



**Polygon AB**  
Annual Report and  
Consolidated Financial Statements  
for the fiscal year 2015

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# Directors' 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 2015.

## Operations

Polygon AB and its subsidiaries primarily perform services in the area of water and fire damage restoration and also offer other services such as temporary humidity control, leak detection, odour 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 with a strong local presence through its approximately 250 service depots. Polygon's main strengths are rapid reaction times and effective technology. Polygon creates value by minimizing costs for the extent of the damage, and through its handling, 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 listed company Munters AB.

The Parent Company, Polygon AB, was formed on July 12 2010.

## Ownership structure

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

## Fiscal year 2015

Consolidated net sales for the fiscal year amounted to EUR 438.7 million (419.1) and operating profit was EUR 7.0 million (loss 1.1). Operating profit was charged with non-recurring items of EUR 7.6 million (7.1).

	2015	2014
EBIT	7.0	-1.1
Amortization		
Intangible assets	5.5	5.7
Non-recurring items	7.6	7.1
Adjusted EBITA	20.1	11.8
EBITA margin	4.6 %	2.8 %
Depreciation tangible assets	9.4	8.8
Adjusted EBITDA	29.5	20.6
EBITDA margin	6.7 %	4.9 %

Non-recurring items mainly refer to changes in management, restructuring of the operations in the United States and Germany and impairment losses on IT systems.

During the year, the Group acquired a company in the United Kingdom, but no divestments were made.

In January Lucas Hendriks was elected as chairman of the board. At the Annual General Meeting in May 2015, the Board of Directors was changed and Petter Darin and Lars-Ove Håkansson were appointed and Torbjörn Torell resigned. During the autumn Per Agebäck resigned from the Board of Directors.

## Financing and liquidity

The Group's previous bank financing was replaced in April 2014 with a Senior Secured Floating Rate Note of EUR 120 million, which is due in 2019 and carries interest at a floating rate calculated on 500 basis points on three-month EURIBOR. Polygon AB's bond is listed on the Corporate Bond List of NASDAQ OMX in Stockholm.

Cash and cash equivalents amounted to EUR 26.5 million (21.5) at 31 December 2015. Cash flow from operating activities in 2015 amounted to EUR 25.5 million (10.0). The major difference in cash flow from operating activities between years is due to the improvement in profit for 2015 and the improvement in working capital.

## Investments

The Group's capital expenditure on property, plant and equipment amounted to EUR 8.8 million (9.2). In addition to this, the Group has further developed its business systems amounting to EUR 1.9 million (2.7). Total amortization/depreciation during the period amounted to EUR 14.9 million (14.5), of which EUR 9.4 million (8.8) is attributable to property, plant and equipment and EUR 5.5 million (5.7) to intangible assets.

Amortization of intangible assets refers mainly customer relations acquired and amortization of capitalised costs for development of the Group's business systems. During the year, intangible assets were written down by EUR 2.5 million (0.0). Major part of the write down refers to development cost for internal IT systems that will not be used in the business.

## Employees

The average number of employees in the Group during the 2015 fiscal year was 2,821 (2,912).

For further information see note 7.

## Significant risks and uncertainties and risk management

Polygon is a leader in quality and technology, with a strong brand and a complete service offering. A wide local presence in geographically dispersed markets and a flexible cost structure provide strength. The risks consist of revenues that vary as a result of weather and temperature and the related damage frequency. The operations also have extensive exposure to the insurance industry, which leads to a mutual dependency.

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

### Financial risks

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

### Currency risk

The Groups' currency exposure is divided into transaction exposure (exposure in foreign currency related to contractual cash flows) and translation exposure (equity in foreign subsidiaries). The currency exposure arises from intercompany financing along with translation of

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 affect the Group's profit negatively. Transaction exposure is considered low as the extent of currency flow between currency zones is limited. Translation exposure primarily relates to translation from Swedish kronor, Norwegian kroner, Canadian and American dollars, and British pounds.

#### *Interest rate risk*

The 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 risk exposure.

#### *Liquidity risk*

Liquidity risk relates 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 2015 the Group had EUR 36.5 million (31.9) in unutilized loan commitments of which all earlier conditions have been fulfilled.

#### *Credit risk*

Credit risk relates to the risk that counterparty in a transaction will not fulfil its obligations according to the agreement and that any security 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 3 employees (5) during 2015. No investments were made during the year. Profit before tax amounted to EUR 8.0 million (6.5). The improvement arises from higher group contribution from subsidiaries than previous year.

Cash and cash equivalents at 31 December 2015 amounted to EUR 18.0 million (14.5). The Parent Company's assets amounted to EUR 222.7 million (214.6) and equity was EUR 101.5 million (93.5).

#### **Subsequent events**

In January 2016, Ole Skov was appointed to the Board of Directors.

The company's assessment is that no other 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, acquisitions and improved efficiency.

#### **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 permit or notification requirements according to 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 director's report.

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

Proposed disposition for the Parent Company's earnings:

The Board of Directors and the Chief Executive Officer propose that the net profit of EUR 8,002,389 together with retained earnings of EUR 93,479,911, amounting to a total of EUR 101,482,300, be carried forward to new account.

# Consolidated financial statements

## Consolidated income statement

T€	Note	2015	2014
Sale of services	5	438,740	419,106
Cost of sales	6.7	-333,718	-319,502
Gross profit		105,022	99,604
Selling and distribution costs	6.7	-89,345	-92,424
Other operating income	6	-126	1,785
Other operating costs	6	-8,576	-10,062
<b>Operating income</b>		<b>6,975</b>	<b>-1,097</b>
Finance income	8	361	238
Finance costs	8	-7,173	-11,763
<b>Income before tax from continuing operations</b>		<b>163</b>	<b>-12,622</b>
Income taxes	9	41	2,100
<b>Net income for the year</b>		<b>204</b>	<b>-10,522</b>

## Consolidated statement of comprehensive income

T€	Note	2015	2014
<b>Net income for the year</b>		204	-10,522
<b>Consolidated statement of comprehensive income</b>	16		
<i>Items that can not be reclassified to profit or loss</i>			
Actuarial gains and losses on defined benefit plans		585	-1,989
Income tax effect on Actuarial gains and losses on defined benefit plans		-146	473
<i>Items that later can be reclassified to profit or loss</i>			
Cash flow hedges		-	480
Income tax effect on Cash flow hedges		-	-113
Translation difference		-591	263
<b>Total comprehensive income for the year, net of tax</b>		<b>52</b>	<b>-11,408</b>
<b>Net income for the year</b>			
Attributable to owners of the company		33	-10,657
Attributable to non-controlling interest		171	135
<b>Total</b>		<b>204</b>	<b>-10,522</b>
<b>Total comprehensive income for the year</b>			
Attributable to owners of the company		-119	-11,543
Attributable to non-controlling interest		171	135
<b>Total</b>		<b>52</b>	<b>-11,408</b>

## Consolidated balance sheet

T€	Note	2015	2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	10.12	104,865	102,588
Other intangible assets	11.12	47,523	53,769
Property, plant and equipment	13	27,233	27,103
Deferred tax assets	9	22,282	22,780
<b>Total non-current assets</b>		<b>201,903</b>	<b>206,240</b>
<b>Current assets</b>			
Work in progress		17,508	16,498
Account receivables	15	64,344	67,705
Receivables from parent company		72	71
Current tax receivables	9	366	668
Other current financial assets		2,120	2,018
Prepaid expenses	14	4,386	4,068
Cash and cash equivalents	15	26,529	21,509
<b>Total current assets</b>		<b>115,325</b>	<b>112,537</b>
<b>TOTAL ASSETS</b>		<b>317,228</b>	<b>318,777</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
	16		
Issued capital		58	58
Other contributed capital		6,771	6,771
Other capital reserves		-858	-267
Retained earnings		35,248	34,789
Equity attributable to owners of the parent company		41,219	41,351
Non-controlling interests		1,038	1,094
<b>Total equity</b>		<b>42,257</b>	<b>42,445</b>
<b>Non-current liabilities</b>			
Post-employment benefit provisions	17	4,555	5,546
Other provisions		227	307
Deferred tax liabilities	9	21,937	23,921
Non-current interest-bearing liabilities	15	175,812	175,397
<b>Total non-current liabilities</b>		<b>202,531</b>	<b>205,171</b>
<b>Current liabilities</b>			
Advance payments from customers		218	159
Post-employment benefit provisions	17	153	78
Other provisions		769	775
Account payables	15	34,294	34,168
Other current liabilities	15	12,460	10,642
Accrued expenses	18	23,364	24,570
Current income tax liabilities	9	1,182	769
<b>Total current liabilities</b>		<b>72,440</b>	<b>71,161</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>317,228</b>	<b>318,777</b>

Pledged assets and contingent liabilities are stated in 15.4 and 19.

## Consolidated statement of cash flows

T€	Note	2015	2014
<b>Operating activities</b>			
Income before taxes		6,975	-1,097
Adjustments for non cash items before tax	21	17,263	15,319
Financial income received		361	238
Income tax paid		-1,058	-1,453
<b>Cash flow from operating activities before changes in working capital</b>		<b>23,541</b>	<b>13,007</b>
Cash flow from changes in working capital:			
Changes in operating receivables		4,045	537
Changes in work in progress		-530	-3,929
Changes in operating liabilities		-1,524	359
<b>Cash flow from operating activities</b>		<b>25,532</b>	<b>9,974</b>
<b>Investing activities</b>			
Acquisition of a subsidiary, net of cash acquired	3	-987	-524
Purchase of property, plant and equipment	13	-8,806	-9,180
Purchase of intangible fixed assets	11	-1,934	-2,696
Sale of fixed assets		127	467
<b>Net cash flows used in investing activities</b>		<b>-11,600</b>	<b>-11,933</b>
<b>Cash flow before financing activities</b>		<b>13,932</b>	<b>-1,959</b>
<b>Cash flows from financing activities</b>			
New borrowings		-	120,000
Repayment of borrowings		-	-103,963
Dividend to non-controlling interest		-227	-66
Financial costs paid		-7,612	-7,697
<b>Net cash flows from financing activities</b>		<b>-7,839</b>	<b>8,274</b>
<b>Cash flow for the year</b>		<b>6,093</b>	<b>6,315</b>
Cash and cash equivalents, opening balance		21,509	15,789
Translation difference in cash and cash equivalents		-1,073	-595
<b>Cash and cash equivalents, closing balance</b>		<b>26,529</b>	<b>21,509</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			
<b>2014</b>								
<b>Closing balance, December 31 2013</b>	<b>6</b>	<b>6,771</b>	<b>-897</b>	<b>47,014</b>	<b>52,894</b>	<b>1,024</b>	<b>53,918</b>	
Reclassification	52	-	-	-52	-	-	-	
Dividend to shareholders	-	-	-	-	-	-65	-65	
Net income for the year	-	-	-	-10,657	-10,657	135	-10,522	
Other comprehensive income 1)	-	-	630	-1,516	-886	-	-886	
<b>Closing balance, December 31 2014</b>	<b>58</b>	<b>6,771</b>	<b>-267</b>	<b>34,789</b>	<b>41,351</b>	<b>1,094</b>	<b>42,445</b>	
Merger result	-	-	-	-12	-12	-	-12	
Dividend to shareholders	-	-	-	-	-	-227	-227	
Net income for the year	-	-	-	33	33	171	204	
Other comprehensive income 1)	-	-	-591	438	-153	-	-153	
<b>Closing balance, December 31 2015</b>	<b>58</b>	<b>6,771</b>	<b>-858</b>	<b>35,248</b>	<b>41,219</b>	<b>1,038</b>	<b>42,257</b>	

1) See note 16.

# Corporate governance report

Polygon shall be governed in a manner characterized by long-term sustainability, for the shareholders as well as the employees, customers, suppliers and other stakeholders. This demands clearly defined goals, guidelines and strategies, as well as ensuring that the company's business principles with regard to the environment, human rights, ethics and transparency are put into practice. 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.

## 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.

## The Board

### *The work and responsibility 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 its duties. During the fiscal year, the Board held six minuted 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 as independent to 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 analyse and discuss the company's risk management and control, and to ensure compliance with the 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 external 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 committee has consisted of two members. The committee held three meetings during the year. These meetings were also attended by the company's CFO, the responsible Financial Controller and the company's external auditors.

## Auditors

At the 2015 AGM, the registered public auditing firm of Ernst & Young AB was reelected as the company's external auditor. Staffan Landén was appointed as Auditor in Charge and succeeded Richard Andersson. Staffan is Authorized Public Accountant and is also elected i.a in Vattenfall, Capio, Papyrus, Academedia and appointed by Nasdaq Stockholm as exchange stock auditor.

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 conscious, 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 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.

A monthly closing of the books is prepared for each internal profit centre. Aside from the income statement and balance sheet, the monthly accounts contain key ratios 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 quarterly reports. The 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 external 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 external auditors are invited to a meeting of the audit committee to report on their opinion 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 decision-making paths, signatory and authorization rights that are stipulated in the internal control documents, there is a fundamental control structure to counter and prevent the risks that the company identifies. 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's finance department 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. Controls are performed regarding 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 evaluation is carried out during the third quarter and follow-up controls are performed out 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. Of special importance are 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 Company 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, 111 57 Stockholm.

Polygon AB is a wholly owned subsidiary of Polygon Holding AB, corporate identity number 556809-3511, domiciled in Stockholm, Sweden, which in turn is owned by MUHA No 2 LuxCo.

The financial statements refer to Polygon AB and were approved by the Board of Directors in connection with the Board meeting on 21 April 2016.

### Note 2.1 Significant accounting policies

#### Accounting policies

The consolidated financial statements for the 2015 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 1 January 2014. 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 "Notes to the Parent Company's financial statements" below.

#### Reporting currency

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

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 2015, with all closing lines for this period being 31 December 2015. The previous fiscal year was 1 January 2014 until 31 December 2014, with closing lines of 31 December 2014.

#### Basis of preparation of the financial statements

The consolidated financial statements have been prepared based on the assumption of 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 2015 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 principles.

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

#### Subsidiary

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 profit is included in the net profit of the Group and its net assets are included in the Group's 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. The income statements are translated at the average exchange rate and the balance sheet is 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. Exchange rate differences are recognized in other comprehensive income. In case of a disposal of a subsidiary, the accumulated exchange rate differences are reversed in the income statement.

The rates applied for foreign currency translation are as follows:

TE	Closing balance rate	Average rate	Closing balance rate	Average rate
	Dec 31 2015	2015	Dec 31 2014	2014
CAD	0.6596	0.7057	0.7062	0.6825
DKK	0.1340	0.1341	0.1343	0.1341
GBP	1.3551	1.3784	1.2757	1.2413
NOK	0.1046	0.1119	0.1105	0.1198
SEK	0.1095	0.1069	0.1051	0.1099
SGD	0.6467	0.6556	0.6207	0.5950
USD	0.9143	0.9015	0.8209	0.7539

#### Gross accounting

Gross accounting is consistently applied in account 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 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.

### Note 2.2 Changes in accounting standards

#### IFRSs those are effective for financial years after 2015 according to the EU:

A number of new or revised IFRSs will not enter into force 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 from Contracts with Customers*

This standard will enter into force on 1 January 2018, at which time it will replace all previously issued standards and interpretations relating to revenue from customer contracts (i.e. IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, SIC 31 Revenue – Barter Transactions Involving Advertising Services). Accordingly, IFRS 15 includes a single model for all revenue recognition. The Groups assessment is that IFRS 15 will have no material impact on the consolidated financial statements.

#### *IFRS 9 Financial Instruments*

This standard enters into force on 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 fully reviewed the impact of IFRS 9 but expects no material impact on the consolidated financial statements.

#### *IFRS 16 Leases*

This standard enters into force on 1 January 2019, when it will replace IAS 17 Leases. 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 as well as having 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 changes that had been adopted by the IASB at 31 December 2015 are not assessed to have any material impact on the consolidated financial statements.

### Note 2.3 Summary of significant accounting policies

#### Exchange rate effects

Foreign currency transactions denominated in a currency other than the Group's functional currency are revalued at the transaction

date. Assets and liabilities denominated in a currency other than the Group's functional currency are revalued at the balance sheet date. Any exchange rate 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 balance sheet date. Any operating profit or loss arising from exchange rate differences is recognized in operating income. Exchange rate differences related to financial assets and liabilities are recognized in net financial expenses.

#### 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, and 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 to be taken into use. Certain trademarks have an unlimited lifetime and are not amortized at all.

#### Depreciation is calculated as follows:

	Years
Patent, licenses and software	3-5
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 an 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 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 10 and 12.

### 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. Property, plant and equipment are initially measured at cost and are depreciated on a straight-line basis over its estimated useful life. 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, an impairment loss may need to be recognized 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:

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

### Impairment

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 allocated 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 the 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 completed the acquisition, the initial allocation should then be carried out before the end of the financial 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 and profit or loss.
  - Held-for-trading financial assets.
  - Financial assets initially measured at fair value ("fair value option").
- Loans and receivables measured at amortised 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.

Management initially classifies a financial instrument in one of the four categories above, and the classifications are regularly reviewed. The Polygon Group has financial assets belonging to one of the above categories, loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They 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 day 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 one consists of instruments that are quoted on an active market where identical instruments are traded. Level two 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 three 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 receivables*

Loans are initially measured at fair value 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 15.3.

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 and loss*

Some of the Group's acquisitions include earn-outs. These are recognized as a financial liability at fair value through profit or loss. Earn-out payments have been classified at level three 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/data is not available in order to recognize a financial instrument at fair value, accepted valuation techniques which can be more or less dependent on quoted information/data are used. In some cases, valuation techniques based on the company's own assumptions and estimations are used. 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.

#### **Derivative financial instruments 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**

An assessment is made at each balance sheet date to identify any 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.

A restructuring provision is recognized over the period in which the Group is legally or constructively bound to implement the plan. A provision may be recognized only for costs which arise as a direct effect of the restructuring and is a result of the remaining contractual obligations without long-term economic benefits or

which constitute a penalty arising from termination of the obligation. Provisions are reviewed at each balance sheet date.

#### **Employee benefits**

The Group has 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 per segment. Operating profit 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 group-wide functions including group management and central staffs.

#### **Revenue**

Revenue is generated by the sale of services.

Revenue in the operating activities of the Group is measured at the fair value of the consideration received or receivable, with

consideration to the applicable terms of payment, excluding taxes and fees.

Revenue from the sale of goods or services 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 already performed services.

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 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 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 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 have 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 a part of a transaction that is not a business combination which, at the time of the transaction, does not affect accounting profit nor taxable profit, and

– for deductible temporary differences associated with investments in subsidiaries, apart from those 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 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 the end of each reporting period 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 end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to settle 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.

#### Cash flow statement

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 reports in accordance with the applied accounting policies, the Board and CEO are required to make certain judgments, estimates and assumptions that affect the carrying amounts of assets, liabilities, 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 life. 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 12. 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-leaseback transactions

A sale-leaseback transaction is the sale of an asset and the subsequent leaseback of the same asset. The Group carried out a significant sale-leaseback transaction on a property. The Group has determined that the subsequent lease gave rise to an operating lease and therefore immediately recognized a gain on the sale in the income statement. Classifications of leases contain a great deal of analysis and estimates, but based on the substance of the transaction, it has been 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.

##### Contracts 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.

##### Allowances 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 analyses 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 relating 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. The Swedish pension plans use mortgage bonds as the basis for the discount rate. The Group has determined that mortgage bonds are a better basis for determining the discount rate than government bonds.

##### Critical judgments in applying accounting policies

In applying the Group's accounting policies, management makes judgments, apart from those containing estimates, that can have a significant effect on the amounts recognized in the consolidated financial statements. When preparing these financial statements, management's assessment is that no significant boundary questions regarding accounting principles have existed.

### 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 year is not considered to be significant for the disclosure requirements in IFRS 3R.

#### Business combinations in 2015

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.

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	2015	2014
Equipment	202	10
Other non-current receivables	1,469	-
Current receivables	530	370
	<b>2,201</b>	<b>380</b>
Current liabilities	371	310
Deferred tax liabilities	41	-
Less: Cash and cash equivalents	-173	52
	<b>239</b>	<b>362</b>
<b>Total identifiable net assets at fair value</b>	<b>1,962</b>	<b>18</b>
Goodwill	1,176	424
<b>Purchase consideration transferred</b>	<b>3,138</b>	<b>442</b>

### Note 5 Segment information

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

2015	Continental					Group Total
	Nordic & UK	Europe	North America	Shared	Eliminations	
Income external customers	137,724	266,899	34,117	-	-	438,740
Income internal customers	-	51	-	-	-51	-
<b>Total income</b>	<b>137,724</b>	<b>266,950</b>	<b>34,117</b>	<b>-</b>	<b>-51</b>	<b>438,740</b>
<b>Operating income</b>	<b>6,396</b>	<b>1,503</b>	<b>-592</b>	<b>-332</b>	<b>-</b>	<b>6,975</b>
Net financial items	-	-	-	-	-	-6,812
Taxes	-	-	-	-	-	41
<b>Net income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>204</b>
<b>Depreciations</b>	<b>2,085</b>	<b>6,056</b>	<b>2,598</b>	<b>4,129</b>	<b>-</b>	<b>14,868</b>
<b>Assets</b>	<b>110,975</b>	<b>129,130</b>	<b>30,615</b>	<b>71,992</b>	<b>-25,484</b>	<b>317,228</b>
where of Goodwill	45,993	41,578	17,294	-	-	104,865
<b>Liabilities</b>	<b>84,031</b>	<b>148,334</b>	<b>25,737</b>	<b>175,617</b>	<b>-158,748</b>	<b>274,971</b>
<b>Investments</b>						
Tangible	2,374	3,841	2,591	-	-	8,806
Intangible	-	138	-	1,796	-	1,934

	2015	2014
<b>Purchase consideration</b>		
Cash paid	1,140	286
Take-over of debt	1,470	-
Liability to seller	528	156
<b>Total consideration</b>	<b>3,138</b>	<b>442</b>
<b>Analysis of cash flows on acquisition:</b>		
Net cash acquired with the subsidiary	-173	52
Cash paid	1,140	286
Translation difference	20	-
<b>Closing balance</b>	<b>987</b>	<b>338</b>

#### Business combinations in 2014

In 2014 the Group acquired the Austrian company Tinkler Bau. The acquisition extended Polygon's range of services within property services.

### Note 4 Discontinued operations

No operations were divested during 2014 or 2015.

2014	Continental					Group Total
	Nordic & UK	Europe	North America	Shared	Eliminations	
Income external customers	133,152	247,999	37,955	-	-	419,106
Income internal customers	61	120	-	-	-181	-
<b>Total income</b>	<b>133,213</b>	<b>248,119</b>	<b>37,955</b>	<b>-</b>	<b>-181</b>	<b>419,106</b>
<b>Operating income</b>	<b>3,227</b>	<b>-1,970</b>	<b>-2,760</b>	<b>406</b>	<b>-</b>	<b>-1,097</b>
Net financial items	-	-	-	-	-	-11,524
Taxes	-	-	-	-	-	2,100
<b>Net income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-10,522</b>
<b>Depreciations</b>	<b>1,823</b>	<b>6,334</b>	<b>2,101</b>	<b>4,279</b>	<b>-</b>	<b>14,537</b>
<b>Assets</b>	<b>111,363</b>	<b>132,733</b>	<b>35,614</b>	<b>64,574</b>	<b>-25,507</b>	<b>318,777</b>
<i>where of Goodwill</i>	44,995	40,675	16,918	-	-	102,588
<b>Liabilities</b>	<b>84,200</b>	<b>145,861</b>	<b>27,626</b>	<b>175,275</b>	<b>-156,630</b>	<b>276,332</b>
<b>Investments</b>						
Tangible	3,034	4,318	1,731	97	-	9,180
Intangible	8	171	-	2,517	-	2,696

#### Geographical markets

	2015	2014
Sweden	20,322	21,348
Germany	228,050	214,271
Other	190,368	183,487
<b>Total</b>	<b>438,740</b>	<b>419,106</b>

#### Note 6 Expenses by category

	2015	2014
Payroll expenses	163,950	163,290
Subcontractor expenses	154,539	141,029
Other operating expenses	67,756	69,072
Depreciations/ scrapping	14,868	14,540
Other expenses	28,197	33,811
Gains/losses on sales	2,455	-1,554
Transaction expenses	-	15
<b>Total</b>	<b>431,765</b>	<b>420,203</b>

#### Audit fees

	2015	2014
<i>Ernst &amp; Young</i>		
Audit assignment	421	438
Auditing besides audit assignment	45	38
Tax consultation	35	63
Other services	17	9
<i>Others</i>		
Audit assignment	16	20
Auditing besides audit assignment	6	8
Tax consultation	22	20
Other services	28	40
<b>Total auditors' fees</b>	<b>590</b>	<b>636</b>

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

**Note 7 Salaries, social security expenses and employee benefits**

Average number of employees per country	2015		2014	
	No of employees	Whereof men	No of employees	Whereof men
Sweden	175	85%	207	86%
Norway	181	81%	211	78%
Finland	282	87%	336	88%
Denmark	116	72%	116	71%
Belgium	36	81%	37	81%
Austria	82	87%	78	87%
Germany	1,292	75%	1,234	76%
France	46	78%	45	84%
United Kingdom	351	73%	311	78%
Netherlands	114	86%	121	85%
Singapore	4	75%	4	75%
USA	105	80%	170	83%
Canada	37	70%	42	71%
Total Group	2,821	78%	2,912	79%

**Salaries, social security expenses and other compensation**

	2015		2014	
	Salaries and other compensations	Payroll overhead (out of which are pensions)	Salaries and other compensations	Payroll overhead (out of which are pensions)
Parent company	2,502	808 (223)	2,411	1,288 (509)
Subsidiaries	123,000	26,103 (5,196)	122,336	25,619 (5,358)
Total Group	125,502	26,911(5,419)	124,747	26,907(5,867)

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

	2015	2014
Board and Managing director (of which bonus etc. )	1,737 (518)	2,559 (27)
Other employees (of which bonus etc.)	150,884 (5,106)	149,305 (4,824)
Total Group	152,621 (5,624)	151,864 (4,851)

**Gender distribution in management**

	2015	2014
Distribution of men and women within the Board of Directors		
Women	-	-
Men	5	4
Distribution of men and women regarding CEO and other executives of the Group*		
Women	-	-
Men	7	8

\* Senior executives in the Group during 2015 included the CEO, CFO, COO and four Country Presidents.

	2015	2014
<b>Compensation to Group Management</b>		
Sales and other compensations	3,838	3,484
Pension and reimbursement of medical	261	520
Total	4,099	4,004

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 is 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 8 Financial income and expenses**

	2015	2014
<b>Finance income</b>		
Interest income	146	186
Other financial income	215	52
<b>Total financial income</b>	<b>361</b>	<b>238</b>
<b>Finance costs</b>		
Interest expense	7,380	10,366
Financial exchange differences	-1,107	-730
Other financial expenses	902	2,127
<b>Total finance costs</b>	<b>7,173</b>	<b>11,763</b>

**Note 9 Income taxes**

The principal components of tax expenses are:

	2015	2014
<b>Consolidated income statement</b>		
Taxes for the year	-1,368	-1,191
Adjustments for taxes related to previous year	-89	-248
	-1,457	-1,439
Change of deferred tax related to temporary differences	1,629	3,579
Other	-131	-40
<b>Total recognised tax expense in the income statement</b>	<b>41</b>	<b>2,100</b>

**Deferred tax asset/liability**

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

	2015			2014		
	Deferred tax asset	Deferred tax liability	Net	Deferred tax asset	Deferred tax liability	Net
Intangible assets	86	13,064	-12,978	210	14,961	-14,751
Plant and machinery	466	560	-94	186	1,104	-918
Work in projects	6,076	88	6,200	6,635	165	6,727
Accounts receivable	57	7,841	-7,784	32	7,356	-7,324
Provisions	52	25	27	109	65	44
Other liabilities	-	124	-124	4	48	-44
Loss carry-forward	14,756	-	14,756	13,944	-	13,944
Provisions for pensions	1,470	216	1,042	1,622	205	1,160
Other	-685	19	-704	35	15	20
<b>Closing balance</b>	<b>22,278</b>	<b>21,937</b>	<b>341</b>	<b>22,777</b>	<b>23,919</b>	<b>-1,142</b>

	2015	2014
<b>Reconciliation of effective tax</b>		
<b>Income before taxes</b>	<b>163</b>	<b>-12 622</b>
Tax according to current tax rate for Parent Company 22%	-36	2 807
Difference related to foreign tax rates	828	1 501
Non-deductible expenses	-1 940	-1 263
Change in non-capitalized loss carry-forward	848	-1 219
Tax-exempt income	513	691
Tax related to previous years	-89	-248
Other	-83	-169
<b>Total</b>	<b>41</b>	<b>2 100</b>

The average effective tax rate was 25.2% (16.4). The average tax rate in the Group was around 22%.

**Change in deferred tax related to temporary differences and loss carry forward.**

2015	Opening balance	Disclosed in income statement	Disclosed in other comprehensive income	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>341</b>

  

2014	Opening balance	Disclosed in income statement	Disclosed in other comprehensive income	Closing balance
Intangible assets	-17,263	2,512	-	-14,751
Plant and machinery	-334	-584	-	-918
Work in projects	6,165	562	-	6,727
Accounts receivables	-6,053	-1,271	-	-7,324
Provisions	457	-413	-	44
Non-Ccurrent liabilities	2	-46	-	-44
Loss carry-forward	11,240	2,704	-	13,944
Provisions for pensions	806	-119	473	1,160
Other	-214	234	-	20
<b>Closing balance</b>	<b>-5,194</b>	<b>3,579</b>	<b>473</b>	<b>-1,142</b>

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

	2015	2014
<b>Loss carry forward</b>		
<i>Due date</i>		
0-1 year	-	-
1-2 year	-	-
2-3 year	-	-
3-4 year	-	-
4-5 year	-	-
>5 year	27,906	23,274
No due date	59,416	64,687
<b>Total</b>	<b>87,322</b>	<b>87,961</b>

Total loss carry forwards at the end of the year amounted to EUR 87.3 million (88.0). Loss carry forwards for which no deferred tax asset has been recognized amounted to EUR 38.4 million (48.0). Loss

carry forwards of EUR 48.9 million (40.0) are thus subject to recognition as deferred tax assets.

**Note 10 Goodwill**

	2015	2014
<b>Opening balance acquisition values</b>	110,935	108,759
Additions *	1,188	424
Exchange rates differences	1,391	1,752
<b>Closing balance acquisition values</b>	113,514	110,935
<b>Opening balance impairment</b>	-8,347	-7,798
Exchange rates differences	-302	-549
<b>Closing balance accumulated impairment</b>	-8,649	-8,347
<b>Net book value closing balance</b>	<b>104,865</b>	<b>102,588</b>

\* See Note 3 Business combinations.

**Note 11 Other intangible assets**

	Trademark	Order- backlog	Customer relations	Other	Total
<b>2015</b>					
Opening balance acquisition values	25,633	8,972	39,991	11,452	86,048
Acquisitions	-	-	-	1,934	1,934
Disposal	-	-	-	-94	-94
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>

	Trademark	Order- backlog	Customer relations	Other	Total
<b>2014</b>					
Opening balance acquisition values	25,637	8,912	39,979	8,170	82,698
Acquisitions	-	-	-	2,696	2,696
Disposals	-	-	-	-80	-80
Reclassification	-	-	-	475	475
Translation differences	-4	60	12	191	260
<b>Closing balance acquisition values</b>	<b>25,633</b>	<b>8,972</b>	<b>39,991</b>	<b>11,452</b>	<b>86,048</b>
Opening balance depreciation	-35	-8,912	-12,301	-3,231	-24,479
Deprecation according to plan	-35	-	-4,418	-1,294	-5,747
Disposal	-	-	-	57	57
Reclassification	-	-	-	-240	-240
Translation differences	-8	-60	-29	-40	-137
<b>Closing balance accumulated depreciation</b>	<b>-78</b>	<b>-8,972</b>	<b>-16,748</b>	<b>-4,748</b>	<b>-30,545</b>
Opening balance write-downs	-	-	-	-1,734	-1,734
Write-downs	-	-	-	-	-
<b>Closing balance accumulated write-downs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1,734</b>	<b>-1,734</b>
<b>Net book value</b>	<b>25,555</b>	<b>-</b>	<b>23,243</b>	<b>4,970</b>	<b>53,769</b>

The income statement includes amortization of EUR 3 thousand (222) relating to cost of sales, EUR 5,407 thousand (5,449) relating to selling and distribution costs and EUR 93 thousand (76) relating to other operating costs. During the year, intangible assets were written down by EUR 2,540 thousand. Major part of the write down refers to development cost for internal IT systems that will not be used in the business.

**Note 12 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	45,993	11,190
Continental Europe	41,578	10,116
North America	17,294	4,207
<b>Total</b>	<b>104,865</b>	<b>25,513</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 based on 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 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 13 Property, plant and equipment

Property and plant	2015	2014
Opening balance acquisition value	2,805	2,814
Translation differences	-12	-9
<b>Closing balance acquisition value</b>	<b>2,793</b>	<b>2,805</b>
Opening balance depreciation	-1,223	-1,166
Depreciation for the year	-59	-59
Translation differences	6	2
<b>Closing balance accumulated depreciation</b>	<b>-1,276</b>	<b>-1,223</b>
<b>Carrying amount closing balance</b>	<b>1,517</b>	<b>1,582</b>

Equipment	2015	2014
Opening balance acquisition value	118,320	110,030
Additions due to acquiring of business	205	10
Investments	8,806	9,180
Disposals	-5,987	-2,030
Reclassification	-8	-478
Adjustments	1,943	-24
Translation differences	2,541	1,632
<b>Closing balance acquisition balance</b>	<b>125,820</b>	<b>118,320</b>
Opening balance depreciation	-92,173	-83,470
Depreciation for the year	-9,306	-8,727
Disposals	5,725	673
Reclassification	-	240
Adjustments	-1,943	28
Translation differences	-1,773	-917
<b>Closing balance accumulated depreciation</b>	<b>-99,470</b>	<b>-92,173</b>
Opening balance write-down	-626	-912
Write-downs	-	-462
Disposals	-	756
Translation differences	-8	-8
<b>Closing balance accumulated write-downs</b>	<b>-634</b>	<b>-626</b>
<b>Carrying amount closing balance</b>	<b>25,716</b>	<b>25,521</b>

The income statement includes depreciation of EUR 7.1 million (6.6) relating to cost of goods sold, EUR 1.2 million (1.1) relating to selling

and distribution costs and EUR 1.0 million (1.1) relating to other operating expenses.

### Finance leases

Assets held under finance leases are recoded as equipment. The year's total payments for these assets amounted to EUR 0 thousand (230). Assets held under finance leases referred mainly to vehicles.

Equipment held under finance leases is recognized in the following amounts:

	2015	2014
Acquisition values – Assets held under finance leases	101	252
Acquisition	-	72
Accumulated depreciation	-101	-217
Disposals	-	-6
<b>Net book value</b>	<b>-</b>	<b>101</b>

See Note 15.5 for finance lease liabilities.

### Note 14 Prepaid expenses and accrued income

	2015	2014
Prepaid insurance	520	619
Prepaid rent	675	529
Prepaid service	1,132	1,254
Leasing	525	316
Other prepaid expenses and accrued income	1,534	1,350
<b>Total</b>	<b>4,386</b>	<b>4,068</b>

### Note 15 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 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 and currency risk together with credit- and counterparty risk.

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

	2015		2014	
	Carrying amounts	Fair value	Carrying amounts	Fair value
<b>Current assets</b>				
Accounts receivables	64,344	64,344	67,705	67,705
Other current assets	6,506	6,506	6,086	6,086
Receivables, parent company	72	72	71	71
Cash and cash equivalents	26,529	26,529	21,509	21,509
<b>Total assets</b>	<b>97,451</b>	<b>97,451</b>	<b>95,371</b>	<b>95,371</b>
<b>Liabilities</b>				
Non-current interest-bearing liabilities	118,068	120,028	117,643	120,145
Other interest-bearing liabilities	57,744	57,744	57,754	57,754
Accounts payables	34,294	34,294	34,168	34,168
Other current liabilities	12,460	12,460	10,642	10,642
Accrued expenses	8,841	8,841	9,494	9,494
<b>Total liabilities</b>	<b>231,407</b>	<b>233,367</b>	<b>229,701</b>	<b>232,203</b>

#### Currency risk

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

The carrying amounts, by currency, for the Group's borrowings are as following:

	2015	2014
EUR	175,783	175,344
GBP	-	1
Other currencies	29	52
<b>Total</b>	<b>175,812</b>	<b>175,397</b>

#### Currency breakdown of trade receivables

	2015	2014
EUR	45,726	47,622
SEK	2,379	2,714
USD	3,462	6,030
NOK	4,206	3,038
GBP	5,642	4,925
Other currencies	2,929	3,376
<b>Total</b>	<b>64,344</b>	<b>67,705</b>

#### Currency breakdown of other current assets

	2015	2014
EUR	3,421	3,491
SEK	722	421
USD	701	912
NOK	447	246
GBP	974	753
Other currencies	241	263
<b>Total</b>	<b>6,506</b>	<b>6,086</b>

#### Currency break-down of cash and bank

	2015	2014
EUR	34,406	25,979
SEK	-3,401	-3,713
USD	-5,874	-3,680
NOK	3,675	6,112
GBP	-3,871	-4,444
Other currencies	1,594	1,255
<b>Total</b>	<b>26,529</b>	<b>21,509</b>

#### Currency breakdown of trade payables

	2015	2014
EUR	20,505	19,209
SEK	1,189	1,153
USD	3,282	5,688
NOK	2,804	1,607
GBP	5,294	5,093
Other currencies	1,220	1,418
<b>Total</b>	<b>34,294</b>	<b>34,168</b>

#### Currency breakdown of other current liabilities

	2015	2014
EUR	9,181	7,615
SEK	515	590
NOK	1,134	1,218
GBP	1,423	754
Other currencies	207	465
<b>Total</b>	<b>12,460</b>	<b>10,642</b>

**Currency breakdown of accrued expenses**

	2015	2014
EUR	6,138	5,926
SEK	402	512
USD	676	1,569
NOK	84	175
GBP	1,210	883
Other currencies	331	429
<b>Total</b>	<b>8,841</b>	<b>9,494</b>

**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.

**Translation 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 main currencies**

Polygon currently has no outstanding hedges of transaction exposure.

**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 profit. 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 2015, a simultaneous change in interest rates of one percentage point up or down impacts the annual net interest expense by EUR 1.2 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 149.3 million (153.9).

**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 re-financing 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 shareholder and external lenders, 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 analyses the relationship between debt and equity and the relationship between debt and equity including loans from shareholders.

TEUR	2015	2014
Interest-bearing net liabilities (A)	91,538	96,133
Total equity (B)	42,257	42,445
Relation between liabilities and equity (A/B)	2.2	2.3

TEUR	2015	2014
Interest-bearing net liabilities including loans from parent company (A)	149,282	153,887
Total equity (B)	42,257	42,445
Relation between liabilities and equity (A/B)	3.5	3.6

**Note 15.1 Interest-bearing loans and borrowings**

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

	2015	2014
<i>Non-current:</i>		
Bank loans (floating interest rate)	120,028	120,043
Capitalized finance costs*	-1,960	-2,502
Other interest-bearing liabilities	57,744	57,856
<b>Total non-current liabilities</b>	<b>175,812</b>	<b>175,397</b>

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

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

	Book value		Undiscounted cash flow	
	2015	2014	2015	2014
Within 1 year	53,967	53,017	60,365	62,211
Between 2 and 5 years	118,068	117,643	143,661	154,420
After 5 years	57,744	57,754	65,384	120,473
<b>Total</b>	<b>229,779</b>	<b>228,414</b>	<b>269,410</b>	<b>337,104</b>

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 5.03% (5.17%).

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

2015	Derivatives used in hedge accounting	Aquisition earn-outs	Total reported value	Fair value
<b>Valuation category</b>				
<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>	-	<b>649</b>	<b>649</b>	<b>649</b>

2014	Derivatives used in hedge accounting	Aquisition earn-outs	Total reported value	Fair value
<b>Valuation category</b>				
<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	-	197	197	197
<b>Total financial liabilities</b>	-	<b>197</b>	<b>197</b>	<b>197</b>

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	2015	2014
<b>Financial assets</b>		
Opening balance	-	-
Change during the year	-	-
Closing balance	-	-
<b>Financial liabilities</b>		
Opening balance	197	986
Change acquisition earn-out	452	-309
Change marke value interest hedge	-	-480
Closing balance	649	197

**Note 15.2 Cash and cash equivalents**

	2015	2014
Cash at banks and on hand	26,529	21,509
<b>Total</b>	<b>26,529</b>	<b>21,509</b>

As 31 December 2015, the Group had EUR 36.5 million (31.9) available in unutilized loan commitments for which all earlier conditions had been met.

**Note 15.3 Trade receivables**

	2015	2014
Accounts receivables	67,659	71,047
Provision for doubtful receivables	-3,315	-3,342
<b>Total</b>	<b>64,344</b>	<b>67,705</b>

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

**Age analysis of trade receivables**

	Overdue receivables	Overdue receivables - provisions recognized	Overdue receivables - no provisions recognized
<b>2015</b>			
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>
Accounts receivables within their credit terms	36,130	-	36,130
<b>Total</b>	<b>67,659</b>	<b>-3,315</b>	<b>64,344</b>

	Overdue receivables	Overdue receivables - provisions recognized	Overdue receivables - no provisions recognized
<b>2014</b>			
Less than 30 days overdue	17,876	-	17,876
31 to 60 days overdue	5,547	-	5,547
61 to 90 days overdue	1,873	-	1,873
91 to 180 days overdue	3,354	-	3,354
Over 181 days overdue	4,132	-3,342	790
<b>Total overdue accounts</b>	<b>32,782</b>	<b>-3,342</b>	<b>29,440</b>
Accounts receivables within their credit terms	38,265	-	38,265
<b>Total</b>	<b>71,047</b>	<b>-3,342</b>	<b>67,705</b>

**Allowance for doubtful debts**

	2015	2014
Opening balance	3,342	2,897
Current year provision	191	778
Utilized receivables	-303	-316
Recovered bad debt	61	-42
Exchange rate differences	24	25
Closing balance	3,315	3,342

**Note 15.4 Pledged assets for own liabilities and provisions**

	2015	2014
Shares in subsidiaries	189,263	191,256

**Pledged assets for own liabilities and provisions 189,263 191,256**

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

**Note 15.5 Finance lease liabilities**

Finance leases refer mainly to service vehicles that are used in operations. The minimum lease payments consist of a principal portion and an interest portion. The interest portion is variable and based on the market rate of interest in each country.

**Minimum lease payments**

	2015	2014
Less than 1 year	-	61
1-2 years	-	21
2-3 years	-	12
3-4 years	-	12
4-5 years	-	5
More than 5 years	-	-
Future finance charges	-	111

**Present value of finance lease liabilities**

	2015	2014
Less than 1 year	-	54
1-2 years	-	18
2-3 years	-	10
3-4 years	-	9
4-5 years	-	3
More than 5 years	-	-
Total	-	94

The discount rate used to calculate present value is 6%.

**Note 15.6 Operating lease liabilities**

Operating leases refer mainly to facilities, service vehicles, computers and office equipment. These leases have an average term of 1 to 5 years without an option to buy the equipment. There are no restrictions on the Group as a result of these assumptions.

Leasing costs during the year amounted to EUR 21.0 million (21.3).

**Minimum lease payments**

	2015	2014
Less than 1 year	18,537	17,161
1-2 years	14,096	11,619
2-3 years	8,886	7,177
3-4 years	5,150	4,299
4-5 years	3,544	3,017
More than 5 years	8,071	9,077
Future finance charges	58,284	52,350

**Note 15.7 Other liabilities**

	2015	2014
VAT	8,373	6,609
Employee withholding taxes	2,352	2,583
Other liabilities	1,735	1,450
Total	12,460	10,642

## Note 16 Equity

### Share capital

Each share has a par 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

### Change in reserves for accumulated other comprehensive income

TEUR	Hedging reserve	Translation reserve	Total reserves	Actuarial gains/ losses on Defined benefit plans
<b>Closing balance as of December 31, 2013</b>	<b>-367</b>	<b>-530</b>	<b>-897</b>	<b>112</b>
Current years' translation difference in foreign operations	-	263	263	-
Actuarial gains/ losses	-	-	-	-1,988
Change of market value on cashflow hedges taken over net income	480	-	480	-
Taxes referred to items within Other comprehensive income	-113	-	-113	473
<b>Closing balance as of December 31, 2014</b>	<b>-</b>	<b>-267</b>	<b>-267</b>	<b>-1,404</b>
Current years' translation difference in foreign operations	-	-591	-591	-
Actuarial gains/ losses	-	-	-	585
Taxes referred to items within Other comprehensive income	-	-	-	-146
<b>Closing balance as of December 31, 2015</b>	<b>-</b>	<b>-858</b>	<b>-858</b>	<b>-965</b>

### 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.

### 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 Note 17.

## Note 17 Pension provisions

The Polygon Group finances pension plans for its employees in the countries where the Group operates. The plans generally conform to praxis in the respective countries and may take the form of defined contribution plans or defined benefit plans or. Polygon 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 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.

are no restrictions on the transferability of shares due to law or the Articles of Association.

### Other contributed capital

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

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.

At 31 December 2015 there were no remaining defined benefit obligations in Norway. The defined benefit pension plan in Norway, which was based on final salary, was terminated on 31 December 2014. The remaining liability from 31 December 2014, which is reflected in a final administrative fee and tax, was paid out during 2015 through the plan's cash flow. No impact on pension costs for current year or on other comprehensive income has been recognized.

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 2015, four active members left Polygon Sweden in connection with restructuring and this resulted in a reduction in the ITP2 obligation. This is recognized as a reduction in the pension expense for 2015.

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 Polygon Group accounted for the impact of changes in accounting standards according to IAS 19 in the consolidated financial statements already in 2012, by including the special payroll tax in the pension obligation and the pension expenses. Other changes in accounting standards have had an insignificant impact and no additional restatements have been made. The Polygon Group already accounts for measurements of defined benefit plans in other comprehensive income.

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.

	2015	2014
<b>Summary of pension provisions in the Group</b>		
Long -term defined benefit liability	4,710	5,626
<b>Net liability recognized in the Balance sheet</b>	<b>4,710</b>	<b>5,626</b>
<b>Pension expenses</b>		
<b>Amounts recognized in the income statement</b>		
Current service cost	129	-659
Net interest	285	462
Expected return on plan assets	-129	-265
<b>Expenses, defined benefit plans</b>	<b>285</b>	<b>-462</b>
<b>Expenses, defined contribution plans</b>		
	<b>5,290</b>	<b>6,526</b>
<b>Income</b>		
Remeasure of pension obligation	-1,142	2,200
Remeasure of plan assets	132	-126
Revaluation to other operating income	-	-87
<b>Expenses/ (income), defined benefit plans</b>	<b>-1,010</b>	<b>1,987</b>
<b>Total pension expenses</b>	<b>4,565</b>	<b>8,051</b>
<b>Amount recognized in the Balance sheet</b>		
Fair value of defined benefit obligation, funded plans	4,434	4,859
Fair value of plan assets	-3,389	-3,696
<b>Net liability recognized in the Balance sheet</b>	<b>1,045</b>	<b>1,163</b>
Present value of defined benefit obligation, unfunded plans	3,665	4,463
<b>Net liability recognized in the Balance sheet</b>	<b>4,710</b>	<b>5,626</b>
<b>Change in amount recognized in the Balance sheet</b>		
<b>Opening balance, net liability</b>	<b>5,626</b>	<b>4,895</b>
Current service cost	129	-659
Net interest	156	198
Remeasurements	-1,010	1,987
Pension payments directly from employer	-218	-282
Employer's contribution to the pension plan assets	-193	-331
Effect of changes in foreign exchange rates	220	-182
<b>Closing balance, net liability</b>	<b>4,710</b>	<b>5,626</b>

<b>Change in present value of defined benefit obligation</b>	2015	2014
<b>Opening balance, defined benefit obligation</b>	<b>9,322</b>	<b>11,551</b>
Current service cost	118	200
Interest expenses	285	462
Settlement	-369	-4,444
Remeasurements of pension obligation		
- demographic assumptions	-96	-
- financial assumptions	-874	2,051
- experience adjustments	-172	150
Pension payments	-575	-737
Effect of changes in foreign exchange rates	460	89
<b>Closing balance, defined benefit obligation</b>	<b>8,099</b>	<b>9,322</b>

<b>Change in fair value of plan assets</b>	2015	2014
<b>Opening balance, plan assets</b>	<b>3,696</b>	<b>6,737</b>
Interest income	129	268
Return excluding interest income	-132	126
Employer's contribution	411	613
Pension payments from plan assets	-512	-737
Settlements	-443	-3,585
Effect in changes in foreign exchange rates	240	274
<b>Closing balance, plan assets</b>	<b>3,389</b>	<b>3,696</b>

<b>Fair value of plan assets</b>	2015	2014
Equities	63%	73%
Bonds	34%	20%
Other, including cash and cash equivalents	3%	7%
<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.

<b>Change in asset ceiling</b>	2015	2014
Opening balance, asset ceiling	0	-80
Interest cost	0	-4
Revaluation to other operating income	0	87
Effect of changes in foreign exchange rates	0	-3
<b>Closing balance, asset ceiling</b>	<b>0</b>	<b>0</b>

2015	Defined benefit obligation	Plan assets	Net liability
<b>Break-down per country</b>			
United Kingdom, funded plan	4,434	3,389	1,045
Sweden, unfunded plan	3,306	-	3,306
Other countries, unfunded plans*	359	-	359
<b>Total</b>	<b>8,099</b>	<b>3,389</b>	<b>4,710</b>

\* France and Germany

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

Significant actuarial assumptions	2015	2014
<b>Norway</b>		
Discount rate	N/A	2.6%
Expected return on assets	N/A	1.8%
Future wage increase	N/A	3.5%
Future pension increase	N/A	0.4%
<b>United Kingdom</b>		
Discount rate	3.8%	3.5%
Expected return on assets	2.2%	2.2%
Future wage increase	N/A	N/A
Future pension increase	N/A	N/A
<b>Sweden</b>		
Discount rate	3.5%	2.6%
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 experiences 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 708 thousand, corresponding to a reduction in the liability by 8.7%. A decrease in the discount rate by 0.5 percentage points would increase the pension obligation by EUR 748 thousand, corresponding to an increase in the liability by 9.2%.

An increase in the inflation rate by 0.5 percentage points would increase the pension obligation by EUR 407 thousand, corresponding to an increase in the liability by 5.0%. A decrease in the inflation rate by 0.5 percentage points would reduce the pension obligation by EUR 361 thousand, corresponding to a reduction in the liability by 4.5%.

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 19 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 378 thousands.

#### Note 18 Accrued expenses and prepaid income

	2015	2014
Accrued salary-related expenses	7,596	7,128
Accrued vacation pay	6,921	7,948
Accrued non-received invoices	2,504	2,948
Accrued audit expenses	398	352
Accrued interest expenses	1,629	1,295
Other accrued expenses and prepaid income	4,316	4,899
<b>Total</b>	<b>23,364</b>	<b>24,570</b>

#### Note 19 Contingent liabilities

There are no contingent liabilities in the Group.

#### Note 20 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 loan from Triton of EUR 57.7 (57.7) million. Payments for services rendered and disbursements of EUR 185 thousand (799) were made to West Park Management Services during the year.

No group contributions or dividends have been rendered to Polygon Holding AB.

Company name	Country	Corporate Identity		Share of capital	Book value
		Number	Number of shares		
Polygon International AB	Sweden	556807-6417	50,100	100.0%	74,253
Polygon Norway Holding AS	Norway	996019381	335,500	100.0%	6,832
Polygon AS	Norway	915229115	3,450	100.0%	11,102
Polygon A/S	Denmark	42 93 83 19	470,000	75.8%	122
Polygon Nederland Holding BV	Netherlands	51345706	40	100.0%	5,222
Polygon Nederland BV	Netherlands	28030503	40	100.0%	16,100
Polygon Belgium NV	Belgium	440188077	1,250	100.0%	485
Polygon Sverige AB	Sweden	556034-6164	2,100	100.0%	14,121
AK-Konsult Indoor AB	Sweden	556394-3249	4,000	100.0%	1,910
PolygonVatro GmbH	Germany	HRB 11 65 12	1	100.0%	12,717
Polygon Austria Service GmbH	Austria	FN 115034v	75,000	100.0%	111
Polygon Canada Inc	Canada	103804811	81	100.0%	2,894
Polygon France SAS	France	341 019 180	100	100.0%	2,766
Polygon Service Pte Ltd	Singapore	201012990Z	1,317	100.0%	7,638
Polygon UK Holding Ltd	United Kingdom	7452971	2	100.0%	1,632
R3 Polygon UK Ltd	United Kingdom	402652	250,000	100.0%	9,240
Harwell Technical Services Ltd	United Kingdom	3064821	10,000	100.0%	3,138
Polygon US Corporation	USA	27-2892115	1,000	100.0%	8,583
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 21 Reconciling items between profit before tax and net cash flow

	2015	2014
<b>Non-affecting cash-flow:</b>		
Depreciation and impairment of intangible assets	5 503	5 747
Depreciation of tangible assets	9 365	8 794
Capital gains from disposal of fixed assets	2 777	151
Changes in provisions and other	-382	627
<b>Total</b>	<b>17 263</b>	<b>15 205</b>

#### Note 22 Events after the reporting period

In January 2016, Ole Skov was appointed to the Board of Directors.

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

**Note 23 Year overview**

	2011	2012	2013	2014	2015
<b>Sales and Net income</b>					
Sales of services	343,650	444,004	423,361	419,106	438,740
Gross profit	1,815	8,947	-1,306	-1,097	6,975
Net financial income/ expenses	-15,857	-22,339	-12,395	-11,525	-6,812
Income before tax from continuing operations	-14,042	-13,392	-13,701	-12,622	163
Income taxes	8,206	-4,201	3,206	2,100	41
<b>Net income for the year</b>	<b>-5,836</b>	<b>-17,593</b>	<b>-10,495</b>	<b>-10,522</b>	<b>204</b>
<b>Financial position</b>					
Goodwill	98,717	101,953	100,961	102,588	104,865
Other intangible assets	63,775	64,346	56,610	53,772	47,523
Tangible assets	35,436	33,487	27,298	27,103	27,233
Financial assets	13,122	13,612	19,914	22,777	22,282
Projects in progress	17,337	19,336	12,422	16,498	17,508
Current receivables	76,299	137,929	74,556	74,530	71,288
Cash and cash equivalents	23,341	10,396	15,789	21,509	26,529
<b>Total assets</b>	<b>328,027</b>	<b>381,059</b>	<b>307,550</b>	<b>318,777</b>	<b>317,228</b>
Equity	7,987	116,148	53,918	42,445	42,257
Provisions	26,212	28,727	30,108	29,774	26,719
Non-current liabilities	208,040	152,090	146,308	175,397	175,812
Current liabilities	85,788	84,094	77,216	71,161	72,440
<b>Total Equity and liabilities</b>	<b>328,027</b>	<b>381,059</b>	<b>307,550</b>	<b>318,777</b>	<b>317,228</b>
<b>KPIs</b>					
EBITDA	17,611	25,985	14,848	13,442	21,843
EBITA	9,196	15,436	4,803	4,651	12,478
Adjusted EBITA	13,730	19,807	14,831	11,781	20,028
Adjusted EBITA %	4.0%	4.5%	3.5%	2.8%	4.6%
Net debt	92,788	104,839	90,138	101,761	96,248
Full time employees	2,830	2,889	2,779	2,840	2,765

# Parent Company financial statements

## Parent Company income statement

T€	Note	2015	2014
Sales of services	2	3,985	5,234
<b>Total revenue</b>		<b>3,985</b>	<b>5,234</b>
General administration and sale expenses	3.4	-3,097	-2,990
Other operating costs	5	-773	-1,901
<b>Operating income</b>		<b>115</b>	<b>343</b>
Income from shares in Group companies		-	1,000
Finance income	6	6,338	4,747
Finance costs	6	-6,591	-4,903
<b>Income (loss) after financial items, net</b>		<b>-138</b>	<b>1,187</b>
Appropriations	7	8,140	5,320
<b>Income (loss) before income taxes</b>		<b>8,002</b>	<b>6,507</b>
Income taxes	8	-	-
<b>Net income</b>		<b>8,002</b>	<b>6,507</b>

## Parent Company statement of other comprehensive income

T€	Not	2015	2014
Net income		8,002	6,507
<b>Comprehensive income</b>		<b>8,002</b>	<b>6,507</b>

## Parent Company balance sheet

T€	Not	2015	2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Non-current financial assets</b>			
Participations in Group companies	9	76,296	76,296
Receivables from Group companies, interest-bearing	10	117,950	117,950
<b>Total non-current assets</b>		<b>194,246</b>	<b>194,246</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Receivables, parent company	10	1,425	71
Other receivables		73	68
Prepaid expenses		17	1
Receivables, Group companies		26,941	20,216
<b>Total current receivables</b>		<b>28,456</b>	<b>20,356</b>
Cash and cash equivalents		-	-
<b>Total current assets</b>		<b>28,456</b>	<b>20,356</b>
<b>TOTAL ASSETS</b>		<b>222,702</b>	<b>214,602</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		94,711	86,709
Total non-restricted capital		101,482	93,480
<b>Total Equity</b>		<b>101,540</b>	<b>93,538</b>
<b>Non-current liabilities</b>			
Non-current financial liabilities, interest-bearing		118,202	117,699
<b>Total non-current liabilities</b>		<b>118,202</b>	<b>117,699</b>
<b>Current liabilities</b>			
Accounts payables		3	27
Current liabilities, Group companies		-	211
Other current liabilities		212	528
Accrued costs	11	2,745	2,599
<b>Total current liabilities</b>		<b>2,960</b>	<b>3,365</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>222,702</b>	<b>214,602</b>

## Pledged assets and contingent liabilities

T€	Note	2015	2014
<b>Pledged assets</b>			
Shares in subsidiaries	12	76,296	76,296
<b>Total assets pledged</b>		<b>76,296</b>	<b>76,296</b>
<b>Contingent liabilities</b>			
		None	None

## Parent Company statement of cash flows

T€	Note	2015	2014
<b>Operating activities</b>			
Operating income		115	343
Adjustments for non cash items in income before tax	13	503	-2,301
Financial income received		6,338	3,747
<b>Cash flow from operating activities prior changes in working capital</b>		<b>6,956</b>	<b>1,789</b>
<b>Change in working capital</b>			
Change in other receivables		-434	-297
Changes in other liabilities		-174	2,783
<b>Cash flow used in operating activities</b>		<b>6,348</b>	<b>4,275</b>
<b>Cash flow from financing activities</b>			
Increase in loans		-	120,000
Change of receivables Group companies		3,755	-117,335
Dividend from Group companies		-	1,000
Financial cost paid		-6,611	-3,614
<b>Cash flow from financial activities</b>		<b>-2,856</b>	<b>51</b>
<b>Cash flow from the year</b>			
Cash and cash equivalents at the beginning of the year		14,537	10,211
<b>Cash and cash equivalents at the end of the year</b>		<b>18,029</b>	<b>14,537</b>

## Parent Company statement of changes in equity

T€	Share capital	Share premium	Retained earnings	Total equity
<b>Closing balance per 31 December 2012</b>	<b>6</b>	<b>6,771</b>	<b>130,468</b>	<b>137,245</b>
Dividend	-	-	-52,451	-52,451
Net income	-	-	2,237	2,237
<b>Closing balance per 31 December 2013</b>	<b>6</b>	<b>6,771</b>	<b>80,254</b>	<b>87,031</b>
Bonus issue	52	-	-52	-
Net income	-	-	6,507	6,507
<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>

# Notes to the Parent Company's financial statements

## Note 1 Basis of preparation

### 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.

### Financial assets

In the Parent Company, financial assets are valued at the lower of historical cost and recoverable amount. Recoverable amount is the higher of 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. A write-up can be made 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 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.

## Note 3 Salaries and 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

	2015	2014
Audit assignment (EY)	75	102
Other assignments (EY)	4	15
<b>Total</b>	<b>79</b>	<b>117</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 the responsibility of the company's auditors.

## Note 5 Other operating expenses

	2015	2014
Currency exchange gains/ losses	113	-65
Other costs	660	1,966
<b>Total</b>	<b>773</b>	<b>1,901</b>

## Note 6 Financial income and expenses

	2015	2014
<b>Interest income and other similar transactions</b>		
Interest income, internal	6,338	4,747
<b>Total</b>	<b>6,338</b>	<b>4,747</b>
<b>Interest cost and other similar transactions</b>		
Interest cost, external	6,256	4,883
Interest cost, internal	1	3
Exchange rate differences	-36	2
Other financial expenses	370	15
<b>Total</b>	<b>6,591</b>	<b>4,903</b>

## Note 7 Appropriations

	2015	2014
Received group contribution	8,140	5,320
<b>Total</b>	<b>8,140</b>	<b>5,320</b>

**Note 8 Income taxes**

	2015	2014
<b>Income before taxes</b>	<b>8 002</b>	<b>6 507</b>
Tax according to current tax rate for Parent company 22%	-1 760	-1 432
Non-deductible expenses	-18	-36
Used not earlier accounted loss carry forward	1 778	1 248
Tax-exempt income	-	220
<b>Total</b>	<b>0</b>	<b>0</b>

**Note 9 Participations in group companies**

	2015	2014
Polygon International AB, share of capital and voting rights 100%	74,253	74,253
Polygon Finland Holding Oy, share of capital and voting rights 100%	2,043	2,043
<b>Net carrying value closing balance</b>	<b>76,296</b>	<b>76,296</b>

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

	2015	2014
Polygon International AB	104,193	104,193
Polygon Finland Holding Oy	13,757	13,757
<b>Total</b>	<b>117,950</b>	<b>117,950</b>

**Note 11 Accrued expenses and prepaid income**

	2015	2014
Accrued rent expenses	1,267	1,287
Pension related expenses	1,260	382
Other accrued expenses	218	930
<b>Total</b>	<b>2,745</b>	<b>2,599</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.

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

	2015	2014
<b>Non-affecting cash-flow:</b>		
Changes in provisions	503	-2,301
<b>Total</b>	<b>503</b>	<b>-2,301</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 of EUR 185 thousand (799) was paid to West Park Management Services as compensation for services rendered.

Polygon AB has received group contributions of EUR 8.1 million (5.3) from the subsidiary Polygon International AB.

No group contributions or dividends have been paid to Polygon Holding AB.

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

Stockholm, 21 April, 2016

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Lucas Hendriks  
/Chairman/

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Petter Darin  
/ Board member /

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Ole Skov  
/ Board member /

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Jonas Samuelson  
/ Board member /

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Lars Ove Håkansson  
/ Board member /

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Evert Jan Jansen  
/ Chief Executive Officer /

Our audit report was submitted on 22 April, 2016  
Ernst & Young AB

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Staffan Landén  
/ Authorized Public Accountant /