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Interim Report

January – March 2016

109.4 million
(111.0)
-1%
Net sales

6.1 million
(4.4)
+ 39%
Adjusted EBITA

FIRST QUARTER 2016

- Somewhat soft top line, 1.5% lower than in the same period last year. However, underlying organic growth showed a positive trend, increasing by 3.3% excluding the closure of the PDR activities in the US and currency effects. Additionally, the UK market saw some effects from flooding but most of the invoicing is expected to come in Q2.
- Order intake for the quarter was slightly lower than last year's but was impacted by some large loss orders that came in just after the quarter cut-off date. Despite this, the underlying business remains a bit slow after another mild winter.
- Adjusted EBITA amounted to EUR 6.1 million (4.4), an increase of 39% compared to the previous year. The main result improvement came from continental Europe driven by Germany which, along with the US, is continuing to perform well following the restructuring activities last year.
- Operating profit before amortization (EBITA) was EUR 5.8 million (4.4), an increase of 32%. Non-recurring items were on a low level in both 2016 and 2015.
- Cash flow from operating activities of EUR 0.7 followed the seasonal pattern. Net debt was EUR 100.8 million (107.4).
- The Board of Directors was further strengthened in January 2016 with the addition of Ole Skov.

GROUP KEY FIGURES

EUR million	Q1		12 Months	
	2016	**2015**	**2015**	**LTM**
Sales	109.4	111.0	438.7	437.1
EBITDA	8.2	6.7	21.8	23.3
EBITA	5.8	4.4	12.5	13.9
EBITA, %	*5.3*	*3.9*	*2.8*	*3.2*
Adjusted EBITA	6.1	4.4	20.1	21.8
Adjusted EBITA, %	*5.6*	*4.0*	*4.6*	*5.0*
Earnings per share (EUR)	0.29	0.65	0.01	0.65
Cash flow from operating activities	0.7	0.6	25.5	25.7
Net debt	100.8	107.4	96.2	100.8
Full time employees	2,770	2,815	2,765	2,719

Comments from the CEO

Polygon off to a strong start in 2016

Evert Jan Jansen,
President and CEO

The restructuring programmes that were executed during the second half of 2015 continue to deliver a strong contribution to our Q1 performance.

Both Germany and the US show impressive improvements in their results and together represent a large part of the total adjusted EBITA increase of 39% for the Group. The German business continues to pick up pace under the new leadership, in combination with a much lower cost structure. The decision to focus on Temporary Climate Solutions in the US has paid off with a significant increase in gross margin, whilst reducing overheads. Polygon Group now has stable country management teams in place and we are seeing the positive effects of their strong leadership cascade down into the country organizations. The double-digit improvement compared to an already strong quarter last year was achieved in challenging market conditions and is a direct result of a well functioning organization. The investment in creating a clear and simple structure, in combination with a strong company culture that has been built over the last two years, are the key drivers for the improved performance.

We have, as mentioned before, worked hard and diligently on getting the basics in place. We have seen a consistent improvement in performance in terms of both profitability and customer satisfaction. The results of our annual employee survey have again improved compared to the previous year and are well above the average for comparable service companies. Our philosophy of continuously investing in leadership skills and taking care of our people first has contributed to a highly motivated and engaged workforce, which in turn has led to satisfied customers and healthy results!

The most important side effect of our strong platform is that it enables us to focus on improving our service delivery processes to improve gross margins, whilst at the same time starting to prepare for growth in new service lines and bolt-on acquisitions in our most mature countries. The expected improvement in cash flow from increasing profits, substantially reduced restructuring and continuous control of working capital, can be used to finance acquisitions as and to reduce our net debt.

Looking more closely at the results, we also need to conclude that we face a lower growth rate than we were aiming for, in spite of some positive effects from major flooding in the UK. The closure of projects from the UK event is slow and invoicing is expected to occur during Q2. The closing down of the Property Damage Restoration services in the US also had a negative effect on volumes compared to the previous year. Adjusted for currency and the aforementioned US effects, organic growth amounts to 3.3%. Due to warm winter conditions and a general lack of damage, the reported "business as usual" claim level, continues to be low. Efficiencies, with regard to both direct costs resulting in improved gross margins and indirect savings from restructuring projects last year, are the main drivers behind the improved results. Nine out of our 13 countries show increased profitability compared to last year.

Preparations for the introduction of our new field force system are still in progress and pilots are expected to take place in Austria and the Netherlands during Q3. The rollout to the remaining countries will take place once the system has been successfully piloted and is expected to further enhance our service delivery process, resulting in continued gross margin improvements.

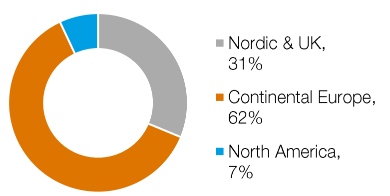
Short-term outlook

The effects of business optimization projects and the strategy shift in the US should contribute positively in 2016. Weather-related events in 2016 are expected to contribute positively, as 2015 was a year with almost no weather events.

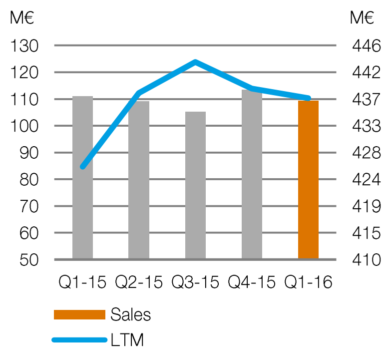
Market development

There are several market 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.

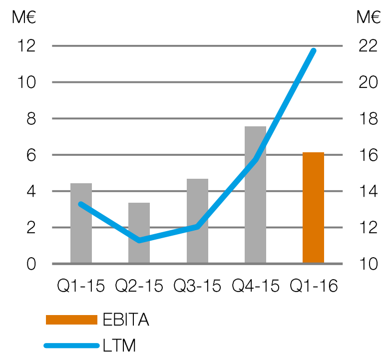
Sales per region LTM (%)



Sales development



EBITA before NRI



Net sales and profit for the first quarter of 2016

Consolidated sales amounted to EUR 109.4 million, a decrease of 1.5% compared to the same quarter of last year. The main reason behind the decrease is the closure of the PDR business in the US. Organic growth, excluding the effect in the US and currency effects, was positive at 3.3%. Continental Europe, driven by Germany, showed growth of close to 5%. The Nordic area continued to suffer from the mild winter weather with some local exceptions. In North America, sales in local currency were down by 34% due to the shift to only TCS activities in the US and the continued impact on Canada from a slow market and structural changes. On a like-for-like basis, excluding the PDR business, the US revenues increased by 15%.

Order intake was lower than last year but orders from the flooding in late December in the UK and large loss orders gained during the initial days of Q2 will have a positive impact in Q2.

Adjusted EBITA of EUR 6.1 million (4.4) improved by 39%. The impact of last year's restructuring and structural improvement, resulting in lower indirect expenses and increased efficiency in several countries, is behind the development. The main improvement is in Continental Europe driven by Germany and strong development in Austria. Non-recurring costs amounted to EUR 0.3 million (0.0). Operating profit before amortization (EBITA) was EUR 5.8 million (4.4).

Net financial expenses for the period amounted to EUR 2.7 million (positive: 0.8) of which EUR 2.0 million refers to interest expenses and EUR 0.7 million refers to exchange rate losses. In the first quarter of 2015, interest expenses amounted to EUR 1.8 million while exchange rate gains amounted to EUR 2.6 million resulting in a positive financial net of EUR 0.8 million.

Profit before tax amounted to EUR 1.8 million (3.8) and net profit was EUR 1.7 million (3.7).

Cash flow and financing

Cash flow from operating activities during the first quarter was EUR 0.7 million (0.6) which followed the normal seasonal pattern with a working capital increase. Working capital was below last year's level both in number of days as well as in absolute numbers.

Total interest-bearing net debt amounted to EUR 100.8 million (December 2015: 96.2).

Equity amounted to EUR 44.2 million (December 2015: 42.3).

The Group's liquidity buffer amounted to EUR 31.6 million (December 2015: 36.5), consisting of cash and cash equivalents of EUR 22.0 million (December 2015: 26.5) and unutilized contracted loan commitments of EUR 9.6 million. (December 2015: 10.0)

Capital expenditure

Capital expenditure was driven by focus on TCS and amounted to EUR 4.0 million (2.5).

Parent Company

The consolidated figures in this report are presented at the consolidated level for Polygon AB. The Parent Company, Polygon AB (corporate identity number 556816-5855), directly and indirectly holds 100% of the shares in all subsidiaries in the Group, except for the company in Denmark, in which the non-controlling interest is 24.2%. The net loss for Polygon AB for the first quarter amounted to EUR 50 thousand (63).

Significant risks and uncertainties

Around 75% of Polygons business consists of property damage control, which follows a seasonal pattern of predictable demand. The remaining 25% is related to more extreme and less predictable events caused by weather and fire. The frequency of property damage can vary depending on circumstances beyond Polygon's control, the outdoor temperature and the weather. Since part of Polygon's cost structure is fixed, the proceeds of the operations are unpredictable to some degree and vary from time to time.

Polygon is to a large extent 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 30% of Polygon's sales, with the newest customer on the top-ten list having a seven-year relationship.

For further details about the Group's risks and uncertainties, please refer to the 2015 Annual Report.

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.

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 2015. More detailed accounting policies can be found on pages 11-16 of the Annual Report for 2015.

A number of standards and changes in standards are effective from 1 January 2017. Polygon does not intend to apply these in advance and the overall assessment is that they will have no material impact on the Group's result or position.

The term "IFRS" 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) and the International Reporting Interpretations Committee (IFRIC).

The undersigned gives his assurance that this interim 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 risk and uncertainties to which the Parent Company and its subsidiaries are exposed.

Stockholm, 13 May 2016

Evert Jan Jansen

President and CEO

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Segment reporting

The segment information is presented based on the company management's perspective, and operating segments are identified based on the internal reporting to Polygon's chief operating decision maker.

EUR thousands	Q1		Full Year
	2016	2015	2015
Sales of services			
Nordic & UK	34,544	35,626	137,724
Continental Europe	67,825	64,743	266,949
North America	7,031	10,628	34,118
Intercompany sales	-22	-5	-51
Total	**109,378**	**110,992**	**438,740**
Operating profit before NRI			
Nordic & UK	1,476	1,159	6,497
Continental Europe	2,288	895	4,531
North America	325	75	434
Shared	734	927	3,083
Non-recurring items (NRI)	-366	-70	-7,570
Operating profit	**4,457**	**2,986**	**6,975**
Net financial items	-2,700	779	-6,812
Income after financial items	**1,757**	**3,765**	**163**

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Consolidated income statement

EUR thousands	Q1		Full Year
	2016	2015	2015
Sales of services	109,378	110,992	438,740
Cost of sales	-82,269	-83,909	-333,718
Gross profit	**27,109**	**27,083**	**105,022**
Selling and distribution costs	-21,990	-23,738	-89,345
Other operating income	-16	-51	-126
Other operating costs	-646	-308	-8,576
Operating profit	**4,457**	**2,986**	**6,975**
Financial income	42	15	361
Financial expenses	-2,742	764	-7,173
Profit before tax	**1,757**	**3,765**	**163**
Income taxes	-87	-102	41
Profit for the period	**1,670**	**3,663**	**204**

Consolidated statement of comprehensive income

EUR thousands	Q1		Full Year
	2016	2015	2015
Profit for the period	**1,670**	**3,663**	**204**
Comprehensive income			
Items that can not be reclassified to profit or loss			
Actuarial gains and losses on defined benefit plans	-	-	585
Tax	-	-	-146
Items that subsequently can be reclassified to profit or loss			
Exchange differences on transactions of foreign operations	285	-522	-591
Total comprehensive income, net of tax	**1,955**	**3,141**	**52**
Profit attributable to:			
Owners of the company	1,630	3,633	33
Non-controlling interests	40	30	171
Total	**1,670**	**3,663**	**204**
Total comprehensive profit attributable to:			
Owners of the company	1,915	3,111	-119
Non-controlling interests	40	30	171
Total	**1,955**	**3,141**	**52**
Number of shares	5,600	5,600	5,600
Earnings per share (EUR)	0.29	0.65	0.01

Financial ratios

EUR thousands	Q1		Full Year
	2016	2015	2015
Operating profit before depreciation (EBITDA)	8,151	6,655	21,843
Depreciation	-2,385	-2,275	-9,365
Operating profit before amortization (EBITA)	5,766	4,380	12,478
Amortization	-1,309	-1,394	-5,503
Operating profit (EBIT)	4,457	2,986	6,975
Operating margin, %	4.1	2.7	1.6

Consolidated balance sheet

EUR thousands	31 Mar 2016	31 Mar 2015	31 Dec 2015
ASSETS			
Non-current assets			
Intangible assets	151,347	158,364	152,388
Property, plant and equipment	28,107	28,122	27,233
Deferred tax assets	22,035	23,038	22,282
Total non-current assets	**201,489**	**209,524**	**201,903**
Current assets			
Work in progress	18,999	18,965	17,508
Trade receivables	65,605	68,068	66,830
Receivables from parent company	252	72	72
Prepaid expenses	5,852	6,256	4,386
Cash and cash equivalents	21,965	16,143	26,529
Total current assets	**112,673**	**109,504**	**115,325**
TOTAL ASSETS	**314,162**	**319,028**	**317,228**
EQUITY AND LIABILITIES			
Equity			
Issued capital	58	58	58
Other contributed capital	6,771	6,771	6,771
Other capital reserves	-858	-536	-858
Retained earnings	37,164	38,170	35,248
Equity attributable to owners of the parent company	**43,135**	**44,463**	**41,219**
Non-controlling interests	1,043	1,124	1,038
Total equity	**44,178**	**45,587**	**42,257**
Non-current liabilities			
Provisions	4,797	5,991	4,782
Deferred tax liabilities	21,794	23,954	21,937
Non-current interest-bearing liabilities	175,972	175,551	175,812
Total non-current liabilities	**202,563**	**205,496**	**202,531**
Current liabilities			
Provisions	1,229	803	921
Trade payables	28,365	31,504	34,294
Current interest-bearing liabilities	1,223	1,337	1,401
Other liabilities	13,588	11,361	12,460
Accrued expenses	23,016	22,940	23,364
Total current liabilities	**67,421**	**67,945**	**72,440**
TOTAL EQUITY AND LIABILITIES	**314,162**	**319,028**	**317,228**

Financial ratios

EUR thousands	31 Mar 2016	31 Mar 2015	31 Dec 2015
Equity	44,178	45,587	42,257
Net debt	100,841	107,449	96,248
Shareholder loan	57,744	57,810	57,744

Consolidated statement of cash flow

EUR thousands	Q1		Full Year
	2016	2015	2015
Operating activities			
Earnings before interest and taxes	4,457	2,986	6,975
Adjustments for non-cash items before tax	3,418	3,813	17,263
Financial income received	42	15	361
Income tax paid	-335	-140	-1,058
Cash flow from operating activities before changes in working capital	**7,582**	**6,674**	**23,541**
Cash flow from changes in working capital			
Changes in operating receivables	-874	2,065	4,045
Changes in work in progress	-1,698	-1,746	-530
Changes in operating liabilities	-4,342	-6,379	-1,524
Cash flow from operating activities	**668**	**614**	**25,532**
Investing activities			
Acquisition of subsidiary, net of cash acquired	-	-954	-987
Purchase of property, plant and equipment	-3,023	-2,018	-8,806
Purchase of intangible fixed assets	-948	-504	-1,934
Sale of non-current assets	-	-	127
Cash flow used in investing activities	**-3,971**	**-3,476**	**-11,600**
Cash flow before financing activities	**-3,303**	**-2,862**	**13,932**
Cash flow from financing activities			
Dividend to non-controlling interests	-35	-	-227
Financial expenses paid	-1,849	-1,791	-7,612
Net cash flow from financing activities	**-1,884**	**-1,791**	**-7,839**
Cash flow for the period	-5,187	-4,653	6,093
Cash and cash equivalents, opening balance	26,529	21,509	21,509
Translation difference in cash and cash equivalents	623	-713	-1,073
Cash and cash equivalents, closing balance	**21,965**	**16,143**	**26,529**

Consolidated statement of changes in equity

EUR thousands	Attributable to the owners of the company						
	Share capital	Other contributed capital	Other capital reserved	Retained earnings	Total	Non-controlling interests	Total equity
Closing balance, 31 December 2014	**58**	**6,771**	**-267**	**34,789**	**41,351**	**1,094**	**42,445**
Merger loss	-	-	-	-12	-12	-	-12
Dividend	-	-	-	-	-	-227	-227
Profit for the period	-	-	-	33	33	171	204
Other comprehensive income	-	-	-591	438	-153	-	-153
Closing balance, 31 December 2015	**58**	**6,771**	**-858**	**35,248**	**41,219**	**1,038**	**42,257**
Dividend	-	-	-	-	-	-35	-35
Profit for the period	-	-	-	1,630	1,630	40	1,670
Other comprehensive income	-	-	286	-	286	-	286
Closing balance, 31 March 2016	**58**	**6,771**	**-572**	**36,878**	**43,135**	**1,043**	**44,178**

Income statement, Parent Company

EUR thousands	Q1		Full Year
	2016	**2015**	**2015**
Sales	774	807	3,985
Gross profit	**774**	**807**	**3,985**
General administrative and sale expenses	-740	-785	-3,097
Other operating income/expenses	4	-85	-773
Operating profit	**38**	**-63**	**115**
Financial income	1,573	1,577	6,338
Financial expenses	-1,661	-1,577	-6,591
Profit after financial items	**-50**	**-63**	**-138**
Group contribution	-	-	8,140
Profit before income taxes	**-50**	**-63**	**8,002**
Taxes	-	-	-
Profit for the period	**-50**	**-63**	**8,002**

Statement of comprehensive income

EUR thousands	Q1		Full Year
	2016	**2015**	**2015**
Profit for the period	-50	-63	8,002
Total comprehensive income	**-50**	**-63**	**8,002**

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Statement of financial position, Parent Company

EUR thousands	31 Mar 2016	31 Mar 2015	31 Dec 2015
ASSETS			
Non-current assets			
Participations in group companies	76,296	76,296	76,296
Receivables from group companies	117,950	117,950	117,950
Total non-current assets	**194,246**	**194,246**	**194,246**
Current assets			
Receivables from group companies	531	335	1,425
Other receivables	62	36	73
Prepaid expenses	7	20	17
Receivables from subsidiaries	27,988	19,678	26,941
Total current assets	**28,588**	**20,069**	**28,456**
TOTAL ASSETS	**222,834**	**214,315**	**222,702**
EQUITY AND LIABILITIES			
Equity			
Issued capital	58	58	58
Other contributed capital	6,771	6,771	6,771
Non-restricted equity	94,661	86,646	94,711
Total equity	**101,490**	**93,475**	**101,540**
Non-current liabilities			
Non-current interest-bearing liabilities	118,347	117,792	118,202
Total non-current liabilities	**118,347**	**117,792**	**118,202**
Non-current liabilities			
Trade payables	63	13	3
Other current liabilities	238	405	212
Accrued expenses	2,696	2,630	2,745
Total other non-current liabilities	**2,997**	**3,048**	**2,960**
TOTAL EQUITY AND LIABILITIES	**222,834**	**214,315**	**222,702**
Pledged assets and contingent liabilities			
Shares in subsidiaries	76,296	76,296	76,296
Contingent liabilities	None	None	None

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 financial instruments. The main exposures for the Group are liquidity risk, interest risk and currency risk.

The derivatives are valued at fair value at level 2 and additional considerations at level 3, according to 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 were no interests 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 Mar 2016		31 Mar 2015		31 Dec 2015	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Accounts receivables	63,349	63,349	65,577	65,577	64,344	64,344
Other current assets	2,446	2,446	2,215	2,215	2,644	2,644
Receivables from parent company	252	252	72	72	72	72
Cash and cash equivalents	21,965	21,965	16,143	16,143	26,529	26,529
Total	**88,012**	**88,012**	**84,007**	**84,007**	**93,589**	**93,589**
Liabilities						
Non-current interest-bearing liabilities	118,228	120,025	117,742	120,144	118,068	120,028
Other interest-bearing liabilities	57,744	57,744	57,810	57,810	57,744	57,744
Trade payables	28,365	28,365	31,504	31,504	34,294	34,294
Other current liabilities	13,588	13,588	11,361	11,361	12,460	12,460
Accrued expenses	1,725	1,725	1,330	1,330	1,629	1,629
Total	**219,650**	**221,447**	**219,747**	**222,149**	**224,195**	**226,155**

Definitions

Sales	Sales net of VAT and discounts
Gross profit	Sales minus cost of goods sold
EBITDA	Earnings before interest, tax, depreciation and amortization
EBITA	Earnings before interest, tax and amortization
Adjusted EBITA	Earnings before interest, tax and amortization before NRI
EBIT	Earnings before interest and tax
Operating margin	EBIT as a percentage of sales
Net financial expenses	Exchange rate differences related to financial assets and liabilities are recognized in financial expenses in net financial items
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
Non-recurring items (NRI)	Items attributable to capital gain/losses, impairment, restructuring and other redundancy costs

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

This interim report has not been reviewed by an auditor.

Financial calendar 2016

This report was published on the Group's website on 13 May 2016.

Interim Report

Q2 2016, will be published on 11 August 2016

Q3 2016, will be published on 11 November 2016

Q4 2016, will be published on 9 February 2017

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