

Interim Report for January - June 2014



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Second Quarter 2014

- Sales decreased 4.8% in the second quarter. Spring, especially April and May, had unusually warm and dry weather in most of Europe, limiting water-related damages.
- Polygon in the US signed a large contract with New York City Housing Authority (NYCHA) which will have a positive impact in the second half of the year as well as in 2015. In the UK, Polygon signed a contract with Direct Line Group (DLG) which will at full implementation generate double-digit growth.
- Operating profit before amortization and non-recurring items ("EBITA before NRI") amounted to 0.2 M€ (2.3). The negative development compared with last year is an effect of the low activity level due to the unusually warm and dry weather in several markets. Operating loss before amortization (EBITA) amounted to 3.6 M€ (profit 1.1).
- Polygon closed a bond issue in April of 120 M€, replacing bank financing at a total of 103 M€.
- Evert-Jan Jansen replaced Michael Berg as CEO on April 14, 2014. Following the change of CEO, some changes were also made to the Board of Directors. Magnus Lindquist was elected Chairman of the Board after an agreement that Thorbjörn Graarud would step down from the board. Nadia Meier-Kirner also left the Board in June.

January - June 2014

- Sales decreased 2.8% in the first half of the year compared with the same period last year due to the mild winter and dry spring.
- Operating profit before amortization and non-recurring items ("EBITA before NRI") amounted to 4.3 M€ (5.5). The decrease is an effect of the low activity level in Q2. Operating loss before amortization (EBITA) amounted to 0.5 M€ (profit 4.1).

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

Group Key Figures (M€)

	2014 Q2	2013 Q2	2014 H1	2013 H1	2013	LTM
Sales	96.7	101.5	201.2	206.9	423.4	417.6
EBITDA	-1.6	3.5	3.8	9.0	14.8	9.6
EBITA	-3.6	1.1	-0.5	4.1	4.6	0.1
EBITA %	-3.7	1.1	-0.2	2.0	1.1	0.0
EBITA before NRI	0.2	2.3	4.3	5.5	14.6	13.4
EBITA before NRI %	0.2	2.3	2.1	2.7	3.5	3.2
Earnings per share	-1.7	-1.1	-1.7	-1.3	-1.9	-2.3
Cash flow from operating activities	-1.4	4.5	-0.1	9.3	28.1	16.2
Net debt	99.7	106.1	99.7	106.1	89.9	99.7
Full time employees (eop)	2 785	2 798	2 785	2 798	2 779	2 768





Comments from the CEO

The unusually warm weather in the second quarter, which limited water damage as well as the need for construction heating, led to a negative growth of close to 5% in the second quarter and 2.8% decrease for the first half year. Norway, for example, had the driest weather in 114 years. We believe that we have defended and strengthened our market position in this tough environment. In our largest market, Germany, we have maintained our sales. We have signed contracts with potentially large customers in several markets. One indication of the tough market conditions is the bankruptcy of one major competitor in Denmark.

We will both continue and intensify our work with the basics, project effectiveness and cost control as well as cross-border implementation of concepts. This program will improve the results in the long term.

The successful bond issue will give us possibilities to grow the business both by organic initiatives and by acquisitions. The terms with a margin of 5.00 per cent to EURIBOR are close to former bank financing.

Short term outlook

Due to the unfavourable weather conditions, order intake is at a low level. New framework agreements and effects from productivity measures should however give positive effects in the second half of the year.

Market development

Our long-term outlook on the property damage restoration market is positive with weather conditions gradually increasing damages caused by water, fire, wind and changes in climate. However, in the short term, the dry and warm weather in most parts of Europe led to a low level of property damage claims compared with the previous year.

Part of Polygon's business is dependent on extraordinary weather elements. Markets such as the US would normally incur several hurricanes with consequent property damage having an impact on Polygon's business.

Net sales and profit for the second quarter 2014

Consolidated sales for second quarter 2014 amounted to 96.7 M€, a decrease of 4.8% compared with same period last year.

Sales in Europe decreased by 2.5% while North American sales were down by 24.4%. The main reason is the lack of large projects in Canadian operations. US sales were in level with last year.

Operating profit before amortization and non-recurring items ("EBITA before NRI") amounted to 0.2 M€ (2.3). Results have improved in Polygon's largest market, Germany, while Polygon in the Nordic area suffers from the warm winter and spring. North America's result is better than last year's due to improved gross margin. 3.8 M€ (1.2) have been identified as non-recurring items (NRI).

Net financial expenses for the period amounted to 4.8 M€ (5.4). Loss before tax for the period amounted to 9.7 M€ (6.0), and net loss was 9.4 M€ (6.0).

Net sales and profit for the first half year 2014

Consolidated sales for first half of the year amounted to 201.2 M€, a decrease of 2.8% compared with same period last year. Sales in Europe decreased by 1.2% while North American sales were down by 16.1%. Hurricane Sandy, which hit the New York area in late 2012, had a positive effect in early 2013. The large project in New York has had limited effects in first half of the year.

Operating profit before amortization and non-recurring items ("EBITA before NRI") amounted to 4.3 M€ (5.5). Operating loss (EBITA) amounted to 0.5 M€ (profit 4.1). The decrease is an effect of the low activity level in Q2. 4.8 M€ (1.5) have been identified as non-recurring items (NRI).

Net financial expense for the period amounted to 6.7 M€ (7.5). Loss before tax for the period amounted to 10.0 M€ (6.9), and net loss was 9.5 M€ (7.1).





Cash flow and financing

Cash flow from operating activities during the second quarter of 2014 amounted to minus 1.4 M€ (4.5), and cash flow before financing activities amounted to minus 3.8 M€ (3.1). Due to seasonal effects, working capital has increased since year-end. Cash flow from operating activities during the first half-year of 2014 amounted to minus 0.1 M€ (9.3), and cash flow after financing activities amounted to minus 8.7 M€ (9.9).

The former bank financing of 103 M€ was in April replaced with a Senior Secured Floating Rate Note of 120 M€ which will mature in 2019 and is running with a floating rate with a 500 basis points spread over 3 months EURIBOR. The bond was issued by Polygon AB and is granted on a senior level by Polygon Holding AB and selected subsidiaries. Polygon Holding AB has pledged its share in Polygon AB and Polygon AB has pledged its shares in subsidiaries. Together with the bond a Revolving Credit Facility Agreement of 14 M€ was signed which will be used for short term financing and guaranties. The loan expenses are disclosed in the balance sheet as a reduction from the debt and the costs are allocated in the income statement over the duration of the loan. The loan will be listed during the fourth quarter.

Total interest-bearing net debt amounted to 99.7 M€ (December 2013: 89.9).

Equity amounted to 44.4 M€ (December 2013: 53.9).

The Group's liquidity buffer amounted to 26.1 M€ (December 2013: 17.5), comprising cash and cash equivalents of 23.2 M€ (December 2013: 15.8) and unutilized contracted loan commitments of 2.8 M€. (December 2013: 1.7)

Capital expenditure

Capital expenditure during the first half of the year of 2014 amounted to 4.2 M€ (3.6).

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 of which the non-controlled interest is 24.2%

Net profit for Polygon AB for the second quarter amounted to 1.2 M€ (loss 0.2).

Most significant risks and uncertainty factors

The business carried out by the Group, property damage restoration after events such as flooding and fires, is to some extent dependent on the occurrence of property damage. The frequency of property damage can vary depending on circumstances beyond Polygon's control, 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 majority of the business (estimated at around 80%) is related to damage independent of weather.

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 comprise about 30% of Polygon's sales, with the newest customer on the top-ten list representing a seven-year relationship.

Polygon's view is that there have not been any significant changes during the reporting period with regards to risks and factors of uncertainty that were presented in the Annual Report.

For further elaboration of the Group's risk and uncertainty factors, please refer to the 2013 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 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 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 is the same as those applied in the consolidated annual accounts for 2013. More specified accounting policies can be found on page 11-20 in the Annual Report for 2013.

A number of standards and changes of standards are in effect from January 1, 2014. Polygon does not 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 assures that this interim report gives a true and valid overview of the Parent Company and the Group's business, position and results, describing essential risk and uncertainty factors that the Parent Company and its subsidiaries face.

Stockholm, August 28, 2014

Evert-Jan Jansen

President and CEO





SEGMENT REPORTING

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.

T€	2014 Q2	2013 Q2	2014 Q1-2	2013 Q1-2	2013 FY
Sales of services					
Nordic & UK	31 124	31 785	63 611	64 916	129 770
Continental Europe	57 845	59 425	120 011	121 004	254 177
North America	7 788	10 294	17 695	21 089	39 414
Shared	-97	0	-158	-78	0
Total	96 659	101 504	201 159	206 932	423 361
<i>(only minor amounts regards internal sales)</i>					
Operating income before NRI					
Nordic & UK	-437	597	503	1 299	4 745
Continental Europe	-1 086	-432	-1 256	-1 104	1 215
North America	-124	-349	340	-116	-853
Shared	422	833	1 913	2 055	3 616
Non-recurring items (NRI)	-3 762	-1 244	-4 738	-1 479	-10 028
Operating income	-4 987	-595	-3 237	655	-1 306
Net financial items	-4 750	-5 382	-6 726	-7 511	-12 395
Income after financial items	-9 737	-5 977	-9 963	-6 856	-13 701

CONSOLIDATED INCOME STATEMENT

T€	2014 Q2	2013 Q2	2014 Q1-2	2013 Q1-2	2013 FY
Sale of services	96 659	101 504	201 159	206 932	423 361
Cost of sales	-73 848	-77 820	-152 933	-157 497	-323 360
Gross profit	22 811	23 684	48 226	49 436	100 001
Selling and distribution cost	-22 671	-21 575	-44 232	-44 311	-88 083
Other operating costs	-5 128	-2 704	-7 231	-4 470	-13 224
Operating income	-4 987	-595	-3 237	655	-1 306
Finance income	16	-10	37	19	175
Finance cost	-4 766	-5 372	-6 763	-7 529	-12 570
Income before tax	-9 737	-5 977	-9 963	-6 856	-13 701
Income taxes	353	-8	433	-220	3 206
Net income	-9 384	-5 985	-9 529	-7 076	-10 495





CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

T€	2014 Q2	2013 Q2	2014 Q1-2	2013 Q1-2	2013 FY
<i>Items that can not be reclassified to profit or loss</i>					
Actuarial gains and losses on defined benefit plans	0	0	0	0	344
Tax	0	0	0	0	-118
<i>Items that later can be reclassified to profit or loss</i>					
Cash flow hedges	0	0	0	0	732
Exchange differences on transactions of foreign operations	182	401	16	618	243
Tax	0	0	0	0	-161
Total comprehensive income, net of tax	-9 202	-5 584	-9 513	-6 458	-9 455
Net income attributable to:					
Owners of the company	-9 404	-5 997	-9 569	-7 100	-10 513
Non-controlling interest	20	12	40	24	18
Total comprehensive income attributable to:					
Owners of the company	-9 222	-5 596	-9 553	-6 470	-9 473
Non-controlling interest	20	12	40	12	18
Number of shares	5 600	5 600	5 600	5 600	5 600
Net income per share (EUR)	-1,68	-1,07	-1,71	-1,27	-1,88

FINANCIAL RATIOS

T€					
Operating income before depreciation (EBITDA)	-1 559	3 540	3 764	9 007	14 849
Depreciation	-2 046	-2 455	-4 236	-4 954	-10 230
Operating income before amortization (EBITA)	-3 605	1 085	-472	4 052	4 619
Amortization	-1 382	-1 680	-2 764	-3 398	-5 925
Operating income (EBIT)	-4 987	-595	-3 237	655	-1 306
Operating margin %	-5,2%	-0,6%	-1,6%	0,3%	-0.3





CONSOLIDATED BALANCE SHEET

T€	2014 June-30	2013 June-30	2013 Dec-31
ASSETS			
Non-current assets			
Intangible assets	155 824	163 337	157 571
Property, plant and equipment	25 524	31 384	27 298
Deferred tax assets	20 180	13 754	19 914
Total non-current assets	201 528	208 476	204 783
Current assets			
Work in progress	12 944	14 860	12 422
Receivables	61 993	66 865	70 819
Prepaid expenses	4 964	6 127	3 737
Cash and cash equivalents	23 024	7 214	15 789
Total current assets	102 925	95 067	102 767
TOTAL ASSETS	304 453	303 542	307 550
EQUITY AND LIABILITIES			
Equity			
Issued capital	58	6	6
Other contributed capital	6 771	6 771	6 771
Other capital reserves	-711	-1 436	-726
Retained earnings	37 275	50 560	46 843
Equity attributable to owners of the parent company	43 393	55 901	52 894
Non-controlling interests	999	1 032	1 024
Total equity	44 392	56 933	53 918
Shareholders loans			
Shareholders loans	59 286	52 451	54 914
Other non-current liabilities			
Provisions	5 328	6 174	5 180
Deferred tax liabilities	24 524	22 212	24 928
Long-term interest-bearing liabilities	114 262	102 111	91 394
Other liabilities	480	1 202	-
Total other non-current liabilities	144 595	131 699	121 502
Total non-current liabilities	203 881	184 150	176 416
Current liabilities			
Provisions	334	411	1 109
Account payables	24 398	23 298	33 923
Short-term interest-bearing liabilities	8	4 527	9 637
Other liabilities	9 948	13 836	12 198
Accrued expenses	21 493	20 387	20 349
Total current liabilities	56 180	62 458	77 216
TOTAL EQUITY AND LIABILITIES	304 453	303 542	307 550
FINANCIAL RATIOS			
T€	2014	2013	2013
Equity	44 392	56 933	53 918
Net debt	99 684	106 085	89 896





CONSOLIDATED STATEMENT OF CASH FLOW

T€	2014 Q2	2013 Q2	2014 Q1-2	2013 Q1-2	2013 FY
Operating activities					
Income before taxes	-4 985	-595	-3 237	655	-1 306
Adjustments for non cash items before tax	3 853	4 346	7 338	8 557	19 612
Financial income received	16	19	37	48	152
Income tax paid	-560	-61	-839	-361	-1 463
Cash flow from operating activities before changes in working capital	-1 677	3 709	3 299	8 898	16 995
Cash flow from changes in working capital					
Changes in operating receivables	3 785	1 023	8 079	6 750	4 648
Changes in work in progress	1 008	5 125	-425	4 278	6 658
Changes in operating liabilities	-4 518	-5 340	-11 060	-10 649	-186
Cash flow from operating activities	-1 401	4 517	-107	9 277	28 115
Investing activities					
Acquisition of a subsidiary, net of cash acquired	0	0	0	0	-200
Purchase of property, plant and equipment	-1 799	-875	-3 292	-2 736	-6 492
Purchase of intangible fixed assets	-635	-545	-877	-904	-1 554
Sale of fixed assets	0	0	433	0	1 870
Net cash flows used in investing activities	-2 434	-1 420	-3 736	-3 640	-6 376
Cash flows from financing activities					
New share issue and capital contribution					-
New borrowings	16 985	16 000	16 985	16 000	16 000
Dividend to non-controlling interest	-65	0	0	-322	-322
Repayment of borrowings		-4 853	0	-4 853	-9 285
Utilization of overdraft	-	-	-	--	-13 364
Financial costs paid	-4 328	-4 318	-6 003	-5 900	-8 083
Net cash flows from financing activities	12 592	6 829	10 982	4 925	-15 054
Cash flow for the period	8 757	9 927	7 139	10 562	6 685
Cash and cash equivalents, opening balance	14 414	-2 450	15 789	-2 968	10 396
Translation difference in cash and cash equivalents	-147	-262	96	-379	-1 292
Cash and cash equivalents, closing balance	23 024	7 214	23 024	7 214	15 789





CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2014	Attributable to the owners of the company					Non-controlling interest	Total equity
	Share capital	Other contributed capital	Other capital reserves	Retained earnings	Total		
T€							
Opening balance January 1	6	6 771	-726	46 843	52 894	1 024	53 918
Shareholder contribution	52				52		52
Dividend						-65	-65
Net income for Q2				-9 568	-9 568	40	-9 528
Other comprehensive income			15		15		15
Closing balance June 30	58	6 771	-711	37 257	43 393	999	44 392

2013	Attributable to the owners of the company					Non-controlling interest	Total equity
	Share capital	Other contributed capital	Other capital reserves	Retained earnings	Total		
T€							
Opening balance January 1	6	6 771	-1 771	109 812	114 818	1 330	116 148
Dividend 1)				-52 451	-52 451	-322	-52 773
Net income for Q2				-7 102	-7 102	24	-7 078
Other comprehensive income			335	301	636	0	636
Closing balance June 30	6	6 771	-1 436	50 560	55 901	1 032	56 933

- 1) The dividend is part of a reorganisation of the financial structure within the Group which started already in 2013 and was offset by a shareholders contribution 2013 of 126 M€ to the Polygon Group.





INCOME STATEMENT, PARENT COMPANY

T€	2014 Q2	2013 Q2	2014 Q1-2	2013 Q1-2	2013 FY
Sales	2 837	844	3 715	1 634	3 368
Gross profit	2 837	844	3 715	1 634	3 368
General administration and sale expenses	-988	-714	-1 824	-1 292	-2 629
Other operating costs/income	-1 593	-99	-1 584	-185	-440
Operating income	256	31	307	157	299
Income from shares in Group companies	1 000	1 791	1 000	1 791	1 791
Finance income	1 366	-1 038	1 366	-	-
Finance costs	-1 442	-968	-1 451	-1 000	-1 153
Income after financial items	1 180	-184	1 222	948	937
Group contribution	-	-	-	-	1 300
Income before income taxes	1 180	-184	1 222	948	2 237
Taxes	-	-	-	-	-
Net income	1 180	-184	1 222	948	2 237

STATEMENT OF COMPREHENSIVE INCOME

T€	2014 Q2	2013 Q2	2014 Q1-2	2013 Q1-2	2013 FY
Net income	1 180	-184	1 222	948	2 237
Comprehensive income	-	-	-	-	-
Comprehensive income after tax	-	-	-	-	-
Total comprehensive income, net of tax	1 180	-184	1 222	948	2 237





STATEMENT OF FINANCIAL POSITION, PARENT COMPANY

T€	2014 June-30	2013 June-30	2013 Dec-31
ASSETS			
Non-current assets			
Participations in Group companies	76 296	76 296	76 296
Receivables, Group companies	117 950	-	-
Total noncurrent assets	194 246	76 296	76 296
Current assets			
Receivables, Group companies	-	333	1 527
Other receivables	43	43	30
Prepaid expenses	439	322	101
Total current receivables	482	698	1 658
Cash and cash equivalents	16 094	9 914	10 211
Total current assets	16 576	10 612	11 869
TOTAL ASSETS	210 822	86 908	88 165
EQUITY AND LIABILITIES			
Equity			
Issued capital	58	6	6
Non restricted equity	88 195	85 736	87 025
Total equity	88 253	85 742	87 031
Non-current liabilities			
Long-term interest-bearing liabilities	117 810	-	-
	117 810	0	0
Non-current liabilities			
Accounts payables	413	149	37
Other current liabilities	1 108	247	194
Accrued costs	3 238	770	903
Total current liabilities	4 759	1 166	1 134
TOTAL EQUITY AND LIABILITIES	210 822	86 908	88 165
Pledged assets and contingent liabilities			
Pledged assets			
Shares in subsidiaries	76 296	76 296	76 296
Total assets pledged	76 293	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 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 exchange 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 IFRS13. 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€	June 30 2014		June 30 2013		December 31 2013	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Assets						
Accounts receivables	59 286	59 286	64 708	64 708	68 657	68 657
Other current assets	6 690	6 690	7 594	7 594	5 108	5 108
Receivables, parent company	-	-	-	-	-	-
Cash and cash equivalents	23 024	23 024	7 214	7 214	15 789	15 789
Total	89 000	89 000	79 516	79 516	89 554	89 554
Liabilities						
Long-term interest-bearing liabilities	117 907	120 299	97 987	99 373	91 394	93 698
Other interest-bearing liabilities	56 129	56 129	52 451	52 451	54 914	54 914
Short-term interest-bearing liabilities			9 854	9 854	9 637	9 637
Overdraft	-	-	-	-	-	-
Accounts payables	24 398	24 398	23 298	23 298	33 923	33 923
Other short-term liabilities	8 555	8 555	10 915	10 915	10 433	10 433
Accrued expenses	8 314	8 314	7 180	7 180	6 662	6 662
Total	215 303	217 695	201 685	203 071	206 963	209 267
Derivatives for hedging purposes						
Interest rate derivatives	480	162	1 565	1 565	480	480
Total	480	162	1 565	1 565	480	480



**DEFINITIONS**

Sales	Sales net of VAT and discounts
Gross profit	Sales minus cost of goods sold
EBITDA	Income before interest, tax, depreciation and amortization
EBITA	Income before interest, tax, and amortization
EBIT	Income before interest and tax
Operating margin	EBIT in per cent of sales
Net debt	Interest bearing debts (excluding pension debt) minus cash and cash equivalent
Net indebtedness	(Net debt/equity) x 100
Net income per share	Net income for the period/average number of shares during the period
Non-recurring items	Items attributable to capital gain/losses, impairment, restructuring and other redundancy costs.

This report has not been subject to auditing.

INFORMATION

This report was 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

Polygon AB

Sveavägen 9
SE-111 67 Stockholm
Tel: +46 8 450 33 00

