



Polygon AB

Annual Report and Consolidated Financial Statements

For the fiscal year 2014



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Directors' report

The Board of Directors and the Managing Director of Polygon AB (publ), org.no. 556816-5855, hereby present the Annual Report and Consolidated Financial Statements for the fiscal year 2014.

Operations

Polygon AB and its subsidiaries primarily perform services in water and fire damage restoration and also offer other services such as temporary humidity control, leak detection, odour elimination and moist investigations.

The customers of Polygon are insurance companies, as well as commercial and private property owners. The Polygon Group conducts business in Europe, North America and Asia with its approximately 300 service depots providing a strong local presence. The main strengths of Polygon are short reaction times and efficient technology. Polygon creates value by minimizing costs for the extent of the damage, and its handling, as well as a professional and secure claim processing involving the insured.

In April 2014 Evert Jan Jansen was appointed CEO and managing director of the Polygon group.

The Polygon Group was established at the end of September 2010 when Polygon AB acquired 100% of the shares in the listed Munters Division MCS (Moisture Control Services) from the listed company Munters AB.

The parent company, Polygon AB was formed 24 August 2010.

Ownership structure

Polygon AB is owned by Polygon Holding AB which in turn is owned by MUHA No 2 LuxCo.

Financial Year 2014

The group sales amount to 419.1 (423.4) MEUR for the financial year and the operating loss amounts to 1.1 (1.3) MEUR. The operating loss was charged with 7.2 (9.6) MEUR by non-recurring items.

	2014	2013
EBIT	-1.1	-1.3
Amortization		
Intangible assets	5.7	6.1
Non-recurring items	7.2	9.6
Adjusted EBITA	11.8	14.4
EBITA-margin	2.8 %	3.4 %
Depreciations	8.8	10.0
Adjusted EBITDA	20.6	24.4
EBITDA-margin	4.9 %	5.8 %

Non-recurring items mainly refers to changes in management and restructuring of service depots and for 2013 also gains on sales of buildings and write-downs of IT systems..

During the year, the group has acquired a company in Austria, but no divestments have been made.

The income statement and balance sheet have changed since the publication of Interim report Q4 2014 dated 24 February 2015 due to degraded margin in an ongoing project in the US. This has affected EBIT negative with 1.9 MEUR but no negative effects on the cash flow from operating activities.

Financing and liquidity

The group's earlier bank financing was replaced in April 2014 with a Senior Secured Floating Rate Note of 120 MEUR, which is due 2019 and applies a floating rate calculated on 500 basis points on three-month EURIBOR.

Liquid funds amounted to 21.5 (15.8) MEUR as of 31 December 2014. The cash flow from the 2014 operating activities amounts to 10.0 (28.1) MEUR. The major difference between the years in cash flow from operating activities is the improvement in the working capital that occurred during 2013.

Investments

The group's capital expenditures on property, plant and equipment amount to 9.2 (8.0) MEUR. In addition to this the group has further developed its business systems amounting to 2.7 (1.5) MEUR. Total depreciations during the period amount to 14.5 (16.1) MEUR, of which 8.8 (10.0) MEUR is attributable to fixed assets and 5.7 (6.1) MEUR to intangible assets.

Depreciation of intangible assets mainly refers to order backlog and customer relations in combination with acquisitions and depreciations on balanced costs for developing the Group's business systems. During the year tangible assets were written down for a book value of 0.5 MEUR.

Employees

The average number of employees in the Group during the 2014 financial year was 2 912 (2 743).

Significant risks and uncertainty factors

Polygon is a leader in quality and technology with a strong brand and complete service offering. A wide local presence on geographically spread-out markets provides strength. The risks consist of revenues that vary due to weather and temperature with related damage frequency, as well as a relatively fixed cost structure. The operation also has a large exposure against the insurance industry, which leads to an interdependence.

The competition comes from a couple of global operators, but mainly from a large number of small, local operators.

Financial risks

Polygon is exposed to a number of financial risks; market risk (currency risk and interest risk), credit risk and liquidity risk.

Currency risk

The groups' currency exposure is divided into transaction exposure (exposure in foreign currency related to contractual cash flows) and translation exposure (equity in foreign subsidiaries). The currency exposure arises from intercompany financing along with translation of foreign subsidiaries income statements and balance sheets to the groups currency (EUR).

The currency risk relates to currency changes that could affect the group profit and loss negatively. The translation exposure primarily relates to translation from Swedish and Norwegian kronor, Canadian and American dollars, as well as British pounds.

Interest risk

The interest risk is related to market rate changes that could affect the cash flow, the profit or loss, and/or the fair value of financial assets or liabilities. At the year-end the group had no hedging products to minimize the risk exposure (last year an average of 79% of the group's financial liabilities were hedged with interest swaps).

Liquidity risk

The liquidity risk relates to the ability of the group to meet short term payment commitments. The group works with business ratios and forecasts to handle the fluctuations that are expected in the liquidity.

Credit risk

The credit risk relates to the risk that counterparty in a transaction does not fulfil his or her obligations according to the agreement and that a possible security does not cover the groups receivable. For the group's commercial counterparts where there is a larger exposure, an individual investigation into credit ratings is performed. The group is regularly trying to shorten the effective period of credit.

The credit risk is limited since no individual customer exceeds 5% of the group's total revenue. The credit risk is disbursed both geographical and due to many customers.

Parent company

Polygon AB's business includes common group functions as well as owning and managing shares in group companies. Polygon AB had 5 (4) employees during 2014. No investments were made during the year. The result before tax amounts to 6.5 (2.2) MEUR. Liquid funds at period end amount to 14.5 (10.2) MEUR. The parent company's assets amount to 214.6 (88.2) MEUR and equity 93.5 (87.0) MEUR.

During 2014 the company made a bonus issue of 52 TEUR.

Subsequent events

On 12 January 2015, Lucas Hendriks was appointed the new Chairman of the Board.

One minor company acquisition was made in January in the United Kingdom.

The company's assessment is that nothing else significant has occurred after the balance sheet date.

Future prospects

Polygon is working according to its strategic plans and the expectations of the group are that the market positions will be strengthened through organic growth, acquisitions and improvement of efficiency.

Research and development

The research and development in the group concerns products and services in the existing field of activities.

Environment

Polygon's operations are not subject to permit and notification according to existing environmental legislation.

Corporate Governance Report

According to Swedish Annual Accounts Act chapter 6 §8, the Corporate Governance Report is published outside director's report.

Proposed disposition of earnings

Proposed disposition for the parent company's earnings:

The Board of Directors and the Chief Executive Officer propose that the net profit of 6 507 322 EUR together with retained earnings of 80 252 833 EUR, which total 86 760 155 EUR, be carried forward to new account.

Group financials reports

Consolidated income statement

T€	Note	2014	2013
Sale of services	5	419,106	423,361
Cost of sales	6.7	-319,502	-323,360
Gross profit		99,604	100,001
Selling and distribution costs	6.7	-92,424	-92,512
Other operating income	6	1,785	1,578
Other operating costs	6	-10,062	-10,373
Operating income		-1,098	-1,306
Finance income	8	238	175
Finance costs	8	-11,763	-12,570
Income before tax from continuing operations		-12,622	-13,701
Income taxes	9	2,100	3,206
Net income for the year		-10,522	-10,495

The income statement has been changed since the publication of the Interim report for Q4 2014 dated 24th of February 2015. For further information see note 2.1 regarding accounting principles.

Consolidated statement of comprehensive income

T€	Note	2014	2013
Net income for the year		-10,522	-10,495
Consolidated statement of comprehensive income	19		
<i>Items that can not be reclassified to profit or loss</i>			
Actuarial gains and losses on defined benefit plans		-1,989	345
Income tax effect on Actuarial gains and losses on defined benefit plans		473	-118
<i>Items that later can be reclassified to profit or loss</i>			
Cash flow hedges		480	732
Income tax effect on Cash flow hedges		-113	-161
Exchange differences on translation of foreign operations		263	242
Total comprehensive income for the year, net of tax		-11,408	-9,455
Net income for the year			
Attributable to owners of the company		-10,657	-10,513
Attributable to non-controlling interest		135	18
Total		-10,522	-10,495
Total comprehensive income for the year			
Attributable to owners of the company		-11,543	-9,473
Attributable to non-controlling interest		135	18
Total		-11,408	-9,455

Consolidated Balance sheet

T€	Note	2014	2013
ASSETS			
Non-current assets			
Goodwill	10.12	102,588	100,961
Other intangible assets	11.12	53,772	56,610
Property, plant and equipment	13	27,103	27,298
Deferred tax assets	9	22,777	19,914
Total non-current assets		206,240	204,783
Current assets			
Work in progress		16,498	12,422
Account receivables	14	67,705	68,657
Receivables from parent company		71	-
Current tax receivables	9	668	789
Other current financial assets		2,018	1,373
Prepaid expenses	14	4,068	3,737
Cash and cash equivalents	14	21,509	15,789
Total current assets		112,537	102,767
TOTAL ASSETS		318,777	307,550
EQUITY AND LIABILITIES			
Equity			
Issued capital	15	58	6
Other contributed capital		6,771	6,771
Other capital reserves		-267	-897
Retained earnings		34,789	47,014
Equity attributable to owners of the parent company		41,351	52,894
Non-controlling interests		1,094	1,024
Total equity		42,445	53,918
Non-current liabilities			
Post-employment benefit provisions	16	5,546	4,653
Other provisions		307	527
Deferred tax liabilities	9	23,921	24,928
Long-term interest-bearing liabilities	14	175,397	146,308
Total non-current liabilities		205,171	176,416
Current liabilities			
Advance payments from customers		159	346
Post-employment benefit provisions	16	78	242
Other provisions		775	867
Account payables	14	34,168	33,923
Short-term interest-bearing liabilities	14	-	9,637
Other liabilities	14	10,642	10,913
Accrued expenses	17	24,570	20,349
Current income tax liabilities	9	769	939
Total current liabilities		71,161	77,216
TOTAL EQUITY AND LIABILITIES		318,777	307,550

Pledged assets and contingent liabilities are stated in 14.5 and 18.

The balance sheet has been changed since the publication of Interim Report Q4 dated 24th of February 2015. For further information see note 2.1 Accounting principles.

Consolidated statement of cash flow

T€	Note	2014	2013
Operating activities			
Income before taxes		-1,098	-1,306
Adjustments for non cash items before tax	20	15,319	19,612
Financial income received		238	152
Income tax paid		-1,452	-1,463
Cash flow from operating activities before changes in working capital		13,008	16,995
Cash flow from changes in working capital:			
Changes in operating receivables		537	4,648
Changes in work in progress		-3,929	6,658
Changes in operating liabilities		359	-186
Cash flow from operating activities		9,975	28,115
Investing activities			
Acquisition of a subsidiary, net of cash acquired	3	-524	-200
Purchase of property, plant and equipment	13	-9,180	-6,492
Purchase of intangible fixed assets	11	-2,696	-1,554
Sale of fixed assets		467	1,870
Net cash flows used in investing activities		-11,933	-6,376
Cash flows from financing activities			
New borrowings		120,000	16,000
Repayment of borrowings		-103,963	-9,285
Utilization of overdraft		-	-13,364
Dividend to non-controlling interest		-66	-322
Financial costs paid		-7,697	-8,083
Net cash flows from financing activities		8,274	-15,054
Cash flow for the year			
Cash and cash equivalents, opening balance		15,789	10,396
Translation difference in cash and cash equivalents		-596	-1,292
Cash and cash equivalents, closing balance		21,509	15,789

Consolidated statement of changes in equity

T€	Attributable to the owners of the company						Non-controlling interest	Total equity
	Share capital	Other contributed capital	Other capital reserved	Retained earnings	Total			
2014								
Closing balance, December 31 2012	6	6,771	-1,710	109,751	114,818	1,330	116,148	
Dividend to shareholders	-	-	-	-	-	-	-	
Unconditional shareholder contribution	-	-	-	-52,451	-52,451	-324	-52,775	
Net income for the year	-	-	-	-10,513	-10,513	18	-10,495	
Other comprehensive income 1)	-	-	813	227	1,040	-	1,040	
Closing balance, December 31 2013	6	6,771	-897	47,014	52,894	1,024	53,918	
Grace issue	52	-	-	-52	-	-	-	
Dividend to shareholders	-	-	-	-	-	-65	-65	
Net income for the year	-	-	-	-10,657	-10,657	135	-10,522	
Other comprehensive income 1)	-	-	630	-1,516	-886	-	-886	
Closing balance, December 31 2014	58	6,771	-267	34,789	41,351	1,094	42,445	

1) See note 15.

Corporate Governance Report

Polygon AB (publ) has prepared this Corporate Governance Report in accordance with Chapter 6 of the Swedish Annual Accounts Act. Polygon AB is a Swedish company whose business involves conducting consulting and service operations within water and fire remediation and compatible operations, directly and/or indirectly through holdings in other companies. Polygon AB's bonds are listed on the Corporate Bond List of NASDAQ OMX in Stockholm.

Share capital and shareholders

Polygon AB has 5,600 outstanding shares. Each share confers one vote on the holder. There is no limit on the number of shares that may be represented by a single shareholder at the Annual General Meeting.

Polygon AB is a wholly owned subsidiary of Polygon Holding AB, 89.02% of which is owned by MUHA 2 Luxco.

General Meetings

The General Meeting is the Company's highest decision-making body. At General Meetings, shareholders exercise their right to vote by appointing the Company's Board of Directors and auditors and adopting principles for remuneration to the Company's Board of Directors, management and auditors. If applicable, the General Meeting also passes resolutions regarding the Articles of Association, dividends and changes to the share capital. At the General Meeting that is to be held within six months of the end of the financial year, the income statement and balance sheet should be adopted and any profits be appropriated, and it should be resolved whether to discharge the Board and the Managing Director from liability for the past financial year. There are no limits on the number of votes that may be cast by each shareholder in a General Meeting.

The General Meeting has not authorised the Board of Directors to issue shares or purchase own shares.

Operational governance

The Managing Director is also the CEO and responsible for the operational governance of the Group, and together with certain Business Unit Managers, the Chief Financial Officer, the VP Operations, the VP Commercial and the VP Human Resources, he forms the group management.

Polygon AB has a decentralised organisation. This is an intentional strategic choice, based on the fact that the business tends to be local as well as the conviction that the best decisions are made locally. The Group's business organisation is based on the decentralisation of responsibilities and powers in combination with a fast and well-functioning reporting and control system.

There are written instructions for the managing directors of the subsidiaries. Furthermore, the operations are regulated by a number of policies and instructions, such as the Code of Conduct.

Much of the communication and discussions within the group is based on the internal financial reporting.

Monthly accounts are prepared for each internal profit centre. In addition to the income statement and the balance sheet,

these monthly accounts contain key ratios and other relevant information. In connection with the monthly accounts, meetings are held with the managements of the subsidiaries. Group interim statements are presented to the market on a quarterly basis.

Internal control

According to the Swedish Companies Act, the Board of Directors is responsible for the internal control of the company with regard to financial reporting.

With regard to financial reporting, the internal control is intended to create reasonable assurances and reliability in relation to the external financial reporting, which comprises the annual and quarterly reports. The internal control is also intended to provide reasonable assurances that the financial reporting is prepared according to the law and applicable accounting standards and other requirements related to listed companies.

Control environment

The allocation and delegation of responsibilities have been documented and communicated via internal documents that govern the Board of Directors and the Company, such as the formal work plan of the Board of Directors, the instructions to the CEO, the delegation of powers, the authorisation instruction and other internal governance documents, such as the accounting handbook.

The Audit Committee, which comprises two board members, shall ensure compliance with accounting and internal control principles and that the requisite contacts with the company's auditors are upheld.

All internal governance documents are updated regularly for compliance with changes in legislation or accounting standards.

Risk assessment

In accordance with its formal work plan, the Board of Directors carries out a review of the internal control once per year. Existing risks are identified, and measures are adopted to mitigate such risks. The auditor is invited to present the audit procedures related to internal control in an Audit Committee meeting.

Control activities

As the Company's accounting system is designed to ensure that the signing of agreements and the payment of invoices, etc., comply with the decision paths, signatory powers and authorisation powers provided in the internal governance documents, there is basically a control structure in place to counteract and prevent any risks identified by the Company. In addition to these control structures, there are a number of control activities intended to discover and correct errors and deviations. Such control activities include follow-up at various levels of the organisation, such as the follow-up and reconciliation of resolutions passed by the Board of Directors; the review and comparison of profit/loss items; the reconciliation of accounts; and the approval and reporting of business transactions in the accounting department.

Information and communication

Polygon has established an organisation to ensure that the financial reporting is correct and efficient. The internal governance documents clarify the allocation of responsibilities, and the daily interaction between different departments ensures that any relevant information and communication reaches all parties concerned. On a weekly and monthly basis, the Group management receives financial information about the Company and its subsidiaries regarding the development of future investments and liquidity planning. The Company's information policy safeguards that any information provided, externally and internally, is correct and provided at a time that is suitable in each case.

Follow-up

There is regular follow-up at all levels of the organisation. The Board of Directors regularly evaluates the information provided by the management and the auditors. In addition, the Board of Directors follows up annually on the risk assessment and any agreed measures. The Board of Director's supervision is of particular importance for the development of internal controls and to ensure that measures are implemented to address any shortcomings and proposals that have emerged.

Notes

Note 1 Company information

This consolidated financial statement includes the parent company Polygon AB, org. no. 556816-5835, and its subsidiaries. The postal address of the head office is Sveavägen 9, 111 57 Stockholm.

Polygon AB is a fully owned subsidiary of Polygon Holding AB, org. no. 556809-3511, based in Stockholm, Sweden, which in turn is owned by MUHA No 2 LuxCo.

The financial statements refer to Polygon AB and have been approved by the Board of Directors in connection with the board meeting on 15 April 2015.

Note 2.1 Basic accounting principles

The income statement and balance sheets differ from information published earlier in the year-end report dated 24 February 2015, due to reduced margins in an ongoing project. This has negatively affected operating loss by 1.9 MEUR and loss for the year by 2.0 MEUR.

Accounting principles

The consolidated financial statements for the 2014 fiscal year have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), and the interpretation statements issued by the International Financial Reporting Interpretations Committee (IFRIC) as approved by the European Commission for application within the EU for fiscal years beginning 1 January 2014. In addition the Swedish Financial Reporting Board (RFR): Supplementary Accounting rules for Groups have been applied.

The parent company applies the same accounting principles as the group, with the exception of those cases specified in the section, "The parent company's accounting principles".

Reporting currency

The reporting currency of the group is euro, which is the parent company's functional currency. Unless otherwise stated, all amounts are in stated in thousands of euros ("TEUR").

Reporting period

The reporting period is fiscal year 1 January 2014 until 31 December 2014, with all closing lines for this period being 31 December 2014. The previous fiscal year was 1 January 2013 until 31 December 2013, with closing lines of 31 December 2013.

Basis of preparation of the financial statements

The consolidated financial statement has been prepared based on the assumption of going concern. Assets and liabilities are recorded at historical cost with the exception of derivative financial instruments and acquisition earn-outs, which are recorded at fair value.

Basis of consolidation

The consolidated financial statement covers the parent company and its subsidiaries. The financial statements of the par-

ent company and the subsidiaries that are a part of the consolidated financial statement refer to the same period and are prepared in accordance with the same accounting principles.

All inter-company items are eliminated as a whole and are consequently not included in the consolidated financial statement.

Subsidiary

A subsidiary is a company where the parent company owns more than 50% of the shares or controls the subsidiary in another way. Subsidiaries are included in the consolidated financial statement from the date on which the group obtains control of them and until the date when such control ceases.

Associated company

An associated company is a company where the group has substantial influence and is not a subsidiary or a joint venture. Participations in associated companies are recorded in accordance with the equity method. At the moment there are no associated companies in the group.

Non-controlling interest

Non-controlling interest is part of the profit and loss and the net assets in non-wholly owned subsidiaries which fall to other owners instead of the parent company's shareholder. Its share of net profit is included in the net profit of the group and the net assets are included in the group's equity.

Translation of foreign subsidiaries' financial statements

Foreign subsidiaries are translated to euro since this is the presentation currency of the group as well as Polygon AB's functional currency. Income statements are translated to an average exchange rate and the balance sheet is translated to the closing rate of exchange. All surplus values recorded in connection with an acquisition of a foreign subsidiary, such as goodwill and other previous non-recorded intangible assets, are considered as respective entities and are therefore translated to the closing rate of exchange. Translation differences are recorded in other comprehensive income. In case of a disposal of a subsidiary, accumulated translation differences are reversed in the income statement.

The following rates have been applied regarding foreign currency translation:

T€	Closing-		Closing-	
	balance rate	Average rate	balance rate	Average rate
	Dec 31 2014	2014	Dec 31 2013	2013
CAD	0,7062	0,6825	0,6790	0,7314
CHF	0,8315	0,8234	0,8155	0,8123
DKK	0,1343	0,1341	0,1340	0,1341
GBP	1,2757	1,2413	1,2001	1,1777
NOK	0,1105	0,1198	0,1183	0,1283
SEK	0,1051	0,1099	0,1118	0,1156
SGD	0,6207	0,5950	0,5737	0,6019
USD	0,8209	0,7539	0,7278	0,7531

Gross accounting

Gross accounting is consistently applied regarding accounting of assets and liabilities with the exception of cases when a receivable and a liability exist against the same counter party and Polygon possesses the legal opportunity of offsetting these and also intends to do so. Unless otherwise stated, gross accounting is also applied regarding revenues and costs.

Classification of assets and liabilities

Fixed assets, long-term liabilities and provisions are expected to be recovered or fall due more than 12 months after closing day. Current assets and current liabilities are expected to be recovered or fall due within 12 months from closing day.

Note 2.2 Changes in accounting principles

IFRS that entered into force in the financial year 2014 according to the EU

The IFRS standards that entered into force in the financial year that began on 1 January 2014 that affected the Group are part of the group package, consisting of IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and changes to IAS 27 Separate Financial Statements.

IFRS 10 has introduced a single consolidation model based on control for all companies, regardless of whether a company is controlled through the owners' voting rights or through other contractual arrangements. The new model has not brought about any changes in the classification of subsidiaries. IFRS 12 introduces several new disclosures regarding the composition of the Group and potential restrictions on consolidated assets and liabilities. The applicable disclosures for the Group are provided in [Note 2.3](#)

IFRS that will enter into force after 2014 according to the EU

A number of new or amended IFRS will not enter into force until in the coming financial year and have not been applied in advance in the preparation of these financial statements. The IFRS that are expected to or may have an impact on the Group's financial statements are described below.

IFRS 15 Revenue from Contracts with Customers

This standard will enter into force on 1 January 2017 and will then replace all previously issued standards and interpretations relating to revenue from customer contracts (i.e. IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, SIC 31 Revenue – Barter Transactions Involving Advertising Services). Accordingly, IFRS 15 includes a collective model for all revenue recognition. The EU has not yet approved this standard. In the coming year, the Group will initiate the work to evaluate how IFRIC 15 will affect the Group's financial statements.

IFRS 9 Financial Instruments

This standard enters into force on January 2018, when it will replace IAS 39 Financial Instruments: Recognition and Measurements. Various parts of the new standard have been reworked; one part that relates to the classification and measurement of financial assets and financial liabilities, one part that relates to hedge accounting and one part that relates to

impairment of financial assets. The EU has not yet approved this standard. In the coming year, the Group will initiate the work on evaluating how IFRIC 9 will affect the Group's financial statements.

Other novelties adopted by the IASB as at 31 December 2014 are not considered to have any material impact on the Group's financial statements.

Note 2.3 Summary of important accounting principles

Exchange rate effects

Foreign currency transactions denominated in a currency other than the group's functional currency are revaluated at the transaction date. Assets and liabilities denominated in another currency than the group's functional currency are revaluated at balance sheet date. Any exchange rate differences are recognized in the income statement.

Receivables and liabilities in foreign currency

Receivables and liabilities valued in foreign currency have been revaluated at balance sheet date. Any operating profit or loss arising from exchange rate differences is recognized in the operating income. Exchange rate differences related to financial assets and liabilities are recognized in the net financial income.

Intangible assets

An intangible asset is an identifiable non-monetary asset that lacks physical substance. Intangible assets that are identified and valued separately from goodwill through an acquisition mainly consist of marketing, customer, contractual and/or technical related assets. Typical marketing and customer related assets are brands and customer relations. Customer and customer contractual relations come from expected customer loyalty and the potential cash flow that arise during these assets' useful life. The acquisition cost of these intangible assets consists of the fair value at the time of acquisition, calculated according to established valuation methods.

Development expenditures are recognized as an intangible asset only if it is probable that the development project will generate an economic benefit in the future, and the cost of the asset can be reliably measured. The cost of capitalized development expenses includes only expenses directly attributable to the development project. Other internally generated intangible assets are not recognized as assets. Instead, the expenditures are treated as an expense during the period they arise.

Separately acquired intangible assets are recognized at cost less accumulated amortization and impairment.

All intangible assets are amortized on a straight line basis over their estimated useful lives and reviewed every balance sheet date. Amortization begins when the asset is available to be taken into use. Certain trademarks have an unlimited lifetime and are not amortized at all.

Depreciation is calculated as follows:

	Years
Patent, licenses and software	3-4
Customer relations	8-10
Trademarks	25

The value of the order book is amortized over a 1-3 month period.

Acquisitions and goodwill

Acquisitions are recognized according to the purchase method. When an acquisition occurs, the company's assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring costs) are identified and valued at their fair values

Should the group pay more than the fair value of recorded net assets, goodwill on consolidation is recognized. Goodwill is continuously valued at cost less accumulated impairment losses. Since it is not possible to individually test goodwill for impairment, it is allocated to one or more cash-generating units, depending on how the goodwill is monitored for internal control purposes. Polygon has distributed the amount of goodwill to three cash-generating units, Nordic & UK, Continental Europe and North America.

Goodwill is not amortized, but annually tested for impairment instead.

See note 10 and 12.

Tangible assets

Tangible assets are physical assets used in the group's operations and have an expected useful life exceeding one year.

Tangible fixed assets are valued at their acquisition cost and depreciated on a straight-line basis over their estimated useful life. When tangible assets are recognized, any residual value after the depreciable amount has been determined will be taken into account. Should a larger decline in value occur, write-downs may be required in addition to the already established depreciations. Depreciations commence when the asset is ready to be taken into use. Land is not depreciated.

A tangible asset is removed from the balance sheet on disposal or when it is not expected to provide economic benefits in the future either by the using it or selling it. Any gains and losses are calculated as the difference between sale proceeds and the accounted value. Profit or loss is recognized in the accounting period when the asset was sold, as additional cost or other income.

The assets' residual values, useful lives and depreciation methods are reviewed at the end of each financial year and adjusted, if necessary, towards the end of the next accounting period. Usual costs of maintenance and repairs are expensed as incurred, however costs related to significant renewals and improvements are capitalized and depreciated over the remaining useful life of the underlying asset.

Depreciation is calculated as follows:

	Years
Improvements in rented premises	4-6
Dehumidifiers and similar equipment	5-6
Buildings	20-25
Equipment	4-5

Impairment

If there are internal or external indicators for the Polygon group that the value of an asset has declined, the asset should be tested for impairment. For goodwill and assets with a useful life which cannot be determined, such impairment testing should be carried through at least annually, whether there is evidence of impairment or not. If an asset cannot be tested separately, it is allocated to a cash-generating unit to which identifiable cash flows can be allocated.

An asset or a group of assets (cash generating units) should be written down if the recoverable amount is lower than the recognized value. The recoverable amount is the higher of value in use and net realizable value. Impairment losses are recognized in the income statement.

For all assets, except goodwill and intangible assets with indefinite useful lives, whether there are indications that an earlier impairment, in whole or in part, is no longer justified is determined at the end of each reporting period. If the assumptions underlying the calculation of the asset's or assets' recoverable amount has changed, the recognized value of the asset or assets is increased to its recoverable amount. The reversal does not exceed what the company would have recognized, after depreciations, if no impairment were made in the first place. The reversal is recorded in the income statement unless the asset is recognized at revalued amount according to another standard.

Goodwill is allocated to different cash-generating units. If the allocation of goodwill cannot be completed before the end of the year the company completed the acquisition, the first allocation should then be carried out before the end of the financial year following the year the acquisition was made. In these cases, amounts relating to non-allocated goodwill and the reason why they have not been allocated should be stated. Impairment of goodwill and intangible assets with indefinite useful life are not reversed.

Financial instruments

A financial instrument is any type of contract that gives rise to a financial asset in one company and a financial liability or equity instrument in another company.

Financial assets

The financial assets of the group are divided into four categories:

- Financial assets at fair value and recorded through profit and loss.
 - Financial assets held for trading.
 - Financial assets initially recognized as an item at fair value ("fair value option").
- Loans and receivables valued at amortised cost in accordance with the effective interest method.

- Financial assets held to maturity valued at amortized cost in accordance with the effective interest method.
- Financial assets for sale valued at fair value and recorded in other comprehensive income.

Management initially classifies a financial instrument to one of the four categories above, and classifications are regularly evaluated. The Polygon group has financial assets representing one of the categories above, loan receivables and accounts receivables which are non-derivative financial assets with fixed or determined payments which are non-listed in an active market. They are initially recognized at fair value. These assets are regularly and systematically evaluated in terms of final estimated economic benefits to the company. No financial assets are held to maturity and no financial assets are held for sale. All assets are tested for impairment. If management estimates and considers a write-down to be appropriate, the initial classification is revaluated by the end of each period end.

All purchases and sales of financial assets are recorded on the transaction date, which is the day on which the group commits to purchase or sale the asset. Such purchases and sales normally require delivery within the period determined by regulation or market custom.

Financial assets at fair value through the balance sheet

In accordance with IFRS 7, Polygon is disclosing information about financial instruments accounted for at fair value in the balance sheet, in a fair value hierarchy in three levels. Level one consists of instruments that are listed on an active market where identical instruments are traded. Level two consists of instruments that are not listed on an active market, but where observable market data are used as a basis for valuation of these instrument (either direct or indirect). Level three consists of instruments where the valuation mainly is based on non-observable market data.

The assessments have been done based on the circumstances and facts that are applicable to the different instruments. Currency forward instruments and interest swaps are classified to level two since there are observable market data that can be used for the valuation. Earn-out payments have been classified to level three since there are no observable market data to apply.

Loan receivables and accounts receivables

Loan receivables are initially recognized at fair value and are subject to regular and systematic analysis in order to determine the amount of receivables that are expected to be received. If a loan receivable is estimated as doubtful, the group accrues the difference between carrying amount and expected cash flow. Interest incomes concerning loan receivables are included in the financial income.

Accounts receivables are initially recognized at fair value. Doubtful receivables are accrued at period end when objective evidence shows that the full value of the receivable will not be received. Losses related to doubtful receivables are recorded in the income statement as other operating expenses. See note 14.3.

Polygon group's cash and bank balances, accounts receivables, and some other short-term and interest-bearing receivables are recorded in this category.

Cash and bank balances

Cash and short-term bank balances in the balance sheet consist of cash equivalents and available cash as well as short-term bank balances with a due date of three months or less.

Financial liabilities

The financial liabilities of the group are divided into two categories:

- Financial liabilities at fair value through profit and loss.
 - Financial liabilities held to trade.
 - Financial liabilities initially recognized at fair value ("fair value option").
- Financial liabilities valued at amortized cost.

Financial liabilities at fair value through profit and loss

Some of the Group's acquisitions include earn-outs. These are recognized as a financial liability at fair value through profit or loss.

Financial liabilities valued at amortized cost

Liabilities are initially recognized at fair value, with allowance of transaction costs. In the following periods these liabilities are recognized at amortized cost in accordance with the effective interest method.

Charges paid regarding commitment fees are recorded as transaction costs and are allocated to the current duration of the commitment in the income statement.

In cases where quoted information/data is not available in order to recognize financial instruments at fair value, accepted valuation methods which more or less can be dependent on quoted information/data are used. In some cases, valuation methods based on the company's own assumptions and estimations are used. The fair value of the financial assets and liabilities is assumed to be its nominal value concerning those assets and liabilities with a duration less than a year. The fair value of the financial liabilities consists of discounted cash flows. The discounting is done to the same interest rate that is available to the Group for similar financial instruments. In the present situation, Polygon AB has not any financial derivatives.

Acquisition and sales of financial instruments are recorded on the trading day, which is the day on which the group commits to purchase or sale the financial instrument. The accounting of financial instruments expires when the right of receiving or paying cash flow related to the financial instruments no longer exists or has been assigned, and when the group has explicit transferred all risks, allocations and obligations attributable to a possession of financial assets or liability.

Financial derivatives and hedge accounting

Financial derivatives are valued initially and continuously at their fair value. Changes in value are recognized through profit for the year if they do not make up a part of an effective hedging relationship and hedge accounting is employed. Once a derivative contract has been entered, the Group chooses to classify the derivatives as either fair value hedge, cash flow hedge or hedge of net investment in foreign subsidiaries. If a fair value hedge exists and the criteria's of IAS 39 is fulfilled, the change in value shall be recognized in profit or loss together with change in value on the hedged item in the balance sheet. Changes in value for hedging instruments comprising a

part of an effective cash flow hedge or a hedge of foreign subsidiaries are recognized as other comprehensive income. The accumulated change in value for this type of derivative is recycled via profit and loss for the period in which the hedged item influences the income statement items.

When a hedged instrument is sold, matures, is used or repaid or no longer fulfils the requirement for hedge accounting in any other manner, any gain or loss which has been attributed to equity (via comprehensive income) until that time remains there, to be ultimately recognized as an adjustment of costs or income when the planned transaction or the measures carried out are realized in the income statement. If a planned transaction or an assumed obligation is no longer expected to take place, the accumulated gain or loss shall be attributed to other comprehensive income for the period for which the hedging applied, immediately being transferred to the income statement.

Impairment of financial assets

An assessment is made at each period end to identify circumstances that indicate the need of impairment on a financial asset. This type of write-down is recognized in the income statement.

Provisions

A provision is recognized when the Group has an obligation, legal or constructive, as a result of historic events and where it is probable that a payment will be demanded in order to complete the obligation and that its value can be measured reliably. When the company expects that a provision already made will be compensated by an external party, e.g. under the framework of an insurance agreement, this will be recognized as a separate asset, but only once it is virtually certain that the compensation will be received.

If the time value is significant, a present value computation of the future payment is performed. The calculation is made using a discount rate that reflects the short term market expectations, taking into consideration the specific risks of the transaction. Continual capitalisation of the provision is recognized in the income statement.

A provision for restructuring reserves is recognized over the period in which the Group is legally or constructively bound to the plan. Provisions are only recognized for the costs that arise as a direct effect of the restructuring and which are a result of the remaining contractual obligations without long-term economic benefit or which constitute a penalty as a result of the termination of the obligation. Provisions are reconsidered at each period end.

Employee Benefits

There are defined benefit plans and defined contribution plans, as well as other long-term remunerations in the group.

The provisions for the defined benefit plans are calculated with the Projected Unit Credit Method. Besides considerations of pensions and legally required rights, which are known at closing day, cautious assumptions regarding expected increases of pensions and salaries, as well as other significant parts is considered. The calculation is based on actuarial methods.

Actuarial profits and losses of defined benefit plans are recorded in other comprehensive income. Estimated pension costs regarding earlier periods of service are determined when

a defined benefit plan is adjusted. These adjustments are recorded as profit or loss, while other pension costs are distributed over the remaining pensionable income period. The total net commitment regarding all plans is recorded in the group's balance sheet after adjustments of costs connected to earlier periods that have not yet been distributed over the correct period of time. The net commitment is divided into a short-term part and a long-term part.

The group's contribution to defined contribution plans is charged to the income statement during the year they are attributable to.

Leasing contracts

When a contract is classified as financial lease, an asset is recognized in the balance sheet as a receivable at an amount equal to the net investment in the lease. In terms of a financial lease, an asset and liability equal to the fair value of the leased property, or, if lower, the present value of the minimum lease payments is recognized in the statement of financial position. Lease payments are apportioned between the finance charge and amortization of the outstanding liability. Recorded financial leasing contracts are depreciated over the expected useful life.

Leasing contracts where the lessor maintains all risks and benefits of the ownership is classified as an operating lease. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

Segment reporting

The Polygon group comprises three different segments. The segments are identified based on geographical spread. The segments are regularly evaluated by the group CEO, who is the chief operating decision maker (CODM).

The segments are responsible for operating income and the net assets that are used within the segment while net financial items, taxes, funding and equity are not reported per segment. Operating earnings and net assets are consolidated in the same way within the segment as is done for the whole group. The segment consists of a group of separate companies. Operating expenses that are not part of the segments are presented under the heading Shared and comprise group functions including group management and central staffs. Sales between the segments are made to market prices and arm lengths condition.

Revenue

Revenues are generated from sales of services.

Revenue in the operating activities of the group are measured at the fair value of the consideration received or receivable, with consideration of current payment terms, excluding taxes and fees.

Revenue from the sale of goods or services is recognized when it is probable that the economic benefits associated with the transaction will flow to the group and the revenue can be determined in a reliable way. This moment regularly coincides with invoicing of delivered services. Partial payment or advances from customers is recognized as revenue only when they refer to already executed services.

When the outcome of a project involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognized by reference to the stage of comple-

tion of the projects at the end of the reporting period. The stage of completion is normally measured as the proportion of costs incurred to date in relation to the estimated total costs of the project. If a reliable estimation of stage of completion cannot be made, revenue is not recognized until the project is finished. The same goes for smaller projects. In loss projects where it is not likely that the customer will compensate Polygon for rendered services, the loss is recognized immediately.

Other operating income, besides exchange profit on accounts receivable and accounts payable, consists of capital gains on sold tangible fixed assets. Financial income is distributed over a period of time with the effective interest method.

In Norway, the Group has agreements with franchisees in which Polygon receives a commission on the sale to the end customer. Polygon issues an invoice for the entire amount to the end customer and receives an invoice from the franchisee for services rendered. The difference corresponds to the Commission. These transactions are reported net of sales revenue, i.e. the commission is reported as sales revenue.

Income tax

Current income tax

Current prepaid tax and income tax liabilities concerning present and previous periods are determined according to the amount which is expected to be reimbursed or paid to the tax authorities. The applied tax rates and tax laws that are used to calculate the amount are the ones approved or announced on the reporting date.

Current income tax related to items recorded in equity and in other comprehensive income is recorded in equity and in other comprehensive income and not in the income statement.

Deferred income tax

Deferred tax is recorded at reporting date in accordance with the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recorded on all taxable temporary differences

– except when the deferred tax liability arises as a result of a write-down of goodwill or when an asset or liability is recorded as a part of a transaction that is not an acquisition and, at the time of the transaction, affects neither the accounting income nor taxable income or loss, and

– regarding deductible temporary differences related to investments in subsidiaries, apart from those cases where the time frames of repealing of the temporary difference can be controlled and it is possible that the temporary difference will not turn

Deferred tax assets are recorded on all deductible temporary differences, including deficit deduction to the extent that it is possible a taxable income will be available to be used against the deductible temporary differences.

The valuation of deferred tax assets should be reviewed on each reporting date and be adjusted to the extent that it is no longer probable that an income will be generated, so that the whole of or a part of the deferred tax asset can be used.

Deferred tax assets and liabilities are determined according to those tax rates that are current at the time of the sale of the

asset or the payment of the liability, based on tax rates (and legislation) that are enacted or advised at reporting date.

Deferred tax assets and liabilities are offset if there is a legal right of offsetting short-term tax assets against short-term tax liabilities and the deferred tax is related to the same entity in the group and the same tax authority.

Cash flow statement

Cash equivalents consist of available cash, bank balances of disposal at the bank and other liquid investments with an original due date of less than three months. Cash receipts and disbursements are recorded in the cash flow statement. Cash flow from the operating activities is recorded in accordance with the indirect method.

Subsequent events

Post-balance sheet events, that confirm existing terms at the reporting date, are taken into consideration in connection with valuation of assets and liabilities.

Note 2.4 Significant accounting judgments, estimates and assumptions.

When the Board and the Managing Director prepare reports in accordance with generally accepted accounting principles, certain estimates and assumptions must be made that affect the values recorded in the final accounts. These assessments and assumptions constitute the basis of the recorded value of assets, liabilities, revenues and expenses in those cases where those cannot be determined through information from other sources. The areas where estimations and assumptions are of considerable importance to the Group are disclosed below:

Impairment of intangible assets

Intangible assets, except goodwill and intangible assets with an indeterminable useful life, are depreciated over the useful life of the asset. If there are any indications that an asset may be impaired, the recoverable amount of the asset is estimated. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. The recoverable amount is determined by management's estimations of future cash flow.

The assumptions that have been made in the impairment test and adherent sensitivity analysis is further explained in note 12. The key assumptions relate primarily to assumptions about future sales growth and profit growth, as well as assumptions about the discount rate.

Goodwill and intangible assets with indeterminable useful life are tested for impairment annually and whenever there are signs of impairment.

If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Accounting for sale-and-lease-back transactions

A sale-and-lease-back transaction is the sale of an asset and the subsequent lease of that same asset under a lease. The Group made a significant sale-and-lease-back transaction on a property. The Group has determined that the subsequent lease gave rise to an operational lease and therefore immediately

recognized a gain on the sale in the income statement. Classifications of leases contain a great deal of analysis and estimates, but based on the substance of the transaction, it has been assessed that the agreement is operational in nature and thus recognized as such.

Deferred tax assets

Deferred taxes are recognized for temporary differences that arise between the taxable value and reported value of assets and liabilities, as well as for unutilized tax-loss carry forwards. A deferred tax asset shall be recognized for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available, against which the unused tax losses and unused tax credits can be utilized. In the event that actual outcome differs from made assumptions, or that management changes these assumptions in the future, the value of the deferred tax assets could be changed.

Ongoing work in progress and income

The Group applies the percentage of completion method for significant customer contracts. Assessment of total costs is critical to ongoing revenue recognition and provisions for onerous contracts and the outcome of the additional billing may affect the results.

Provision for doubtful receivables

Trade receivables are recognized initially at fair value and subsequently at their anticipated realizable value, with an estimate being made for doubtful receivables based on an objective review of all outstanding amounts at the year-end. The Group also analyses overdue receivables, and based on this analysis, a provision for bad debts is reported if there is no objective evidence that the payment will be received. Losses relating to doubtful receivables are accounted for as other operating expenses.

Pension and other post-retirement benefits

Provisions and other post-employment benefits relate to defined benefit plans. These items are dependent on the assumptions actuaries use to calculate such amounts. The assumptions concern discount rates, inflation, salary growth, mortality rates and other factors. These assumptions are updated annually, which will affect the recorded provision. The most significant assumptions relate to the discount rate and future salary increases. The Swedish pension plans use mortgage bonds as the basis for the discount rate. The Group has determined that mortgage bonds are a better approximation of the discount rate than government bonds.

Assessments when applying accounting principles

When the Board and the Managing Director prepare reports in accordance with generally accepted accounting principles different assessments are conducted, outside of these that contain assumptions, which affect the values recorded in the final accounts. When preparing these financial statements, management's assessment is that no significant boundary question regarding accounting principles exists.

Note 3 Business combinations

Subsequent Business combinations

In January 2015 the English company Harwell Documents Restoration Services Ltd was acquired.

Business combinations in 2014

During 2012, the group has acquired the Austrian company Tinkler Bau. The acquisition extends Polygon's range of services within property services.

The fair value of the assets and liabilities identified at the time of acquisition is presented below. The acquisition made during the year is not considered to be significant for disclosure requirements in IFRS3R..

For acquisitions of service companies you pay not only for the substance found in the company but also a surplus value, for example to get new customer relationships, knowledgeable, well-trained and experienced employees. The surplus value of the staff, which is not included as an asset of the acquired operations, mainly correspond to the goodwill arising from the Polygon Group together with the anticipated synergies between existing and acquired units

Fair value recognised on acquisition	2014	2013
Customer relationships	-	-
Trademarks	-	-
Acquired order backlog	-	-
Equipment	10	-
Licences	-	-
Other non-current receivables	-	-
Current receivables	370	-
380		
Long-term loans and other liabilities	-	-
Current liabilities	310	-
Deferred tax liabilities	-	-
Less: Cash and cash equivalents	52	-
362		
Total identifiable net assets at fair value	18	-
Non-controlling interest measured at fair value	-	-
Goodwill	424	-
Purchase consideration transferred	442	-
	2014	2013
Purchase consideration		
Cash paid	286	-
Exchange for stock	-	-
Liability to seller	156	-
Total consideration	442	-
Analysis of cash flows on acquisition:		
Net cash acquired with the subsidiary	52	-
Cash paid	286	-
Closing balance	338	-

Business combinations in 2013

During the year the Group has not acquired any businesses. Additional purchase price has been paid of 200 TEUR.

Note 4 Discontinued operations

No business has been divested during 2013 or 2014. The previously dormant company in Switzerland was finally liquidated in the spring of 2013.

Note 5 Segment reporting

The Group has three segments divided by geographical markets. All segments apply IFRS, just as the Group as whole does.

2014	Nordic & UK	Continental Europ	North America	Shared	Elimina- tions	Group Total
Income external customers	133,152	247,999	37,955	-	-	419,106
Income internal customers	61	120	-	-	-181	0
Total income	133,213	248,119	37,955	-	-181	419,106
Operating income	3,227	-1,970	-2,761	406	-	-1,098
Net financial items	-	-	-	-	-	-11,524
Taxes	-	-	-	-	-	2,100
Net income for the year	-	-	-	-	-	-10,522
Depreciations	1,826	6,334	2,101	4,279	-	14,541
Assets	111,363	132,733	35,614	64,574	-25,507	318,777
where of GW	44,995	40,675	16,918	-	-	102,588
Liabilities	84,200	145,861	27,626	175,275	-156,630	276,332
Investments						
Tangible	3,034	4,318	1,731	97	-	9,180
Intangible	8	171	-	2,517	-	2,696
2013	Nordic & UK	Continental Europé	North America	Shared	Elimina- tions	Group Total
Income external customers	129,770	254,177	39,414	-	-	423,361
Income internal customers	18	70	-	-	-88	-
Total income	129,788	254,247	39,414	-	-88	423,361
Operating income	5,925	-6,923	-675	367	-	-1,306
Net financial items	-	-	-	-	-	-12,395
Taxes	-	-	-	-	-	3,206
Net income for the year	-	-	-	-	-	-10,495
Depreciations	1,852	7,105	2,532	4,611	-	16,100
Assets	115,525	149,568	34,820	37,791	-25,754	311,950
where of GW	41,156	44,050	15,755	-	-	100,961
Liabilities	89,448	149,096	29,522	70,171	-80,204	258,033
Investments						
Tangible	1,861	3,629	970	32	-	6,492
Intangible	75	460	-	1,019	-	1,554

The distribution of net sales on geographical markets is the following:

	2014	2013
Sweden	21,348	20,167
Germany	214,271	218,443
Other	183,487	184,751
Total	419,106	423,361

Note 6 Expenses by category

	2014	2013
Payroll expenses	163,290	156,949
Subcontractor expenses	141,029	140,799
Other operating expenses	69,072	73,916
Depreciations/ scrapping	14,541	16,155
Other expenses	33,811	38,223
Gains on sales	-1,554	-1,376
Transaction expenses	15	-
Total	420,204	424,667

Auditors' fee

	2014	2013
<i>Ernst & Young</i>		
Audit assignment	438	437
Auditing besides audit assignment	38	46
Tax consultation	63	9
Other services	9	39
<i>Others</i>		
Audit assignment	20	20
Auditing besides audit assignment	8	8
Tax consultation	20	19
Other services	40	7
Total auditors' fees	636	585

Audit assignment refers to audit of annual report and account records as well as the administration of the board of directors and other audit-related work.

Note 7 Wages and salaries to employees and other remuneration and fees

Average number of employees per country	2014		2013	
	No of employees	Whereof men	No of employees	Whereof men
Sweden	207	86%	194	86%
Norway	211	78%	215	79%
Finland	336	88%	342	89%
Denmark	116	71%	104	74%
Belgium	37	81%	40	85%
Austria	78	87%	66	89%
Germany	1,234	76%	1,190	76%
France	45	84%	44	80%
United Kingdom	311	78%	240	77%
Netherlands	121	85%	128	86%
Singapore	4	75%	4	75%
USA	170	83%	122	84%
Canada	42	71%	54	78%
Total Group	2,912	79%	2,743	80%

Salaries and other compensation

	2014		2013	
	Salaries and other compensations	Payroll overhead (out of which are pensions)	Salaries and other compensations	Payroll overhead (out of which are pensions)
Parent company	2,411	1 288 (509)	1,269	683 (282)
Subsidiaries	122,336	25,619 (5,358)	114,959	26,283 (4,988)
Total Group	124,747	26,907(5,867)	116,228	26,966 (5,270)

Salaries and other compensation to Board, CEO and other employees.

	2014	2013
Board and Managing director (of which bonus etc.)	2,559 (27)	1,049 (5)
Other employees	149,305 (4,824)	142,460 (4,244)
Total Group	151,864 (4,851)	143,509 (4,249)

Distribution according to gender within management

	2014	2013
Distribution of men and women within the Board of Directors		
Women	-	1
Men	4	6

Distribution of men and women regarding CEO and other executives of the Group*

Women	-	-
Men	8	12

* The executives within the Group consist 2014 of CEO, CFO, HR Director, Operations Director, Commercial Director and three Country Managers.

	2014	2013
Compensation to key personnel of the Group Management		
Sales and other compensations	3,484	3,313
Pension and reimbursement of medical	520	404
Total	4,004	3,717

Salary to CEO and senior management is determined by the board of directors. Salary level shall be based on market conditions in relation to competence and performance.

In addition to fixed annual salary a maximum bonus of 100% of the annual salary could be achieved. The outcome of the bonus is based on the achievement of financial targets.

The company has only premium-based pension solutions for senior management. These pension solutions vary between 25% and 35% of fixed annual salary.

The notice period regarding termination of the senior management's contract is between six to twelve months irrespective of which party terminates the employment. If the Company terminates the employment the senior management will receive severance pay equivalent to six fixed monthly salaries in addition to the notice period. CEO's notice of period regarding termination is six months and if the Company terminates the employment the period of termination is twelve months.

Other benefits include company car or car benefit and healthcare insurance.

Note 8 Finance revenue and costs

Finance income	2014	2013
Interest income		
- External interest income	186	152
- Other financial income	52	23
Total financial income	238	175

Finance costs	2014	2013
Interest expense		
- External interest expenses	-10,366	-9,280
- Other financial expenses	-1,396	-3,290
Total finance costs	-11,762	-12,570

Note 9 Taxes

The principal components in terms of tax expense for the financial year which ended on December 31, 2014 are:

	2014	2013
Consolidated income stater		
Taxes for the year	1,065	1,058
Adjustments for taxes related to previous year	248	265
Change of deferred tax related to temporary differences	-3,453	-4,562
Other	40	33
Total recognised tax expense in the income statement	-2,100	-3,206

	2014	2013
Reconciliation of effective tax		
Income before taxes	-12,757	-13,701
Tax according to current tax rate for Parent Company	-2,807	-3,074
Difference related to foreign tax rates	-1,501	-1,518
Non-deductible expenses	1,263	1,754
Non capitalized loss carry forward taxable	1,219	93
Tax-exempt income	-691	-819
Tax related to previous years	248	265
Other	169	33
Total	-2,100	-3,206

The average effective tax rate amounted to 16.4 (23.3) percent. The average tax rate in the group amounted to around 26%.

The deferred income taxes are related to the following:

	2014	2013
Deferred tax assets		
Intangible assets	209	333
Plant and machinery	186	209
Work in projects	6,868	6,355
Accounts receivable	32	51
Provisions	109	457
Other liabilities	4	2
Loss carry-forward	13,944	11,240
Provisions for pensions	1,389	806
Other	36	281
Closing balance	22,777	19,734

	2014	2013
Deferred tax liability		
Plant and machinery	1,104	543
Work in projects	165	190
Accounts receivables	7,356	6,104
Intangible assets	14,961	17,596
Other	333	495
Closing balance	23,919	24,928

	2014	2013
Loss carry forward		
<i>Due date</i>	-	-
0-1 year	138	1,043
1-2 year	200	-
2-3 year	250	-
3-4 year	48	-
4-5 year	-	-
>5 year	23,274	12,582
No due date	64,051	63,096
Total	87,961	76,721

Deferred tax receivables regarding unutilized loss carry forwards are recognized to the extent it is probable that they will be utilized against taxable income. The total amount regarding loss carry forwards at year-end was 88,0 (76,7) MEUR. Loss carry forwards that have not been recognized were 48,0 (29,5) MEUR. Accordingly the loss carry forwards of 40,0 (47,2) MEUR are recognized as deferred tax liability.

Note 10 Goodwill

	2014	2013
Opening balance acquisition values	108,759	110,271
Additions *	424	-
Reclassifications	-	-425
Exchange rates differences	1,752	-1,087
Closing balance acquisition values	110,935	108,759
Opening balance impairment	-7,798	-8,318
Exchange rates differences	-549	520
Closing balance accumulated impairment	-8,347	-7,798
Net book value closing balance	102,588	100,961

* See note 3 Business combinations

Note 11 Intangible assets

2014	Trademark	Order-backlog	Customer relations	Other	Total
Opening balance acquisition values	25,637	8,912	39,979	8,170	82,698
Acquisitions	-	-	-	2,696	2,696
Sales/ scrapping	-	-	-	-80	-80
Reclassification	-	-	-	478	478
Translation differences	-4	60	12	190	259
Closing balance acquisition values	25,633	8,972	39,991	11,455	86,051
Opening balance depreciation	-35	-8,912	-12,301	-3,231	-24,479
Deprecation according to plan	-35	-	-4,418	-1,294	-5,747
Sales/ scrapping	-	-	-	57	57
Reclassification	-	-	-	-240	-240
Translation differences	-8	-60	-29	-40	-137
Closing balance accumulated depreciation	-78	-8,972	-16,748	-4,748	-30,545
Opening balance write-downs	-	-	-	-1,734	-1,734
Write-downs	-	-	-	-	-
Closing balance accumulated write-downs	-	-	-	-1,734	-1,734
Net book value	25,555	-	23,243	4,973	53,772

2013	Trademark	Order-backlog	Customer relations	Other	Total
Opening balance acquisition values	25,498	9,051	41,046	8,091	83,686
Acquisitions	-	-	-	1,554	1,554
Disposals	-	-	-	-1,708	-1,708
Reclassification	144	-54	-922	249	-583
Translation differences	-5	-85	-145	-16	-251
Closing balance acquisition values	25,637	8,912	39,979	8,170	82,698
Opening balance depreciation	-	-8,625	-7,891	-2,824	-19,340
Deprecation according to plan	-36	-369	-4,429	-1,253	-6,087
Disposal	-	-	-	987	987
Translation differences	1	82	18	-15	86
Closing balance accumulated depreciation	-35	-8,912	-12,302	-3,105	-24,354
Opening balance write-downs	-	-	-	-	-
Write-downs	-	-	-	-1,734	-1,734
Closing balance accumulated write-downs	-	-	-	-1,734	-1,734
Net book value	25,602	-	27,677	3,331	56,610

The income statement includes amortization of 222 (10) of TEUR relating to Cost of sales, 5,449 (5,655) TEUR relating to Selling and Distribution costs and 76 (422) TEUR relating to Other operating costs.

Note 12 Impairment testing of goodwill and trademarks

Goodwill and other intangible assets with indefinite useful life acquired through business combinations are specified in the table below.

Polygon has three business segments that represent the cash generating units. The value of goodwill amounts to 102,6 MEUR and the value of other intangible assets amounts to 53,8 MEUR for Polygon

Allocation to the different segments:

	Goodwill	Trademarks
Nordic & UK	44,995	11,208
Continental Europe	40,675	10,132
North America	16,918	4,215
Total	102,588	25,555

The test of impairment regarding goodwill and trademarks has been performed by a judgement of value in use. This calculation includes several assumptions about future conditions and estimates of parameters. Changes in these assumptions and estimates could have an effect on the goodwill carrying value. The value in use is based on cash flow calculations, where the first five years are based on the five year business case established by corporate management. The cash flows thereafter have a yearly growth rate of 1 -2 (1) percent, which is assessed to correspond with the long-term growth of the markets.

The discount rate was determined based on the Group's weighted average cost of capital (WACC) based on assumptions about interest on long-term government bonds as well as company-specific risk factor and beta value.

The estimated cash flows have been discounted to present value using a discount rate (WACC) in the range 11,5 - 13,3 (11,5-13,3) percent before tax. The conclusion of the impairment test is that there is no impairment needed because the value in use exceeds the carrying value, including goodwill and other intangible assets.

Should the company not be able to reach its business plan, which the cash flow calculations are based on, the need of an impairment could be necessary.

Note 13 Property, plant and equipment

Property and plant	2014	2013
Opening balance acquisition value	2,814	6,512
Investments	-	6
Disposals	-	-1,418
Reclassification	-	-2,218
Translation differences	-9	-68
Closing balance acquisition value	2,805	2,814
Opening balance depreciation	1,166	1,775
Depreciation for the year	59	76
Disposals	-	-396
Reclassification	-	-258
Translation differences	-2	-31
Closing balance accumulated depreciation	1,223	1,166
Carrying amount closing balance	1,582	1,648
Equipment	2014	2013
Opening balance acquisition value	110,030	104,686
Additions due to acquiring of business	10	-
Investments	9,180	6,486
Disposals	-2,030	-1,718
Reclassification	-478	2,558
Adjustments	-24	-
Translation differences	1,633	-1,982
Closing balance acquisition balance	118,320	110,030
Opening balance depreciation	-83,470	-75,961
Depreciation for the year	-8,727	-9,973
Disposals	673	1,160
Reclassification	240	-258
Adjustments	-28	-
Translation differences	-917	1,562
Closing balance accumulated depreciation	-92,173	-83,470
Opening balance write-down	-912	-122
Write-downs	-462	-792
Disposals	756	-
Translation differences	-8	2
Closing balance accumulated write-downs	-626	-912
Carrying amount closing balance	25,521	25,648

The income statement includes depreciations amounting to a total of 6,6 (7,7) MEUR relating to cost of goods sold and 1,1 (1,3) MEUR relating to Selling and Distribution costs and 1.1 (1,1) MEUR relating to Other operating costs.

Finance lease

Assets held under finance leases are recoded as equipment. Current year's total payments regarding these assets amounted to 260 (263) TEUR. The finance lease mainly relates to vehicles.

Equipment possessed under finance lease agreements is as follows:

	2014	2013
Acquisition values – Assets held under finance leases	252	80
Acquisition	72	371
Accumulated depreciation	-219	-193
Translation differences	-2	-6
Net book value	103	252

See note 14.6 for liabilities regarding finance lease.

Note 14 Financial instruments and financial risk management

Financial risk management in Polygon Group

Polygon AB 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 euros and only to a limited part through financial instruments. The main exposures for the Group are liquidity risk, interest risk and currency risk.

The significant financial assets and liabilities are detailed below.

	2014		2013	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Current assets				
Accounts receivables	67,705	67,705	68,657	68,657
Other current assets	6,086	6,086	5,110	5,110
Receivables, parent company	71	71	-	-
Cash and cash equivalents	21,509	21,509	15,789	15,789
Total assets	95,371	95,371	89,556	89,556
Liabilities				
Long-term interest-bearing liabilities	117,643	120,145	91,394	93,687
Other interest-bearing liabilities	57,754	57,754	54,914	54,914
Short-term interest-bearing liabilities	-	-	9,637	9,637
Accounts payables	34,168	34,168	33,923	33,923
Other short-term liabilities	10,642	10,642	10,433	10,433
Accrued expenses	9,494	9,494	6,662	6,662
Total liabilities	229,697	232,199	206,963	209,256
Derivatives for hedging purposes				
Interest rate derivatives	-	-	480	480
Total	-	-	480	480

Currency risk

As a consequence of its international activities Polygon is exposed to changes in foreign exchange rates. Below is the currency exposure of the various financial assets and liabilities presented.

Carrying amounts, by currency, regarding the Group's borrowings are the following:

	2014	2013
EUR	175,344	131,393
SEK	-	2,962
USD	-	13,819
NOK	-	471
GBP	1	-
Other currencies	51	7,308
Total	175,397	155,953

Currency break-down of Accounts receivables

	2014	2013
EUR	47,622	51,660
SEK	2,714	2,424
USD	6,030	3,265
NOK	3,038	3,583
GBP	4,925	4,219
Other currencies	3,376	3,508
Total	67,705	68,657

Currency break-down of Other current assets

	2014	2013
EUR	3,491	1,629
SEK	421	1,357
USD	912	698
NOK	246	374
GBP	753	712
Other currencies	263	340
Total	6,086	5,110

Currency break-down of Cash and Bank

	2014	2013
EUR	25,979	6,393
SEK	-3,713	503
USD	-3,680	996
NOK	6,112	7,963
GBP	-4,444	-1,246
Other currencies	1,256	1,180
Total	21,509	15,789

Currency break-down of Accounts payables

	2014	2013
EUR	19,209	22,445
SEK	1,153	1,841
USD	5,688	2,644
NOK	1,607	1,106
GBP	5,093	3,496
Other currencies	1,419	2,391
Total	34,168	33,923

Currency break-down of Other short-term liabilities

	2014	2013
EUR	7,615	7,229
SEK	590	973
USD	-	433
NOK	1,218	1,346
GBP	754	793
Other currencies	466	139
Total	10,642	10,913

Currency break-down of Accrued expenses

	2014	2013
EUR	5,926	3,997
SEK	512	520
USD	1,569	638
NOK	175	44
GBP	883	1,144
Other currencies	429	319
Total	9,494	6,662

Transaction exposure

Polygon's policy for transaction exposure is to minimize the impact of short-term changes in foreign exchange rates on earnings by:

- on a case by case basis hedging the transaction exposure
- denominating intra-Group sales according to the Group policy

The main transaction exposures are EUR versus local currencies.

Translation exposure

Polygon's assets in foreign Subsidiaries are partly financed by loans and partly by equity capital. If foreign assets are being financed with equity capital, a translation currency exposure exists in connection with consolidation of the balance sheet. Translation exposure causes a risk that changes in foreign exchange rates will have a negative impact on the value of Polygon's net assets in foreign currency. The translation risk is an accounting risk that arises when Polygon's accounts are consolidated, as an effect on consolidated equity capital.

Transaction risk and hedges in main currencies

Polygon currently has no outstanding hedges of Transaction exposure.

Interest Rate Risk

Fluctuations in interest rates affect the interest expense of the Group. Polygon's interest rate risk policy is designed to reduce the impact of interest-rate changes on earnings. In the case of interest-bearing assets, the fixed interest-rate period shall be short and matched against amortizations of loans. At the close of the year Polygon uses had no interest hedging in the form of interest rate swaps or interest rate caps.

As of 31 December 2014, a one percentage point parallel change up or down in interest rates impacts annual net interest expenses by 1,2 (0,5) MEUR, assuming that the duration and the funding structure of the Group stays constant during the year.

The total Group floating rate interest-bearing net liability position, excluding cash and cash equivalents, were some 151,1 (111,2) MEUR.

Note 14.1 Financial Instruments summarizes the nominal and fair values of the outstanding interest rate derivative contracts.

Customer credit risk

Credit insurance has been obtained for customers within the group. In addition, measures to reduce credit risks include letters of credit, prepayments and bank guarantees.

Management considers that no significant concentration of credit risk with any individual customer, counterparty or geographical region exists for Polygon. The Age Analysis of Trade Receivables is given in Note 14.3 Receivables.

Liquidity and refinancing risk

Funding risk arises from the difficulty of obtaining finance for operations at a given point in time. Polygon's funding policy states that the Group's external loan portfolio shall have a maturity structure ensuring that Polygon is not exposed to re-financing risks.

Polygon is also subject to some covenants (terms and conditions) stated in the Senior Secured Floating Rate Note and in the overdraft facilities, such as indicators and performance measures linked to the Group's consolidated income statement and balance sheet.

Capital risk management

The Group's capital structure should be maintained at a level that ensures the ability to run the business to generate returns for shareholders and benefits for other stakeholders, while maintaining an optimal capital structure to reduce capital costs.

To maintain or adjust the capital structure, the Group could, after shareholder and external lender approval, vary the dividend paid to shareholders, reduce the share capital for payment to shareholders, issue new shares or sell assets to reduce debt.

The Group analyses the relationship between debt and equity and the relationship between debt and equity, including loans from shareholders and the seller based on performance objectives. Outcomes in the table below are within the targets set.

TEUR	2014	2013
Interest-bearing net liabilities (A)	96,133	85,250
Total equity (B)	42,445	53,918
Relation between liabilities and equity (A/B)	2.3	1.6

Group financing

TEUR	2014	2013
Interest-bearing net liabilities including loans from parent company (A)	153,887	140,164
Total equity (B)	42,445	53,918
Relation between liabilities and equity (A/B)	3.6	2.6

Note 14.1 Interest-bearing loans and borrowings

The Group's interest-bearing loans and borrowings are presented below.

	2014	2013
<i>Non-current:</i>		
rate)	-	27,213
Bank loans (floating interest)	120,043	66,186
Capitalized finance costs*	-2,502	-2,775
liabilities	57,856	55,684
Total non-current liabilities	175,397	146,308
<i>Current:</i>		
Other bank loans	-	14
Bank loans (short-term)	-	9,623
Total current liabilities	-	9,637
Amount of borrowings	175,397	155,945

* Finance costs will be amortized over the duration of the loans.

Maturity of financial liabilities is as follows:

	Book value		Undiscounted cash flow	
	2014	2013	2014	2013
Within 1 year	53,017	60,655	62,211	68,314
years	117,643	91,394	154,420	122,032
After 5 years	57,754	54,914	120,473	110,844
Total	228,414	206,963	337,104	301,190

Financial liabilities are included in book value amounts above. In the discounted cash flow amounts both financial liabilities and payment of interest are included. All amounts in other currency than EUR is revaluated at closing rate and payment of interest for loan with variable rate has been calculated with the rate on closing day.

The weighted average interest rate on external loans and borrowings, including margins and the effect of derivatives, was per December 31, 2014 5.17% (5.17%).

Financial assets and liabilities by valuation category:

2014	Derivatives used in hedge accounting	Aquisition earn-outs	Total reported value	Fair value
Valuation category	Level 2	Level 3		
ASSETS				
Current assets				
Other short-term assets	-	-	-	-
Total financial assets				
LIABILITIES				
Long-term liabilities				
Other short-term liabilities	-	-	-	-
Current liabilities				
Other short-term liabilities	-	197	197	197
Total financial liabilities	-	197	197	197
2013	Derivatives used in hedge accounting	Aquisition earn-outs	Total reported value	Fair value
Valuation category	Level 2	Level 3		
ASSETS				
Current assets				
Other short-term assets	-	-	-	-
Total financial assets				
LIABILITIES				
Long-term liabilities				
Other short-term liabilities	-	-	-	-
Current liabilities				
Other short-term liabilities	480	506	986	986
Total financial liabilities	480	506	986	986

The Group categorizes financial assets and financial liabilities that is valued at fair value in a fair value-hierarchy based on the information that is used to value each asset and liability.

Level 1 – Listed prices for identical assets or liabilities on an active market.

Level 2 – Listed prices on markets that are non-active, listed prices for similar assets or liabilities, other information than listed prices that are observable direct or indirect for mainly the instrument's whole duration as well as input to valuation models that have been collected from observable market data.

Level 3 – Information that is essential for the asset or liability fair value is not observable so the Group's own assessments are applied.

The fair value of derivate regarding interest is based on a discounting of estimated future cash flow according to the contract conditions and due dates starting in market rate.

Derivate regarding interest is covered by an ISDA contract that enables offsetting failure of either party. On balance date there is only a liability.

Financial liabilities in level 3 consist of acquisition earn-outs for acquired business. Valuation is based on the acquired business expected future financial performance which has been assessed by the management.

	2014	2013
Financial assets	-	-
Opening balance	-	48
Change during the year	-	-48
Closing balance	-	-
Financial liabilities	-	-
Opening balance	986	3,678
Change acquisition earn-out	-309	-1,607
Change marke value interest hedge	-480	-1,085
Closing balance	197	986

Note 14.2 Cash and cash equivalents

	2014	2013
Cash at banks and on hand	21,509	15,789
Total	21,509	15,789

As December 31, 2014 the Group had available 31.9 MEUR (25.0) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Note 14.3 Accounts receivables

	2014	2013
Accounts receivables	71,047	71,554
Provision for doubtful receivables	-3,342	-2,897
Total	67,705	68,657

No collateral (pledge) for receivables has been received.

Age analysis of receivables

	Overdue receivables	Overdue receivables - provisions recognized	Overdue receivables - no provisions recognized
2014			
Less than 30 days overdue	17,876	-	17,876
31 to 60 days overdue	5,547	-	5,547
61 to 90 days overdue	1,873	-	1,873
91 to 180 days overdue	3,354	-	3,354
Over 181 days overdue	4,133	3,342	791
Total overdue accounts	32,782	3,342	29,440
Accounts receivables within their credit terms	38,265	-	38,265
Total	71,047	3,342	67,705

	Overdue receivables	Overdue receivables - provisions recognized	Overdue receivables - no provisions recognized
2013			
Less than 30 days overdue	19,811	-	19,811
31 to 60 days overdue	6,994	-	6,994
61 to 90 days overdue	3,987	-	3,987
91 to 180 days overdue	5,605	-	5,605
Over 181 days overdue	3,095	2,897	198
Total overdue accounts	39,492	2,897	36,595
Accounts receivables within their credit terms	32,062	-	32,062
Total	71,554	2,897	68,657

Provision for doubtful receivables

	2014	2013
Opening balance	2,897	3,917
Current year provision	778	-215
Utilized receivables	-316	-350
Recovered bad debt	-42	-423
Exchange rate differences	25	-32
Closing balance	3,342	2,897

Note 14.4 Prepaid expenses and accrued income

	2014	2013
Prepaid insurance	619	515
Prepaid rent	529	534
Prepaid service	1,254	186
Leasing	316	366
Other prepaid expenses and accrued income	1,351	2,136
Total	4,068	3,737

Note 14.5 Pledged assets for own liabilities and provisions

	2014	2013
Shares in subsidiaries	191,256	199,636
Floating charge	88,506	88,505
Other	-	8,832
Pledged assets for own liabilities and provisions	279,762	296,973

As stated in note 14.5 all shares in the main subsidiaries in the Group are pledged as security for loans in financial institutes. In addition the subsidiaries have pledged real estate- and chattel mortgages for the same loan facility. The amount stated under pledged assets are therefore equal to total assets in the pledged subsidiaries.

Note 14.6 Financial lease liabilities

Finance leases mainly consist of service vehicles that are used in the operations. The minimum lease payments consist of a capital part and an interest part that is variable and is based on the marker interest rate in each country.

Minimum lease payments

	2014	2013
Less than 1 year	61	197
1-2 years	21	51
2-3 years	12	-
3-4 years	12	-
4-5 years	5	-
More than 5 years	-	-
Future finance charges	111	248

Present value of finance lease liabilities

	2014	2013
Less than 1 year	54	176
1-2 years	18	43
2-3 years	10	-
3-4 years	9	-
4-5 years	4	-
More than 5 years	-	-
Total	94	218

Discount rate used to calculate present value is 6%.

Note 14.7 Operational lease contracts

Operational lease contracts consist of facilities, service vehicles and computers and office equipment. These contracts have an average contract period of 1 to 5 years without an option to buy the equipment at the end of the lease term. No restrictions on Group exist following the assumptions.

Leasing costs during the year have been 21,3 (18,9) MEUR.

Change in reserves within accumulated Other comprehensive income

TEUR	Hedging reserve	Translation reserve	Actuarial gains/ losses on Defined benefit plans
Closing balance as of December 31, 2012	-938	-772	-115
Current years' translation difference in foreign operations	-	242	-
Actuarial gains/ losses	-	-	345
Change of market value on cashflow hedges taken over net income	732	-	-
Taxes referred to items within Other comprehensive income	-161	-	-118
Closing balance as of December 31, 2013	-367	-530	112
Current years' translation difference in foreign operations	-	263	-
Actuarial gains/ losses	-	-	-1,989
Change of market value on cashflow hedges taken over net income	480	-	-
Taxes referred to items within Other comprehensive income	-113	-	473
Closing balance as of December 31, 2014	-	-267	-1,404

Hedging reserve

The hedging reserve refers to accumulated changes of market value on cash flow hedges referred to hedging of exchange rate fluctuations and interest risks.

Minimum lease payments

	2014	2013
Less than 1 year	17,161	18,864
1-2 years	11,619	17,205
2-3 years	7,177	11,547
3-4 years	4,299	7,390
4-5 years	3,017	4,734
More than 5 years	9,077	14,811
Future finance charges	52,350	55,687

Note 14.8 Other liabilities

	2014	2013
VAT	6,609	6,621
Employee withholding taxes	2,583	2,844
Other liabilities	1,450	1,448
Total	10,642	10,913

Note 15 Issued capital

Issued capital

Each share has a par value of EUR 1 per share. All shares are of the same class and have equal voting rights. All shares are fully paid. All shares carry equal rights to its assets and profits. There are no restrictions on the transferability of shares by operation of law or the articles of association.

During 2014 the company made a bonus issue of 52 TEUR.

Other contributed capital

Refers to equity contributed by shareholders. This includes share premium.

Translation reserve

The translation reserve covers all translation differences that occur when recalculating financial reports from foreign operations that have been established in a different currency than the currency that is used for the Groups financial reports. The

parent company and the Group present their financial reports in euros.

Actuarial gains/losses

See information note 16.

Note 16 Pension provisions

The Polygon Group finances pension plans for its employees in a number of countries. The plans generally conform to practice in respective country and may take the form of defined contribution plans, defined benefit plans or a combination of both. The defined contribution plans mainly includes retirement pensions, disability pensions and survivor pensions. The contributions are paid during the year from the respective group company to separate legal entities, e.g. insurance companies. The Group has no further commitments once the contributions have been paid.

The defined benefit plans mainly include employees in Sweden, Norway and the United Kingdom. The pension plans are all based on final salary, and provide benefits in the form of a guaranteed level of pension payments to the plan participants during their lifetime.

The pension plan in the UK is funded and also includes a defined contribution complement. The pension plan is closed, which means that no current service costs are added to this plan. Some of the plan assets are not recognized, as surplus in the plan is not available for the employer neither in the form of reductions of future contributions or as cash refunds (asset ceiling). The plan assets are exposed to market risks, among other risks.

The Norwegian pension plan is funded in an insurance company. The Polygon Group guarantees a pension benefit based on final salary, while the insurance company guarantees an interest between 3% and 4% depending on the duration of the pension obligation. This guaranteed interest is not dependent upon the insurance company's actual return. The pension plan's major risk is that of increased longevity.

The Swedish pension plan consists of the collectively agreed ITP-plan. This plan includes both defined contributions and defined benefit pensions. The defined benefit obligation is ensured through recognition in the balance sheet, combined with credit insurance in PRI Pensionsgaranti. The pension plan exposes the Group for risks associated with e.g. increased longevity and inflation as well as raised salaries.

In France, Germany and Norway there are unfunded pension obligations of insignificant amounts.

The present value of the Group's defined pension obligations is mainly impacted by changes in the discount rate.

The Polygon Group accounted for the impact of the revised accounting principles according to IAS 19 in the consolidated financial statements of 2012, by including the special payroll tax in the defined benefit obligation and the pension expenses. The other revised accounting principles have an insignificant impact and no additional restatements have been made regarding the comparative year 2012. The Polygon Group already accounts for re-measurements of defined benefit plans in Other Comprehensive Income.

The tables below summarize the components of the net cost for pensions that are recognized in the Income statement and in Other Comprehensive Income, as well as the changes of the net defined pension liability as recognized in the balance sheet.

	2014	2013
Summary of pension provisions in the Group		
Long -term defined benefit liability	5,624	4,895
Net liability recognized in the Balance sheet	5,624	4,895
Pension expenses		
Amounts recognized in the income statement		
Current service cost	-659	224
Net interest	462	447
Expected return on plan assets	-264	-306
Expenses, defined benefit plans	-461	365
Expenses, defined contribution plans	6,526	5,046
Amounts recognized in Other Comprehensive Income		
Remeasure of pension obligation	2,200	-557
Remeasure of plan assets	-125	133
Remeasurement of asset ceiling	-87	80
Expenses/ (income), defined benefit plans	1,988	-344
	-	-
Total pension expenses	8,053	5,067
Amount recognized in the Balance sheet		
	2014	2013
Fair value of defined benefit obligation, funded plans	4,857	7,978
Fair value of plan assets	-3,696	-6,737
Effect of asset ceiling	-	80
Net liability recognized in the Balance sheet	1,161	1,321
Present value of defined benefit obligation, unfunded plans	4,463	3,574
Net liability recognized in the Balance sheet	5,624	4,895
Change in amount recognized in the Balance sheet		
	2014	2013
Opening balance, net liability	4,895	5,757
Reclassification of special payroll tax	-	-124
Current service cost	-659	224
Net interest	198	180
Remeasurements	1,988	-344
Pension payments directly from employer	-282	-239
Employer's contribution to the pension plan assets	-331	-333
Effect of changes in foreign exchange rates	-185	-226
Closing balance, net liability	5,624	4,895

Change in present value of defined benefit obligation	2014	2013
Opening balance, defined benefit obligation	11,551	12,647
Reclassification of special payroll tax	-	-124
Current service cost	200	224
Interest expenses	462	449
Settlement	-4,444	-
Remeasurements of pension obligation		
-- demographic assumptions	-	133
-- financial assumptions	2,051	-480
- experience adjustments	150	-211
Pension payments	-738	-428
Effect of changes in foreign exchange rates	90	-659
Closing balance, defined benefit obligation	9,322	11,551

Change in fair value of plan assets	2014	2013
Opening balance, plan assets	6,737	6,890
Interest income	268	269
Return excluding interest income	129	-134
Employer's contribution	613	548
Pension payments from plan assets	-737	-404
Settlements	-3,585	-
Effect in changes in foreign exchange rates	271	-432
Closing balance, plan assets	3,696	6,737

Fair value of plan assets	2014	2013
Equities	73%	38%
Bonds	20%	28%
Real estate	0%	5%
Other, including cash and cash equivalents	7%	29%
Total	100%	100%

All plan assets are assets with a quoted market price in an active market. None of the plan assets are invested in the Group's own equity instruments, debt instruments, real estate, or other assets or used by the Group.

Change in asset ceiling	2014	2013
ceiling	-80	-
Interest cost	-4	-
Changes in asset ceiling, excluding interest cost	87	-79
Effect of changes in foreign exchange rates	-3	-1
Closing balance, asset ceiling	-	-80

2014	Defined benefit obligation	Plan assets	Assets ceiling	Net liability
Break-down per country				
Kingdom, funded plan	4,802	3,696	-	1,106
Norway, funded plan	57	-	-	57
Sweden, unfunded plan	4,079	-	-	4,079
Other countries, unfunded plans*	384	-	-	384
Total	9,322	3,696	-	5,626

* France, Germany, Norway

The most significant actuarial assumptions which have been used to determine the pension obligations for the Group's significant defined benefit pension plans are:

	2014	2013
Significant actuarial assumptions		
Norway		
Discount rate	2,6%	4,0%
Expected return on assets	1,8%	2,0%
Future wage increase	3,5%	3,7%
Furute pension increase	0,4%	0,6%
United Kingdom		
Discount rate	3,5%	4,3%
Expected return on assets	2,2%	2,4%
Future wage increase	N/A	N/A
Furute pension increase	N/A	N/A
Sweden		
Discount rate	2,6%	4,0%
Expected return on assets	1,6%	2,0%
Future wage increase	2,6%	3,0%
Furute pension increase	1,6%	2,0%

The assumption of longevity is based on official statistics and experiences from longevity surveys in respective country and is decided after consultation with actuarial expertise. The discount rate is determined with reference to high quality corporate bonds traded in a deep market, reflecting the duration of the pension obligation. In Sweden, the discount rate is based on covered mortgage-backed bonds.

An increase of the discount rate by 0.5 percentage points would decrease the pension obligation by 808 TEUR, equivalent to a decrease of the obligation amounting to 8,7%. A decrease of the discount rate by 0.5 percentage points would increase the pension obligation by 915 TEUR, equivalent to a decrease of the obligation amounting to 9,5%.

The sensitivity analysis is based on a change in one single actuarial assumption while the other assumptions remain un-

changed. This method shows the obligation's sensitivity to one single assumption. This is a simplified method as most often the actuarial assumptions are correlated.

The weighted average duration of the defined benefit obligation is approximately 16 years.

The Group's expected contributions to the pension plans, including pension payments directly from the employer, for the next annual reporting period amounts to 613 TEUR (548).

Not 17 Accrued expenses and prepaid income

	2014	2013
Accrued salary-related expenses	7,128	5,793
Accrued vacation pay	7,948	7,894
Accrued non-received invoices	2,948	1,966
Accrued audit expenses	352	348
Accrued interest expenses	1,295	205
Other accrued expenses and prepaid income	4,899	4,143
Total	24,570	20,349

Note 18 Contingent liabilities

There are no contingent liabilities within the Group.

Note 19 Related parties' disclosures

The Group is controlled by Polygon Holding AB, the mother company of Polygon AB. Polygon Holding AB is controlled by Triton Fund III, which direct and indirect controls 89.02% of the shares in the Polygon group. No essential transactions exist with companies in which Triton Fund III has a significant or controlling influence. Payment for services rendered and disbursements of 799 (64) TEUR has been made to West Park Management Services and Triton Advisers (UK) Ltd. No group contribution or dividend has been conveyed to Polygon Holding AB.

Company name	Country	% Share of capital
Polygon International AB	Sverige	100,0%
Polygon Norway Holding AS	Norway	100,0%
Polygon AS	Norway	100,0%
Polygon A/S	Denmark	75,8%
Polygon Nederland Holding BV	Holland	100,0%
Polygon Belgium NV	Belgium	100,0%
Polygon Nederland BV	Holland	100,0%
Polygon Sverige AB	Sweden	100,0%
AK-Konsult Indoor AB	Sweden	100,0%
PolygonVatro GmbH	Germany	100,0%
Polygon Austria Service GmbH	Austria	100,0%
Tinkler Bau	Austria	100,0%
Polygon Canada Inc	Canada	100,0%
Polygon France SAS	France	100,0%
Polygon Service Pte Ltd	Singapore	100,0%
Polygon UK Holding Ltd	United Kingdom	100,0%
R3 Polygon UK Ltd	United Kingdom	100,0%
Polygon US Corporation	USA	100,0%
Polygon Finland Holding Oy	Finland	100,0%
Polygon Finland Oy	Finland	100,0%

Note 20 Adjustments to reconcile profit before tax to net cash flow

	2014	2013
Non-affecting cash-flow:		
Depreciation and impairment of non-tangible assets	5,747	6,110
Depreciation of tangible assets	8,794	10,045
Capital gains from disposal of fixed assets	-23	-1,564
Disposal/ scrapping of non-tangible assets	174	5,250
Change of pension liability	912	-638
Changes in provisions and other	-285	408
Total	15,319	19,612

Note 21 Events after the reporting period

As of 12 January 2015 Lucas Hendriks assumed the position of Chairman of the Board.

A minor acquisition was made in England in January 2015

In the judgment of the company no other essential events have occurred after the closing date.

Parent company's financial reports

Income statement

T€	Note	2014	2013
Sales	2	5,234	3,368
Gross profit		5,234	3,368
General administration and sale expenses	3.4	-2,990	-2,629
Other operating costs	5	-1,901	-440
Operating income		343	299
Income from shares in Group companies		1,000	1,791
Finance income	6	4,747	-
Finance costs	6	-4,903	-1,153
Income (loss) after financial items, net		1,187	937
Group contribution		5,320	1,300
Income (loss) before income taxes		6,507	2,237
Income taxes	7	-	-
Net income		6,507	2,237

Statement of Total Comprehensive income

T€	Note	2014	2013
Net income		6,507	2,237
Comprehensive income		6,507	2,237

Statement of financial position

	Note	2014	2013
ASSETS			
Noncurrent assets			
Noncurrent financial assets			
Participations in Group companies	8	76,296	76,296
Receivables from Group companies, interest-bearing	9	117,950	-
Total noncurrent assets		194,246	76,296
Current assets			
Current receivables			
Receivables, parent company	9	71	1,300
Current income tax		53	30
Other receivables		15	-
Prepaid expenses		1	101
Receivables, Group companies		20,216	10,438
Total current receivables		20,356	11,869
Cash and cash equivalents		-	-
Total current assets		20,356	11,869
TOTAL ASSETS		214,602	88,165
T€			
	Note	2014	2013
EQUITY AND LIABILITIES			
<i>Restricted equity</i>			
Share capital(5,600 shares at par value 1 EUR)		58	6
<i>Non restricted equity</i>			
Other contributed capital		6,771	6,771
Retained earnings		86,709	80,254
Total Equity		93,538	87,031
Long-term liabilities			
Long-term financial liabilities, interest-bearing		117,699	-
Total long-term liabilities		117,699	-
Current liabilities			
Accounts payables		27	37
Current liabilities, Group companies		211	-
Other current liabilities		528	194
Accrued costs	10	2,599	903
Total current liabilities		3,365	1,134
TOTAL EQUITY AND LIABILITIES		214,602	88,165

Pledged assets and contingent liabilities

T€	Note	2014	2013
Pledged assets			
Shares in subsidiaries	11	76,296	76,296
Total assets pledged		76,296	76,296
Contingent liabilities			
		None	None

Cash flow statement

T€	Note	2014	2013
Operating activities			
Income (loss) before taxes		343	197
Financial income received		4,747	-
Income tax paid		-23	-
Cash flow from operating activities prior changes in working capital		5,067	197
Change in working capital			
Change in other receivables		-2,216	-80
Changes in other liabilities		2,040	180
Cash flow used in operating activities		4,891	297
Cash flow from financing activities			
Increase in loans		120,000	-
Change of receivables Group companies		-121,982	-1,527
Dividend from Group companies		1,000	1,791
Capital contribution		5,320	1,300
Financial cost paid		-4,903	-975
Cash flow from financial activities		-565	589
Cash flow from the year		4,326	886
Cash and cash equivalents at the beginning of the year		10,211	9,325
Cash and cash equivalents at the end of the year		14,537	10,211

Changes in equity

T€	Share capital	Share premium	Retained earnings	Total equity
Closing balance per 31 December 2011	6	6771	13,487	20,264
Share premium	-	-	125,874	125,874
Net income (loss)	-	-	-8,893	-8,893
Closing balance per 31 December 2012	6	6771	130,468	137,245
Dividend	-	-	-52,451	-52,451
Net income (loss)	-	-	2,237	2,237
Closing balance per 31 December 2013	6	6771	80,254	87,031
Bonus issue	52	-	-52	-
Net income (loss)	-	-	6,507	6,507
Closing balance per 31 December 2014	58	6771	86,709	93,538

Notes

Note 1 Basis of preparation

Rules and regulations applied

The Consolidated Financial Statement has been prepared in accordance with the Annual Accounts Act and RFR 2 'Supplementary Rules for Groups. Deviation in principles between the parent company and the group are presented below.

The bank accounts in the mother company are not in the balance sheet presented as Cash and Cash equivalents since they are part of the group's cash pool. In the Cash flow statement though, the bank accounts are presented as Cash.

Financial assets

In the parent company the financial assets are valued to the lowest of acquisition value and recoverable amount. Recoverable amount is the highest of net selling price and value in use. Value in use consists of the present value of estimated future net cash flows. In case the recoverable amount is less than book value a write-down is made to the recoverable amount. A write-up is made when an asset is judged to have a reliable and permanent value that materially exceeds book value, this in accordance with the Annual Accounts Act.

Participation in subsidiaries

Shares in subsidiaries are valued at cost. All dividends received are accounted for in the income statement.

Group contributions and owners contribution

The recipient accounts for owner's contribution directly in equity. In the case of the contributor the contribution is added to Participations in Group companies, if there is not a case of impairment. Received and Group contributions paid are accounted for in income statement within appropriations.

Note 2 Distribution of sales

Polygon AB has had no external sales in the period. All income is inter-company.

Note 3 Wages and salaries to employees and other remuneration fees

Only the CEO, CFO, HR Director, Operations Director and Commercial Director are employed by the parent company. Wages and salaries and other remuneration fees to management are described in note 7 for the Group.

Note 4 Audit fee

	2014	2013
Audit assignment (EY)	102	79
Other assignments (EY)	15	12
Total	117	91

Audit assignments involve examination of the annual report and financial accounting as well as the administration by the Board and other tasks related to the duties of the company's auditors.

Note 5 Other operating costs

	2014	2013
Currency exchange gains/losses	65	10
Project costs	-1,966	-450
Total	-1,901	-440

Note 6 Financial income and expenses

	2014	2013
Interest income and other similar transactions		
Interest income, internal	4,747	-
Total	4,747	-
Interest cost and other similar transactions		
Interest cost, external	-4,883	-1
Interest cost, internal	-3	-17
Exchange rate differences	-2	-
Other financial expenses	-15	-1,135
Total	-4,903	-1,153

Note 7 Taxes

	2014	2013
Income before taxes	6,507	2,277
Tax according to current tax rate for Parent company	1,432	501
Non-deductible expenses	36	20
Used not earlier accounted loss carry forward	-1,248	-127
Tax-exempt income	-220	-394
Total	0	0

Note 8 Participation in Group Companies

	2014	2013
Polygon International AB, share of capital and voting rights 100%	74,253	74,253
Polygon Finland Holding Oy, share of capital and voting rights 100%	2,043	2,043
Net carrying value closing balance	76,296	76,296

Note 9 Long-term Receivables Group companies

	2014	2013
Polygon International AB	104,193	-
Polygon Finland Holding Oy	13,757	-
Total	117,950	-

Note 10 Accrued expenses and prepaid income

	2014	2013
Accrued rent expenses	1,287	-
Pension related expenses	382	360
Other accrued expenses	930	543
Total	2,599	903

Note 11 Pledged assets

All shares in the group's major subsidiaries are pledged as security for loan from financial institutes. Furthermore, the group has issued real estate and company mortgages for the same loan facility.

Note 20 Related parties' disclosures

Polygon AB is owned by Polygon Holding AB, Polygon Holding AB is controlled by Triton Fund III, which direct and indirect controls 89.02% of the shares in the Polygon group. No essential transactions exist with companies in which Triton Fund III has a significant or controlling influence.

Payment for services rendered and disbursements of 799 (64) TEUR has been made to West Park Management Services and Triton Advisers (UK) Ltd.

Polygon AB has received 1,0 (1,8) MEUR in dividend from Polygon Finland Holding Oy and 5,3 (0) MEUR in group contribution from the daughter company Polygon International AB. No group contribution or dividend has been conveyed to Polygon Holding AB.

The Board and Chief Executive Officer's signatures

Stockholm 2015-04-15

Lucas Hendriks
/Chairman/

Per Agebäck
/ Board member /

Torbjörn Torell
/ Board member /

Jonas Samuelson
/ Board member /

Evert Jan Jansen
/ Chief Executive Officer /

Our audit report was submitted on 2015-04-17
Ernst & Young AB

Rickard Andersson
/ Authorized Public Accountant /