



## Polygon AB

# Annual Report and Consolidated Financial Statements for the fiscal year 2016

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## Administration report

The Board of Directors and the Chief Executive Officer of Polygon AB (publ.), corporate identity number 556816-5855, hereby present the Annual Report and Consolidated Financial Statements for the fiscal year 2016.

### Operations

Polygon AB and its subsidiaries perform services primarily in the area of water and fire damage restoration and also offer other services such as temporary humidity control, leak detection, odor elimination and moisture investigations.

Polygon's customers are insurance companies, as well as commercial and private property owners. The Polygon Group conducts business in Europe, North America and Asia and has a strong local presence through its approximately 300 service depots. Polygon creates value by minimizing costs for the extent of the damage and through its rapid response, as well as professional and secure claims processing on behalf of the insured.

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 then listed company Munters AB. The Parent Company, Polygon AB, was formed on 12 July 2010.

### Ownership structure

Polygon AB is owned by Polygon Holding AB, which is in turn owned by MUHA No 2 LuxCo S.à.r.l.

### Fiscal year 2016

Consolidated net sales for the fiscal year amounted to EUR 485.3 million (438.7) and operating income was EUR 25.1 million (7.0). Operating income was charged with items affecting comparability of EUR 1.8 million (7.6).

	2016	2015
Reported EBIT	25.1	7.0
Amortization of intangible assets	5.2	5.5
items affecting comparability	1.8	7.6
<b>Adjusted EBITA</b>	<b>32.1</b>	<b>20.1</b>
<b>EBITA margin</b>	<b>6.6%</b>	<b>4.6%</b>
Depreciation of property, plant and equipment	9.3	9.4
Adjusted EBITDA	41.4	29.5
EBITDA margin	8.5 %	6.7%

items affecting comparability refer mainly to impairment of IT systems and legal disputes.

During the year, the Group had neither acquired nor divested any companies or operations.

In January, Ole Skov joined the Board as a new member. In other respects, the Board of Directors has been unchanged.

### Financing and liquidity

In April 2014 the Group's previous bank financing was replaced with a Senior Secured Floating Rate Note of EUR 120 million that carries interest at a floating rate and matures in 2019. On 3 November 2016, this was extended by EUR 60 million to EUR 180 million. The floating interest rate is calculated on three-month EURIBOR plus 500 basis points. Polygon AB's bond is listed on the Corporate Bond List of NASDAQ OMX in Stockholm. On 29 June 2016, a restructuring of the internal loans in the Group was carried out to strengthen equity in the German subsidiary.

Cash and cash equivalents at 31 December 2016 amounted to EUR 36.6 million (26.5). Cash flow from operating activities in 2016 was EUR 33.3 million (25.5). The main difference in cash flow from operating activities between years is due to higher income in 2016 and an improvement in working capital.

### Capital expenditure

The Group's capital expenditure on property, plant and equipment for the period amounted to EUR 15.0 million (8.8). In addition, the Group has upgraded its IT systems for EUR 2.6 million (1.9). Total amortization/depreciation during the period amounted to EUR 14.5 million (14.9), of which EUR 9.3 million (9.4) is attributable to property, plant and equipment and EUR 5.2 million (5.5) to intangible assets.

Amortization of intangible assets refers mainly customer relations acquired in business combinations and amortization of capitalized costs for development of the Group's IT systems. During the year, intangible assets were impaired by EUR 0.6 million (2.5). The impairment loss refers to development costs for internal computer systems that will not be taken into operation.

### Employees

The average number of employees in the Group during 2016 was 2,908 (2,821).

For more information, see Note 8.

### Significant risks and uncertainties and risk management

Polygon is a leader in quality and technology, with a strong brand and a comprehensive service offering. Strength is provided by a wide local presence in geographically dispersed markets and a flexible cost structure. The risks consist of variations in revenue resulting from changes in the weather and temperature, and the related damage frequency. The Group's operations also have extensive exposure to the insurance industry, which leads to a mutual dependency.

Competition comes from a few global operators, but mainly from a large number of local players.

#### Financial risks

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

#### Currency risk

The Group's 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 inter-company financing and from translation of the income statements and balance sheets of foreign subsidiaries to the Group's reporting currency (EUR).

Currency risk relates to the risk for changes in foreign exchange rates that could negatively affect the Group's earnings. Transaction exposure is considered low as the extent of flow between currency zones is limited. Translation exposure relates primarily to translation from Swedish kronor (SEK), Norwegian kroner (NOK), Canadian dollars (CAD), US dollars (USD) and British pounds (GBP).

#### *Interest rate risk*

Interest rate risk is related to changes in market interest rates that could affect cash flow, profit and/or the fair value of financial assets and liabilities. At year-end the Group had no hedging products to minimize interest exposure.

#### *Liquidity risk*

Liquidity risk refers to risk that the Group will be unable to meet its short-term payment obligations. The Group works continuously with business ratios and forecasts to handle the fluctuations that are expected to arise in liquidity. At 31 December 2016 the Group had EUR 46.4 million (36.5) in unutilized loan commitments for which all earlier covenants have been met.

#### *Credit risk*

Credit risk refers to the risk that counterparty in a transaction will not fulfil its obligations under the agreement and that any collateral will not cover the Group's receivable. For commercial counterparties where the Group has a larger exposure, an individual credit assessment is carried out. The Group also works regularly to shorten the effective credit period.

Credit risk is limited, since no individual customer accounts for more than 5% of the Group's total revenue, i.e. credit risk is dispersed both geographically and among many customers. For further information, see Note 15.

#### **Parent Company**

Polygon AB's operations include joint group functions as well as ownership and management of shares in group companies. Polygon AB had three employees (3) during the year. No investments were made during 2016. Income before tax amounted to EUR 1.4 million (8.0). The decrease in earnings is explained by the fact that Polygon AB paid higher group contributions to the parent companies than in the previous year.

Cash and cash equivalents at 31 December 2016 amounted to EUR 28.7 million (18.0). The Parent Company's assets amounted to EUR 287.0 million (222.7) and equity was EUR 104.5 million (101.5).

#### **Subsequent events**

In February 2017, Nadia Meier-Kirner joined the Board of Directors as a new member.

31<sup>st</sup> of March 2017 the Group acquired OBM Villa klimat AB in Sweden.

In other respects, the company's assessment is that no significant events have occurred after the balance sheet date.

#### **Future outlook**

Polygon is continuing to work according to its strategic plans, with a focus on strengthening its market positions through organic growth, acquisition-driven growth and efficiency optimization.

#### **Research and development**

The Group's research and development relate to products and services in the existing fields of activity.

#### **Environment**

Polygon's operations are not subject to permitting or reporting requirements according to the applicable environmental legislation.

#### **Corporate governance report**

According to the Swedish Annual Accounts Act, Chapter 6, §8, the corporate governance report is published separately from the administration report.

#### **Proposed disposition of earnings**

Proposed disposition of the Parent Company's earnings:

The Board of Directors and the Chief Executive Officer propose that the year's net income of EUR 1,169,211, together with retained earnings of EUR 101,482,300, amounting to a total of EUR 102,651,511, be carried forward to new account.

## Consolidated financial statements

### Consolidated income statement

T€	Note	2016	2015
Sale of services	5	485 282	438 740
Cost of sales	6,8	-361 207	-333 718
Gross profit		124 075	105 022
Selling and distribution costs	6,7,8	-96 433	-89 345
Other operating income	6	-	-126
Other operating costs	6	-2 540	-8 576
<b>Operating income</b>		<b>25 102</b>	<b>6 975</b>
Finance income	9	125	361
Finance costs	9	-8 510	-7 173
<b>Income after financial items</b>		<b>16 717</b>	<b>163</b>
Group contribution given		-4 000	-
<b>Income before taxes</b>		<b>12 717</b>	<b>163</b>
Income taxes	10	-2 274	41
<b>Net income for the year</b>		<b>10 443</b>	<b>204</b>

### Consolidated statement of other comprehensive income

T€	Note	2016	2015
<b>Net income for the year</b>		<b>10,443</b>	<b>204</b>
<b>Consolidated statement of comprehensive income</b>	23		
<i>Items that can not be reclassified to profit or loss</i>			
Actuarial gains and losses on defined benefit plans		-776	585
Income tax effect on Actuarial gains and losses on defined benefit plans		138	-146
<i>Items that later can be reclassified to profit or loss</i>			
Translation difference		-367	-591
<b>Various comprehensive income</b>		<b>-1,005</b>	<b>-152</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>9,438</b>	<b>52</b>
<b>Net income for the year</b>			
Attributable to owners of the company		10,246	33
Attributable to non-controlling interest		197	171
<b>Total</b>		<b>10,443</b>	<b>204</b>
<b>Total comprehensive income for the year</b>			
Attributable to owners of the company		9,241	-119
Attributable to non-controlling interest		197	171
<b>Total</b>		<b>9,438</b>	<b>52</b>

## Consolidated balance sheet

T€	Note	2016	2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	11.13	104,181	104,865
Other intangible assets	12	45,561	47,523
Property, plant and equipment	14	33,251	27,233
Deferred tax assets	10	23,424	22,282
<b>Total non-current assets</b>		<b>206,417</b>	<b>201,903</b>
<b>Current assets</b>			
Work in progress		29,613	17,508
Account receivables	19	70,079	64,344
Receivables from parent company		347	72
Current tax receivables	10	315	366
Other current financial assets		1,841	2,120
Prepaid expenses	15	5,843	4,386
Cash and cash equivalents	18	36,585	26,529
<b>Total current assets</b>		<b>144,623</b>	<b>115,325</b>
<b>TOTAL ASSETS</b>		<b>351,040</b>	<b>317,228</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
	23		
Issued capital		58	58
Other contributed capital		10,771	6,771
Other capital reserves		-1,225	-858
Retained earnings		42,664	35,248
Equity attributable to owners of the parent company		52,268	41,219
Non-controlling interests		1,105	1,038
<b>Total equity</b>		<b>53,373</b>	<b>42,257</b>
<b>Non-current liabilities</b>			
Post-employment benefit provisions	24	4,900	4,555
Other provisions		219	227
Deferred tax liabilities	10	21,890	21,937
Non-current interest-bearing liabilities	17	181,282	175,812
<b>Total non-current liabilities</b>		<b>208,291</b>	<b>202,531</b>
<b>Current liabilities</b>			
Advance payments from customers		238	218
Post-employment benefit provisions	24	135	153
Other provisions		1,475	769
Account payables	16	42,893	34,294
Other current liabilities	16	13,859	12,460
Accrued expenses	16.25	27,467	23,364
Current income tax liabilities	10	3,309	1,182
<b>Total current liabilities</b>		<b>89,376</b>	<b>72,440</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>351,040</b>	<b>317,228</b>

Pledged assets and contingent liabilities are stated in 20 and 26.

## Consolidated statement of cash flows

T€	Note	2016	2015
<b>Operating activities</b>			
Income before taxes		25,102	6,975
Adjustments for non cash items before tax	28	13,999	17,263
Financial income received		125	361
Income tax paid		-1,427	-1,058
<b>Cash flow from operating activities before changes in working capital</b>		<b>37,799</b>	<b>23,541</b>
Cash flow from changes in working capital:			
Changes in operating receivables		-7,557	4,045
Changes in work in progress		-12,380	-530
Changes in operating liabilities		15,436	-1,524
<b>Cash flow from operating activities</b>		<b>33,298</b>	<b>25,532</b>
<b>Investing activities</b>			
Acquisition of a subsidiary, net of cash acquired	3	-	-987
Purchase of property, plant and equipment	14	-14,955	-8,806
Purchase of intangible fixed assets	12	-2,622	-1,934
Sale of fixed assets		4	127
<b>Net cash flows used in investing activities</b>		<b>-17,573</b>	<b>-11,600</b>
<b>Cash flow before financing activities</b>		<b>15,725</b>	<b>13,932</b>
<b>Cash flows from financing activities</b>			
New borrowings		57,262	-
Repayment of borrowings		-52,960	-
Dividend to mother company		-2,192	-
Dividend to non-controlling interest		-130	-227
Financial costs paid		-8,081	-7,612
<b>Net cash flows from financing activities</b>		<b>-6,101</b>	<b>-7,839</b>
<b>Cash flow for the year</b>		<b>9,624</b>	<b>6,093</b>
Cash and cash equivalents, opening balance		26,529	21,509
Translation difference in cash and cash equivalents		432	-1,073
<b>Cash and cash equivalents, closing balance</b>		<b>36,585</b>	<b>26,529</b>

## 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			
Closing balance, December 31 2014	58	6,771	-267	34,789	41,351	1,094	42,445	
Dividend to shareholders	-	-	-	-12	-12	-	-12	
Unconditional shareholder contribution	-	-	-	-	-	-227	-227	
Net income for the year	-	-	-	33	33	171	204	
Other comprehensive income 1)	-	-	-591	438	-153	-	-153	
Closing balance, December 31 2015	58	6,771	-858	35,248	41,219	1,038	42,257	
Shareholder's contribution	-	4,000	-	-	4,000	-	4,000	
Dividend to shareholders	-	-	-	-2,192	-2,192	-130	-2,322	
Net income for the year	-	-	-	10,246	10,246	197	10,443	
Other comprehensive income 1)	-	-	-367	-638	-1,005	-	-1,005	
Closing balance, December 31 2016	58	10,771	-1,225	42,664	52,268	1,105	53,373	

1) See note 23.

# Corporate governance report

Polygon shall be governed in a manner characterized by long-term sustainability, for the shareholders as well as for the employees, customers, suppliers and other stakeholders. This demands clearly defined goals, guidelines and strategies, as well as compliance with the company's business principles with regard to the environment, human rights, ethics and transparency. The purpose of this report is to describe the rules, guidelines, laws and policies under which Polygon is governed, the division of responsibility within the company and the way in which its decision-making bodies – the Annual General Meeting, the Board of Directors and the CEO – act and interact.

As of the financial year 2014, the Board of Polygon AB (publ.) prepares a statutory corporate governance report in accordance with the Swedish Annual Accounts Act, Chapter 6.

## Corporate governance structure

Polygon AB is a Swedish public limited company domiciled in Stockholm. Through its subsidiaries, the company conducts consulting and service operations in the area of water and fire damage restoration. The company's mission is to prevent, control and alleviate the effects of water, fire and climate damage.

Governance and control over the company are regulated by a combination of written rules and practice. These rules refer mainly to the Swedish Companies Act and the Swedish Annual Accounts Act, but also the Swedish Code of Corporate Governance and the rules applicable in the regulated market where the company's bonds are traded. Since 2014 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 shares outstanding. Each share entitles the holder to one vote. There are no restrictions on the number of shares a shareholder may represent at the Annual General Meeting. Polygon AB is a wholly owned subsidiary of Polygon Holding AB, which is in turn 84.04% owned by MUHA 2 Luxco S.à.r.l.

## General meeting of shareholders

The general meeting of shareholders is the company's highest decision-making body. At a general meeting, the shareholders exercise their voting rights among other things by electing the company's Board of Directors and auditors and passing resolutions on guidelines for compensation to the company's Board of Directors, Executive Management and auditors. When appropriate, the general meeting of shareholders also passes resolutions regarding the Articles of Association, dividends and changes in the share capital. The general meeting of shareholders that is held within six months after the end of the fiscal year also resolves on adoption of the income statement and balance sheet, the disposition of earnings and discharge from liability for the Board of Directors and the CEO. There are no restrictions on the number of votes each shareholder may exercise at a general meeting.

The general meeting of shareholders has not given the Board authorization to issue shares or acquire treasury shares

## Board of Directors

The Board consists of six members:

Luc Hendriks, Senior Industry Expert at Triton's Company West Park Management Services, has been Chairman of the Board since 2015. He has held executive positions in Brambles and General Electric, and is member of the Board of Directors of Europart and Papyrus.

Petter Darin, Investment Advisory Professional at Triton Advisors (Sweden) AB, has been board member since 2015 and also a member of the audit Committee. He has previously worked as an investor bank at UBS.

Lars-Ove Håkansson, board member since 2015, has previously served as CEO of Skanska and holds a number of board assignments in various companies.

Nadia Meier-Kirner, board member since February 2017, acts as an investment advisory professional at Triton. She has previously worked in M & A and as corporate finance adviser at Dresdner Kleinwort in Frankfurt.

Jonas Samuelson, board member since 2010 and chairman of the audit committee. He is the CEO of Electrolux and has previously been CFO in Munters and Electrolux.

Ole Skov, board member since 2015, is an independent investor with the background of managing partner in Accenture Financial Services and as management consultant at McKinsey & Co.

## Work and responsibilities of the Board

The Board Chairman oversees the work of the Board and has special responsibility for monitoring the company's development between the Board meetings and ensuring that the members of the Board are continuously provided with the information required to satisfactorily discharge their duties. During the fiscal year, the Board held six minutes meetings, of which one was a statutory meeting in conjunction with the Annual General Meeting. The work of the Board is regulated by rules of procedure that are adopted on a yearly basis. The rules of procedure stipulate the segregation of duties between the Board and the Executive Management, the responsibilities of the Board Chairman and the CEO and the procedures for financial reporting.

## Independence of the Board

All members are independent in relation of the company. Furthermore three of the members of Board are considered to be independent in relation the owner of the company.

The CEO is not a member of the Board but participates in Board meetings in the capacity of rapporteur.

## Audit committee

The Board has appointed an audit committee whose task is to analyze and discuss the company's risk management and control, and to ensure compliance with the established principles for financial reporting and internal control. The committee formulates guidelines for the company's financial reporting and monitoring and has decision-making authority in matters related to internal control.

The audit committee maintains contact with the company's independent auditor in order to discuss the focus and scope of the audit work. The management audit that is performed by the auditors every autumn is based on the risk and materiality analysis that they have compiled. In connection with the annual closing of the books, the company's auditors report their observations from the audit and their assessment of the company's internal control.

During the year, the audit committee has consisted of two Board members. The committee held three meetings during the year. These meetings were also attended by the company's CFO and the company's independent auditors.

## Auditors

At the 2016 AGM, the registered public auditing firm of Ernst & Young AB was reelected as the company's independent auditor.

Auditor in Charge is Staffan Landén, who is an authorized public accountant and also the elected auditor of Vattenfall, Capio, Papyrus and Academedia, among others. In addition, Staffan Landén has been appointed stock market auditor by Nasdaq Stockholm.

The auditors' independent status is ensured by the auditing firm's internal guidelines. This independence has been confirmed to the audit committee.

#### **Executive Management**

The CEO and the Executive Management formulate and execute Polygon's overarching strategies and address matters related to acquisitions, divestments and major investments. Such matters are prepared by the Executive Management for decision by the Board of the Parent Company. The President, who is also CEO, is responsible for day-to-day administration of the company in accordance with the Board's decisions and guidelines.

The Polygon Group's Executive Management consists of the CEO, the COO and the CFO. The Group Management Team consists of the Executive Management and the four subsidiary presidents, a total of seven people who are senior executives in the Group.

#### **Operative management**

The CEO is responsible for operative management of the Group.

Polygon AB's organization is decentralized. This is a deliberate, strategic choice motivated by the fact that the business is normally local in nature and a conviction that the best decisions are made locally. The Group's commercial organization is based on decentralization of responsibilities and powers in combination with a timely and efficient reporting and control system.

In the subsidiaries, there are written instructions for the respective presidents. In addition, there are a number of policies and instructions that regulate operations in the subsidiaries. The Code of Conduct is one such document.

A large share of communication and discussion within the Group is based on the internal financial reporting.

Local and consolidated monthly closings of the books are prepared for each internal profit center. Aside from the income statement and balance sheet, the monthly accounts contain key performance measures and other relevant data. In connection with the monthly closing of the books, meetings are held with the subsidiary managements. On a quarterly basis, the Group presents its financial accounts to the market.

#### **Internal control**

In accordance with the Swedish Companies Act, the Board of Directors is responsible for the company's internal control over financial reporting.

Internal control over financial reporting is designed to ensure reasonable assurance regarding the reliability of the external financial reporting, which consists of the annual report and the quarterly reports. This internal control shall also provide reasonable assurance that the financial reporting is prepared in accordance with the applicable laws and accounting standards and other requirements for listed companies.

#### **Control environment**

The segregation and delegation of responsibilities have been documented and communicated in internal documents that govern the actions of the Board of Directors and the company, such as the Board of Directors' procedural plan, instructions for the CEO, order of delegation, order of authorization and other internal control documents such as the finance policy, investment policy, finance manual, etc.

The audit committee, which consists of two Board members, shall oversee compliance with the principles for financial reporting and internal control and ensure that the requisite contacts with the company's independent auditors are maintained.

All internal control documents are updated regularly in response to factors such as changes in legislation or accounting rules.

#### **Risk assessment**

In accordance with the Board's procedural plan, once a year the Board conducts a review of the company's internal control. An assessment is carried out to identify risks and measures are adopted to reduce these risks. The independent auditors are invited to a meeting of the audit committee to report on their opinions and observations regarding the company's internal control.

#### **Control activities**

Since the company's finance and accounting system is structured so that signing of agreements and payment of invoices, etc., must adhere to the established decision-making paths and the signatory and authorization rights that are stipulated in the internal control documents, there is a basic control structure to counter and prevent the risks that the company has identified. Aside from this control structure, there are a number of control activities to further detect and correct errors and deviations. Such control activities consist of monitoring at different levels in the organization, such as the Board's monitoring and reconciliation of passed Board decisions, review and comparison of profit/loss items, reconciliation of accounts and approval and reporting of business transactions in the accounting department.

#### **Annual self-assessment**

In 2015 the Group introduced a routine that is based on self-assessment. It is carried out by each subsidiary based on predefined questions that are formulated by the finance department. The purpose of this evaluation is to examine the Group's internal control routines and compliance with these. The results are reviewed and reported to the audit committee.

The self-assessment is performed with consideration to the transaction flow, staffing and control mechanisms. The focus is on significant income statement and balance sheet items and the areas where there is a risk that the consequences of any misstatements could be significant. The self-assessment is carried out during the third quarter and follow-up controls are performed at regular intervals thereafter.

#### **Information and communication**

Polygon has built up an organization to ensure that the financial reporting is correct and efficient. The internal control documents clarify who is responsible for what in day-to-day interactions between the various departments and ensure that the relevant information and communication reach all affected parties. The Executive Management is provided with both weekly and monthly financial information about the company and its subsidiaries regarding development of future investments and liquidity planning. The company's information policy ensures that all published information, both external and internal, is correct and issued at the appropriate time for each occasion.

#### **Monitoring**

Monitoring is carried out continuously at all levels in the organization. The Board regularly evaluates the information provided by the Executive Management and the auditors. Furthermore, the Board carries out an annual follow-up of the completed risk assessment and the decided measures. Special attention is given to the Board's monitoring for development of internal control and assurance that measures are taken regarding any deficiencies or proposals that have been found or put forward.

# Notes

## Note 1 Corporate information

These consolidated financial statements include the Parent Company Polygon AB, corporate identity number 556816-5835, and its subsidiaries. The postal address of the head office is Sveavägen 9, SE-111 57 Stockholm, Sweden.

Polygon AB is a wholly owned subsidiary of Polygon Holding AB, corporate identity number 556809-3511, domiciled in Stockholm, Sweden. The ultimate parent company of the Group is MuHa No. 2 LuxCo S.à.r.l.

The financial statements refer to Polygon AB and were approved by the Board of Directors in connection with the Board meeting on 25 April 2017.

## Note 2.1 Significant accounting policies

### Statement of compliance

The consolidated financial statements for the 2016 fiscal year have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as approved by the European Commission for application within the EU for fiscal years beginning on or after 1 January 2016. In addition, the Swedish Financial Reporting Board recommendation RFR 1, Supplementary Accounting Rules for Groups, has been applied.

The Parent Company applies the same accounting policies as the Group, with the exception of those cases specified in Note 1 to the Parent Company financial statements.

### Presentation currency

The presentation currency of the Group is euros (EUR), which is the functional currency of the Parent Company. Unless otherwise specified, all amounts are in stated in thousands of euros (T€).

The financial statements are presented euros (EUR), rounded off to the nearest thousand, unless otherwise stated. All individual figures (including totals and sub-totals) are rounded off the nearest thousand. From a presentation standpoint, certain individual figures may therefore differ from the computed totals.

### Reporting period

The reporting period is the fiscal year from 1 January 2015 to 31 December 2016, and all balance sheet items refer to 31 December 2016. The previous fiscal year was 1 January 2015 to 31 December 2015 and the balance sheet items for this period refer to 31 December 2015.

### Basis of presentation

The consolidated financial statements have been prepared based on the assumption of a going concern. Assets and liabilities are recorded on a historical cost basis with the exception of derivative financial instruments and acquisition earn-outs, which are measured at fair value. At year-end 2016 the Group had no hedging products to minimize risk exposure.

### Basis of consolidation

The consolidated financial statements cover the Parent Company and its subsidiaries. The financial statements of the Parent Company and the subsidiaries that are a part of the consolidated financial statements refer to the same period and are prepared in accordance with the same accounting policies.

All inter-company items are eliminated in full and are consequently not included in the consolidated financial statements.

### Subsidiaries

A subsidiary is a company in which the Parent Company holds more than 50% of the voting rights or otherwise has a controlling influence. Subsidiaries are consolidated from the date on which control is transferred to the Group and until the date when such control ceases.

### Non-controlling interests

A non-controlling interest is portion of the profit/loss and net assets of non-wholly owned subsidiaries that falls to owners other than the owners of the Parent Company. Its share of net income is included in the net income of the Group and its net assets are included in consolidated equity.

### Translation of the financial statements of foreign subsidiaries

Foreign subsidiaries with a functional currency other than EUR are translated to EUR, since this is the presentation currency of the Group and the functional currency of Polygon AB. Income statement items are translated at the average exchange rate and balance sheet items are translated at the closing day rate of exchange. All surplus values recorded in connection with the acquisition of a foreign subsidiary, such as goodwill and other previously unrecognized intangible assets, are regarded as the respective entity's and are therefore translated at the closing day rate of exchange. Foreign exchange differences are recognized in other comprehensive income. On the disposal of a subsidiary, the accumulated foreign exchange differences are reversed in the income statement.

The exchange rates applied for foreign currency translation are as follows:

T€	Closing balance rate	Average rate	Closing balance rate	Average rate
	Dec 31 2016	2016	Dec 31 2015	2015
CAD	0.7049	0.6826	0.6596	0.7057
DKK	0.1345	0.1343	0.1340	0.1341
GBP	1.1685	1.2213	1.3551	1.3784
NOK	0.1102	0.1077	0.1046	0.1119
SEK	0.1045	0.1056	0.1095	0.1069
SGD	0.6572	0.6547	0.6467	0.6556
USD	0.9509	0.9040	0.9143	0.9015

### Gross accounting

Gross accounting is applied consistently in accounting for assets and liabilities, with the exception of cases when there is both a receivable and a liability against the same counterparty and Polygon has a legally enforceable right to offset these and intends to do so. Unless otherwise stated, offsetting is also applied regarding revenues and expenses.

### Classification of assets and liabilities

Non-current assets, non-current liabilities and provisions are expected to be recovered or settled more than 12 months after the balance sheet date. Current assets and current liabilities are expected to be recovered or settled within 12 months from the balance sheet date.

### Not 2.2 Changes in accounting standards

#### IFRSs that are mandatorily effective for financial years after 2016 according to the EU:

A number of new or revised IFRSs will not be mandatorily effective until future fiscal years and have not been applied in advance in the preparation of these financial statements. The IFRSs that are expected to, or may have, an impact on the Group's financial statements are described below.

#### *IFRS 15 Revenue recognition*

This standard is effective as of 1 January 2018, at which time it will supersede 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 Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, SIC 31 Revenue – Barter Transactions Involving Advertising Services). IFRS 15 thus contains a single model for all revenue recognition. The assessment after review of customer contracts is that allocation of the revenue will be effected and that a not yet estimable one-time profit effect will appear at implementation of the standard.

#### *IFRS 9 Financial instruments*

This standard is effective as of 1 January 2018, at which time it will replace IAS 39 Financial Instruments: Recognition and Measurement. Various parts of the new standard have been revised; 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.

Polygon has not yet fully evaluated the impact of IFRS 9 but does not expect the new standard to have any material impact on the consolidated financial statements.

#### *IFRS 16 Leasing*

This standard is effective as of 1 January 2018, at which time it will replace IAS 17 Leasing. Under the new standard, leases will be measured in the balance sheet to a greater extent than previously through gross accounting, as assets and future liabilities. A lease is a contract that transfers the right of control for a recognizable asset for a given period in exchange for compensation. The definition of right of control is that the company has both the right to decide how to utilize the recognizable asset and the financial benefits from its use. The right-of-use asset will be initially measured at the amount of the lease liability including other initial direct costs associated with the leased asset. This change will impact the consolidated financial statements as the Group has a large leasing fleet of service vehicles.

Other amendments that had been adopted by the IASB at 31 December 2016 are not assessed to have any material impact on the consolidated financial statements.

### Note 2.3 Summary of key accounting policies

#### Reporting of foreign exchange effects

Foreign currency transactions denominated in a currency other than the Group's functional currency are revalued at the rate ruling on the transaction date. Assets and liabilities denominated in a currency other than the Group's functional currency are revalued at the closing day rate. Any foreign exchange differences are recognized in the income statement.

#### Receivables and liabilities in foreign currency

Receivables and liabilities denominated in foreign currency have been revalued at the closing day rate. Foreign exchange gains and losses arising from operating receivables and liabilities are recognized in operating income. Foreign exchange differences related to financial assets and liabilities are recognized in financial expenses in net financial items.

#### 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 from business combinations consist mainly of trademark-, customer-, contractual- and/or technology-related assets. Typical marketing and customer-related assets are trademarks and customer relations. Customer contracts and customer relations are attributable to expected customer loyalty and the cash flow that is expected to arise over the remaining useful lives of these assets. The historical cost for this type of intangible asset consists of the fair value at the acquisition date, calculated according to established valuation methods.

Development expenditures are recognized as an intangible asset only if it is probable that a development project will generate economic benefits in the future and the cost of the asset can be measured reliably. 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 in the period in which 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 are reviewed every balance sheet date. Amortization begins when the asset is available for use. Certain trademarks have an unlimited lifetime and are not amortized at all.

#### Depreciation is calculated as follows:

	Antal år
Patent, licenses and software	3-8
Customer relations	10-12

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

#### Business combinations and goodwill

Business combinations are recognized according to the acquisition method. When a business combination occurs, the company's assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring costs) are identified and measured at their fair values.

If the consideration paid by the Group is greater than the fair value of the identified net assets, the difference is recognized as goodwill. Goodwill is continuously measured at cost less accumulated impairment. 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 allocated the amount of goodwill to three cash-generating units: Nordic & UK, Continental Europe and North America.

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

See Notes 11 and 13.

### Property, plant and equipment

Items of property, plant and equipment are physical assets that are used in the Group's operations and have an expected useful life exceeding one year. Items of property, plant and equipment are initially measured at cost and are depreciated on a straight-line basis over their estimated useful lives. When items of property, plant and equipment are recognized, any residual value is taken into account when the depreciable amount of the asset is determined. In the event of a significant decrease in value, it may be necessary to recognize an impairment loss in addition to depreciation. Depreciation begins when the asset is ready to be taken into use. Land is not depreciated.

An item of property, plant and equipment is derecognized from the balance sheet on disposal or when no future economic benefits are expected either from its disposal or sale. Any gains or losses are calculated as the difference between sale proceeds and the carrying amount. The gain or loss is recognized in the accounting period when the asset was sold, as other expenses or other income.

The residual value, useful life and depreciation rate of an asset is reviewed at the end of each financial year and, if necessary, any change is accounted for prospectively.

Customary 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:

	Antal år
Improvements in rented premises	6-9
Dehumidifiers and similar equipment	5-10
Buildings	20-25
Equipment	3-6

### Impairment of intangible assets and property, plant and equipment

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

An impairment loss should be recognized for an asset or a group of assets (cash-generating units) if the carrying amount is higher than the recoverable amount. 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, an assessment is made at each balance sheet date whether there is an indication that an earlier impairment loss, in whole or in part, is no longer justified. If the assumptions underlying calculation of an asset's recoverable amount have changed, the carrying amount of the asset or assets is increased to its recoverable amount. The increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognized. The reversal is recognized in the income statement unless the asset is recognized at revalued amount in accordance with another standard.

Goodwill is allocated to different cash-generating units. If the allocation of goodwill cannot be completed before the end of the year in which the company made the acquisition, the initial allocation should then be carried out before the end of the fiscal year following the year when the acquisition was made. In such 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 lives is 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 measured at fair value through profit or loss.
  - Held-for-trading financial assets.
  - Financial assets initially measured at fair value ("fair value option").
- Loans and receivables measured at amortized cost in accordance with the effective interest method.
- Held- to-maturity financial assets measured at amortized cost in accordance with the effective interest method.
- Available-for-sale financial assets measured at fair value and recognized in other comprehensive income.

Financial assets are classified in one of the four categories above. At present, the Polygon Group has financial assets belonging to only the category of loans and receivables. These are initially recognized at fair value.

These assets are regularly and systematically assessed in terms of which final economic benefits are expected to flow to the company. There are no held-to-maturity or available-for-sale financial assets. All assets are tested for impairment. If management estimates and deems it appropriate, the initial classification is revaluated at each year end.

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

#### Financial assets at fair value through the balance sheet

In accordance with IFRS 7, Polygon discloses information about financial instruments measured at fair value in the balance sheet, in a fair value hierarchy with three levels. Level 1 consists of instruments that are quoted on an active market where identical instruments are traded. Level 2 consists of instruments that are not

quoted on an active market, but where observable market data is used as a basis for valuation of these instruments (either directly or indirectly). Level 3 consists of instruments where the valuation mainly is based on non-observable market data.

The assessments have been carried out based on the circumstances and factors that are applicable to the different instruments.

#### *Loans and receivable*

Loans are initially measured at fair value plus transaction costs where applicable, and are subject to regular and systematic analysis in order to determine the amount in which the loan is expected to be received. If a loan is deemed doubtful, a provision is made for the difference between the carrying amount and the expected cash flow. Interest income related to loans is included in financial income.

Trade receivables are initially recognized at fair value. An allowance is made for doubtful receivables at year-end when there is objective evidence that the full value of the asset will not be recoverable. Losses attributable to doubtful receivables are recognized in the income statement in other operating expenses. See Note 19.

The Polygon Group's cash and bank balances, trade receivables, and certain other current and interest-bearing receivables are recognized in this category.

#### **Cash and bank balances**

Cash and current bank balances in the balance sheet consist of cash on hand and demand deposits with a maturity of three months or less from the date of acquisition.

#### **Financial liabilities**

The Group's financial liabilities are divided into two categories:

- Financial liabilities at fair value through profit and loss
  - Held-for-trading financial liabilities
  - Financial liabilities initially recognized at fair value ("fair value option").
- Financial liabilities at amortized cost

#### *Financial liabilities at fair value through profit or loss*

Some of the Group's acquisitions include earn-outs. These are recognized as a financial liability at fair value through profit or loss. Earn-out payments have been classified at level 3 since there is no observable market data to apply.

#### *Financial liabilities at amortized cost*

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

Fees paid for loan commitments are recognized as transaction costs and are allocated over the term of the loan commitments/loans in the income statement.

In cases where quoted information/inputs are not available in order to recognize a financial instrument at fair value, accepted valuation techniques that can be more or less dependent on quoted information/inputs are used. In some cases, valuation techniques based on the company's own assumptions and estimations are applied. The fair values of financial assets and liabilities are assumed to be their nominal values for those assets and liabilities with a term of less than one year. The fair values of financial liabilities are their discounted cash flows.

Discounting is done at the interest rate that is available to the Group for similar financial instruments. At the end of the reporting period, Polygon AB had no financial derivatives.

The purchase or sale of a financial instrument is recorded on the trade date, which is the date on which the Group commits to purchase or sell the financial instrument. A financial instrument is derecognized when the right to receive or pay cash flows attributable to the financial instrument expire or the Group has explicitly transferred all risks, allocations and obligations attributable to a possession of the financial asset or liability.

#### **Financial derivatives and hedge accounting**

Derivative financial instruments are measured initially and subsequently at fair value. Changes in fair value are recognized through profit or loss unless they make up a part of an effective hedging relationship and hedge accounting is applied. Once a derivative contract has been entered into, the Group chooses to classify the derivative as a fair value hedge, a cash flow hedge or a hedge of a net investment in foreign operations. If a fair value hedge exists and the criteria in IAS 39 have been met, the gain or loss from changes in the fair value of the hedging instruments is recognized in the income statement together with the changes in the fair value of the hedged item in the balance sheet. The portion of the gain or loss on the hedging instrument that is determined to be an effective cash flow hedge or hedge of foreign subsidiaries is recognized in other comprehensive income. The accumulated change in fair value for this type of derivative is recycled into profit or loss in the same period(s) in which the hedged item affects profit or loss.

When a hedging instrument is sold, terminated, exercised, revoked or otherwise ceases to meet the criteria for hedge accounting, any gain or loss that has been recognized in equity (via comprehensive income), to be ultimately recognized as an adjustment in either expenses or income when the planned transaction or assumed obligation is realized, is recognized in the income statement. However, if a planned transaction or an assumed obligation is no longer expected to occur, the accumulated gain or loss that has been recognized in other comprehensive income for the period in which the hedge applied is immediately transferred to the income statement.

#### **Impairment of financial assets**

At each balance sheet date, the Polygon Group assesses whether there are any objective circumstances that indicate that a financial asset may be impaired. This type of impairment is recognized in the income statement.

#### **Provisions**

A provision is recognized when the Group has a present obligation, legal or constructive, as a result of a past event, it is probable that the Group will be required to settle the obligation and the amount of the obligation can be reliably estimated. When the company expects some or all of the expenditure required to settle an obligation to be reimbursed by another party, for example within the framework of an insurance agreement, the reimbursement is recognized as a separate asset, but only when it is virtually certain that reimbursement will be received.

If the time value is material, the present value of the future payment is calculated using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The increase in the obligation due to the time value is recognized as an interest expense.

### Employee benefits

The Group has both defined benefit and defined contribution pension plans, as well as other long-term employee benefits.

Provisions for defined benefit plans are calculated using the projected unit credit method. Aside from consideration to the pensions and statutory rights that are known on the balance sheet date, assumptions are made regarding expected pension and salary increases and other significant factors. The calculation is based on actuarial computation methods.

Actuarial gains and losses from defined benefit plans are recognized in other comprehensive income. Estimated pension costs for past service periods are determined when a defined benefit plan is adjusted. Such adjustments are recognized in profit or loss, while other pension costs are recognized over the average remaining pension-qualifying period of service.

The total net obligation for all plans is recognized in the consolidated balance sheet after adjustment for any prior costs that have not yet been distributed over the correct period of time. The net obligation is divided into a current and a non-current portion.

The Group's costs for defined contribution pension plans are expensed in the income statement in the year they are attributable to.

### Leases

Finance leases, which transfer substantially all of the risks and rewards of ownership to the Polygon Group, are recognized in the balance sheet at the fair value of the leased asset, or, if this value is lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and reduction of the outstanding liability. Recognized finance lease assets are depreciated over their expected useful lives.

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

### Segment reporting

The Polygon Group consists of three different segments. The segments are identified based on the Group's geographical spread. The segments are regularly evaluated by the President and CEO, who is the chief operating decision-maker (CODM).

The segments are responsible for operating income and the net assets that are used in the segment, while net financial items, taxes, borrowings and equity are not reported by segment. Operating income and net assets for the segments are consolidated according the same principles as for the Group as a whole. The segments consist of a group of separate companies. Operating expenses that are not included in the segments are recognized in group-wide expenses and consist of central functions including group management and central staffs.

### Revenue

Revenue is generated by the sale of delivered services.

Revenue in the operating activities of the Group is measured at the fair value of the consideration received or receivable for services sold in the Group's operating activities, with consideration to the applicable terms of payment, excluding taxes and fees.

Revenue is recognized when it is probable that any economic benefits associated with the item of revenue will flow to the Group

and the amount of revenue can be measured reliably. This date normally coincides with invoicing of delivered services. Partial payments or advances from customers are recognized in revenue only when they refer to services already performed.

Revenue from major project assignments is recognized in proportion to the stage of completion of the projects on the balance sheet date. The stage of completion is normally measured as the proportion of project costs incurred to date in relation to the estimated total costs of the project. If a reliable estimation of the stage of completion cannot be made, revenue is not recognized until the project is finished. The same applies to smaller projects.

In loss-making projects where it is not likely that the customer will compensate Polygon for rendered services, the loss is recognized immediately.

In addition to exchange rate gains on trade receivables and trade payables, other operating income includes capital gains on sold property, plant and equipment. Financial income is accrued using the effective interest method.

In Norway, the Group has agreements with franchisees in which Polygon receives a commission on sales to end customers. 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 recognized net as sales revenue, i.e. the commission is recognized in sales revenue.

### Income tax

#### Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount that is expected to be recovered from or paid to taxation authorities. The Group's current tax is calculated using the tax rates and tax laws that had been enacted or substantively enacted by the end of the reporting period.

Current income tax attributable to items recognized in equity and in other comprehensive income is recognized in equity and in other comprehensive income, and not in the income statement.

#### Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences:

- except when the deferred tax liability arises as a result of impairment of goodwill or when an asset or liability is recognized as part of a transaction that is not a business combination which, at the time of the transaction, affects neither accounting profit nor taxable profit, and

- for deductible temporary differences associated with investments in subsidiaries, apart from cases where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognized for deductible temporary differences, including unused tax losses and tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer

probable that sufficient taxable profit will be available to allow the benefit of part or the entire deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on the tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities on a net basis and the deferred tax amounts are related to the same entity in the Group and are levied by the same taxation authority.

#### Statement of cash flows

Cash and cash equivalents consist of cash on hand and demand deposits, together with other short-term, highly liquid investments with a maturity of three months or less from the date of acquisition. Cash received and paid is recognized in the cash flow statement. Cash flow from operating activities is recognized in accordance with the indirect method.

#### Subsequent events

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

### Note 2.4 Critical accounting judgments and key sources of estimation uncertainty

In preparing the financial statements in accordance with IFRS, the Board and CEO are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities, as well as income and expenses. The areas where estimates and assumptions are of material importance to the Group and which may affect the financial statements are described below:

#### Impairment of intangible assets

Intangible assets other than goodwill and intangible assets with an indefinite useful life are amortized over the period in which they will generate revenue, i.e. their useful lives. If there is any indication that an asset may be impaired, the recoverable amount of the asset is calculated. The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use. The recoverable amount is determined according to management's estimates of future cash flows. The assumptions that have been made in the impairment test and related sensitivity analysis are further explained in Note 13. The key assumptions relate primarily to assumptions about future sales and profit growth, as well as assumptions about the discount rate.

Goodwill and intangible assets with an indefinite useful life are tested for impairment annually and whenever there is an indication that the asset may be impaired.

If the recoverable amount of the asset is less than its carrying amount, an impairment loss is recognized to reduce the carrying amount of the asset to its recoverable amount.

#### Accounting for sale-and-leaseback transactions

A sale-and-leaseback transaction is the sale of an asset and the subsequent leaseback of the same asset. The Group has carried out significant sale-and-leaseback transactions relating to properties. The Group has determined that the subsequent leases gave rise to operating leases and has therefore immediately recognized gains on

the sales 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 determined that the agreement is operating in nature and it is thus recognized as such.

#### Deferred tax assets

Deferred taxes are recognized for temporary differences arising between the tax bases and carrying amounts of assets and liabilities, as well as for unutilized tax losses and tax credits. A deferred tax asset is recognized only to the extent that it is probable that sufficient future taxable profits will be available against which it can be utilized. In the event that the actual outcome differs from the applied assumptions, or management adjusts these assumptions in the future, the value of the deferred tax assets could change.

#### Work in progress and revenue recognition

The Group applies the percentage of completion method for significant customer contracts. The estimate of total contract costs and revenues is critical for revenue recognition and provisions for onerous contracts and the outcome of additional invoicing may affect profit.

#### Provisions for doubtful debts

Trade receivables are recognized initially at fair value and subsequently at their expected realizable value, with an estimate for doubtful debts based on an objective review of all outstanding amounts on the balance sheet date. The Group also analyzes past due receivables and, based on this analysis, recognizes a provision for bad debts if there is no objective evidence that the payment will be received. Losses attributable to doubtful debts are accounted for as other operating expenses.

#### Pension and other post-retirement benefits

Defined benefit pension provisions are calculated based on actuarial valuations with assumptions about the discount rate, inflation, expected salary increases and demographic factors. These assumptions are updated annually, which affects the size of the recognized provisions. The most significant assumptions relate to the discount rate and expected salary increases. In the Swedish pension plans, mortgage bonds are used as the basis for the discount rate. The Group has determined that mortgage bonds are a better basis than corporate bonds for use in determining the discount rate.

#### Critical judgments in applying accounting policies

In preparing the financial statements in accordance with IFRS, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities, as well as income and expenses, and other information provided in the accounts. The judgments, estimates and assumptions made by the management and Board of Directors are based on historical experience and forecasts about future development. Actual results may differ from these estimates.

### Note 3 Business combinations

The fair values of the identifiable assets and liabilities at the acquisition date are presented below. The acquisition carried out during the previous year is not considered to be significant for the disclosure requirements in IFRS 3R.

For acquisitions of service companies, consideration is paid not only for the substance found in the company but also an excess value, for example to acquire new customer relationships and knowledgeable, well-educated and experienced employees. The employees are the single most important value creators, but they are not recognized as an asset in the acquired businesses. Therefore, they represent the goodwill arising in the Polygon Group together with the expected synergies between existing and acquired units.

#### Business combinations in 2016

No operations were acquired in 2016.

#### Business combinations in 2015

On 21 January 2015 the English company Harwell Technical Services Ltd was acquired by the Group. The preliminary purchase consideration amounts to EUR 3.1 million. The acquisition will extend Polygon's range of services within document restoration.

Fair value recognised on acquisition	2016	2015
Equipment	-	202
Other non-current receivables	-	1,469
Current receivables	-	530
	-	2,201
Current liabilities	-	371
Deferred tax liabilities	-	41
Less: Cash and cash equivalents	-	-173
	-	239
<b>Total identifiable net assets at fair value</b>	-	1,962
Goodwill	-	1,176
<b>Purchase consideration transferred</b>	-	3,138

#### Note 5 Segment information

The Group has three operating segments that are divided by geographical market. All segments apply IFRS, in conformity with the Group as whole.

2016	Continental			Shared	Eliminations	Group Total
	Nordic & UK	Europe	North America			
Income external customers	143,669	310,899	30,714	-	-	485,282
Income internal customers	33	47	-	-	-80	-
<b>Total income</b>	<b>143,702</b>	<b>310,946</b>	<b>30,714</b>	-	<b>-80</b>	<b>485,282</b>
Operating income	7,464	12,108	2,159	3,371	-	25,102
Net financial items	-	-	-	-	-	-12,385
Taxes	-	-	-	-	-	-2,274
<b>Net income for the year</b>	-	-	-	-	-	<b>10,443</b>
Depreciations	2,347	6,396	2,391	3,403	-	14,537
Assets	94,350	165,140	32,198	62,295	-2,943	351,040
where of Goodwill	44,056	40,467	19,658	-	-	104,181
Liabilities	60,977	106,635	25,573	191,327	-86,846	297,666
Investments						
Tangible	2,885	7,881	4,067	122	-	14,955
Intangible	-	705	-	1,917	-	2,622

	2016	2015
<b>Purchase consideration</b>		
Cash paid	-	1,140
Take-over of debt	-	1,469
Liability to seller	-	528
<b>Total consideration</b>	-	<b>3,138</b>
<b>Analysis of cash flows on acquisition:</b>		
Net cash acquired with the subsidiary	-	-173
Cash paid	-	1,140
Translation difference	-	20
<b>Closing balance</b>	-	<b>987</b>

#### Note 4 Discontinued operations

No operations were divested during 2015 or 2016.

2015	Continental					Group Total
	Nordic & UK	Europe	North America	Shared	Eliminations	
Income external customers	137,724	266,898	34,117	-	-	438,740
Income internal customers	-	51	-	-	-51	-
<b>Total income</b>	<b>137,724</b>	<b>266,949</b>	<b>34,117</b>	<b>-</b>	<b>-51</b>	<b>438,740</b>
Operating income	6,396	1,502	-592	-332	-	6,975
Net financial items	-	-	-	-	-	-6,811
Taxes	-	-	-	-	-	41
<b>Net income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>204</b>
Depreciations	2,085	6,056	2,598	4,129	-	14,868
Assets	110,975	129,130	30,615	71,992	-25,484	317,228
where of Goodwill	45,993	41,578	17,294	-	-	104,865
Liabilities	84,031	148,334	25,737	175,617	-158,748	274,971
Investments						
Tangible	2,374	3,841	2,591	-	-	8,806
Intangible	-	138	-	1,796	-	1,934

#### Geographical areas

The figures for revenue are based on the country where the customer is found.

Geography	2016	2015
Sweden	19,036	20,322
Germany	266,662	228,050
Other	199,584	190,368
<b>Total</b>	<b>485,282</b>	<b>438,740</b>

  

Origin	2016	2015
Water damage restoration	219,206	193,586
Fire damage restoration	84,078	87,971
Reconstruction	111,004	94,102
Other	70,994	63,081
<b>Total</b>	<b>485,282</b>	<b>438,740</b>

#### Note 6 Allocation of expenses by category

	2016	2015
Payroll expenses	171,226	163,950
Subcontractor expenses	184,858	154,539
Other operating expenses	60,953	67,756
Depreciations/ scrapping	14,537	14,868
Other expenses	27,911	28,197
Gains/losses/write-offs of assets	550	2,455
Transaction expenses	145	-
<b>Total</b>	<b>460,180</b>	<b>431,765</b>

#### Note 7 Audit fees

	2016	2015
<i>Ernst &amp; Young</i>		
Audit assignment	453	421
Auditing besides audit assignment	104	45
Tax consultation	107	35
Other services	16	17
<i>Others</i>		
Audit assignment	13	16
Auditing besides audit assignment	5	6
Tax consultation	167	22
Other services	29	28
<b>Total auditors' fees</b>	<b>894</b>	<b>590</b>

Audit assignment refers to auditing of the annual report, the accounting records and the administration of the Board of Directors, as well as other audit-related work that is incumbent upon the auditors.

## Note 8 Salaries, social security expenses and employee benefits

Average number of employees per country	2016		2015	
	No of employees	Whereof men	No of employees	Whereof men
Sweden	162	84%	175	85%
Norway	186	82%	181	81%
Finland	269	90%	282	87%
Denmark	113	72%	116	72%
Belgium	36	83%	36	81%
Austria	92	88%	82	87%
Germany	1,370	77%	1,292	75%
France	49	80%	46	78%
United Kingdom	396	76%	351	73%
Netherlands	114	87%	114	86%
Singapore	4	75%	4	75%
USA	89	79%	105	80%
Canada	28	71%	37	70%
Total Group	2,908	79%	2,821	78%

### Salaries, social security expenses and other compensation

	2016			2015		
	Salaries and other compensations	Payroll overhead	(out of which pension)	Salaries and other compensations	Payroll overhead	(out of which pension)
Parent company	2,063	156	409	2,502	808	223
Subsidiaries	123,019	26,757	5,126	123,000	26,103	5,196
Total Group	125,082	26,913	5,535	125,502	26,911	5,419

### Breakdown of salaries, other compensation and social security expenses between the Board, the CEO and other employees

	2016			2015		
	Salaries and other compensations	Payroll taxes	(of which bonus etc.)	Salaries and other compensations	Payroll taxes	(of which bonus etc.)
Board and Managing director	1,156	-310	552	1,547	190	518
Other employees	123,926	27,223	6,219	124,163	26,721	5,106
Total Group	125,082	26,913	6,771	125,710	26,911	5,624

### Gender distribution on the Board and among other senior executives

	2016	2015
Distribution of men and women within the Board of Directors		
Women	-	-
Men	5	5
Distribution of men and women regarding CEO and other executives of the Group*		
Women	-	-
Men	7	7

\* Senior executives in the Group during 2016 included the CEO, COO and CFO and four Country Presidents.

	2016	2015
Compensation to Group Management		
Sales and other compensations	3,246	3,838
Pension and reimbursement of medical	448	261
Total	3,694	4,099

Salary to the CEO and senior executives is determined by the Board of Directors. The salary level shall be based on market conditions in relation to competence and performance. In addition to basic annual salary, compensation can include a maximum bonus of 100% of annual salary. The outcome of the bonus is based mainly on the attainment of financial targets.

The company uses only premium-based pension solutions for senior executives. These pension solutions vary between 25% and 35% of basic annual salary.

The notice period for senior executives is between 6 and 12 months, plus six months of termination benefits that cover only basic salary. The CEO has a notice period of six months and in the event of

termination of employment on the part of the company, the notice period is 12 months.

Other benefits include company car benefits, car allowances and health insurance.

#### Note 9 Financial income and expenses

	2016	2015
<b>Finance income</b>		
Interest income	157	146
Other financial income	-32	215
<b>Total financial income</b>	<b>125</b>	<b>361</b>
<b>Finance costs</b>		
Interest expense	9,097	7,380
Financial exchange differences	-1,174	-1,107
Other financial expenses	587	901
<b>Total finance costs</b>	<b>8,510</b>	<b>7,173</b>

#### Note 10 Income taxes

The principal components of the income tax expense are:

	2016	2015
<b>Consolidated income statement</b>		
Taxes for the year	-1,919	-1,368
Tax on capital gain not recognized in Profit and Loss account	-1,747	-
Adjustments for taxes related to previous year	25	-89
	-3,641	-1,457
Change of deferred tax related to temporary differences	1,432	1,629
Other	-65	-131
<b>Total recognised tax expense in the income statement</b>	<b>-2,274</b>	<b>41</b>
	<b>2016</b>	<b>2015</b>
<b>Reconciliation of effective tax</b>		
<b>Income before taxes</b>	<b>12,717</b>	<b>163</b>
Tax according to current tax rate for Parent Company 22%	-2,798	-36
Difference related to foreign tax rates	-526	828
Non-deductible expenses	-1,452	-1,940
Change in non-capitalized loss carry-forward	2,519	848
Tax-exempt income	1,885	513
Taxable income not recognized in Profit and Loss account	-1,747	-
Tax related to previous years	25	-89
Other	-180	-83
<b>Total</b>	<b>-2,274</b>	<b>41</b>

The average effective tax rate was 17.9% (-25.2). The average nominal tax rate in the countries where the Group operates is around 23%.

#### Deferred tax asset/liability

The deferred tax asset and provision recognized in the balance sheet is attributable to the following assets and liabilities:

	2016			2015		
	Deferred tax asset	Deferred tax liability	Net	Deferred tax asset	Deferred tax liability	Net
Intangible assets	-	11,807	-11,807	86	13,064	-12,978
Plant and machinery	1,140	567	573	466	560	-94
Work in projects	340	8,271	-7,931	6,076	88	6,200
Accounts receivable	6,953	1,080	5,873	57	7,841	-7,784
Provisions	54	46	8	52	25	27
Other liabilities	-	106	-106	-	124	-124
Loss carry-forward	14,530	-	14,530	14,756	-	14,756
Provisions for pensions	1,107	-	1,107	1,470	216	1,042
Other	-700	13	-713	-685	16	-704
<b>Closing balance</b>	<b>23,424</b>	<b>21,890</b>	<b>1,534</b>	<b>22,278</b>	<b>21,934</b>	<b>341</b>

## Change in deferred tax related to temporary differences and loss carryforwards

2016	Opening balance	Disclosed in income statement	Disclosed in other comprehensive income	Exchange differences	Closing balance
Intangible assets	-12,978	1,171	-	-	-11,807
Plant and machinery	-94	667	-	-	573
Work in projects	6,200	-14,086	-	-45	-7,931
Accounts receivables	-7,784	13,657	-	-	5,873
Provisions	27	-24	-	5	8
Non-current liabilities	-124	18	-	-	-106
Loss carry-forward	14,756	-226	-	-	14,530
Provisions for pensions	1,042	267	138	-340	1,107
Other	-704	-12	-	3	-713
<b>Closing balance</b>	<b>341</b>	<b>1,432</b>	<b>138</b>	<b>-377</b>	<b>1,534</b>
2015	Opening balance	Disclosed in income statement	Disclosed in other comprehensive income	Exchange differences	Closing balance
Intangible assets	-14,751	1,773	-	-	-12,978
Plant and machinery	-918	824	-	-	-94
Work in projects	6,727	-527	-	-	6,200
Accounts receivables	-7,324	-460	-	-	-7,784
Provisions	44	-17	-	-	27
Non-current liabilities	-44	-80	-	-	-124
Loss carry-forward	13,944	812	-	-	14,756
Provisions for pensions	1,160	28	-146	-	1,042
Other	20	-724	-	-	-704
<b>Closing balance</b>	<b>-1,142</b>	<b>1,629</b>	<b>-146</b>	<b>-</b>	<b>341</b>

Deferred tax assets related to loss carryforwards are recognized to the extent it is deemed probable that there will be sufficient future taxable profits against which they can be utilized.

	2016	2015
<b>Loss carry forward</b>		
<i>Due date</i>		
0-1 year	94	-
1-2 year	-	-
2-3 year	-	-
3-4 year	-	-
4-5 year	-	-
>5 year	26,725	27,906
No due date	52,692	59,416
<b>Total</b>	<b>79,511</b>	<b>87,322</b>

Total loss carryforwards at the end of the year amounted to EUR 79.5 million (87.3). Loss carryforwards for which no deferred tax asset has been recognized amounted to EUR 29.0 million (38.4). Consequently, loss carryforwards of EUR 50.5 million (48.9) are subject to recognition as deferred tax assets.

## Note 11 Goodwill

	2016	2015
<b>Opening balance acquisition values</b>	<b>113,514</b>	<b>110,935</b>
Additions *	-1,014	1,188
Exchange rates differences	453	1,391
<b>Closing balance acquisition values</b>	<b>112,953</b>	<b>113,514</b>
<b>Opening balance impairment</b>	<b>-8,649</b>	<b>-8,347</b>
Exchange rates differences	-123	-302
<b>Closing balance accumulated impairment</b>	<b>-8,771</b>	<b>-8,649</b>
<b>Net book value closing balance</b>	<b>104,181</b>	<b>104,865</b>

\* See Note 3 Business combinations.

**Note 12 Other intangible assets**

	Trademark	Order-backlog	Customer relations	Other	Total
<b>2016</b>					
Opening balance acquisition values	25,644	8,975	39,913	13,355	87,886
Additions through company acquisitions	56	-	84	-	140
Acquisitions	-	-	-	2,622	2,622
Sales/ scrapping	-	-	-	-592	-592
Reclassification	203	-	304	592	1,099
Translation differences	-18	43	26	-67	-16
<b>Closing balance acquisition values</b>	<b>25,885</b>	<b>9,018</b>	<b>40,327</b>	<b>15,910</b>	<b>91,140</b>
Opening balance depreciation	-131	-8,975	-21,170	-5,814	-36,089
Deprecation according to plan	-42	-	-4,412	-735	-5,189
Translation differences	-7	-43	-47	70	-21
<b>Closing balance accumulated depreciation</b>	<b>-181</b>	<b>-9,018</b>	<b>-25,629</b>	<b>-6,479</b>	<b>-41,306</b>
Opening balance write-downs	-	-	-	-4,274	-4,274
<b>Closing balance accumulated write-downs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-4,274</b>	<b>-4,274</b>
<b>Net book value</b>	<b>25,704</b>	<b>-</b>	<b>14,699</b>	<b>5,157</b>	<b>45,561</b>
<b>2015</b>					
Opening balance acquisition values	25,633	8,972	39,991	11,452	86,048
Acquisitions	-	-	-	1,934	1,934
Disposals	-	-	-	-94	-94
Reclassification	-	-	-	-3	-3
Translation differences	11	3	-78	63	-2
<b>Closing balance acquisition values</b>	<b>25,644</b>	<b>8,975</b>	<b>39,913</b>	<b>13,355</b>	<b>87,886</b>
Opening balance depreciation	-78	-8,972	-16,748	-4,748	-30,545
Deprecation according to plan	-43	-	-4,436	-1,024	-5,503
Translation differences	-10	-3	14	-42	-41
<b>Closing balance accumulated depreciation</b>	<b>-131</b>	<b>-8,975</b>	<b>-21,170</b>	<b>-5,814</b>	<b>-36,089</b>
Opening balance write-downs	-	-	-	-1,734	-1,734
Write-downs	-	-	-	-2,540	-2,540
<b>Closing balance accumulated write-downs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-4,274</b>	<b>-4,274</b>
<b>Net book value</b>	<b>25,513</b>	<b>-</b>	<b>18,743</b>	<b>3,267</b>	<b>47,523</b>

The income statement includes amortization of EUR 0 thousand (3) for the cost of sales, EUR 5,105 thousand (5,407) in selling and administrative expenses and EUR 91 thousand (93) in other operating costs. An impairment loss of 592 thousand (2,540) was recognized for development costs for internal IT systems that will not be taken into operation.

**Note 13 Impairment testing of goodwill and trademarks**

Polygon has three operating segments that represent the cash-generating units.

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

	Goodwill	Trademarks
Nordic & UK	44,056	5,872
Continental Europe	40,467	19,831
North America	19,658	1
<b>Total</b>	<b>104,181</b>	<b>25,704</b>

Polygon's impairment test for goodwill and trademarks was performed through an estimation of value in use. This calculation

includes several assumptions about future conditions and estimates of parameters. Changes in these assumptions and estimates could affect the carrying amount of goodwill. Value in use is determined through cash flow calculations, where the first five years are based on the five-year business forecast established by management. The cash flows estimated thereafter are based on an annual growth rate of 1-2% (1- 2), which is assessed to correspond to the long-term growth in the unit's markets.

The discount rate was determined based on the Group's weighted average cost of capital (WACC) based on assumptions about the interest rate on long-term government bonds and the 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 of 11.5-13.3% (11.5-13.3) before tax. The conclusion of the impairment test is that there is no indication of impairment, since value in use exceeds the carrying amount including goodwill and other intangible assets.

In the event that the company is unable to achieve the business plan on which the cash flow calculations are based, this could lead to impairment.

#### Note 14 Property, plant and equipment

Property and plant	2016	2015
Opening balance acquisition value	2,793	2,805
Investments	5	-
Disposals	-2	-
Translation differences	14	-12
<b>Closing balance acquisition value</b>	<b>2,810</b>	<b>2,793</b>
Opening balance depreciation	-1,277	-1,223
Depreciation for the year	-58	-59
Translation differences	-7	6
<b>Closing balance accumulated depreciation</b>	<b>-1,342</b>	<b>-1,276</b>
<b>Carrying amount closing balance</b>	<b>1,468</b>	<b>1,516</b>
<b>Equipment</b>	<b>2016</b>	<b>2015</b>
Opening balance acquisition value	125,818	118,320
Additions due to acquiring of business	140	205
Investments	14,950	8,806
Disposals	-3,129	-5,987
Reclassification	507	-8
Adjustments	3	1,943
Translation differences	-1,982	2,541
<b>Closing balance acquisition balance</b>	<b>136,307</b>	<b>125,820</b>
Opening balance depreciation	-99,468	-92,173
Depreciation for the year	-9,290	-9,306
Disposals	3,012	5,725
Reclassification	-	-
Adjustments	-	-1,943
Translation differences	1,837	-1,773
<b>Closing balance accumulated depreciation</b>	<b>-103,909</b>	<b>-99,470</b>
Opening balance write-down	-634	-626
Write-downs	-	0
Disposals	-	-
Translation differences	19	-8
<b>Closing balance accumulated write-downs</b>	<b>-615</b>	<b>-634</b>
<b>Carrying amount closing balance</b>	<b>31,783</b>	<b>25,716</b>

The income statement includes depreciation of EUR 7.4 million (7.1) for the cost of sales, EUR 1.3 million (1.2) in selling and administrative expenses and EUR 0.7 million (1.0) in other operating expenses.

#### Note 15 Prepaid expenses and accrued income

	2016	2015
Prepaid insurance	526	520
Prepaid rent	655	675
Prepaid service	1,382	1,132
Leasing	520	525
Other prepaid expenses	2,759	1,534
<b>Total</b>	<b>5,843</b>	<b>4,386</b>

#### Note 16 Financial instruments and financial risk management

##### Financial risk management in the Polygon Group

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

The table below shows the Group's significant financial assets and liabilities.

	2016		2015	
	Carrying amounts	Fair value	Carrying amounts	Fair value
<b>Current assets</b>				
Accounts receivables	70,079	70,079	64,344	64,344
Other current assets	2,248	2,248	2,644	2,644
Receivables, parent company	347	347	72	72
Cash and cash equivalents	36,585	36,585	26,529	26,529
<b>Total assets</b>	<b>109,259</b>	<b>109,259</b>	<b>93,589</b>	<b>93,589</b>
<b>Liabilities</b>				
Non-current interest-bearing liabilities	176,197	180,014	118,068	120,028
Other interest-bearing liabilities	5,085	5,085	57,744	57,744
Accounts payables	42,893	42,893	34,294	34,294
Other current liabilities	13,859	13,859	12,460	12,460
Accrued expenses	1,742	1,742	1,629	1,629
<b>Total liabilities</b>	<b>239,776</b>	<b>243,593</b>	<b>224,195</b>	<b>226,155</b>
<b>Derivatives for hedging purposes</b>				
Currency derivatives	113	113	-	-
<b>Total</b>	<b>113</b>	<b>113</b>	<b>-</b>	<b>-</b>

#### Currency risk

As a consequence of its international activities, Polygon is exposed to movements in foreign exchange rates. The table below shows currency exposure for the various financial assets and liabilities.

#### Breakdown of the Group's loans by currency

	2016	2015
EUR	181,240	175,783
Other currencies	42	29
<b>Total</b>	<b>181,282</b>	<b>175,812</b>

#### Breakdown of trade receivables by currency

	2016	2015
EUR	49,338	45,726
SEK	2,295	2,379
USD	4,025	3,462
NOK	5,708	4,206
GBP	5,659	5,642
Other currencies	3,054	2,928
<b>Total</b>	<b>70,079</b>	<b>64,344</b>

#### Breakdown of other current receivables by currency

	2016	2015
EUR	1,456	1,809
SEK	297	393
USD	78	82
NOK	50	55
GBP	351	302
Other currencies	16	3
<b>Total</b>	<b>2,248</b>	<b>2,644</b>

#### Breakdown of cash and bank by currency

	2016	2015
EUR	45,618	34,406
SEK	-3,651	-3,401
USD	-8,739	-5,874
NOK	2,098	3,675
GBP	-1,320	-3,871
Other currencies	2,579	1,594
<b>Total</b>	<b>36,585</b>	<b>26,529</b>

#### Breakdown of trade payables by currency

	2016	2015
EUR	29,437	20,505
SEK	1,225	1,189
USD	2,275	3,282
NOK	3,534	2,804
GBP	5,045	5,294
Other currencies	1,377	1,220
<b>Total</b>	<b>42,893</b>	<b>34,294</b>

#### Breakdown of other current liabilities by currency

	2016	2015
EUR	10,932	9,181
SEK	426	515
NOK	1,361	1,134
GBP	925	1,423
Other currencies	215	207
<b>Total</b>	<b>13,859</b>	<b>12,460</b>

**Breakdown of accrued expenses by currency**

	2016	2015
EUR	1,742	1,629
Total	1,742	1,629

**Transaction exposure**

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

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

The main transaction exposures arise in EUR against local currencies.

**Currency exposure**

Polygon's assets in foreign subsidiaries are financed partly through loans and partly through equity. If foreign assets are financed with equity, so-called translation exposure exists in connection with consolidation of the balance sheet. Translation exposure creates a risk that changes in foreign exchange rates will have a negative impact on the value of Polygon's net assets in foreign currency in connection with translation of the income statements and balance sheets of the foreign units. The exchange rate effects that arise in translation are recognized in other comprehensive income in the Group.

**Transaction risk and hedges in the main currencies**

Polygon currently has outstanding hedges for transaction exposure in SEK/EUR.

**Interest rate risk**

Fluctuations in interest rates affect the Group's interest expense. Polygon's policy for interest rate risk is designed to reduce the impact of interest rate changes on earnings. In the case of interest-bearing assets, the fixed interest period shall be short and matched against repayment of loans. On the balance sheet date, Polygon had no interest hedges in the form of interest rate swaps or interest rate caps.

At 31 December 2016, a simultaneous change in interest rates of +/-1.1 percentage point, excluding interest rate hedges, would have impacted the annual net interest expense by EUR 1.8 million (1.2), assuming that the Group's duration and funding structure remain constant during the year.

The floating rate interest-bearing net liability position for the Group as a whole, including cash and cash equivalents, was EUR 144.7 million (149.3).

**Customer credit risk**

Management's assessment is that there is no significant concentration of credit risk with any individual customer, counterparty or geographical region for Polygon. The age analysis of trade receivables is shown in Note 15.3 Receivables.

**Liquidity and refinancing risk**

Financing risks refer to the risk for difficulty in obtaining financing for operations at a given point in time. Polygon's finance policy states that the Group's external loan portfolio shall have a maturity

structure that guarantees that Polygon will not be exposed to refinancing risks.

Polygon is also subject to some covenants that are specified in the terms and conditions for the Senior Secured Floating Rate Note and in the terms and conditions for the overdraft facility, such as key ratios and performance indicators linked to the 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 the shareholders and benefits for other stakeholders, while at the same time maintaining an optimal capital structure to reduce capital costs.

To maintain or adjust the capital structure, the Group can, conditional on approval by the shareholders and external lenders when applicable, vary the dividend that is paid to the shareholders, reduce the share capital for payment to the shareholders, issue new shares or sell assets to reduce debt. The Group continuously analyzes the relationship between debt and equity including loans from shareholders.

TEUR	2016	2015
Interest-bearing net liabilities (A)	139,612	91,538
Total equity (B)	53,373	42,257
Relation between liabilities and equity (A/B)	2.6	2.2

TEUR	2016	2015
Interest-bearing net liabilities including loans from parent company (A)	144,697	149,282
Total equity (B)	53,373	42,257
Relation between liabilities and equity (A/B)	2.7	3.5

**Note 17 Interest-bearing loans and borrowings**

The Group's interest-bearing loans and borrowings are presented in the table below, including interest rate hedges.

	2016	2015
<i>Non-current:</i>		
Bond and other loans (floating interest rate)	180,014	120,028
Capitalized finance costs*	-3,818	-1,960
Other interest-bearing liabilities	5,085	57,744
<b>Total non-current liabilities</b>	<b>181,282</b>	<b>175,812</b>

\* Finance costs are amortized over the duration of the loans.

**The maturities of financial liabilities are as follows:**

	Book value		Undiscounted cash flow	
	2016	2015	2016	2015
Within 1 year	64,248	53,967	73,538	60,365
years	176,197	118,068	213,357	143,661
After 5 years	5,085	57,744	11,161	65,384
Total	245,530	229,779	298,056	269,410

The carrying amounts above include financial liabilities. The non-discounted cash flows above include financial liabilities and interest

payments. All amounts in currencies other than EUR are revalued at the closing day rate and interest payments on loans with variable interest have been calculated at the closing day rate.

The weighted average interest rate on external loans and borrowings, including margins and the effects of interest rate hedges, was 5.00% (5.03%).

#### Financial assets and liabilities by valuation category:

2016	Derivat- instrument	Tilläggsköpe- skilling	Summa redovisat värde	Verkligt värde	Valuation category	
					Nivå 2	Nivå 3
<b>ASSETS</b>						
<b>Current assets</b>						
Other short-term assets	113	-	113	113		
<b>Total financial assets</b>						
<b>LIABILITIES</b>						
<b>Long-term liabilities</b>						
Other short-term liabilities	-	-	-	-		
<b>Current liabilities</b>						
Other short-term liabilities	-	-	-	-		
<b>Total financial liabilities</b>	-	-	-	-		

2015	Derivat- Instrument	Tilläggsköpe- skilling	Summa redovisat värde	Verkligt värde	Valuation category	
					Nivå 2	Nivå 3
<b>ASSETS</b>						
<b>Current assets</b>						
Other short-term assets	-	-	-	-		
<b>Total financial assets</b>						
<b>LIABILITIES</b>						
<b>Long-term liabilities</b>						
Other short-term liabilities	-	-	-	-		
<b>Current liabilities</b>						
Other short-term liabilities	-	649	649	649		
<b>Total financial liabilities</b>	-	649	649	649		

The Group categorizes financial assets and financial liabilities that are measured at fair value in a fair value hierarchy based on the inputs that are used to measure each asset and liability.

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Quoted prices in markets that are not active, quoted prices for similar assets or liabilities, inputs other than quoted prices that are observable, directly or indirectly, essentially for the instrument's entire duration as well as the inputs used in valuation techniques that have been derived from observable market data.

Level 3 - Inputs that are essential for the fair value of the asset or liability are not observable, and the Group's own assessments are instead applied.

Financial liabilities at level 3 consist of acquisition earn-outs for acquired operations. The valuation of this is based on the acquired operation's expected future financial performance, which has been assessed by management.

Specification of financial assets and liabilities	2016	2015
<b>Financial assets</b>		
Opening balance	-	-
Change during the year	113	-
Closing balance	113	-
<b>Financial liabilities</b>		
Opening balance	649	197
Change acquisition earn-out	-649	452
Closing balance	0	649

The average maturity of the currency hedge is 6 months.

#### Note 18 Cash and cash equivalents

	2016	2015
Cash at banks and on hand	36,585	26,529
<b>Total</b>	<b>36,585</b>	<b>26,529</b>

At 31 December 2016, the Group had EUR 46.4 million (36.5) available in unutilized loan commitments for which all earlier covenants had been met.

#### Note 19 Trade receivables

	2016	2015
Accounts receivables	74,110	67,659
Provision for doubtful receivables	-4,031	-3,315
<b>Total</b>	<b>70,079</b>	<b>64,344</b>

No collateral (pledge) for trade receivables has been received.

#### Age analysis of trade receivables

2016	Overdue receivables	Overdue receivables - provisions recognized	Overdue receivables - no provisions recognized
31 to 60 days overdue	6,466	-	6,466
61 to 90 days overdue	3,254	-	3,254
91 to 180 days overdue	5,321	-	5,321
Over 181 days overdue	4,730	-4,031	699
<b>Total overdue accounts</b>	<b>37,378</b>	<b>-4,031</b>	<b>33,347</b>
their credit terms	36,732	-	36,732
<b>Total</b>	<b>74,110</b>	<b>-4,031</b>	<b>70,079</b>

2015	Overdue receivables	Overdue receivables - provisions recognized	Overdue receivables - no provisions recognized
Less than 30 days overdue	15,029	-	15,029
31 to 60 days overdue	5,102	-	5,102
61 to 90 days overdue	3,053	-	3,053
91 to 180 days overdue	4,253	-	4,253
Over 181 days overdue	4,092	-3,315	777
<b>Total overdue accounts</b>	<b>31,529</b>	<b>-3,315</b>	<b>28,214</b>
their credit terms	36,130	-	36,130
<b>Total</b>	<b>67,659</b>	<b>-3,315</b>	<b>64,344</b>

#### Provisions for doubtful debts

	2016	2015
Opening balance	3,315	3,342
Current year provision	972	191
Utilized receivables	-228	-303
Recovered bad debt	-24	61
Exchange rate differences	-4	24
Closing balance	4,031	3,315

#### Note 20 Pledged assets for own liabilities and provisions

	2016	2015
Shares in subsidiaries	389,259	189,263
<b>Pledged assets for own liabilities and provisions</b>	<b>389,259</b>	<b>189,263</b>

All shares in the Group's major subsidiaries as well as the internal loans are pledged as security for loans from financial institutions. The amounts stated under pledged assets therefore corresponds to total net assets in the pledged subsidiaries.

#### Note 21 Finance and operating leases

##### Finance lease commitments

The Group has no assets held under finance leases.

##### Operating lease commitments

The operating lease commitments refer primarily to premises, service vehicles, computers and office equipment. These commitments have an average life of 1-5 years without opportunity to acquire the object. The Group is not subject to any restrictions as a result of these commitments.

Lease payments during the year amounted to EUR 23.9 million (21.0).

##### Minimum lease payments

	2016	2015
Less than 1 year	20,433	18,537
1-2 years	15,065	14,096
2-3 years	9,650	8,886
3-4 years	5,418	5,150
4-5 years	3,794	3,544
More than 5 years	6,679	8,071
Future finance charges	61,039	58,284

#### Note 22 Other liabilities

	2016	2015
VAT	10,515	8,373
Employee withholding taxes	2,281	2,352
Other liabilities	1,063	1,735
<b>Total</b>	<b>13,859</b>	<b>12,460</b>

#### Note 23 Equity

##### Share capital

Each share has a quota value of EUR 10.27. All shares are of the same class and carry equal voting rights. All shares are fully paid-up. All shares grant equal rights to the company's assets and profits. There are no restrictions on the transferability of shares due to law or the Articles of Association.

##### Other contributed capital

Other contributed capital refers to equity contributed by shareholders. This includes share premium reserves. The development costs accumulated during the year for intangible assets in the subsidiary Polygon International AB have been transferred to a reserve for development costs and are thus not distributable funds within consolidated equity.

## Change in reserves for accumulated other comprehensive income

TEUR	Hedging reserve	Translation reserve	Total reserves	Actuarial gains/ losses on Defined benefit plans
Closing balance as of December 31, 2014	-	-267	-267	-1,404
Current years' translation difference in foreign operations	-	-591	-591	-
Actuarial gains/ losses	-	-	-	585
Change of market value on cashflow hedges taken over net income	-	-	-	-
Taxes referred to items within Other comprehensive income	-	-	-	-146
Closing balance as of December 31, 2015	-	-858	-858	-965
Current years' translation difference in foreign operations	-	-367	-367	-
Actuarial gains/ losses	-	-	-	-776
Taxes referred to items within Other comprehensive income	-	-	-	138
Closing balance as of December 31, 2016	-	-1,225	-1,225	-1,603

**Hedging reserve**

The hedging reserve refers to accumulated gains and losses arising from changes in the fair value of cash flow hedges attributable to hedges of exchange rate fluctuations and interest rate risks. At the end of the year there were no cash flow hedges recognized in other comprehensive income.

**Foreign currency translation reserve**

The foreign currency translation reserve covers all translation differences arising in translation of the financial statements of foreign operations that are presented in a currency other than that used for presentation of the consolidated financial statements. The Parent Company and the Group present their financial statements in euros (EUR).

**Actuarial gains/losses**

See information in Note 24.

**Note 24 Pension provisions**

The Polygon Group has established pension plans for its employees in the countries where the Group operates. The plans generally conform to local praxis in the respective countries and may take the form of defined contribution or defined benefit plans. The Group has defined benefit plans in Sweden, Germany, France and the United Kingdom. The defined benefit pension plan in Norway was finally terminated in 2015 and was then transferred into defined contribution plans.

The defined contribution plans mainly include retirement pensions, disability pensions and survivor pensions. The contributions are paid during the year by the respective group company to separate legal entities, e.g. insurance companies. The Group has no further obligations once the contributions have been paid.

The defined benefit plans refer mainly to employees in Sweden. In the other countries, the defined benefit plans are closed and no new vesting is made. All pension plans are based on final salary, and provide benefits in the form of a guaranteed level of pension payments to the plan participants during their lifetimes.

The total pension expense for 2016 amounted to EUR 250 thousand, compared to an expected pension expense for 2016 of EUR 262 thousand. The lower pension expense for 2016 is attributable to foreign exchange movements during the year and a somewhat

lower net interest expense in the United Kingdom after actual payments during 2016. The total net liability according to IAS 19 increased compared to the previous year. This change is mainly explained by changes in financial assumptions and is primarily due to lower discount rates in all countries.

The pension plan in the United Kingdom 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, since no surplus in the plan is available to the employer in the form of reductions in future contributions or as cash refunds (asset ceiling). The plan assets are exposed to market risks, among other risks. During the year, annuities were purchased and payments were made to survivors and to members who had chosen to commute minor amounts. The purchase of annuities is recognized in settlement in the summary and the others in payments from the plan.

The pension plan in Sweden consists of the collectively agreed ITP plan. This plan includes both defined contribution and defined benefit components. The defined benefit obligation is secured through provisions in the balance sheet, combined with credit insurance in PRI Pensionsgaranti. The pension plan exposes the Group to risks such as increased life expectancy, higher inflation and salary increases.

In France and Germany there are unfunded pension obligations in insignificant amounts. The present value for these pension plans is mainly impacted by changes in the discount rate.

The tables below summarize the components of the net pension expense that are recognized in the Income statement and in other comprehensive income, as well changes in the value of the defined benefit pension obligation as recognized in the balance sheet.

	2016	2015
<b>Summary of pension provisions in the Group</b>		
Long-term defined benefit liability	5,034	4,710
<b>Net liability recognized in the Balance sheet</b>	<b>5,034</b>	<b>4,710</b>
<b>Pension expenses</b>		
<b>Amounts recognized in the income statement</b>		
Current service cost	92	129
Interest expenses	276	285
Interest income on assets	-118	-129
<b>Expenses, defined benefit plans</b>	<b>250</b>	<b>285</b>
<b>Expenses, defined contribution plans</b>	<b>5,443</b>	<b>5,290</b>
<b>Income</b>		
Remeasure of pension obligation	1,178	-1,142
Remeasure of plan assets	-401	132
Revaluation to other operating income	-	-
<b>Expenses/ (income), defined benefit plans</b>	<b>776</b>	<b>-1,010</b>
<b>Total pension expenses</b>	<b>6,469</b>	<b>4,565</b>
<b>Amount recognized in the Balance sheet</b>		
plans	4,544	4,434
Fair value of plan assets	-3,546	-3,389
<b>Net liability recognized in the Balance sheet</b>	<b>998</b>	<b>1,045</b>
Present value of defined benefit obligation, unfunded plans	4,036	3,665
<b>Net liability recognized in the Balance sheet</b>	<b>5,034</b>	<b>4,710</b>
<b>Change in amount recognized in the Balance sheet</b>		
<b>Opening balance, net liability</b>	<b>4,710</b>	<b>5,626</b>
Current service cost	92	129
Net interest	158	156
Remeasurements	776	-1,010
Pension payments directly from employer	-168	-218
Employer's contribution to the pension plan assets	-231	-193
Effect of changes in foreign exchange rates	-303	220
<b>Closing balance, net liability</b>	<b>5,034</b>	<b>4,710</b>
<b>obligation</b>		
<b>Opening balance, defined benefit obligation</b>	<b>8,099</b>	<b>9,322</b>
Current service cost	92	118
Interest expenses	276	285
Settlement	-30	-369
Remeasurements of pension obligation		
- demographic assumptions	-	-96
- financial assumptions	1,489	-874
- experience adjustments	-311	-172
Pension payments	-236	-575
Effect of changes in foreign exchange rates	-799	460
<b>Closing balance, defined benefit obligation</b>	<b>8,580</b>	<b>8,099</b>

	2016	2015
<b>Change in fair value of plan assets</b>		
Opening balance, plan assets	3,389	3,696
Interest income	118	129
Return excluding interest income	401	-132
Employer's contribution	399	411
Pension payments from plan assets	-236	-512
Settlements	-30	-443
Effect in changes in foreign exchange rates	-495	240
<b>Closing balance, plan assets</b>	<b>3,546</b>	<b>3,389</b>

	2016	2015
<b>Fair value of plan assets</b>		
Equities	71%	63%
Bonds	14%	34%
Other, including cash and cash equivalents	15%	3%
<b>Total</b>	<b>100%</b>	<b>100%</b>

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 that are used by the Group.

	2016	Defined benefit obligation	Plan assets	Net liability
<b>Break-down per country</b>				
United Kingdom, funded plan	4,544	3,546	998	
Sweden, unfunded plan	3,620	-	3,620	
Other countries, unfunded plans*	417	-	417	
<b>Total</b>	<b>8,580</b>	<b>3,546</b>	<b>5,034</b>	

\* France and Germany

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

Significant actuarial assumptions	2016	2015
<b>United Kingdom</b>		
Discount rate	2.5%	3.8%
Expected return on assets	2.5%	2.2%
Future wage increase	N/A	N/A
Future pension increase	N/A	N/A
<b>Sweden</b>		
Discount rate	2.8%	3.5%
Expected return on assets	1.6%	1.6%
Future wage increase	2.6%	2.6%
Future pension increase	1.6%	1.6%

Assumptions about life expectancy are based on official statistics and experience from life expectancy surveys in the respective countries, and are determined after consultation experts in the actuarial area. The discount rate is determined with reference to high quality corporate bonds that are traded in a deep market with consideration to the duration of the pension obligation. In Sweden, the discount rate is based on the discount rate on secured mortgage-backed bonds.

An increase in the discount rate by 0.5 percentage points would reduce the pension obligation by EUR 790 thousand, corresponding to a reduction in the liability by 9.2%. A decrease in the discount rate by 0.5 percentage points would increase the pension obligation

by EUR 887 thousand, corresponding to an increase in the liability by 10.3%.

An increase in the inflation rate by 0.5 percentage points would increase the pension obligation by EUR 481 thousand, corresponding to an increase in the liability by 5.6%. A decrease in the inflation rate by 0.5 percentage points would reduce the pension obligation by EUR 425 thousand, corresponding to a reduction in the liability by 5.0%.

The sensitivity analysis is carried out by changing one actuarial assumption while the other assumptions remain constant. This method shows the obligation's sensitivity to an individual assumption. This is a simplified method, since the actuarial assumptions are normally correlated.

The weighted average duration of the pension obligation is approximately 20 years.

The Group's expected contributions to the pension plans, including pension payments directly from the employer, for the next annual reporting period amount to EUR 373 thousand.

#### Note 25 Accrued expenses and prepaid income

	2016	2015
Accrued salary-related expenses	11,073	7,596
Accrued vacation pay	7,109	6,921
Accrued non-received invoices	3,578	2,504
Accrued audit expenses	393	398
Accrued interest expenses	1,742	1,629
Other accrued expenses and prepaid income	3,572	4,316
<b>Total</b>	<b>27,467</b>	<b>23,364</b>

#### Note 26 Contingent liabilities

There are no contingent liabilities in the Group.

#### Note 27 Related party transactions

The Group is under the controlling influence of Polygon Holding AB, the Parent Company of Polygon AB. Polygon Holding AB is under the controlling influence of Triton Fund III, which directly and indirectly controls 84.04% of the shares in the Polygon Group. As shown in Note 15, the Group has a loan from Triton of EUR 5.1 million (57.7). During the year, EUR 357 thousand (185) was paid to West Park Management Services Ltd and Triton Partners Ltd as compensation for services rendered and outlays and the company repaid loans of EUR 52.9 million and accrued interest of EUR 2.3 million.

In the current year, group contributions in an amount of EUR 4.0 million (0), and dividends of EUR 2.2 million (0) were paid to Polygon Holding AB. Polygon AB received shareholder contributions from Polygon Holding AB in an amount of EUR 4.0 million (0) during 2016.

Subsidiaries	Country	Corporate Identity			Book value
		Number	Number of shares	Share of capital	
<b>Company name</b>					
Polygon International AB	Sverige	556807-6417	50,100	100.0%	183,859
Polygon Norway Holding AS	Norge	996019381	335,500	100.0%	6,832
Polygon AS	Norge	915229115	3,450	100.0%	11,693
Polygon A/S	Danmark	42 93 83 19	470,000	75.8%	129
Polygon Nederland Holding BV	Holland	51345706	40	100.0%	5,222
Polygon Nederland BV	Holland	28030503	40	100.0%	16,100
Polygon Belgium NV	Belgien	440188077	1,250	100.0%	485
Polygon Sverige AB	Sverige	556034-6164	2,100	100.0%	64,121
AK-Konsult Indoor Air AB	Sverige	556394-3249	4,000	100.0%	1,910
PolygonVatro GmbH	Tyskland	HRB 11 65 12	1	100.0%	61,271
Polygon Austria Service GmbH	Österrike	FN 115034v	75,000	100.0%	111
Polygon Restoration Inc	Kanada	103804811	81	100.0%	2,415
Lora Construction Inc	Kanada	863300307	20,000	100.0%	227
9237-2556 Quebec Inc	Kanada	815014006	200	100.0%	8
Polygon France SAS	Frankrike	341 019 180	100	100.0%	2,766
Polygon Service Pte Ltd	Singapore	201012990Z	1,317	100.0%	1,788
Polygon UK Holding Ltd	Storbritannien	7452971	2	100.0%	1,632
R3 Polygon UK Ltd	Storbritannien	402652	250,000	100.0%	7,968
Harwell Technical Services Ltd	Storbritannien	3064821	10,000	100.0%	2,706
Polygon US Corporation	USA	27-2892115	1,000	100.0%	-
Polygon Finland Holding Oy	Finland	2354769-0	2,500	100.0%	2,043
Polygon Finland Oy	Finland	0892371-5	50,000	100.0%	18,895

**Note 28 Reconciling items between income before tax and net cash flow**

	2016	2015
<b>Non-affecting cash-flow:</b>		
Depreciation and impairment of intangible assets	5,196	5,503
Depreciation of tangible assets	9,341	9,365
Capital gains from disposal of fixed assets	550	2,777
Changes in provisions and other	-1,088	-382
<b>Total</b>	<b>13,999</b>	<b>17,263</b>

**Note 29 Key events during the year and after the end of the fiscal year**

In February 2017 Nadia Meier-Kirner joined the Board of Directors as a new member.

31<sup>st</sup> of March 2017 the Group acquired OBM Villa klimat AB in Sweden.

In other respects, it is the company's assessment that no significant events have taken place after the end of the reporting period.

**Note 30 Five-year overview**

	2012	2013	2014	2015	2016
<b>Sales and Net income</b>					
Sales of services	444,004	423,361	419,106	438,740	485,282
Gross profit	8,947	-1,306	-1,097	6,975	25,102
Net financial income/ expenses	-22,339	-12,395	-11,525	-6,812	-12,385
Income before tax from continuing operations	-13,392	-13,701	-12,622	163	12,717
Income taxes	-4,201	3,206	2,100	41	-2,274
<b>Net income for the year</b>	<b>-17,593</b>	<b>-10,495</b>	<b>-10,522</b>	<b>204</b>	<b>10,443</b>
<b>Financial position</b>					
Goodwill	101,953	100,961	102,588	104,865	104,181
Other intangible assets	64,346	56,610	53,772	47,523	45,561
Tangible assets	33,487	27,298	27,103	27,233	33,251
Financial assets	13,612	19,914	22,777	22,282	23,424
Projects in progress	19,336	12,422	16,498	17,508	29,613
Current receivables	137,929	74,556	74,530	71,288	78,425
Cash and cash equivalents	10,396	15,789	21,509	26,529	36,585
<b>Total assets</b>	<b>381,059</b>	<b>307,550</b>	<b>318,777</b>	<b>317,228</b>	<b>351,040</b>
Equity	116,148	53,918	42,445	42,257	53,373
Provisions	28,727	30,108	29,774	26,719	27,009
Non-current liabilities	152,090	146,308	175,397	175,812	181,282
Current liabilities	84,094	77,216	71,161	72,440	89,376
<b>Total Equity and liabilities</b>	<b>381,059</b>	<b>307,550</b>	<b>318,777</b>	<b>317,228</b>	<b>351,040</b>
<b>KPIs</b>					
EBITDA	25,985	14,848	13,442	21,843	39,639
EBITA	15,436	4,803	4,651	12,478	30,291
Adjusted EBITA	19,807	14,831	11,781	20,028	32,052
Adjusted EBITA %	4.5%	3.5%	2.8%	4.6%	6.6%
Net debt	104,839	90,138	101,761	96,248	144,647
Full time employees per year end	2,830	2,779	2,840	2,765	2,909

### Note 31 Key ratios

T€	2016	2015
<b>Adjusted EBITDA break down</b>		
Operating profit (EBIT)	25,102	6,975
Add back amortization	5,189	5,568
Operating profit before amortization (EBITA)	30,291	12,543
Add back depreciation	9,348	9,300
Operating profit before depreciation (EBITDA)	39,639	21,843
Add back items affecting comparability (IAC)	1,761	7,551
<b>Operating profit before depreciation and IAC (Adjusted EBITDA)</b>	<b>41,400</b>	<b>29,394</b>
<b>Adjusted EBITA break down</b>		
Operating profit (EBIT)	25,102	6,975
Add back amortization	5,189	5,568
Operating profit before amortization (EBITA)	30,291	12,543
Add back items affecting comparability (IAC)	1,761	7,551
<b>Operating profit before amortization and IAC (Adjusted EBITA)</b>	<b>32,052</b>	<b>20,094</b>
<b>Net debt</b>		
Defined benefit plans	5,035	4,708
Other long-term loans, interest bearing	176,197	118,068
Financial lease and current loans, interest bearing	-	1
Cash and bank	-36,585	-26,529
<b>Net debt</b>	<b>144,647</b>	<b>96,248</b>

### Note 32 Definitions

<b>Adjusted organic growth</b>	Growth generated from existing operations excluding foreign exchange effects and adjusted on a like-for-like basis for comparison.
<b>Adjusted operating income before amortization/depreciation</b>	Income before net interest income, income tax, amortization/depreciation of assets and surplus values and items affecting comparability
<b>Adjusted operating income before amortization of surplus values</b>	Income before net interest income, income tax, amortization of surplus values and items affecting comparability.
<b>Earnings per share</b>	Income for the year attributable to owners of the Parent Company divided by the average number of shares outstanding during the year.
<b>Gross profit</b>	Sales revenue less the cost of goods sold.
<b>Investments</b>	Resources used to acquire intangible assets and property, plant and equipment.
<b>Items affecting comparability</b>	Items attributable to capital gains/losses, impairment, restructuring and other similar income and expenses.
<b>Net debt</b>	Interest-bearing liabilities (including pension and leasing liabilities) less cash and cash equivalents.
<b>Net financial items</b>	Financial income minus financial expenses, which include foreign exchange differences related to financial assets and liabilities.
<b>Operating income</b>	Income before net interest income and income tax.
<b>Operating income before amortization/depreciation</b>	Income before net interest income, income tax, amortization/depreciation of assets and surplus values.
<b>Operating income before amortization of surplus values</b>	Income before net interest income, income tax and amortization of surplus values.
<b>Operating margin</b>	Income before net interest income and income tax as a percentage of net sales.
<b>Organic growth</b>	Growth generated from existing operations excluding foreign exchange effects.
<b>Rolling 12 months</b>	The past twelve months.
<b>Sales revenue</b>	Sales revenue excluding VAT and discounts.
Polygon presents certain financial performance measures that are not defined in accordance with IFRS. Polygon is of the opinion that these performance measures provide useful supplementary information to investors and the company's management in order to evaluate trends and the company's development. Since not all companies calculate financial performance measures in the same manner, these are not always comparable to the performance measures used by other companies. The applied performance measures should not be seen as a replacement for the performance measures defined in accordance with IFRS, but instead as a complement.	

## Parent Company financial statements

### Parent Company income statement

T€	Note	2016	2015
Sales of services	2	3,087	3,985
<b>Total revenue</b>		<b>3,087</b>	<b>3,985</b>
General administration and sale expenses	3.4	-3,015	-3,097
Other operating costs	5	18	-773
<b>Operating income</b>		<b>90</b>	<b>115</b>
Finance income	6	5,304	6,338
Finance costs	6	-7,317	-6,591
<b>Income (loss) after financial items, net</b>		<b>-1,923</b>	<b>-138</b>
Appropriations	7	3,300	8,140
<b>Income (loss) before income taxes</b>		<b>1,377</b>	<b>8,002</b>
Income taxes	8	-210	-
<b>Net income</b>		<b>1,167</b>	<b>8,002</b>

### Parent Company statement of other comprehensive income

T€	Note	2016	2015
Net income		1,167	8,002
<b>Comprehensive income</b>		<b>1,167</b>	<b>8,002</b>

## Parent Company balance sheet

	Not	2016	2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Non-current financial assets</b>			
Participations in Group companies	9.12	185,902	76,296
Receivables from Group companies, interest-bearing	10	64,462	117,950
<b>Total non-current assets</b>		<b>250,364</b>	<b>194,246</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Receivables, parent company		347	1,425
Other receivables		217	73
Prepaid expenses		12	17
Receivables, Group companies		36,018	26,941
<b>Total current receivables</b>		<b>36,594</b>	<b>28,456</b>
Cash and cash equivalents		-	-
<b>Total current assets</b>		<b>36,594</b>	<b>28,456</b>
<b>TOTAL ASSETS</b>		<b>286,958</b>	<b>222,702</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital(5,600 shares at ratio value 10,27 EUR)		58	58
<i>Non restricted equity</i>			
Other contributed capital		6,771	6,771
Retained earnings		97,686	94,711
<b>Total non-restricted capital</b>		<b>104,457</b>	<b>101,482</b>
<b>Total Equity</b>		<b>104,515</b>	<b>101,540</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		179	-
Non-current financial liabilities, interest-bearing		176,207	118,202
<b>Total non-current liabilities</b>		<b>176,386</b>	<b>118,202</b>
<b>Current liabilities</b>			
Accounts payables		315	3
Current liabilities, Group companies		2,402	-
Other current liabilities		156	212
Accrued costs	11	3,184	2,745
<b>Total current liabilities</b>		<b>6,057</b>	<b>2,960</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>286,958</b>	<b>222,702</b>

## Parent Company statement of cash flows

T€	Note	2016	2015
<b>Operating activities</b>			
Operating income		90	115
Adjustments for non cash items in income before tax	13	387	503
Financial income received		4,917	6,338
<b>Cash flow from operating activities prior changes in working capital</b>		<b>5,394</b>	<b>6,956</b>
<b>Change in working capital</b>			
Change in other receivables		633	-434
Changes in other liabilities		191	-174
<b>Cash flow used in operating activities</b>		<b>6,218</b>	<b>6,348</b>
<b>Cash flow from investing activities</b>			
Shareholder contribution to subsidiaries		-	-
<b>Cash flow used in investing activities</b>		<b>-56,118</b>	<b>-</b>
<b>Cash flow from financing activities</b>			
Increase in loans		57,262	-
Change of receivables Group companies		11,618	3,755
Dividend to Parent company		-2,192	-
Financial cost paid		-6,099	-6,611
<b>Cash flow from financial activities</b>		<b>60,589</b>	<b>-2,856</b>
<b>Cash flow from the year</b>		<b>10,689</b>	<b>3,492</b>
Cash and cash equivalents at the beginning of the year		18,029	14,537
<b>Cash and cash equivalents at the end of the year</b>		<b>28,718</b>	<b>18,029</b>

## Parent Company statement of changes in equity

T€	Share capital	Share premium	Retained earnings	Total equity
<b>Closing balance per 31 December 2014</b>	<b>58</b>	<b>6,771</b>	<b>86,709</b>	<b>93,538</b>
Net income	-	-	8,002	8,002
<b>Closing balance per 31 December 2015</b>	<b>58</b>	<b>6,771</b>	<b>94,711</b>	<b>101,540</b>
Shareholder's contribution	-	-	4,000	4,000
Dividends paid	-	-	-2,192	-2,192
Net income	-	-	1,167	1,167
<b>Closing balance per 31 December 2016</b>	<b>58</b>	<b>6,771</b>	<b>97,686</b>	<b>104,515</b>

# Notes to the Parent Company financial statements

## Note 1 Basis of presentation

### Applied rules and regulations

In addition to the Group's accounting policies, the financial statements of the Parent Company have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for Legal Entities". This means that IFRS is applied with the exception of the additions presented below.

The Parent Company's bank balances are not recognized as cash since they are part of the Group's cash pool. However, the bank balances are presented as cash in the cash flow statement.

### Current financial assets

In the Parent Company, financial assets are measured at the lower of historical cost and the recoverable amount. The recoverable amount is the higher of the net selling price and value in use. Value in use consists of the present value of estimated future net cash flows. If the recoverable amount is lower than the carrying amount, the carrying amount is reduced to the recoverable amount. The amount can be written up when an asset is judged to have a reliable and permanent value that clearly exceeds the carrying amount, in accordance with the Swedish Annual Accounts Act.

### Investments in subsidiaries

In the Parent Company, investments in subsidiaries are recognized on a historical cost basis. All dividends received are recognized in the income statement.

### Group contributions and shareholder contributions

Shareholder contributions are recognized directly in equity by the recipient and are capitalized in shares and participations by the renderer. Group contributions received and rendered are recognized in the income statement as appropriations in accordance with RFR 2.

## Note 2 Breakdown of sales

Polygon AB had no external sales in the period. All revenue is inter-company. No purchases were made from other group companies during the year.

## Note 3 Salaries, compensation to employees and other fees

Of the Group's senior executives, the CEO, CFO and COO are employed by the Parent Company.

Compensation to these individuals and significant terms of employment are described in Note 7 for the Group.

## Note 4 Audit fees

	2016	2015
Audit assignment (EY)	48	75
Other assignments (EY)	107	4
<b>Total</b>	<b>155</b>	<b>79</b>

Audit assignments refer to auditing of the annual report and financial accounts and the administration by the Board, as well as other audit tasks that are incumbent upon the company's auditors.

## Note 5 Other operating expenses

	2016	2015
Currency exchange gains/ losses	-18	113
Other costs	-	660
<b>Total</b>	<b>-18</b>	<b>773</b>

## Note 6 Interest income and interest expenses

	2016	2015
<b>Interest income and other similar transactions</b>		
Interest income, internal	5,304	6,338
<b>Total</b>	<b>5,304</b>	<b>6,338</b>
<b>Interest cost and other similar transactions</b>		
Interest cost, external	6,592	6,256
Interest cost, internal	-	1
Exchange rate differences	-13	-36
Other financial expenses	738	370
<b>Total</b>	<b>7,317</b>	<b>6,591</b>

## Note 7 Appropriations

	2016	2015
Received group contribution	7,300	8,140
Paid group contribution	-4,000	-
<b>Total</b>	<b>3,300</b>	<b>8,140</b>

**Note 8 Income taxes**

	2016	2015
<b>Income before taxes</b>	<b>1,377</b>	<b>8,002</b>
Tax according to current tax rate for Parent company 22%	-303	-1,760
Non-deductible expenses	-8	-18
Used not earlier accounted loss carry forward	1,105	1,778
Tax effect on gains not recognized in income statement	-825	-
Deferred tax on temporary differences not reflected in Income statement	-179	-
<b>Total</b>	<b>-210</b>	<b>-</b>

**Note 9 Participations in group companies**

	2016	2015
Polygon International AB, share of capital and voting rights 100%	183,859	74,253
Polygon Finland Holding Oy, share of capital and voting rights 100%	2,043	2,043
<b>Net carrying value closing balance</b>	<b>185,902</b>	<b>76,296</b>
	2016	2015
Opening balance	76,296	76,296
voting rights 100%	109,606	-
<b>Closing balance</b>	<b>185,902</b>	<b>76,296</b>

**Note 10 Non-current receivables from group companies**

	2016	2015
Polygon AS	454	-
Polygon Holding Finland OY	14,207	13,757
Polygon Nederland Holding BV	5,502	-
Polygon Norway Holding AS	10,980	-
Polygon Restoration Inc	987	-
Polygon Vatro GmbH	32,332	-
Polygon International AB	-	104,193
<b>Total</b>	<b>64,462</b>	<b>117,950</b>

**Note 11 Accrued expenses and prepaid income**

	2016	2015
Accrued rent expenses	1,742	1,267
Personnel related expenses	1,208	1,260
Other accrued expenses	234	218
<b>Total</b>	<b>3,184</b>	<b>2,745</b>

**Note 12 Pledged assets**

All shares in the Group's major subsidiaries as well as the internal loans are pledged as security for loans from financial institutions.

The amounts stated under pledged assets corresponds to total net assets in the pledged subsidiaries.

	2016	2015
<b>Pledged assets</b>		
Shares in subsidiaries	185,902	76,296
<b>Total assets pledged</b>	<b>185,902</b>	<b>76,296</b>
<b>Contingent liabilities</b>	Inga	Inga

**Note 13 Reconciling items between income before tax and net cash flow**

	2016	2015
<b>Non-affecting cash-flow:</b>		
Changes in provisions	387	503
<b>Total</b>	<b>387</b>	<b>503</b>

**Note 14 Related party transactions**

Polygon AB is under the controlling influence of Polygon Holding AB, the parent company of Polygon AB. Polygon Holding AB is under the controlling influence of Triton Fund III, which directly and indirectly controls 84.04% of the shares in the Polygon Group. No significant transactions exist with companies in which Triton Fund III has a significant or controlling influence. During the year, EUR 357 thousand (185) was paid to West Park Management Services Ltd and Triton Partners Ltd as compensation for services rendered and outlays.

Polygon AB has received group contributions of EUR 7.3 million (8.1) from the subsidiary Polygon International AB.

During the year, group contributions of EUR 4.0 million (0) and dividends of EUR 2.2 million (0) were paid to Polygon Holding AB. Polygon AB received shareholder contributions from Polygon Holding AB in an amount of EUR 4.0 million (0) in 2016.

## Signatures of the Board of Directors and the Chief Executive Officer

The Board of Directors and the CEO hereby certify that the annual accounts were prepared in accordance with generally accepted accounting standards in Sweden, and that the consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as defined in regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, and provide a fair presentation of the group and parent company's financial position and earnings, and that the statutory administration report provides a fair presentation of the group's and parent company's operations, financial position and earnings and describes significant risks and uncertainties facing the parent company and the companies included in the group.

Stockholm, 25 April 2017

\_\_\_\_\_  
Lucas Hendriks  
/Board Chairman/

\_\_\_\_\_  
Petter Darin  
/Board member/

\_\_\_\_\_  
Ole Skov  
/Board member/

\_\_\_\_\_  
Jonas Samuelson  
/Board member/

\_\_\_\_\_  
Lars Ove Håkansson  
/Board member/

\_\_\_\_\_  
Nadia Meier-Kirner  
/Board member/

\_\_\_\_\_  
Evert Jan Jansen  
/Chief Executive Officer/

Our audit report regarding this annual report was submitted on 27 April 2017  
Ernst & Young AB

\_\_\_\_\_  
Staffan Landén  
/Authorized Public Accountant/

## Auditor's report

To the general meeting of the shareholders of Polygon AB (publ), corporate identity number 556816-5855

### Report on the annual accounts and consolidated accounts

#### Opinions

We have audited the annual accounts and consolidated accounts of Polygon AB (publ) except for the corporate governance statement on pages 9-10 for the year 2016.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 9-10. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

#### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

#### Valuation of goodwill and trademark

In the Group's balance sheet as per December 31, 2016 the reported value of Goodwill and Trademarks amounts to EUR 130.2 million, which equals 37 % of the Group's total assets. As described in note 2.3 the company prepares annually, or as soon there is an indication that there is an impairment need, an impairment test. Goodwill is allocated to cash generating units and in if the book value exceeds the recoverable amount, the asset is impaired to its recoverable amount. The recoverable amount is determined by calculating the value in use and in note 2.3 it is stated that when making this calculation assessment of the future profit and loss is made. In note 13 it is stated that the assessment of the value in use is based on the group's five-year business plan and an assessed 1-2% annual growth rate thereafter for the cash generating units. When determining important assumptions the company uses both historical experiences as well as assessments of the future. In 2016 no need for impairment has been identified. Based on the assumptions used in the calculation of the value in use we have assessed the valuation of goodwill and trademark as a key audit matter in the audit.

In our audit we have evaluated the Company's process to develop and perform impairment tests. We have examined how cash-generating units, based on established criteria's, are identified and compared to how the Company internally monitors its business. We have assessed the valuation and calculation methods used by the company and made comparisons with historical results and the accuracy in previous forecasts.

We have also involved valuation specialists to assist us in the assessment of reasonableness in used assumptions, sensitivity analysis of changed assumptions, and the reasonableness of the discount rate and the long term growth rate. We have also assessed whether the information disclosed in the annual report is appropriate.

#### Revenue Recognition

Sales of services for 2016 amounts to EUR 485.3 million. The policies for revenue recognition is stated in note 2.3. Revenue is recognized when it is probable that any economic benefits associated with the item of revenue will flow to the group and the amount of revenue can be measured reliably. In some instances the revenue recognition is based on assessments of the stage of completion of the delivered service. Based on that the revenue recognition involves assessments made by the company it is our assessment that revenue recognition is a key audit matter in the audit.

In our audit we have, among other things, performed analytical review, audit of agreements and tested samples of the revenue allocation at the year end closing to assess the correctness of the revenue recognition. We have specifically focused on auditing larger and complex agreements.

We have audited the process for collection of accounts receivable and assessment of doubtful receivables. We have also performed audit procedures on the company's assessment of contracts with low or negative income and assessed whether the information disclosed in the annual report is appropriate.

#### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

#### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Polygon AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

### The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 9-10 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 *The auditor's examination of the corporate governance statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, April 27

Ernst & Young AB

Staffan Landén  
Authorized Public Accountant