanges of non-euro cash into Euro and only to a limited part through financial instruments. The main exposures for the Group are liquidity risk, interest risk and currency risk.

The derivatives are valued to fair value within level 2 and additional considerations within level 3, according to IFRS 13. Other financial instruments are valued to carrying amount.

Interest swaps are subject to ISDA agreements which allow netting, in case of any failure. On the closing day there is only a liability.

The significant financial assets and liabilities are detailed below. According to Polygon there is no significant difference between carrying amounts and fair value.

T€	March 31 2014		March 31 2013		Dec 31 2013	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
<b>Assets</b>						
Accounts receivables	63 362	63 362	65 353	65 353	68 657	68 657
Other current assets	6 092	6 092	8 625	8 625	5 108	5 108
Receivables, parent company	-	-	-	-	-	-
Cash and cash equivalents	14 414	14 414	10 914	10 914	15 789	15 789
<b>Total</b>	<b>83 868</b>	<b>83 868</b>	<b>84 892</b>	<b>84 892</b>	<b>89 554</b>	<b>89 554</b>
<b>Liabilities</b>						
Long-term interest-bearing liabilities	91 623	91 623	87 455	87 455	91 394	91 394
Other interest-bearing liabilities	55 413	55 413	52 451	52 451	54 914	54 914
Short-term interest-bearing liabilities					9 637	9 637
Overdraft	-	-	-	-	-	-
Accounts payables	29 249	29 249	23 835	23 835	33 923	33 923
Other short-term liabilities					10 433	10 433
Accrued expenses					6 662	6 662
<b>Total</b>	<b>176 285</b>	<b>176 285</b>	<b>163 741</b>	<b>163 741</b>	<b>206 963</b>	<b>206 933</b>
<b>Derivatives for hedging purposes</b>						
Interest rate derivatives	480	480	1 565	1 565	480	480
<b>Total</b>	<b>480</b>	<b>480</b>	<b>1 565</b>	<b>1 565</b>	<b>480</b>	<b>480</b>



**DEFINITIONS**

<b>Sales</b>	Sales net of VAT and discounts
<b>Gross profit</b>	Sales minus cost of goods sold
<b>EBITDA</b>	Income before interest, tax, depreciation and amortization
<b>EBITA</b>	Income before interest, tax, and amortization
<b>EBIT</b>	Income before interest and tax
<b>Operating margin</b>	EBIT in per cent of sales
<b>Net debt</b>	Interest bearing debts (including pension and leasing debts) minus cash and cash equivalent
<b>Net income per share</b>	Net income for the period/average number of shares during the period
<b>Non-recurring items</b>	Items that are of significance to the result attributable to capital gain/losses, impairment costs, restructuring costs and other redundancy costs

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This report has not been subject to auditing.

**INFORMATION**

This report was published on the group's web page August 28, 2014

The interim report for January – June 2014 will be published on the Group's web page August 28, 2014

For more information please contact:  
Mats Norberg, CFO, + 46 8 750 33 06

Email: [ir@polygongroup.com](mailto:ir@polygongroup.com)

**Polygon AB**

Email: [ir@polygongroup.com](mailto:ir@polygongroup.com)  
Tel: +46 8 450 33 00

