

ANNUAL REPORT 2019

ALWAYS BY YOUR SIDE.





DIGITAL SOLUTIONS PREVENT WATER DAMAGE

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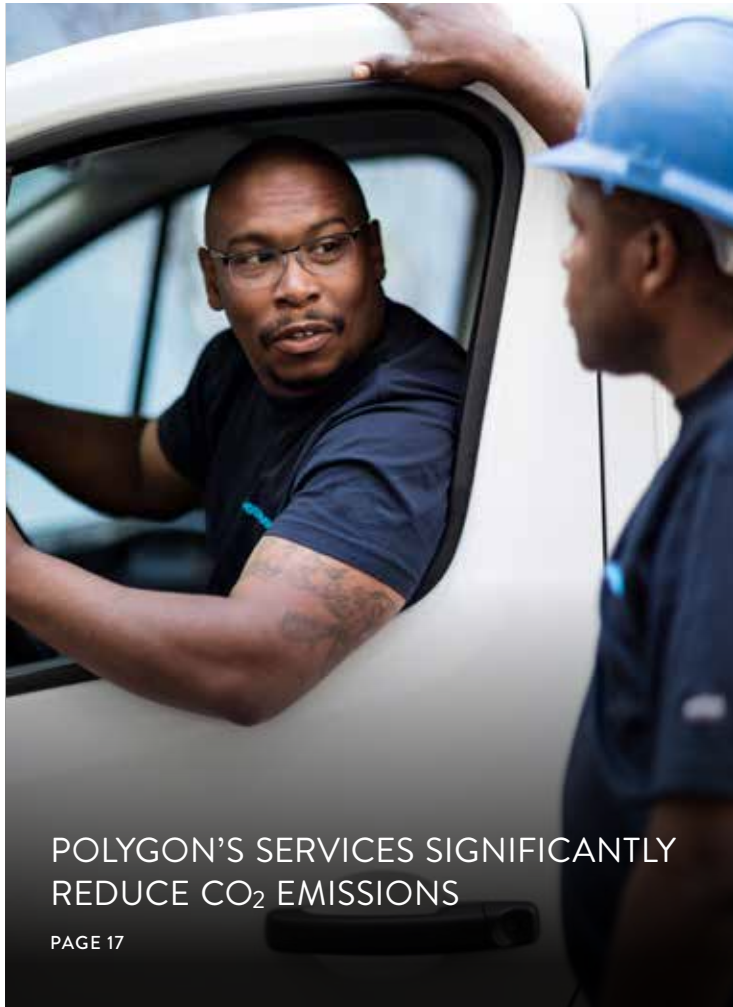
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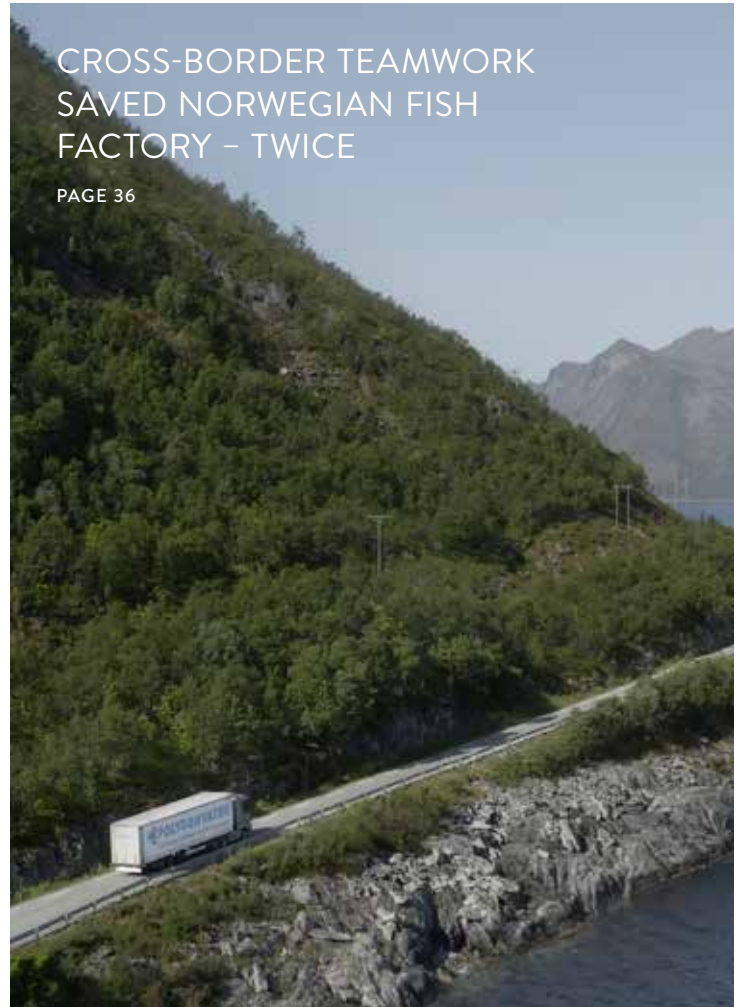
POLYGON RANKED AS AN ATTRACTIVE EMPLOYER

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POLYGON'S SERVICES SIGNIFICANTLY REDUCE CO₂ EMISSIONS

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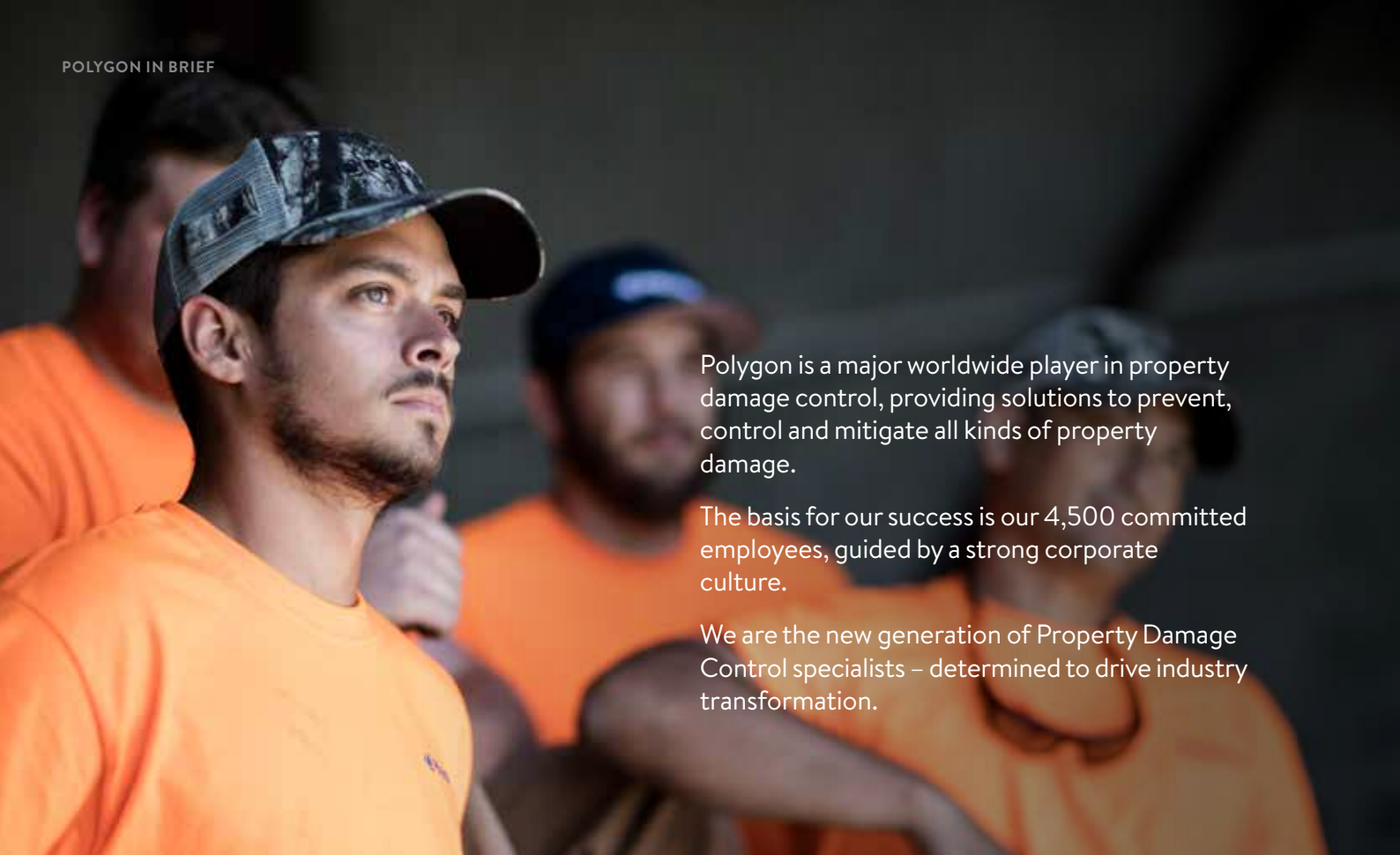
CROSS-BORDER TEAMWORK SAVED NORWEGIAN FISH FACTORY - TWICE

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NEWLY ACQUIRED VANWAARDE WINS LARGE CONTRACT

PAGE 10



Polygon is a major worldwide player in property damage control, providing solutions to prevent, control and mitigate all kinds of property damage.

The basis for our success is our 4,500 committed employees, guided by a strong corporate culture.

We are the new generation of Property Damage Control specialists – determined to drive industry transformation.

KEY HIGHLIGHTS 2019

Q1

- Polygon acquires Tiedema in the Netherlands.
- Polygon enters the Swiss market through the acquisition of Alvisa Holding AG (Alvisa 24).
- Nadia Meier-Kirner is elected Chairman of the Board and Lars Blecko is elected new member of the Board. Luc Hendriks, Lars-Ove Håkansson and Ole Skov leave the Board.
- Polygon sponsors University College London in major mould investigation.
- The Spark digital tool is introduced in the Netherlands and Austria.
- A cross-border collaboration between Austria and Germany is executed when a large factory caught fire in Switzerland.

Q2

- Martin Hamner appointed CFO of Polygon Group.
- Polygon acquires VANWAARDE Group and establishes document restoration services in the Netherlands.
- Polygon acquires The Plastic Surgeon Holdings Ltd in the UK to strengthen the position in the area of property restoration and hard surface repairs.
- Polygon acquires Tehokuivaus Oy in Finland, strengthening the Group's offering in the area of water and fire damage restoration.
- Polygonvatro opens a second technical centre in Magdeburg.
- Polygon wins Triton environmental and governance award.
- Polygon starts up major and complex claims services in Denmark to support the Northern region.

Q3

- Lars Blecko is appointed Chairman of the Board and Petter Darin leaves the Board.
- Polygon acquires AMRestore in the US, a contents restoration, cleaning, moving and storage company that increases geographic coverage throughout the Northeast down through the Mid-Atlantic.
- Polygon in Norway acquires the remaining shares of the former franchise company Haugesund AS.
- Technicians from Polygon in Norway, Germany and Denmark cooperate in an extensive major and complex claims project in northern Norway.
- Head of M&A is recruited to intensify the acquisition agenda.

Q4

- Polygon acquires Nettag AG to become a leading service provider in Switzerland.
- Successful EUR 40 million tap issue is completed under the existing bond.
- Polygon UK is awarded Claims Team of the Year at the BDMA Awards 2019.
- Polygon subsidiary Plastic Surgeon sides with Allianz to decrease insurance cycle times and at the same time reduce environmental impact.
- Polygon Norway performs a unique offshore major and complex claims project when a platform in the North Sea was hit by fire.
- Polygon signs agreement to acquire Saneringsfirman Hedberg AB in Sweden.

677
MILLION EUR SALES

350,000
ASSIGNMENTS/YEAR

4,500
EMPLOYEES

60+
YEARS' EXPERIENCE

3
CONTINENTS

14
COUNTRIES

+300
DEPOTS

24/7
SERVICE

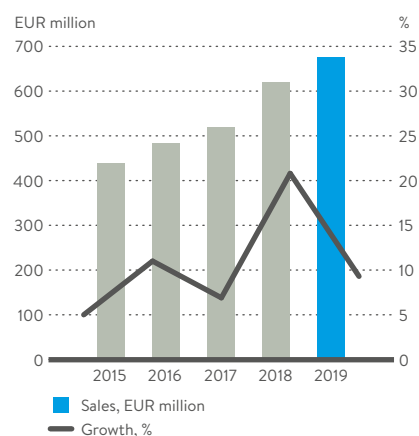
Figures for assignments and depots are approximate.

SUMMARY FINANCIAL YEAR 2019

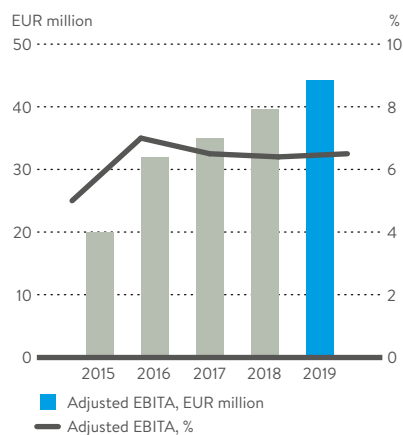
EUR m	2019	2018
Sales	677.1	619.3
Sales growth, %	9.3	20.8
Adjusted EBITDA	81.3	53.0
Adjusted EBITDA, %	12.0	8.6
Adjusted EBITA	44.3	39.6
Adjusted EBITA, %	6.5	6.4
Operating cash flow	31.9	24.2
Net debt	284.8	180.6
Full-time employees	4,512	3,810

The new standard IFRS 16 Leases is implemented from 1 January 2019. 2018 figures have not been restated.

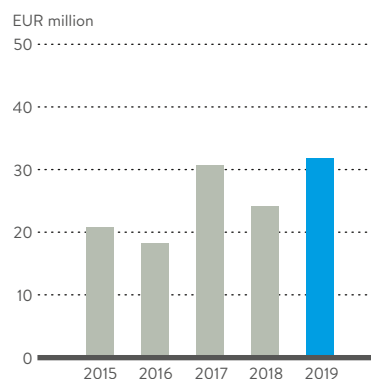
SALES AND GROWTH



ADJUSTED EBITA



OPERATING CASH FLOW





HIGH ACQUISITION RATE AND LONG-TERM GROWTH

Our objective for 2019 was to accelerate our ambitious acquisition agenda, whilst continuing to deliver profitable growth and lead the transformation of our industry. I am proud to say that we have succeeded with our efforts – and we made it through fantastic teamwork.

At Polygon, we deeply believe that empowered employees deliver results, and it is only thanks to our dedicated and knowledgeable staff that we can continue along our chosen path towards market leadership and sustainable long-term growth.

Every day, I experience our people – from technicians and consultants to project leaders and support staff – executing customer assignments with great integrity, excellence and empathy. Polygon's success is built on the efforts of our people. It is reliant on their competence, their engagement and their ability to understand our customers' needs. I have great respect for this, and that is why our corporate culture and our Group-wide business philosophy, The Polygon Model, are highly valued assets. Therefore, Polygon has a decentralised and flat organisation due to the local nature of our business and the importance of being close to the customer.

It is in our DNA and part of our business model to restore rather than replace damaged property and to furthermore work with preventive services together with our customers and suppliers. The fact that we do this, and the way we do it, saves resources and limits environmental impact. Being environmentally friendly is a way for us to differentiate ourselves. It is a competitive advantage.

BUILDING A EUROPEAN PLATFORM

We are building a European platform for long-term growth through strategic acquisitions that position us as the largest or the second-largest property damage control company in each market where we are present.

I would especially like to mention three important acquisitions during 2019.

In the UK, we accomplished a strategic service line extension when we incorporated the surface repair specialist Plastic Surgeon into the Group. The acquisition strengthens our offering within property restoration and hard surface repairs, and adds around 250 employees and annual sales of EUR 15 million.

Another important milestone is that we established Polygon as a leading player in a new market for us – Switzerland. Firstly, we acquired Alvisa 24, specialised in fire damage restoration and major and complex claims, with sales of about EUR 11 million and around 70 employees. Secondly, we acquired water damage restoration company Nettag, adding annual sales of about EUR 4.5 million and around 40 employees.

In Finland we acquired water and fire damage restoration company Tehokuivaus with annual sales of EUR 7 million and around

60 employees. Tehokuivaus is a really well-run company and has been a great addition to our Finnish organisation.

We count to eight completed acquisitions during the year, and for the coming years we have several interesting acquisitions in the pipeline. By now, we have a well-established integration methodology that entails new subsidiaries quickly becoming a part of our community.

Our market is slowly consolidating, and for Polygon there are many possibilities left to grasp. We focus on companies that share our core values and have a strategic and cultural fit. To ensure high pace and professional handling of mergers and acquisitions, we hired a Global Head of M&A in 2019.

In parallel to our clear focus in Europe, we have a more opportunistic acquisition strategy in North America, where our market position is smaller. Although during 2019 we acquired AMRestore in the US to increase geographic coverage throughout the Northeast down through the Mid-Atlantic.

In 2019, we made a bond tap of EUR 40 million to gain additional financial strength for further acquisitions.

TRANSFORMING THE INDUSTRY AND EMBRACING DIGITALISATION

We also continue to work hard to advance our industry and bring further professionalism and better services to the customers. As a large international player in a fragmented market, we have unmatched possibilities to do so.

We are a dedicated team, working together – with each other and with our customers – to develop best practices, to establish common tools and methods, and to utilise the power of digitalisation.

In close cooperation with leading European insurance companies, we have carried out successful pilot projects during the year with digitally connected sensors that can prevent water damage. This type of Internet of Things solution can over time change our industry.

For us, digitalisation has long been highly prioritised, and our solutions distinguish us from the competition. For example, we have developed integrated digital solutions to create efficiencies in operational processes and bring us closer to our key customers. These solutions reduce unwanted CO₂ emissions, save time and money, and help us grow our business within areas such as property management companies and commercial insurance.

STRONG FINANCIAL DEVELOPMENT

Our financial performance was strong. Sales amounted to EUR 677 million, up by 9 percent compared to the previous year. Adjusted organic growth was 2.5 percent, acquired growth was 6.8 percent, and all segments contributed to the growth. We have outstripped the market for several years in a row when it comes to growth. This means that our customers continuously entrust us with an increasing portion of their damages.

Germany is our organic growth engine, a complete one-stop shop and our best performer in terms of strengthening partnerships with key account customers. The German operations are growing organically with insurance companies, and also by the power of Polygonvatro's outstanding cross-border offerings in major and complex claims.

Our market is slowly growing over time and is only slightly affected by general business cycles. We estimate annual growth

of approximately 1–3 percent. Demand in Europe was less supported by extreme weather events during 2019, and therefore our annual organic growth for 2019 of 2.5 percent is a great achievement. It also means we continue to gain market shares in several countries.

Adjusted EBITA of EUR 44.3 million was 12 percent better than in the previous year. We saw strong performance in both existing and acquired companies.

SIGNIFICANT ACHIEVEMENTS IN NORWAY AND FINLAND

We gained two major and complex claims assignments in Norway during 2019 that stood out in complexity and proved our leading ability in cross-border collaborations. Technicians from Norway, Germany and Denmark executed an extensive project in northern Norway, when a fish factory in the town of Senjahopen caught alight due to a forklift catching fire. When an offshore platform, located hours away from land in the North Sea, was hit by fire, we were also able to promptly perform a unique restoration project. The circumstances of working offshore are truly demanding, which makes the effort particularly extraordinary.

I would also like to highlight the substantial operational turnaround that our Finnish operations have accomplished in 2019. We now see a strong development that is fuelled by a new management and extensive operational benchmarking involving all employees.

MARKET TRENDS ARE ON OUR SIDE

The market for property damage control is growing slowly over time, and is relatively stable and mainly attributable to recurring claims. A smaller part is generated from extreme and less predictable events caused by weather or fire.

There are several market trends that benefit a large player like us. Procurement centralisation and increased preference for one-stop shops among insurance companies are two. Another is that digitalisation is bringing on demand for more complex and integrated IT solutions.

EFFORTS PAY OFF

Polygon is the clear European market leader and number two globally. We are leading the consolidation in Europe and are building a superior platform.

We have our house in good order after spending a lot of effort to secure quality and consistency. Further on, our focus is to accelerate profit growth through additional strategic acquisitions, driving organic growth in both residential and commercial segments and continuing to improve efficiency using our group strength. Our efforts are beginning to pay off, and we see many opportunities and a bright future ahead.

April 2020

Axel Gränitz
CEO Polygon Group



POLYGON –ALWAYS BY YOUR SIDE

NOW ONE OF THE LEADERS IN SWITZERLAND

During 2019, Polygon entered a new market – Switzerland. With two acquisitions, Polygon rapidly became one of the largest property damage restoration companies in the country.

In January, Polygon acquired Alvisa 24 and, a few months later, its competitor Nettag. Both companies share the same values as Polygon, and their joint forces present a very attractive customer offering for the Swiss market.

“Polygon’s ambition is to become the market leader in all countries where we are present, and this two-step acquisition shows that we are well on track,” says Axel Gränitz, President & CEO of Polygon Group.





MARKET TRENDS FAVOUR BIG PLAYERS

Polygon is a major player in the European damage control industry, and our strong market position and full-service offering is a great advantage for future growth. The industry is being rapidly transformed by consolidation, digitalisation, supply chain centralisation and increased climate focus. Scale and resources are becoming more and more important.

MORE INSURANCE CLAIMS AND HIGHER PROPERTY VALUES

The demand for property damage control services driven by insurance claims is stable, low-cyclical and resilient to downturns in the general economy – damages do occur and need to be repaired.

There is underlying growth in the European property damage control industry as the total number of residential and commercial properties increases. Increased average property values also result in more damage claims.

The European property damage restoration market is estimated to be worth around EUR 5 billion and has been growing by 1–3 percent per year over the past five years according to a reputable third party.

PROFESSIONALISATION, WITH POLYGON AS A FRONTRUNNER

The property damage control industry is still very fragmented, but is undergoing professionalisation and consolidation, with Polygon as a frontrunner. This trend favours Polygon as well as other large

players, and leads to raised entrance barriers.

We cooperate with industry associations and partners, and strive to develop quality standards, ethical business practices, environmental initiatives and better conditions for everyone working in our business. An example from 2019 is the sponsoring of mould research at University College London (UCL) in the UK. Polygon has provided both money and expertise to the project.

When the GDPR European data protection regulation began to apply in 2018, the position of the large companies in the industry was further strengthened as the new regulations required internal expertise, adequate data infrastructure and high levels of information security.

FRAGMENTED MARKET ENABLES ACQUISITIONS

Polygon is the undisputed market leader in Europe, but our overall market share is still only just over 12 percent. Alongside Polygon, there is only one other company that can claim to be European, and we are twice as big as this competitor. The market is thus still very fragmented and there is great potential for growth, both organically and via acquisitions. Polygon has captured this opportunity in 2019 and completed eight acquisitions, see further details in the strategy section of this report.

There are good prospects to continue this path. Even though the numbers are decreasing, there are still more than 1,000 regional and local competitors, and around 80 percent of all property restoration jobs in Europe are assigned to small local companies.

EXTREME WEATHER EVENTS REQUIRE SCALE AND CROSS-BORDER COOPERATION

For many years, a small part of Polygon's business has been driven by extreme weather events, such as storms and floods. As a consequence of climate change, we expect this type of assignment to increase. The number of major weather events has been increasing over the past 50 years.

These are less foreseeable damages that can hit hard regionally and that demand a damage restoration company with scale and resources. Polygon stands strong in this perspective since we are a big, flexible cross-border player with an industry-leading major and complex claims organisation and a large stock of equipment under one roof at our Eurostock depot.

INSURANCE COMPANIES AIM AT PROCUREMENT CENTRALISATION

Insurance companies – which account for approximately two-thirds of Polygon's business – are increasingly focusing on fewer suppliers and more framework agreements. They prefer suppliers with flexible capacity and the ability to manage the entire damage restoration process.

In addition, the ongoing digitalisation of the industry favours large players that can contribute and be a partner in creating a more efficient and professional industry. Increased focus on sustainability issues is also a reason for insurance companies to gather framework agreements with a limited number of suppliers.

Polygon has good relations with the major European insurance companies and is actively working to strengthen these even further. One example is the Danish pilot project where Polygon acts as claims handler for the insurance company. This means that we handle the assignment from start to finish, following an agreed process, without intervention from the insurance company.

DIGITALISATION BOOSTS EFFICIENCY

Digitalisation is a strategic priority that affects all parts of our Group. With digital tools for greater transparency, and real-time documentation, we can professionalise and transform the whole industry. New digital tools help us improve customer interactions, reduce administration, ease internal communication, facilitate acquisitions, speed up integration processes, prevent damages via IoT solutions, and more.

Being at the forefront of digitalisation is important for customer satisfaction, and Polygon has high ambitions in this area. With our PolyFlow integration platform, we were the first company in the industry to integrate our Field Service Management

system with several of the leading customer portals. Another example is the Spark App, which provides information and improves communication between residents, property managers and insurance companies. The app has now been launched in Sweden, Austria, Belgium and the Netherlands. Finland and Norway are in turn for 2020.

Internet of Things (IoT) technology also has the potential of transforming the damage control and prevention industry. Through internet-connected sensors (measuring humidity, vibrations, etc) in both commercial and residential buildings, we can predict and alleviate damage. The technology protects customer assets while increasing our addressable market, since restoration will increase at the expense of new construction. Escape of water claims is a core area of focus for insurance companies as costs continue to rise. Polygon in the UK and in the US are leading the way. In 2019, a successful pilot project was carried out in partnership with one of Sweden's leading insurance companies. Read more about our digital solutions on page 24.

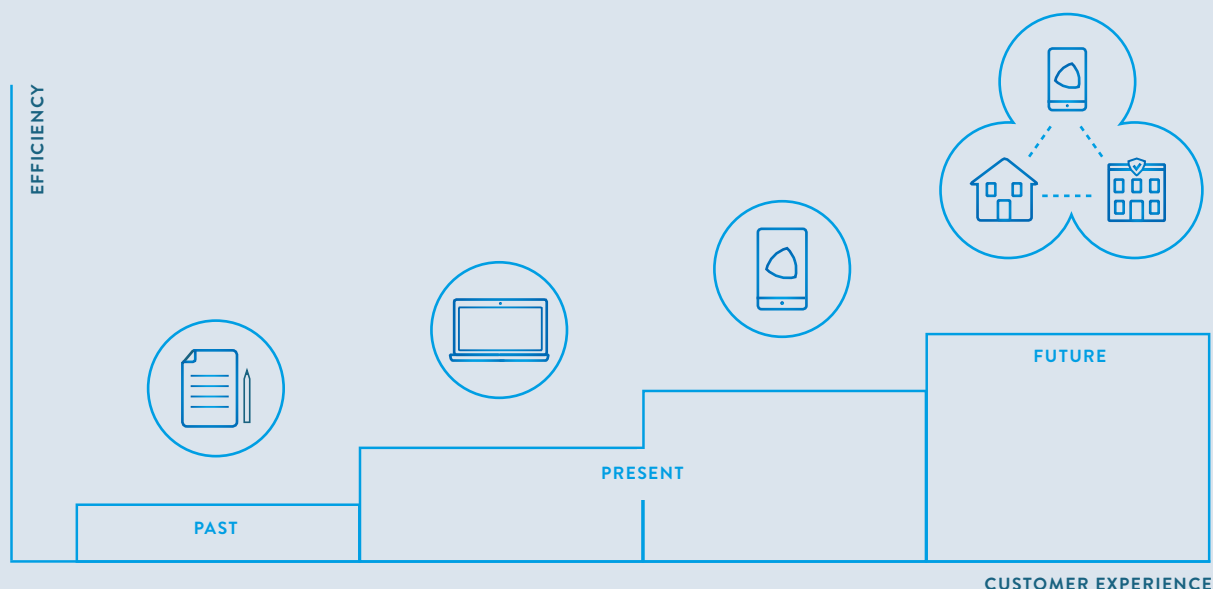
SUSTAINABILITY – A NECESSITY THAT WE SUPPORT

Adaption to, and prevention of, climate change is an all-embracing necessity in society today. Polygon's size and capacity are great advantages when it comes to responding to increased sustainability requirements from customers, employees and investors.

With the mission to preserve and restore value, the damage control industry fits well into this challenge, since our business naturally contributes to reducing the use of finite resources. Using Polygon's services can help avoid CO₂ emissions significantly, according to a study conducted in 2019. And the faster we can get to a damage site, the more material can be saved from destruction. Read more on page 17.

We welcome high sustainability requirements in procurement processes, and we are eager to help customers achieve their sustainability goals. One example is the partnership of Polygon UK's subsidiary Plastic Surgeon with Allianz, with the aim to decrease insurance cycle times and reduce environmental impact. We also strive to integrate sustainability into every aspect of our own business. Read more about our responsibility programme on pages 37–45.

STREAMLINING DAMAGE CONTROL



STRONG CUSTOMER RELATIONSHIPS AND LOW SINGLE-CUSTOMER DEPENDENCY

Polygon's customer portfolio is characterised by low single-customer dependency, combined with strong relationships with blue-chip insurance companies. These constitute around two-thirds of our business and are stable, long-term relationships reinforced by the ongoing integration of IT systems to form solid and long-term partnerships.

We are the preferred supplier of many well-known enterprises and are growing organically inside this

prestigious customer base. Sales to our ten biggest customers increased by around 10 percent in 2019.

Construction, industry and property management companies are also large customers for Polygon and are growing in importance.

Polygon handles approximately 350,000 assignments every year. These jobs span from EUR 200 to major projects with order values exceeding EUR 5 million.

JOBS GRADED ACCORDING TO COMPLEXITY

Our customers are grouped into segments, with jobs graded according to complexity. A low-complexity job typically involves only one service line and no project management. A medium-complexity job may require more than

one service line, including project management and several site visits. Complex jobs usually have a higher order value and require multiple service lines, many technicians and often the use of subcontractors.



POLYGON –ALWAYS BY YOUR SIDE

NEWLY ACQUIRED VANWAARDE WINS LARGE CONTRACT

During 2019, Polygon acquired Dutch document restoration company VANWAARDE. Just a few months after the acquisition, the company won an EUR 1.5 million restoration project for Belgian Federal Public Service Finance (FPS Finance).

Polygon will restore 4,600 metres of register archives that have been damaged by mould.

“In parallel with the cleaning of the archives, a relocation operation was carried out in the same building. Both projects were carried out side by side without any incidents. Communication with Polygon is always smooth and correct, and they keep and respect the deadlines,” says Joris Cuypers, who works with the Staff Service Budget and Management Control at FPS Finance.



THE GLOBAL EXPERT IN PROPERTY DAMAGE CONTROL

Polygon's focus is to be the global expert in property damage control, with the mission to prevent, control and mitigate the effects of water, fire and climate. Our core values of Integrity, Excellence and Empathy guide us in everything we do.

ALWAYS CLOSE TO THE CUSTOMER

Our brand promise – Always By Your Side – reflects what our customers can expect from us. It goes beyond our service offering. Adding an extra dimension to our deep customer involvement.

Our strong local presence, backed by our global strength, enables us to be close to our customers. We are there when they need us the most, so that they can get on with their lives and businesses.

A COMPLETE RANGE OF SERVICES

We offer a complete range of services to meet the needs of all customers – from households and companies to insurers and the public sector. Having a clear focus and being a dedicated specialist in our industry enables us to deliver a unique offering.

We offer both standardised and tailor-made solutions to a wide variety of customers. Our standards are high thanks to our committed people with a passion for helping others, combined with our industry-leading know-how and state-of-the-art technology.

Every year, we complete approximately 350,000 assignments. The experience and insight we gain from this are what drives our continuous development.

BRAND PROMISE

What we stand for

FOCUS

Our core business

MISSION

What we do

APPROACH

How we do it

VALUES

What we believe in

CUSTOMER SEGMENTS

To whom we deliver

SERVICE LINES

What we offer



OUR STRATEGIC FOCUS: GROW BY ACQUISITIONS



Polygon's strategy is aimed at profitable growth. We completed eight acquisitions during the year and have several in the pipeline for 2020. Our aim is to substantially increase sales, while at the same time maintaining and improving the structured high-quality business that we have created in recent years.

Our strategic four-step agenda was introduced in 2014 and started with focusing on getting the house in order. We called these first two steps Structure & Culture and Quality & Consistency, and they are now well established in the Group. As we make new acquisitions, the new companies are incorporated into this established culture by implementing the first two steps of the strategy.

The Polygon Group is powered by our well-established business philosophy – the Polygon Model (see page 20). It is characterised by a distributed organisational structure in which local entrepreneurship is a driving force and quality and consistency are best-in-class and constantly measured.



① STRUCTURE & CULTURE

BUILD A BETTER BUSINESS

The first step to building a better business is to achieve a house that is in order, with a structured way of working and a strong culture. This was our top priority a few years ago.

We have now reached a satisfying level, but of course we work continuously to improve our business practices, tools and routines for teamwork, sharing of information and best practices. Every other year we arrange leadership conferences, provide a management training programme, collaborate across borders and develop Group-wide systems such as our Field Service Management system. Keeping up the pace is especially important given that we acquire companies and thus need to implement our efficient and structured way of working as quickly as possible in the new subsidiaries.

In order to ensure rapid integration of the acquired companies, a checklist with associated time schedule is used throughout the Group.

FOCUS ON PEOPLE AND CULTURE

All Polygon's employees are guided by a strong corporate culture based on cause and effect: happy people – happy customers – happy owners. This is a prerequisite to create a long-term profitable business and we have therefore developed a strong and solid corporate culture.

The new people we employ, or those who join our Group through acquisitions, are introduced to our culture. Some of the senior executives of the newly acquired companies attend a year-long executive training programme through the Polygon Academy, focusing on building a strong corporate culture and the development of leadership skills.

Our business philosophy, common set of management principles and guiding core values – the Polygon Model – are visualised on page 20.

② QUALITY & CONSISTENCY

PRODUCTIVITY AND SERVICE DELIVERY – IMPROVE OPERATIONS

Step two in our four-step agenda is about increasing productivity and delivery. The Polygon Model is an important tool, and is deeply rooted among our employees. Efforts are made every day to maintain, integrate and develop our way of working. Since Polygon is growing partly through acquisitions, we continually gain new colleagues from different parts of the world. The responsibility to maintain, integrate and develop the Polygon Model lies with our unit managers in their day-to-day management. Efficient and lean processes, digitalisation and highly engaged employees are the core productivity drivers.

We follow our progress through performance indicators (see page 22–23) and strive to plan our day-to-day work to minimise ad hoc jobs, sharpen our processes, implement a better commercial approach and develop new digital systems that can boost productivity.

PORTFOLIO DEVELOPMENT – INCREASE SHARE OF WALLET WITH OUR KEY ACCOUNT CUSTOMERS

Driving the development of more efficient end-to-end solutions is a part of our portfolio development strategy that aims at increasing our share of wallet with key customers. In this mission, digitalisation is core.

Our Field Service Management system automates processes and facilitates seamless integration with insurers and multiple other external systems. The basic objective of the system is to achieve transparency and trust. Thus, the insurer's willingness to place a larger portion of business with Polygon increases.

With our PolyFlow integration platform, we are the first company in our industry to integrate our Field Service Management system with several of the leading customer portals. This enables us to deliver no-touch claims together with leading insurers and other customers, and helps us seize the opportunities to become a strategic partner.

SERVICE DEVELOPMENT COLLABORATION

Developing the service offering in close collaboration with key customers both strengthens customer relations and increases the accuracy of business development. Two pilot projects with leading insurance companies were carried out during the year. One in Sweden and one in the UK.

With the Swedish insurance company, a direct channel for escape of water was established that made it possible for Polygon to take quick drying action – saving money and avoiding environmental impact.

In the UK, our new Plastic Surgeon subsidiary has started a partnership with one of the major insurance companies, Allianz. Plastic Surgeon will handle restoration claims with the aim of decreasing insurance cycle times by up to 80 percent and also reducing the amount of waste that goes to landfill. Read more on page 49.

③ SEGMENTS & SOLUTIONS

GROW MANAGED PROPERTY AND COMMERCIAL INSURANCE

Our customers increasingly need faster processing and short-circuited communication routes. This is especially true in property management. Traditionally, the process from reported damage to an actual solution to the problem has included a range of time-consuming barriers that have to be overcome. Polygon is therefore modernising and simplifying our way of working through digitalisation.

By utilising the possibilities of digitalisation, we also confirm and develop our role as industry leader.

THE SPARK APP

A new online application was developed and launched during 2018 – the Spark App. It is a digital service solution, initially developed for property managers and their customers, that offers digitalised service updates and information about the claims process. Starting in 2019, the app can also be used by insurance companies and claims handlers.

Integrated and updated directly from Polygon's systems, it is an informative and interactive front-end solution with great benefits throughout the claim lifecycle. With Spark, Polygon can resolve issues in a completely new and faster way, and all stakeholders benefit from this integrated value chain.

From 2019, Spark has been available in Sweden, Austria, Belgium and the Netherlands, and has evolved into an important and distinctive competitive advantage for Polygon. Finland and Norway are in turn for 2020, and other countries will come subsequently.

INTERNET OF THINGS SOLUTIONS THAT CAN TRANSFORM THE INDUSTRY

We have also accelerated our efforts to predict and thus avoid damage by using the advantages of Internet of Things (IoT) solutions. This contributes to our ambition to strengthen our partnerships with large customers such as property management and commercial insurance companies.





We work to provide visibility of moisture levels in damp properties. This provides information to all parties in an insurance claim, without having to visit a site. We supply this as a service in new-build buildings too, where moisture levels are critical.

Escape of water claims is a core area of focus for insurance companies as costs continue to rise. Our PolyStop solutions can recognise water usage and tell the difference between a leak and normal usage. Action can be taken early to alert the property owner of a potential problem or to shut off the water supply automatically.

Through internet-connected sensors (measuring humidity, vibrations, etc) in both commercial and residential buildings, we can predict and alleviate damage. The technology protects our customers' assets.

As IoT solutions get more and more advanced and system-integrated, they also have the ability to prevent leaks. For Polygon, this comes with new business potential since our solutions and prevention services can be installed in a large number of buildings. In the future, more and more water fault switches will be connected so that the water can be switched off remotely if a leak is detected.

SUCCESSFUL HOTEL PILOT

In 2019, a successful pilot project was carried out at a Swedish hotel with previous problems of water leaks. We installed connected sensors in 25 rooms, helping the hotel to predict and avoid escape of water. The collaboration is described on page 24. It was successful and will be further developed in 2020.

EFFICIENCY WITH POLYGON AS CLAIMS HANDLER

In Denmark, a pilot project with leading Nordic insurance group Gjensidige was initiated a couple of years ago, in which Polygon acts as the insurance loss adjuster. This means that we get the job directly and finish it without intervention from the insurance company, following agreed processes, limits and terms. More and more insurance companies are showing interest in this type of cooperation and it is yet another step in the right direction for Polygon. It strengthens our position as a key partner that can deliver prompt, professional responses and thus contribute to claims validation and loss mitigation.

During 2019, this successful collaboration resulted in two additional Danish insurance companies entering into similar partnerships, Topdanmark Forsikring and GF Forsikring.

CROSS-BORDER SOLUTIONS – SELL AND DELIVER MAJOR AND COMPLEX CLAIMS

Polygon's ability to leverage its competence centres for Major and Complex Claims and Document Restoration continues to benefit our customers, and our aim is to continue to strengthen this offering. We have the qualified employees, the state-of-the-art technical equipment and the emergency supplies needed to promptly deal with large incidents and minimise the consequences.

Cross-border activities increase every year, and we deliver this type of assignment with increasing efficiency. Polygon's teams of professionals instantly mobilise the resources needed to help industries and other large-scale facilities to quickly get back into business after a disaster.

Major and Complex Claims has increased its revenues by EUR 27 million over 5 years. Continuing to extend the geographical scope for Major and Complex Claims is strategically important, and in 2019 Polygon started up Major and Complex Claims services in Denmark and Norway to support the Northern region. In addition, the newly acquired Swiss company Alvisa 24 is specialised in Major and Complex Claims in parallel with fire damage restoration.

SUCCESSFUL CROSS-BORDER TEAMWORK AND MAJOR AND COMPLEX CLAIMS DURING 2019

Two significant major and complex claims took place in Norway during the year. After a Norwegian fish factory experienced a devastating fire, Polygon Norway, Polygonvatro and Polygon Denmark combined forces to help out, see page 36. Another severe fire event in Norway was the one that hit Ekofisk, an oil field in the North Sea. Two offshore production platforms located hours from land were put out of operation, with a revenue loss of NOK 20–25 million per day.

Another important Major and Complex Claims assignment was executed when a large factory caught fire in Switzerland, and Polygon's Austrian and German organisations delivered great teamwork to help out.

④ BUY & BUILD

GROW BY ACQUISITIONS

Our acquisition strategy is ambitious. This part of the strategic agenda was a main focus in 2019, and will continue to be a top priority in 2020. The long-term target is to be number 1 or number 2 in each country of operation. The market is slowly consolidating and will provide many additional opportunities for acquisitions in the coming years. The consolidation trend is also well in line with the growing demand among insurance customers for one-stop shopping.

Potential acquisitions must be active in areas closely connected to Polygon's core businesses. We provide both controlled integration into our business systems and additional opportunities for acquired companies.

Our leading position is being strengthened successively all over Europe. Polygon is the largest company within the property damage restoration industry in the Nordic region, and the undisputed market leader in Germany. Polygon has in fact a very strong market position in all European countries where we are present.

HIGH ACQUISITION PACE IN 2019

We successfully acquired eight companies in six countries during 2019, with the acquisition of Swiss Alvisa Holding AG (Alvisa 24) as one of the highlights since it meant we entered a new market. With the subsequent acquisition of Nettag AG, we became one of the true market leaders in the country with a complete service range within damage restoration.

Two other key achievements were the acquisition of Tehokuivaus Oy in Finland, and the acquisition of the UK's largest hard surface repair specialist Plastic Surgeon, which strengthened our position in the area of property restoration. Plastic Surgeon has been focused on the UK market, but has great opportunities in the wider Polygon Group.

In order to enhance the ability to find and acquire high quality companies, an experienced Head of M&A was hired during 2019.



BUY & BUILD STRATEGY EXECUTION 2019

We made eight strategic acquisitions during the year:

- Tiedema in the Netherlands. Strengthens leak detection and temporary climate solutions offering in the country.
- Alvisa Holding AG (Alvisa 24). Polygon enters Switzerland by acquiring one of the market leaders, specialised in fire damage restoration and major and complex claims.
- VANWAARDE – establishes document restoration services in the Netherlands.
- The Plastic Surgeon Holdings Ltd in the UK – strengthens the position in the area of property restoration and hard surface repairs.
- Tehokuivaus Oy in Finland – reinforces the Finnish offering in water and fire damage restoration.
- AMRestore in the US – increases the geographical footprint throughout the Northeast.
- Remaining shares of the former franchise company Haugesund AS.
- Nettag AG – makes Polygon a leading service provider in Switzerland.



POLYGON –ALWAYS BY YOUR SIDE

POLYGON'S SERVICES SIGNIFICANTLY REDUCE CO₂ EMISSIONS

Polygon's water damage restoration services can often contribute to decreased greenhouse gas emissions. During 2019, we conducted a study together with students from the Royal Institute of Technology in Stockholm to find out how much CO₂ emissions can be avoided by using drying techniques to restore properties after water damage – instead of demolishing and rebuilding.

A Life Cycle Assessment method was used in the study to build the model for the calculations. Afterwards, we collected data from over 350 Polygon employees in six countries and made an initial calculation of the aggregated emissions savings.

The main drivers of CO₂ emissions are production of new materials, transportation of service personnel and electricity use.

The main conclusion of the study was that both CO₂ emissions and costs can be significantly reduced when Polygon, as well as other companies using effective drying techniques, arrive early at the water damage site – the sooner we are in place, the greater the chance that property and materials can be restored rather than replaced.

The study indicates that the use of Polygon's water damage restoration services avoided around 11,000 tonnes of CO₂ emissions in 2019. This is equivalent to approximately 16,000 return flights from London to New York.



CONSOLIDATED EXPERTISE EVOLVES THE INDUSTRY



Polygon has five Centres of Excellence where we consolidate our expertise in a number of strategic areas. Our experts work across borders and develop practices for the benefit of customers in all our markets.

The Centres of Excellence benefit our customers, and enhance operations in every entity in the Polygon Group by evolving the entire industry to a new level of professionalism.

For Polygon, our Centres of Excellence also lead to greater opportunities to take on big assignments and deliver successful cross-border collaborations.

MAJOR & COMPLEX CLAIMS IN GERMANY

Our technical Centres of Excellence in Germany are driving excellence when it comes to dealing with major and complex claims that require special skills and exceptional work in property damage control.

For an affected company, it is critical to get back in business as soon as possible. Polygon's Major & Complex Claims services do just that. One of the crucial elements is to restart and secure production while restoring the property, in order to minimise disruption of operations as far as possible. Working this way, an affected company's production can be partly up and running in just in a few days, then the production rate can rise successively in pace with the restoration of the facility.

The German organisation has a unique way of working that is well described and available to other subsidiaries in the Polygon Group.

A STRATEGICALLY IMPORTANT AREA

Major & Complex Claims in Germany (branded Polygonvatro) has demonstrated the power of its business and increased its revenues by EUR 27 million over 5 years.

Expanding this business is a strategic focus area, and cross-border collaborations have been established with Austria, the Netherlands, Belgium and the Nordics. In 2019, Major & Complex Claims services were established under the Polygonvatro brand in Denmark, the UK and Norway as well. However, the most extensive claims still require efforts from the German operations.

Major & Complex Claims accounted for 12 percent of Group sales in 2019, and are of utmost strategic importance for Polygon.

The team of 70 specialists connected to this Centre of Excellence are dedicated to working with technical and industrial losses. They have special trucks ready to turn out immediately at the scene of an accident. These trucks act as mobile coordination centres and are fully equipped when it comes to emergency supplies.

If needed, a large number of technicians can be sent out to handle an assignment. For example, during a cross border collaboration following a fire in Norway in 2019, 160 technicians from four countries worked simultaneously at one site. Read more about the job on page 36.

UNIQUE SKILLS IN TECHNICAL RECONDITIONING

The German Centre of Excellence for Major & Complex Claims also possesses unique skills in technical reconditioning. Through the specialists at this centre, water and fire-damaged equipment, tools and machinery are taken care of and restored.

A high level of expertise and knowledge is required to handle damaged machine tools. Special knowledge and technical expertise are essential at every step of the process. And you must have access to the advanced technical equipment required to complete the reconditioning professionally. The centre is completely up to date in all aspects of this complex business. Our services can save up to 60 percent of the costs of purchasing new machinery.

DOCUMENT RESTORATION IN THE UK, THE US AND THE NETHERLANDS

Polygon's position as global leader in document restoration was strengthened in 2019, and we saw accelerated progress in our global document restoration growth strategy.

The market for document and specialist restoration continues to grow as customers across all sectors recognise the potential in restoring items rather than trying to recreate them.

The Centre of Excellence for Document Restoration is constituted of operations in the UK, the US and, as of 2019, also the newly acquired Dutch document restoration company VAN-WAARDE. The expertise has also been enhanced by this year's acquisition of US company AMRestore.

The subsidiaries share experience and know-how, and enable the Group to offer comprehensive and unrivalled services in document restoration across a number of countries. Their combined knowledge and skills are drawn upon by other companies in the Group in different types of complex restoration projects.

Document restoration is a specialised business, involving both individual professionalism and dedicated technical equipment. Our European operation, branded Harwell, is one of the most experienced companies in this area, and Polygon has retained the name because the company's skills are also in demand outside the Polygon Group.

Technical innovations have great potential to develop the industry. Polygon's internal innovation ability and technical know-how help us maintain our position as global leader. One recent example is the development and production of a new vacuum drying chamber that incorporates remote monitoring technology.

EMERGENCY EQUIPMENT STOCK IN GERMANY

Large-scale natural disasters call for large-scale efforts in terms of both qualified people and high-performance technical equipment.

Polygon's Centre of Excellence for Emergencies in Germany is available to all European Polygon subsidiaries. It holds Polygon's Eurostock – a unique capacity resource with 3,500 dehumidifiers, fans, heaters and other types of equipment stocked under one roof. The equipment is available 24/7 for major emergencies. It takes a maximum of two working days, often only one, for the equipment to be shipped by truck and arrive at a damage site anywhere in Europe.

CLIMATE SOLUTIONS IN THE US

Our Centre of Excellence for Climate Solutions in the US has world-leading expertise in the areas of moisture and temperature management and control. Every year we provide temporary climate solutions for over one million square metres of buildings.

By using energy-efficient equipment, we create the right conditions to avoid shutdowns due to climate problems or regulatory restrictions. On construction sites, we keep cold-temperature-related risks and problems under control, enabling building projects to stay on time. In food processing, we provide climate control solutions to deal with temporary moisture challenges due to warm temperatures, so that required hygiene and product safety standards can be maintained.

We employ the most professional, state-of-the-art equipment. But, more importantly, we are specialists dedicated to engineering solutions.

MOISTURE CONTROL IN SWEDEN

Our Centre of Excellence for Moisture Control in Sweden is dedicated to predicting and preventing moisture problems. We handle all types of assignments, from pre-study to demolition, with both expertise and equipment. Moisture control is an emerging business, and the Centre of Excellence demonstrates Polygon's ambition to lead the way forward.

Controlling moisture is a challenge through the entire building process – from initial planning to final inspection. Lack of expertise in this area can cause major disruptions, unnecessary waste and costly delays. The earlier Polygon is involved in a project, the better the assistance provided.

Polygon Moisture Control Services has unique technical competence, uses the most up-to-date instruments and equipment, and has a well-equipped laboratory. Thanks to continuous innovation, Polygon has become a pioneer when it comes to techniques that lower energy consumption and reduce drying times.

In recent years, the traditional dehumidification technique – based on dry air – has been increasingly supplemented with heating of materials using so-called heat mats. In many situations, this can bring faster and more energy-efficient results. The method is, for example, very useful in time-critical new construction projects as it is important to avoid moisture in the buildings.



THE POLYGON MODEL

Everything we do within the Polygon Group is based on the Polygon Model. It describes the business philosophy and management principles that guide us in our daily work.

Polygon is a decentralised service company with a distributed organisation and a strong base of unit managers, for whom local entrepreneurship is the foundation for success. The Polygon Model describes our global guidelines and contains everything needed to position us as the global expert in property damage control and the leader in industry transformation.

MEANS OF IMPLEMENTATION

All internal communication and all internal conferences are permeated by the Polygon Model to achieve maximum reach-out in the organisation. Via the Polygon Academy, our internal development and education programme, the Polygon Model is established throughout the Group. The Academy also creates internal ambassadors whose importance to our common culture cannot be overstated.

THE VALUES – OUR FOUNDATION

Integrity, Excellence and Empathy. These are our values and the foundation of our business philosophy. They serve as a guide to our people in their everyday interactions with customers, colleagues, partners and other stakeholders.

- **Integrity** means that we are honest, accountable and reliable.
- **Excellence** means that we are experts and knowledge leaders, that we strive for continuous improvement and apply best practices.
- **Empathy** embodies our understanding of our customers' situations, our desire to be helpful and that our people make the difference.

THE BASICS – OUR COMPANY AND CUSTOMERS

Our Company encompasses our brand promise, focus, mission, approach, values, customer segments and services. (See page 11). The purpose is to create a strong sense of belonging and a consistent corporate identity. We work with many customers in different geographical locations, and our goal is to provide the same experience to all of them. Our goal is to provide the same experience to all our customers.

Our Markets clearly sets out the customer segments we serve and helps us identify the most important stakeholders and their needs in order to adapt our service delivery accordingly.

OUR SOLUTIONS – PROCESSES FOR BEST PRACTICE

Our Solutions defines our core processes of selling, service delivery and continuous development. It helps us to deliver consistent quality to our customers by defining best practice in each area. Our Solutions processes are always connected to the specific customer segments in Our Markets, helping us to remember that, based on specific customer needs, processes vary for each segment.

THE METHOD – OUR MANAGEMENT PRINCIPLES

Create a Simple Organisation is about reducing bureaucracy and placing a stronger focus on the customer. We continuously reinforce the importance of clear accountabilities and teams large enough to be efficient, yet small enough to make quick decisions. We can thereby respond swiftly to our customers' needs, which is crucial for success in our business. Creating a simple organisation is vital in a decentralised service organisation supported by global guidelines.

Lead by Example connects our core values with the way our managers lead. It is about delivering on promises, making things happen and caring about our customers and our own people. This type of leadership fully leverages the power of the simple organisation.

Measure for Progress is a set of tools that help us focus on performance – input – rather than only measuring output through financial reports. All of our units are measured on ten simple performance indicators in the areas of business performance, customer satisfaction and employee performance.

Manage our Risks represents our way of identifying the most significant risks to create awareness and avoid threats to our business. Read more about our risk management on pages 46–48.

Advance our Industry is about our responsibility to promote good working terms and conditions for our employees, while striving to ensure that our competitors meet the same standards. As an industry leader, we feel a strong sense of responsibility to drive this development and we are convinced that it will benefit our whole industry, our employees and our customers.

Earn the Right to Grow is about developing our business in the right sequence. This means getting the basics in place and delivering our core services in a consistent way before venturing into new business areas or making acquisitions.



THE POLYGON MODEL

THE BASICS



OUR COMPANY



OUR MARKETS



OUR SOLUTIONS

THE METHOD



SIMPLE
ORGANISATION



LEAD BY
EXAMPLE



MEASURE FOR
PROGRESS



MANAGE
OUR RISKS



ADVANCE OUR
INDUSTRY



EARN THE RIGHT
TO GROW

OUR VALUES



INTEGRITY



EXCELLENCE



EMPATHY



EMPLOYEES, CUSTOMERS AND FINANCIALS IN FOCUS

Polygon's measuring model focuses on a few essential parameters: employees, customers and financial performance. The model is designed to fit our decentralised organisation. It is simple to use and understand, with the aim to make it easy for our unit managers to get a grip on actual performance and make appropriate corrections when necessary.

In order to monitor our performance, we have a number of indicators that quickly let us know whether things are as they should be. In line with our philosophy of putting people first, we follow this belief when we measure our performance.

We start with measuring our employee performance, followed by customer satisfaction and, only then, our business performance indicators.

When following the indicators, it is important to understand that these only provide a signal of where things are heading. Understanding why a certain result appears, and what might need to be done, can be a time-consuming task, demanding thorough analysis.

EMPLOYEE PERFORMANCE

We strongly believe that happy employees deliver results, and this is proven by the high correlation between employee satisfaction and financial performance. Happy employees, happy customers. We measure this indicator every year via the net promoter score employee NPS (eNPS) and follow it up thoroughly. To be able to judge if we have the appropriate numbers of employees in different categories, we also monitor the head count.

For 2019, Polygon's eNPS score was stable at 11 (11), which is the same level as benchmark.

During 2019 Polygon has been ranked as a attractive employer. Read more on page 41.

CUSTOMER SATISFACTION

We measure and monitor our customers' perceptions of our services. Just like employee satisfaction, customer satisfaction has a direct influence on our financial performance. For 2019,

Polygon's NPS remained at a solid level of 51 (51) and gained market share. The NPS can range from -100 to +100. Any score above zero is considered favourable, and an NPS of more than 50 is excellent. We also monitor our process quality through various measurements such as credits and follow-ups of customer complaints. The correlation between good processes and a good gross margin is also strong.

BUSINESS PERFORMANCE

We have identified six fundamental factors that influence financial results and cash flow, and thus form the foundation for development. These factors are functional and relevant at all levels of the organisation.

NET SALES

It is of crucial importance that we can attract new customers. Certain sections of our business are more dependent on new sales than others, since they do not work with framework agreements. Temporary Climate Solutions is one example.

Sales for full-year 2019 amounted to EUR 677 million, up by 9 percent compared to the previous year. Adjusted organic growth was 2.5 percent, acquired growth was 6.8 percent, and all segments contributed to the growth.

PORTFOLIO DEVELOPMENT

The importance of taking care of customers and delivering high quality can never be exaggerated. We follow up and measure this by reporting portfolio development. This indicator focuses on monitoring the development of our largest customers, which is popularly known as key account management.

The adjusted organic growth of 2.5 percent is proof of good portfolio growth.

JOB VALUE

The third business performance indicator is job value. By monitoring this, we can minimise our revenue leakage. We can ensure that we charge for the service we have provided under our customer agreements, thus guaranteeing that invoices are prepared at the right prices. A decrease in job value may, for example, indicate that a service is not being billed or provided.



GROSS MARGIN

Productivity is measured by monitoring the gross margin. Put simply, the gross margin is sales minus direct project costs, such as technical personnel, materials and the costs of subcontractors. The gross margin is dependent on how efficiently we make use of our own personnel – our utilisation ratio. A low gross margin compared with similar entities indicates problems in the projects. These may include the effect of insufficient quality resulting in an unnecessarily high number of visits to the work site, and insufficient planning resulting in a low utilisation ratio. Variations in the gross margin may also be due to a mixture of services in which the gross margins vary according to which services we sell. In general, the margin on a service is linked to solutions, and those with a more technical content have a higher margin than those that are simpler in nature.

In 2019, the gross margin has improved by 0.4 percentage points to 24 percent.

INDIRECT COSTS

The level of indirect costs tells us, for example, whether we have the right structure for our back office and premises. Does our support organisation (including finance, HR, marketing, IT, project support) deliver services efficiently? An efficient structure can usually manage increasing volumes without more resources.

Since 2015, Polygon has successfully decreased its indirect costs. The main bulk of the profit growth comes from the leverage of keeping costs relatively constant and at the same time increasing sales.

CASH

The sixth financial performance indicator is cash, or days of sales outstanding (DSO). Problems with DSO, such as delays in payment, can indicate deficiencies in quality in the form of project delivery, or administrative problems with billing. Each Polygon entity can contribute to a healthier balance sheet by scoring high on this indicator.

DSO improved by two days compared to 2018.

RELEVANT AND THOROUGH FOLLOW-UP

Successful management of our ten measurements will improve the Group's income statement, balance sheet and cash flow. We follow each unit to ensure that good management of our measurements leads to good profit development.

We only measure what can be influenced by an individual entity.



POLYGON – ALWAYS BY YOUR SIDE

DIGITAL SOLUTIONS PREVENT WATER DAMAGE

When water damage remains hidden for a long time, it often causes significant impact that leads to high costs, long restoration times and unnecessary CO₂ emissions.

Polygon is determined to embrace the challenge of preventing damage by combining its existing restoration processes and extensive water-damage knowledge with new technology and data analysis. Polygon is in a unique position to offer an end-to-end solution for its customers, to help them prevent water damage impact.

An example of this is Polygon working to offer solutions with smart sensors and automatic valve shut offs installed for its customers, providing constant surveillance and rapid mitigation based on sensor alarms.

Polygon uses the data gathered to increase its understanding of high-risk households, properties and situations in order to advise customers on water-damage prevention measures.

The vision is to become the first provider to offer a full end-to-end solution that prevents water, mould and other property-related damage across customer segments.



A ONE-STOP-SHOP FOR DAMAGE CONTROL

Polygon is the fully-fledged specialist and one-stop shop in property damage control and temporary climate solutions. Large scale and resources are important Polygon advantages.

Our services are categorised according to the cause of damage – water, fire and climate – but we are organised to regroup our resources to take care of major disasters that require an all-in effort.

Polygon offers a complete range of services – from standardised to tailor-made solutions and from one-offs to partner agreements. This makes us an overall partner for our customers.

Our focus is on the restoration of damaged property. This is more cost effective and environmentally sustainable than

rebuilding. We have a wide range of services covering every aspect of this area. From damage assessment to post-incident mitigation. On average, a property restoration job takes ten weeks to complete.

PREVENTION AND DIGITALISATION ARE THE FUTURE

In recent years, increasingly advanced Internet of Things solutions have improved our ability to prevent damages. There is an increasing demand for preventive measures, and we help our customers identify risks, avoid incidents and achieve moisture control and better indoor air quality.

Prevention is becoming ever more important as a competitive advantage, and our aim is to be at the forefront. To achieve this, we utilise equipment such as connected sensors that collect real-time data like moisture and temperature.



SERVICES	 WATER	 FIRE	 CLIMATE
PREVENT	CONSULTING DIGITAL SOLUTIONS	CONSULTING	CONSULTING DIGITAL SOLUTIONS
CONTROL			TEMPORARY CLIMATE SOLUTIONS
MITIGATE	WATER DAMAGE RESTORATION LEAK DETECTION DOCUMENT RESTORATION TECHNICAL RECONDITIONING	FIRE DAMAGE RESTORATION DOCUMENT RESTORATION TECHNICAL RECONDITIONING	DOCUMENT RESTORATION



WORLD-CLASS WATER DAMAGE SPECIALISTS



Polygon's water specialists handle everything from small leaks to major incidents caused by flooding. We are experts in restoring damaged property, equipment and documents to the greatest possible extent. Prevention services are increasingly important and are developing thanks to digitalisation.

EXAMPLES OF WHAT WE DO FOR OUR CUSTOMERS

- Damage assessment
- Drying
- Mould remediation

RESTORATION STEP BY STEP

Our water damage restoration services typically include pumping away residual water and removing furniture and other valuables to prevent further damage. Once the damaged site is controlled, the drying process begins, using energy-efficient drying and dehumidification equipment. By using technology such as remote monitoring, the drying process can be monitored offsite.

Factors such as the composition of the wet materials, airflow and humidity levels determine the approach. Sometimes the use of heat mats or heat sticks is required in addition to standard equipment. A growing business for Polygon is taking on responsibility for restoration of the site, such as replacement of wall and floor materials or the rebuilding of fittings. Polygon also has a specialised service for reconditioning damaged equipment and machinery.

EXPERT HELP WITHOUT DELAYS

It usually takes time to sort out a damage claim. In the meantime, an affected company racks up costs and customers might be lost. Getting started quickly is also crucial for restoring as much material as possible. For an affected company it is of course also decisive to get back in business as soon as possible. In many countries, Polygon therefore offers our customers a stand-by service to get expert help without unnecessary delays.

DRYING – A RESPONSIBILITY ASPECT

Drying a building instead of demolishing and rebuilding it has many benefits. It generates less CO₂ emissions and saves money thanks to less cost for building materials and less need for man hours working with demolition and rebuilding.

In addition, Polygon always tries to find the smartest and most discreet solution when drying a building. This means that all or part of the premises can remain in use and that the affected customer can keep the business running during the drying period.

MAJOR AND COMPLEX CLAIMS

We see an increasing demand for the handling of major and complex claims and have the qualified employees, the state-of-the-art technical equipment and the emergency supplies needed to promptly deal with large incidents. Our dedicated teams of professionals can instantly mobilise the resources needed to help industries and other largescale facilities quickly get back into business after a disaster. Our technical Centre of Excellence in Germany is driving excellence in this area.

SALVAGING VALUABLE DOCUMENTS

Each year, we perform services to salvage millions of paper and film-based documents from damage caused by water or fire. The types of documents may range from historical artefacts to tax, medical and legal records.

Damaged documents deteriorate quickly, so timely and appropriate recovery is necessary to halt the progression of damage. Polygon uses the most technically advanced processes and equipment to meet the specific needs of each project. We have the largest dedicated facilities and staff across a number of countries to offer unrivalled support in document restoration.



OUR EXPERTISE EXTENDS ACROSS EUROPE

In 2019, we established document restoration services in Netherlands via the acquisition of VANWAARDE. Polygon's position within water services in Finland was also strengthened during the year, via the acquisition of Tehokuivaus.

Polygon has two Centres of Excellence for Document Restoration – one in the UK (branded Harwell) and one in the US. By signing a partner agreement with Polygon, companies gain priority access to our world-leading expertise.

LEAK DETECTION TO REDUCE RISK AND DAMAGE

We also offer a range of leak detection services. Polygon saves water by locating and fixing leaks with non-destructive detection where traditional methods would be destructive or have failed.

A leak may be undetectable to the naked eye and might be located in, for example, a pipe, a roof, a heating system or a swimming pool. The potential damage as a result of a leaking pipe should not be underestimated – a 0.5 mm leak could cause a loss of 20 litres of water every hour. We use multiple techniques to identify leaks and minimise damage to property, including infrared cameras, tracer gas, smoke and air pressure.

Since prevention is key, Polygon's service is designed to identify areas of concern before damage occurs.

EUROSTOCK – EQUIPMENT FOR ALL OF EUROPE

For large-scale disasters, Polygon has an emergency stock of dehumidifiers, fans and other equipment at our Eurostock. The equipment has been housed at the Centre of Excellence for Emergencies in Germany.

From our Eurostock hub, equipment can be put into operation all over Europe within no more than 48 hours. The service is unique and gives us the capacity to respond powerfully to major incidents.



FIRE SERVICES EQUIPPED FOR MAJOR CLAIMS



Polygon's fire services include drying up water left by the extinguishing work as well as clearing soot and debris and restoring buildings, machines and equipment. These are the major restoration challenges after a sudden fire, and Polygon is equipped to take on the job anywhere – from start to finish.

EXAMPLES OF WHAT WE DO FOR OUR CUSTOMERS

- Cleaning
- Content removal and storage
- Reconstruction of property and contents



Our goal is always to get the customer back in business as quickly as possible.

Polygon's role in a fire incident is to clean up after the fire, restore inventory and documents, and mitigate the secondary effects. This includes smoke damage, oxidation and water damage caused by extinguishing the blaze. Our services also include managing subcontractors to restore the property to its original condition.

In some cases, the clean-up will reveal further water damage, which necessitates a drying process.

BOUNDLESS COOPERATION

Large fire-damage restoration jobs may require sharing knowledge and equipment between different Polygon units. Some parts may be mainly affected by water and some parts by smoke. An overall plan has to be designed that clarifies what can be restored at reasonable costs. Polygon takes on the project management role and is equipped to conduct the restoration.

Polygon is also equipped to take on cross-border jobs, as well as work on ships and oil platforms. We have experts certified to work offshore in these highly specialised environments.

MAKING EQUIPMENT WORK AGAIN

In Germany, Polygon has a Centre of Excellence for Technical Reconditioning of water and fire-damaged equipment, tools and machinery. This is a highly specialised service that is usually carried out jointly with the equipment manufacturer and under strict quality guidelines. It involves dismantling machinery damaged by fire or water – often manufacturing equipment

or complex instruments. The work can be executed on the customer's premises or at our Centre of Excellence.

Typical applications for reconditioning include power electronics, computers and office machines, medical equipment, telecom devices and electrical panels. Reconditioning can save up to 60 percent of the cost of purchasing new machinery. It also reduces business interruption.

SALVAGING FIRE-DAMAGED DOCUMENTS

Polygon has two Centres of Excellence for restoring damaged documents – one in the US and one in the UK. There is also a service centre in Germany, and in 2019 we established document restoration in the Netherlands via the acquisition of VANWAARDE. We also established service sites in France and Belgium.

We have the largest dedicated facilities and staff across a number of countries to give our customers unrivalled support in document restoration. This expertise is mainly used in connection with water damage, but can be used for fire-damaged material whenever needed.

STRENGTHENED POSITION VIA ACQUISITIONS

In 2019, Polygon entered Switzerland through the acquisition of Alvisa Holding AG (Alvisa 24). This company is one of the Swiss market leaders, specialised in fire damage restoration and major and complex claims. Yet another deal strengthened Polygon's position within fire services during the year – the acquisition of Tehokuivaus in Finland. In Sweden, Polygon expanded into fire damage restoration in 2018, following a couple of acquisitions.



COMPREHENSIVE CLIMATE SOLUTIONS



Whenever the climate conditions of a site need modification, considerable know-how is required to make sure conditions turn out perfectly. Polygon has the expertise. We offer comprehensive climate solutions for controlling the temperature and humidity of a building or manufacturing environment.

EXAMPLES OF WHAT WE DO FOR OUR CUSTOMERS

- Dehumidification and humidification
- Total climate control
- Project engineering

MANAGING MOISTURE EFFECTS THROUGHOUT THE LIFECYCLE

Via lifecycle consulting services, we offer project planning and measurements to create better indoor environments throughout the entire lifecycle of a building. Our building engineers are engaged to ensure that issues stemming from moisture are minimised and managed.

Our offering includes a wide range of drying, cooling, heating and remote monitoring services. Assignments may last from several months to a year or more. We manage the effects of moisture throughout the entire lifecycle of a building – from preliminary study of construction projects to demolition. Through continuous measurement and tracking, we ensure that the right conditions are maintained over time.

WE HAVE CERTIFIED MOISTURE SAFETY ENGINEERS

Our services demand extensive knowledge about building construction, airflow dynamics, ventilation requirements, the impact of ceiling height and air leakage, as well as the effects of outdoor temperatures and humidity levels.

More than 50 percent of construction errors occur on the drawing board. Through early identification of at-risk structures from a moisture standpoint, costly future renovations can be avoided. Polygon has a Centre of Excellence for Moisture Control in Sweden (branded AK Konsult) and certified moisture safety engineers who can help in many areas and with different moisture problems.

30 YEARS OF DESIGNING SOLUTIONS FOR CONSTRUCTION SITES

Polygon's Centre of Excellence for Climate Solutions in the US has over 30 years of experience of designing temporary dehumidification solutions for the construction environment. We also have specialised technicians who are trained for offshore assignments. Via the acquisition of AMRestore in 2019, the US service line has been complemented and expanded, and geographical reach is extended throughout the Northeast down through the Mid-Atlantic.

Coping with dehumidification is essential for building projects to be executed with maximum efficiency and quality. Large parts of the US have a very humid climate. This implies special considerations for the choice of paint and building materials.

Extreme temperatures are the main reason for disruption on worksites. Working conditions can become difficult, processes may be delayed, and machinery and electrical equipment are liable to failure. The obvious results are losses in productivity and product quality.

The use of temporary heating or cooling reduces these risks by effectively keeping all temperature-related challenges under control.

The entire process and its development are easily supervised thanks to Polygon's Exact Aire® – the most advanced system available for monitoring interior environments throughout the construction project.

FULL CONTROL OF TEMPERATURE AND HUMIDITY

Sudden weather changes can seriously affect freshly blasted steel surfaces. Polygon US is a leading specialist in providing state-of-the-art desiccant dehumidifiers that protect the blast during all moisture or temperature changes.

Polygon has developed a method that fully controls temperature and humidity, allowing the use of the correct coating without concern for the weather during application and cure. Our dehumidifiers will hold the blast between shifts. This way the need to paint-up each day is eliminated. Condensation problems are reduced and coating productivity is improved. Coating life can be prolonged and coating costs be reduced by up to 20 percent.

We maintain the largest fleet of climate control equipment in the industry and are dedicated to ensuring that a project stays on schedule with minimal downtime.

HIGH STANDARDS IN THE FOOD INDUSTRY

Food has to be handled with ultimate care and under safe conditions – all the way from the farm to the consumer. This starts at the farm, where well-cared-for animals are more productive and valuable. Failing to control environmental conditions can cause discomfort for the livestock.

Polygon provides climate control solutions to deal with the most difficult moisture problems at food processing facilities. Our temporary drying systems reduce maintenance problems such as iced refrigeration coils, wet floors, mould growth and condensation. The temperature is monitored to maintain hygiene standards, ensure product safety and eliminate airborne contaminants.

When products arrive at the processing facility, controlling temperature and moisture levels is critical to producing quality. High humidity can lead to increased bacterial growth and drip-page that contaminates the food.

Polygon's operations in Singapore are specialised in temporary climate solutions for the marine industry, with focus on dehumidifiers for LNG tankers and oil and gas companies.

IMPROVING INDOOR AIR QUALITY

Polygon's indoor air quality concept comprises everything from pre-study, design and construction to maintenance, protection, assessment and recommendation of appropriate actions to improve indoor air quality. We do this in such a way that the building remains usable, and we prevent situations that will disrupt the operation of the building. Through our smooth approach, a sick building can be transformed into a healthy building, all to the benefit of the owners and the people working inside it. Our Centre of Excellence in Sweden are experts in this area.

In addition, our Finnish businesses have indoor services as part of their offering. Poor air quality indoors at home, at work or in public buildings can cause health problems for people, and must be dealt with quickly. Polygon's indoor air experts investigate and solve all types of indoor air problems and offer rental equipment such as air purifiers.

AT THE FOREFRONT OF DIGITALISATION

Our ambition is to be at the forefront of digitalisation and Internet-of-Things solutions for climate control. We have launched, and are continuously developing, real-time services that help construction companies and the public sector to monitor temperature, moisture, dew points and volatile compounds in the indoor air. Information is gathered via wireless sensors and transferred through the cloud. Everything is then controlled from easy-to-read dashboards. Read more on page 24.

GLOBAL PLAYER WITH LOCAL UNDERSTANDING

POLYGON HAS OVER 300 DEPOTS IN 14 COUNTRIES ON 3 CONTINENTS. WE UNIQUELY COMBINE LOCAL UNDERSTANDING WITH INTERNATIONAL INSIGHTS AND GROUP-WIDE BEST PRACTICES.

POLYGON IS THE UNDISPUTED MARKET LEADER IN THE PROPERTY DAMAGE RESTORATION INDUSTRY IN EUROPE.



NORDICS AND UK

POLYGON IS THE LARGEST PROVIDER OF PROPERTY DAMAGE RESTORATION SERVICES IN THE NORDICS AND THE UK.

DENMARK

Polygon has a very strong position in Denmark as one of the two largest players. The offering is focused on fire and water services. After a successful merger between Dansk Bygningskontrol A/S and Polygon Denmark in 2018, Polygon in Denmark added another service offering to the portfolio to support the Northern region, Major & Complex Claims, branded Polygonvatro DB. During 2019 Polygonvatro DB has supported Norway in several projects.

A couple of years ago, Polygon Denmark started up a pilot project acting as loss adjuster for insurance company Gjensidige – Polygon gets the job and finishes it without any intervention from the insurance company. Polygon in Denmark continues to act as a key provider when it comes to loss adjustment, validating claims and mitigating losses due to prompt, professional responses. This has resulted in another two of the biggest insurers following the example.

FINLAND

Polygon Finland is a leading company in property damage restoration, and in May 2019 it strengthened its position by acquiring Tehokuivaus Oy. The acquisition increased the market share in western Finland and delivered growth in profitability.

2019 was also a year for business turnaround after a challenging 2018. The first quarter was supported by the Group COO and external resources. The new CEO, Tom Jaatinen, joined in May and that was followed by changes in the management team and depot leadership positions. Many development initiatives were continued and set up, mostly focusing on operational efficiency.

Employee turnover decreased over the year and a lot of effort was put into internal information sharing and communication. Relationships with key customers remained stable, and more in-depth planning for future joint initiatives and collaboration was conducted.

SALES 2019 EUR M

229.3

202.7

SHARE OF GROUP SALES

34%

33%

SHARE OF GROUP EMPLOYEES

45%

44%

NORWAY

Norway improved its sales with several successful major and complex claims projects during 2019, including fire damage restoration at a fish factory in Senjahopen. (See page 36.)

Polygon entered the offshore market through a unique major and complex claims project when a fire hit a platform in the North Sea. (See page 15.)

The Norwegian operation was awarded a silver medal certification by EcoVadis and was also assigned to front the launch of the “We Include” campaign by the Labour and Social Inclusion Minister Annika Hauglie, CEO of the Confederation of Norwegian Enterprise.

In September, Polygon Norway acquired the remaining shares of the former franchise company Haugesund AS.

SWEDEN

In Sweden, Polygon is the market leader in water damage restoration. Our Centre of Excellence for Moisture Control is located in Sweden. With the acquisition of Caliber Sanering and Refix Skadesanering in 2018, Polygon Sweden broadened its service offering with fire damage restoration. The integration of these two companies has run according to plan in 2019.

Polygon Sweden acquired Saneringsfirman Hedberg AB in January 2020.

Two examples of prevention assignments from 2019 were a large planning project handling moisture safety for the Swedish construction company JM's new head office in Stockholm and a huge stocktaking project in Sigtuna, north of Stockholm. The latter included 120 buildings, mostly schools and day care centres, and the mission was to investigate how to improve the buildings when it comes to mould, moisture and obvious property damages.

UK

Polygon acquired The Plastic Surgeon Ltd in 2019, the UK market leader in the area of hard surface repair. The Plastic Surgeon has seen rapid growth and enables Polygon to offer further value to its clients by restoring rather than replacing all kinds of hard surfaces, lowering costs and improving their environmental footprint. In 2019 alone, Plastic Surgeon prevented over 4,000 tonnes of waste going to landfill and completed over 900,000 repairs.

Polygon UK marketed PolyStop, an Internet of Things (IoT) preventative damage offering. This device learns water usage and can take action to turn off water remotely should it detect problems. The company launched its new Polygon Crystal concierge service targeting high net worth customers who expect fast, hassle-free claims.

The Technical Water Damage Academy in the UK has been an extremely popular training resource with insurers and loss adjusters alike, as well as for internal Polygon teams. The Technical Fire Damage Academy was added in 2019 to train innovations in restoration after fire in all kinds of materials including wood, brick, stone and plastic.

Floods in Doncaster were successfully handled by one of the newest members of the Polygon UK family, Neways, which joined up with their Polygon UK restoration colleagues to deliver faster claim solutions for customers.

Polygon UK maintained its Investors In People (IIP) Platinum standard and also successfully renewed its Achilles Green Company accreditation. This extra achievement is almost unique, with Polygon achieving 100 percent scores across the full range of assessed areas – Environmental, Health & Safety and Quality.



POLYGON IS THE LARGEST PROVIDER OF PROPERTY DAMAGE RESTORATION SERVICES IN EUROPE.

SALES

EUR million	Sales	
	2019	2018
Nordics and UK	229,3	202,7
Continental Europe	414,6	382,7
North America	37,1	34,7

CONTINENTAL EUROPE

POLYGON HAS OPERATIONS IN GERMANY, FRANCE, AUSTRIA, SWITZERLAND, THE NETHERLANDS AND BELGIUM, AND CROSS-BORDER ASSIGNMENTS ARE INCREASING EVERY YEAR, ESPECIALLY WHEN IT COMES TO MAJOR AND COMPLEX CLAIMS.

GERMANY

The German operation, branded Polygonvatro, is by far the biggest player in the property damage control business in Germany – and continues to grow. During 2019, Polygonvatro expanded the business with four new branches.

Polygonvatro in Germany is the home of our Centre of Excellence for Major & Complex Claims. A second technical centre was opened in Magdeburg during the year, enabling Polygonvatro to respond more promptly to customer needs and to take on new assignments across new areas of Germany and keep spreading their knowledge and services.

Polygonvatro supported several countries during the year, including the fish factory in Senjahopen, Norway. Read more on page 36.

The wind turbine service introduced in 2017 continues to be a success, with projects all over the world. In 2019, Polygonvatro expanded sales towards brokerage businesses.

Polygonvatro was nominated one of the best 500 employers in Germany in two different newspaper awards, and was also recognised by Kununu, an employer evaluation portal.

AUSTRIA

In Austria, Polygon is one of the leading providers in the market, and has an ambition to grow.

The Spark App was successfully implemented during the year and now enables the operations to reach out to new customer segments in the country. Polygon Austria also received a large major and complex claims assignment together with Germany during the year.

BELGIUM

Belgium is so far a fairly small market for Polygon, but we are a leading provider in leak detection.

The Belgian operations executed successful swimming pool projects within temporary climate control during 2019. Two examples are indoor climate services in connection with a pool renovation at a swimming school in Puyenbroeck and assignments for the Bellewaerde amusement park when epoxy layers had to be applied to the pool area. In the area of fire damage restoration Polygon won a project from UPC St Kamillus when a roof fire affected a large industrial kitchen in a psychiatric clinic.

FRANCE

The market in France is mainly regional, and Polygon adapts its operations to this. We offer a wide range of services in the country and are particularly strong within leak detection.

In 2019, Polygon in France stepped up its commercial development, national presence and customer relationships, mainly thanks to three large assignments: fire services at a site in Rouen, cleaning of 8,000 m² of office space in Paris and drying of a flooded area following a broken water pipe.

Polygon France also continued its cooperation with Harwell and completed the dewatering and decontamination of documents belonging to the Ministry of Culture. A national archive processing centre will be inaugurated in Le Mans during 2020, with the installation of a new hypobaric chamber.

SWITZERLAND

Polygon entered Switzerland in 2019 with the acquisitions of Alvisa 24 and, later, Nettag AG.

Polygon is now one of the leading service providers in Switzerland within fire and water damage restoration. The merger between Nettag and Alvisa 24 has been successful, and all key employees are still on the team. The implementation and integration of the Polygon Model is running according to plan and suits both companies well.

THE NETHERLANDS

In the Netherlands, Polygon is a full-service provider with strong development and several successful cross-border assignments. In 2019, the operations focused on growth and extension of service lines.

With the acquisition of Tiedema in the northern part of Netherlands, Polygon strengthened its position in leak detection and temporary climate solutions. The Netherlands started up an extensive temporary climate solution project on behalf of Shell, which will be finalised in two years.

Through a second acquisition – of VANWAARDE – Polygon established document restoration services in-country and started a cross border project for the Belgian Federal Public Service Finance worth EUR 1.5 million. Read more on page 10.

Thanks to the two acquisitions, Polygon now has about 175 employees in the Netherlands.

The Spark App was also introduced in the Netherlands during 2019, resulting in new customers in the real estate sector.

SALES 2019 EUR M

414.6

382.7

SHARE OF GROUP SALES

61%

62%

SHARE OF GROUP EMPLOYEES

51%

52%

NORTH AMERICA & ASIA

ON THE NORTH AMERICAN CONTINENT, POLYGON HAS A PRESENCE IN THE UNITED STATES AND CANADA. OPERATIONS IN SINGAPORE ARE ALSO A PART OF THIS SEGMENT.

UNITED STATES

In the US, Polygon holds a strong position in temporary climate solutions and document restoration. The US operations focus on competitive, high-value solutions and are long-established, positioned as a solution provider.

At our Centre of Excellence for Document Restoration in Allentown, Pennsylvania, we focus mainly on customers with outstanding requirements for high-quality expertise. This niche mainly includes universities, government bodies and cultural institutions. Our people are leading experts in their area, with a sterling reputation.

The development of prevention and monitoring services with the help of IoT solutions has come the furthest in the US, and the business works closely with Caption data.

Polygon acquired AMRestore in the US in August. The acquisition made it possible for Polygon US to offer additional services. Polygon in the US has long been the industry leader in temporary climate control and document recovery, and the acquisition of AMRestore expands the capabilities even further. Some of the additional services are art restoration and mitigation, high-value moving, electronics restoration and hoarding cleaning.

CANADA

Polygon in Canada continued to work with the offering to potential franchisees. During 2019, a new key account manager based in Toronto was employed with a focus on bigger customers and projects.

SINGAPORE

The operations in Singapore are dedicated to temporary climate solutions for the marine industry, with a focus on dehumidifiers for LNG tankers and oil and gas companies. During 2019, Polygon Singapore completed many projects for floating production storage and offloading for shipyards. It also developed a real-time web monitoring and alert system. Through IoT solutions it installed additional sensors and gateways to provide a real-time monitoring and alert system. All readings are automatically stored in the cloud.



SALES 2019 EUR M

37.1

34.7

SHARE OF GROUP SALES

5%

5%

SHARE OF GROUP EMPLOYEES

4%

4%



POLYGON – ALWAYS BY YOUR SIDE

CROSS-BORDER TEAMWORK SAVED NORWEGIAN FISH FACTORY – TWICE

When a fish factory in the Norwegian town of Senjahopen caught alight, another restoration company got the assignment but realised they could not handle it.

Polygon was called in to clean the building from soot and, thanks to our international strength, the assignment could be carried out with great success. Polygon Norway, Polygonvatro and Polygon Denmark combined forces.

The Norwegian team was supported by Polygonvatro's German Major & Complex Claims 24/7-ready team, which delivered materials, chemicals and technicians. Sixty-five Polygon technicians came together and did the job.

Later the same week, a new fire broke out in another building on the site. This time, 160 Polygon technicians from Norway, Germany and Denmark worked in shifts around the clock to manage the deadline of October 10. With materials from Eurostock, Polygon solved the task and completed the project on time.



RESPONSIBLE BUSINESS WITH A LONG-TERM PERSPECTIVE

Sustainability and a company's impact on the climate are determining factors for customers today. This leads to increased demands from our stakeholders and new requirements, as well as possibilities, for us as a company. Polygon takes on its responsibility through Polygon's Our Responsibility programme.

OUR RESPONSIBILITY PROGRAMME

Polygon's Our Responsibility programme aims at providing guidelines for us as a company to minimise risks, to safeguard our values and to act sustainably, responsibly and with respect for our customers, employees and society in general. The programme also goes hand in hand with our business model, the Polygon Model.

OUR RESPONSIBILITY PROGRAMME INCLUDES

THREE KEY AREAS

REDUCING ENVIRONMENTAL IMPACT

Restoration is our core business. We bring valuable property back to life. This limits the use of new materials and equipment, and

reduces waste. In the end, our way of working decreases both environmental impact and cost.

FIRST-CHOICE EMPLOYER

Employees are Polygon's key resource. We employ over 4,500 people in 14 countries. Their dedication and knowledge are crucial to our success. Our focus is always on the customer and on delivering our promise. We have an instinct to help, and we take responsibility with a clear accountability. This attitude is key to the success of our company and ensures that Polygon is a first-choice employer.

RESPONSIBLE BUSINESS

It is our responsibility to conduct business using high ethical standards and with respect towards different stakeholders, such as customers and society. We expect our people to lead by example, with our values of Integrity, Excellence and Empathy as their guiding principles. To promote sound business practices and to act in an ethical way and with high integrity, we place great emphasis on implementing our Group Policies



76.0%

Proportion of operations certified
per ISO 9001 Quality Management System

Calculated using head counts and excluding acquisitions in 2019

REDUCING ENVIRONMENTAL IMPACT

Polygon has responsibility at heart. Our job is to restore rather than replace damaged property – and to prevent damage from occurring. We bring valuable property back to life, saving resources and decreasing both environmental impact and cost. However, when our activities impact the environment we strive to be as efficient as possible.

SUSTAINABLE CORE BUSINESS

Our business model contributes to reduced environmental impact and lower costs for our customers and for society. Restoration and damage prevention are our core business. This limits the use of new materials and equipment and reduces waste.

With the effects of climate change, the need and demand for Polygon's services are likely to increase. In order to help our customers in the best ways possible, we continue to develop our solutions, services and partnerships in a more sustainable way.

In 2019, we conducted a pilot study in collaboration with students from the Royal Institute of Technology, with the aim to calculate the scope of emissions reductions that our Water Damage Restoration services can contribute to. Aggregated emissions savings were calculated using a model based on life cycle assessment, statistical assumptions and collection of data from 350 employees in six countries.

The conclusion was that CO₂ emissions – as well as costs – can be significantly reduced by using Polygon's services, especially when we get the chance to arrive to a damage site at an early stage. Read more about the study on page 17.

RESPONSIBLE USE OF RESOURCES

We continue exploring how we best contribute to reducing our carbon footprint, and this is actively handled at the country level, taking national characteristics into consideration.

Our overall ambition is to use non-destructive methods as far as possible. Some subsidiaries are frontrunners – Polygon in the Netherlands, for example, became the first climate-neutral Dutch company in the industry in 2018 and continues to work in the same spirit.

Polygon's efforts within resource-efficient operations are centred around responsible use of vehicles, equipment, materials, chemicals and waste. Prioritised activities include reduction of fuel consumption from the service fleet, waste management and recycling, use of energy efficient equipment (such as fans),

ensuring safe use of chemicals and materials, and developing climate-friendly working methods. To minimise the risk of wrongful waste handling, many of our subsidiaries use a certified waste handling supplier, for example Germany.

Polygon Denmark has, in collaboration with their biggest customer Topdanmark Insurance and the emergency aid organisation Folkekirkens Nødhjælp, started a project where damaged furniture is renovated and given to charity instead of being discarded. The project is part of Polygon Denmark's recycling and re-using agenda.

REDUCING FUEL CONSUMPTION AND CO₂ EMISSIONS

Polygon's subsidiaries are working to reduce fuel consumption and CO₂ emissions from transportation, for example through driving record systems, route optimisation, speed limiting devices and eco-driving training. Exactly what activities are carried out are decided at country level. In Norway, for example, a pilot project with electric cars started in 2019.

Polygon UK has been working since 2014 to reduce fuel consumption as this comprises about 80 percent of the total energy usage. It uses the Lightfoot system, which is a national initiative to reward cleaner, safer and cheaper driving. While driving, a warning system issues an alert if the driver is not driving efficiently. As a result, fuel consumption has been reduced by about 13.9 percent since the beginning of 2014.

IN CLOSE COLLABORATION WITH CUSTOMERS

Polygon is a customer-focused company and we develop our industry in close collaboration with our customers. This goes for environmental initiatives as well, and we work actively with many of the big insurance companies, including IF and Storebrand.

When we won a multi-year contract with Storebrand in 2018, the shared ambition to reduce environmental impact was a decisive factor. In 2020 Storebrand was named the world's most sustainable insurance company by Corporate Knights in the "Global 100" award. Polygon is a proud partner and will continue to support Storebrand in their sustainable efforts within insurance.

ENERGY SAVINGS WITH NEW TECHNOLOGY

New technology can also contribute to energy savings. One example is how the traditional dehumidification technique – based on dry air – can be increasingly supplemented with so-called heat mats or heat sticks. In many situations, this can bring faster and more energy-efficient results. The method is, for example, very useful in time-critical new construction projects. Polygon is a frontrunner in this area.

25%

Thanks to the use of Polygon's Water Damage Restoration services, 25% of CO₂ emissions were avoided in 2019. This was according to a study conducted by Polygon and students from the Royal Institute of Technology in Stockholm. Read more about the study on page 17.

PEOPLE FIRST

At Polygon, people always come first. Our key resources are people, knowledge and technology – in that order. We believe that if our employees are engaged, they will perform well and then also generate satisfied customers. This is the foundation of our business philosophy – the Polygon Model – and a very central part of the “Our Responsibility” programme.

A DIVERSE WORKFORCE

Polygon has over 4,500 employees in 14 countries. Our business is diverse and so are our employees. Many come from the construction, real estate or plumbing industries. Some colleagues have academic degrees, while the vast majority are experienced practical technicians. Regardless of background, everyone in Polygon should feel respected and included – that is a cornerstone of our corporate culture and consistent with our corporate values of integrity, excellence and empathy.

ATTITUDE IS KEY

Due to the nature of some of our jobs and tasks, we can offer employment opportunities to people without formal education. Experience and skills are important but, in the end, it is people with the right attitude who make the difference. We often meet

people whose lives have been severely disrupted, and a Polygon employee always needs to demonstrate genuine understanding of their situation. This is crucial, especially since we, in most cases, work in people’s homes and in direct contact with them.

We make certain that our employees get the proper training, knowledge and tools to perform their job. Once people are on board, we bring them up to speed and train them.

We prioritise a fast and efficient onboarding process since the experiences of the initial period affect new employees’ loyalty to the company.

DECENTRALISED ORGANISATION

Polygon has a decentralised organisation and a flat structure, with clear accountabilities. Having the freedom to organise and control your own work decreases stress and increases motivation. Our idea is clear: to be effective, our employees must be encouraged and empowered to act independently when interacting with customers.

Therefore, we make sure that everyone has the right competence, information and tools to make the right decisions without delay. We track this via the employee survey every year. In the employee survey from 2019, 91 percent stated that they feel empowered to make decisions when needed.

STRATEGIC TALENT MANAGEMENT WITH THE POLYGON ACADEMY

The Polygon Academy is our internal development programme for leaders. The capabilities of Polygon’s leaders are key to

OUR APPROACH TO ATTRACT PEOPLE



We continuously strive to attract people with both the right mindset and the right skills. We develop our people throughout their employment, and we have a strong focus on keeping high-performing individuals.



POLYGON – ALWAYS BY YOUR SIDE

POLYGON RANKED AS AN ATTRACTIVE EMPLOYER

People come first at Polygon, and we invest a lot into making them thrive. This has been acknowledged externally in two of our major countries in 2019.

Exceptional 100 percent score in the UK

In the UK, we maintained our Investors In People (IIP) Platinum standard and obtained Achilles accreditation for the sixth consecutive year. An exceptional 100 percent score was achieved in four key categories: corporate social responsibility, health and safety, environment and quality.

“We retained the accreditation with increasing scores across all categories, and it is really an achievement. It demonstrates that we have a people-centric culture that we continuously improve,” says Pat Neal, HR Director at Polygon UK & Ireland.

High rankings in Germany Polygonvatro in Germany was acknowledged for being a popular employer in two independent studies.

In a nationwide survey, German newspaper Die Welt analysed how highly German companies were rated by the public. More than 600,000 people evaluated 1,300 companies based on attractiveness. Polygonvatro was named as one of the 299 best companies.

German magazine Stern also conducted a large study and had 45,000 participants evaluate their current employer and other companies in the same sector. Polygonvatro was ranked number 431 out of 2,500 participating companies.

“This proves we are doing the right things and that we are a good employer. It strengthens our employer brand – we are a great family, and satisfied employees are the best argument when it comes to recruiting skilled staff,” says Cornelia Czenkusch, HR Manager at Polygonvatro in Germany.





keeping and developing the competence of our employees, and ultimately to the company's results and success. Therefore, we strive to recruit internally as much as possible. Several of today's area managers and unit managers began their Polygon careers as technicians or team leaders.

The Polygon Academy is a programme that helps us identify and manage talent in a structured way. The core of the programme is sharing knowledge and best practice, and identifying new business opportunities. The Academy also supports succession planning and ensures that internal talents are acknowledged and get the chance to develop. The Polygon Model is always an important part of the programme, and all sessions are led by Group or country management.

During 2019, the Polygon Academy ran for the fourth time, and the number of participants reached an all-time high at 27.

As a Polygon Academy spin-off, Polygon in Germany has a Young Talents programme. This was introduced in 2018 when the management experienced an increasing challenge to find adequate candidates for junior positions. 43 young talents at 16 branches completed the programme in 2019.

Polygon in Norway has also created its own Polygon Academy spin-off by offering project leaders a crash course in the Polygon Model. The course consists of four modules and includes everything from project finance and contract management to discussions about behaviours.

EFFICIENT INTERNAL TRAINING WITH THE POLYGON LEARNING ZONE

With the Polygon Learning Zone – the Group's learning management system – Polygon provides employees with the right training and competence in a cost-effective and time-efficient way.

There are both locally and centrally geared training programmes in the system, and the Group-wide e-courses are focused on the Polygon Model and common aspects such as the Code of Conduct, Group IT policy, Anti-trust & Anti-corruption guidelines and inclusivity training. The training was introduced in

2019. All Group-wide training is translated into local languages.

The Polygon Learning Zone includes all education and training, with an emphasis on short learning blocks and e-learning. It has been rolled out in Norway, the UK, the Netherlands and the US. During 2019, implementation started in Germany, Sweden, Austria, Canada and Finland. Several other countries will soon follow.

An e-learning developer, working for the HR manager and located in the UK, was employed during 2019. His mission is to act as a support resource for the countries and to develop new relevant and up-to-date training programmes.

In addition to internal training, external education is provided, such as for Polygon employees that need mandatory external courses and certifications, for instance to be cleared to work with asbestos.

ENGAGED EMPLOYEES

Being an attractive employer is essential, and Polygon conducts a Group-wide employee survey every year. This presents an opportunity for our people to express their views, wishes and concerns. All employees in all countries are invited to participate. The response rate in the 2019 survey was 90 percent.

The employee survey measures team efficiency, leadership, engagement and net promoter score (eNPS, whether employees believe that Polygon is an attractive employer) in all units and teams. Polygon's employee survey also captures several psychosocial work environment indicators, such as respect among colleagues, cooperation, freedom of expression, feedback and conflict. Additional questions can be included on a local basis to capture any issues that require special attention.

The 2019 results were above the industry benchmark in almost every area. We have a very high level of engaged managers, 62 percent. The indexes for engagement and leadership remain high and are above benchmark, at 84 (83) and 78 (78) respectively. The eNPS score was stable at 11, the same level as the benchmark. On a country level, most countries have improved or show stable results. The results help us further improve our

way of working, at all levels. Teams follow up their survey results and performance compared to targets, review their current situation and set new targets.

Polygon was externally acknowledged during 2019, and was ranked as an attractive employer in Germany and the UK (see page 41).

FOCUS ON HEALTH AND SAFETY

Working to save and recover our customers' property is rewarding, but the sites where we work can be hazardous. We apply a structured approach to minimise risks and protect employees and other workers from injuries and accidents.

Particularly relevant to our business are personal protective equipment, clothing, and air filtration to avoid exposure to harmful substances. We also prevent the spread of microbes and particles to the outside environment.

In the employee survey from 2019, 91 percent responded that they perceive the work environment to be good or excellent in terms of safety. In addition the survey also showed that Polygon prioritises a safe working environment.

We continuously monitor sick leave and work-related injuries in each country. In addition, lost time injuries and the sick leave rate are monitored quarterly by Group Business Control. In the UK, mental health awareness training was launched during the year.

MANAGING HR IN A STRUCTURED WAY

Since Polygon is a people-centric business dedicated to the belief that happy employees are our main success driver, activities aimed at attracting, recruiting, developing and retaining the right employees are highly valued. At Polygon, each country manages their own Human Resources (HR) activities whilst the Group HR manager has a supporting and coordinating role. A Group-wide HR meeting is held bi-monthly under the direction of the Group HR manager.

All employees are offered a yearly performance and development review with their manager. In 2019, a pilot project was carried out among the Group staff, evaluating a tool for digitalisation of these meetings.

The central HR function works to safeguard and disseminate the Polygon Model and support the countries in HR issues. To suit the needs of our decentralised business, our overall approach is to develop only the necessary standards within the area of human resources (HR) at Group level. These standards outline our common base level and include the Code of Conduct, the IT Policy, the Anti-Trust Policy and the Anti-Corruption Policy.

We have several channels for internal communication, developed to fit different needs and working situations. Some examples are a Group-wide intranet, a quarterly newspaper, and local initiatives such as the annual Company Days in the UK during which managers travel around the country to meet employees.

KEY FIGURES

EMPLOYEES PER GEOGRAPHICAL SEGMENT 31 DECEMBER 2019

Segment	Number of employees	Of whom men, %
Nordics and UK	2,046	82
Continental Europe	2,370	79
North America	170	75
Total	4,586	79

AGE DISTRIBUTION

Age	%
< 40	49
41–50	27
51–60	20
> 60	4
Total	100

EMPLOYEE STATISTICS

	2019	2018	2017
Work attendance, %	94.0	94.0	96.0
Employee turnover rate, %	21.0	28.0	18.4
Total full-time employees	4,512	3,810	3,279
Average full-time employees	4,217	3,810	3,279

EMPLOYEE SATISFACTION

	2019	2018	2017
Response rate, %	90	92	91
Team efficiency index (ESI) (BM 72)	77	77	76
Leadership index (LSI) (BM 77)	78	78	77
Engagement index (BM 72)	84	83	83

POLYGON – ALWAYS BY YOUR SIDE

MATTIAS WIKLUND INSPIRES A SUSTAINABLE TRANSITION

Mattias Wiklund, Sales Manager at Polygon Sweden, is passionate about sustainability, and likes to inspire others to achieve a sustainable transition. His passion has been acknowledged among customers, and Nordic insurance company IF published an interview with him in its internal magazine.

IF wants to further increase its sustainability work, and knows that Polygon's services could have a positive impact and can reduce CO₂ emissions.

"At Polygon Sweden, we have come quite a long way in the process of drying instead of demolishing, and we know it is so much better for the environment – and can decrease costs for insurance companies. This could inspire others, and I wanted to share this in the article," Mattias Wiklund explains.

According to Mattias, Polygon has made a good start, but still has a lot of work to do when it comes to sustainability:

"Being environmentally friendly is a competitive advantage for Polygon, and we need to continuously improve in this area. We should question our habitual working methods, think outside the box and not be afraid of change. This is a journey that has only begun, but I'm proud of it so far."



RESPONSIBLE BUSINESS PRACTICES

It is our responsibility to conduct sustainable business practices and achieve good financial development based on high ethical standards and respectful behaviour towards individuals, society and the environment. We expect our people to lead by example, with our values of integrity, excellence and empathy as their core principles. The Polygon Model, our Code of Conduct, other Group and local policies guide our efforts.

THE CODE OF CONDUCT IS OUR FOUNDATION

The Polygon Code of Conduct outlines the main principles of our corporate responsibility, as well as the personal, ethical and professional principles that all Polygon employees should adhere to. These principles guide our relations with Polygon colleagues as well as with customers, suppliers and society.

The Polygon Code of Conduct rests on the principle that every employee is responsible for his or her own professional behaviour. Code of Conduct implementation is monitored by locally appointed compliance officers as well as by the Group compliance officer. All employees should take an e-learning course covering the Code of Conduct every second year. The course helps employees learn about the Code and includes a test and confirmation that they understand and comply with the Code

of Conduct. During 2019, a responsible business partner policy that reflects the Code of Conduct has been rolled out.

During 2019, the anti-corruption and anti-trust training was updated and the new version, which will be available in all relevant local languages, will be rolled out 2020. All group e-learning courses should be completed bi-annually by all employees. In addition, there is a gift register and a whistle-blower phoneline to ensure ethical business conduct. Inspirational videos that feature examples of how we address sustainability in various parts of Polygon are also being distributed to employees.

While Our Responsibility is a unified approach, it allows room for adaptation to local legislation and conditions. Each course is available in the languages spoken in our countries of operation.

In addition, Polygon's business model is designed to guarantee that we take ethical responsibility in everything we do, in combination with sustainable financial development.

Since 2018, Polygon UK has held Green Company status in the Achilles Accreditation, which is a supply chain audit standard focused on providing insight on risk mitigation, sustainability and business performance, and is relied on by safety-critical industries and governments worldwide. The Green Company status gives Polygon UK increased opportunities to collaborate with specialist businesses around the country, develop innovation, and address industry challenges to benefit supply-chain practice. The accreditation was renewed in 2019, with a unique result of 100 percent scores across the full range of assessed areas – Environmental, Health & Safety and Quality.

THE AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

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

ENGAGEMENT AND RESPONSIBILITY

The Board of Directors is responsible for that the statutory sustainability report has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination of the statutory sustainability report has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's report on the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing

and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

OPINION

A statutory sustainability report has been prepared.

Stockholm, 21 April 2020

Ernst & Young AB

Staffan Landén
Authorized Public Accountant

POLYGON – ALWAYS BY YOUR SIDE

POLYGON PARTNERS WITH ALLIANZ TO DECREASE LEAD TIMES AND WASTE

Polygon's subsidiary Plastic Surgeon has partnered in a pilot with one of the UK's leading insurance companies, Allianz. The goal is to contribute to a significant decrease of both insurance lead times and the amount of waste that goes to landfill.

Plastic Surgeon will handle restoration claims for damage to wooden surfaces, cracked tiles and ceramics, brick and stone, and a lot more.

"If successful, this pilot should see us providing quicker and less expensive solutions for surface repairs, speeding up our ability to settle claims and ultimately benefitting brokers and customers. The collaboration also aligns with our ambitions to provide environmentally-friendly solutions," Graham Strait, Head of Supply at Allianz, comments.

The vision is to become the first provider to offer a full end-to-end solution that prevents water, mould and other property-related damage across customer segments.



RISK MANAGEMENT CREATES VALUE

As a decentralised company with operations in 14 countries, Polygon faces internal and external risks that may impact the ability to achieve strategic objectives and financial targets. Successful risk mitigation creates opportunities and competitive advantages. Although we cannot prevent external risks, we strive to work preventively to be prepared for different scenarios.

The board of directors has the overall responsibility for risk management while the operational work is delegated to the CEO, Group management and country presidents.

Polygon manages risks through an active risk management process based on risk identification, risk evaluation, risk handling, follow-up and evaluation.

The process starts with each country annually identifying and evaluating its most significant risks. Country-specific activities are implemented and reviewed by the Group in business review meetings. The Group management then identifies and evaluates the most significant risks at Group level. We use risk categories as part of the identification process, e.g. financial, operational and strategic. The risks identified are evaluated based on potential impact and probability. The Group risk assessment is presented to the audit committee and the board on a yearly basis. Proactive risk management is a central part of the Polygon Model. We continuously initiate and implement risk mitigating activities. The control structure is incorporated into our daily processes. Furthermore, we conduct follow-ups and evaluations.



RISK MANAGEMENT PROCESS



MAIN RISKS AND ACTIVITIES

Like all businesses, Polygon faces a number of risks of various kind, in different parts of the company. Six risks have been identified as central to Polygon's business and are described here, together with how they are managed in the organisation.

DEPENDENCY ON KEY EMPLOYEES

Polygon is a service company and, as such, is dependent on the skills, experience and commitment of a number of key employees and their best-practice operations and relationships. An inability to recruit and retain new key employees may harm business development.

ACTIVITIES AND HOW POLYGON MANAGES THE RISK

- Polygon is a people-centric business dedicated to the belief that happy employees are the main success driver. Therefore, there are multiple and highly-valued activities aimed at attracting, recruiting, developing and retaining the right employees.
- The work is coordinated by the Group HR manager and is handled at country level, adapted to each country's specific needs. A code of conduct ensures common behaviours throughout the Group. In 2019, inclusivity training was adopted. Employment contracts for key employees include non-competition clauses.
- The Polygon Model is implemented in all countries and contributes to a consensus on values and attitudes. Knowledge transfer is enabled via a multitude of channels, such as bi-annual management conferences, a Group-wide intranet, a quarterly newspaper, and several local initiatives.
- A Group-wide employee satisfaction survey is conducted annually. This presents an opportunity for all employees to anonymously express their views, wishes and concerns. All employees are also offered a yearly performance and development meeting with their manager.
- Staff development and training are arranged within the framework of the Polygon Academy, Polygon Learning Zones and other internal courses. The Polygon Learning Zone is the Group's learning management system and provides employees with the right training and competence. The Polygon Academy is our internal development programme and represents one of the major succession planning activities. Succession planning is also a key focus for the Group HR manager.
- External employer branding initiatives are targeted towards the most relevant schools and talents in each country.

DEPENDENCY ON KEY CUSTOMERS

Polygon is to a large extent dependent on its key customers, insurance companies, and must maintain mutually beneficial relationships to compete effectively.

ACTIVITIES AND HOW POLYGON MANAGES THE RISK

- Polygon has strong key account and customer relationship management to build trust and long-term relationships. Our decentralised organisation is a strength in this, and secures local adaptations of the service offerings. The corporate culture is customer-centric, with a focus on quality of service delivery.
- Regular customer satisfaction measurement at country level identifies areas for improvement in terms of service delivery and customer relationships, and monthly follow-up of sales per customer ensures good revenue control.
- Continuous development of existing and new solutions (service delivery and tools), based on changes in the market and new technologies, guarantees that Polygon is relevant and reinforces our position as an industry thought leader. At Group level, we have a dedicated business development manager who ensures that we are at the forefront and leading the development in our industry.
- A focus on increasing the share of sales to other industries, such as property management companies, broadens the customer base and thus reduces the risk.

FAILURE IN ACQUISITION OR INTEGRATION

Polygon's acquisition agenda is ambitious, and the Group continuously evaluates and acquires companies in different geographical markets that are in line with the Group's strategic objectives. This leads to risks relating to integration, retention of key employees, and failure to realise expected synergies. This risk increases when Polygon enters markets in new countries or new service lines.

ACTIVITIES AND HOW POLYGON MANAGES THE RISK

- Polygon has a good acquisition track record and extensive experience of the complete process – from identification, through due diligence, to integration.
- Due diligence routines and defined and well-established M&A processes are set up at Group level, including mandatory integration plans, regular follow-ups and reviews.
- Guidelines for earn-out structures are available, as well as an integration checklist covering finance, IT, HR, legal, operations and marketing.
- Responsibilities are well-defined, and as of 2019 the Group has employed a Head of M&A. When it comes to external expertise, professional legal counsels and M&A specialists are always assigned.
- Polygon only acquires companies that are active within our core business and that share our corporate values. The decentralised business model facilitates integration. Target markets are countries where we either already do business or where we do business in neighbouring countries with similar conditions.

FAILURE OR DISRUPTION OF INFORMATION TECHNOLOGY SYSTEMS

Polygon is dependent on IT to manage critical business processes, including administrative functions and the protection of personal data. Digital solutions are also increasingly important for the Group's service offering and for the ability to maintain a strong market position in a digitalised future.

ACTIVITIES AND HOW POLYGON MANAGES THE RISK

- Polygon has service-level agreements (SLA) with contracted IT suppliers that focus on cost, quality and time. The SLAs are also designed to ensure quality and up-to-date technologies, and include a back-up policy, support agreements, etc.
- Policies for IT and IT security are implemented internally, and audits and IT policy training are conducted. The Polygon Learning Zone enables tracking of completed training.
- The process for system development is continuously improved, and no IT projects of a complex nature are ongoing.
- To ensure a digital service offering at the forefront, Polygon has a dedicated digital business development team. New applications are always launched in pilots, one market at a time.

NON-COMPLIANCE WITH ANTI-CORRUPTION, ANTI-BRIBERY OR COMPETITION LAWS

The Group is required to comply with anti-corruption, anti-bribery and competition laws in the countries in which it operates its business. The construction industry is associated with a high risk relating to anti-corruption and bribery.

ACTIVITIES AND HOW POLYGON MANAGES THE RISK

- The Polygon Group has a strong corporate culture, illustrated and implemented via the Polygon Model. Integrity is a core value that guides our employees in their day-to-day work and contributes to a high ethical standard.
- The Code of Conduct, which applies to all employees, prohibits any form of corruption, fraud, bribery or money laundering and includes anti-corruption and anti-trust guidelines. In 2019, a Code of Conduct for business partners was rolled out.
- Internal training on the Code of Conduct, anti-corruption, anti-trust and the Polygon Model is conducted regularly.

- During 2019, the anti-corruption training was updated and the new version, which will be available in all relevant local languages, will be rolled out in 2020. The training should be completed bi-annually by all employees.
- Procurement and authorisation policies are set in order to secure good governance at all levels in the company. Polygon uses the four-eyes principle, meaning that all transactions must be approved by at least two people. The grandfather principle is applied for any major decision (implying that it has to be approved by the manager's manager).
- The Group has a whistle-blower function that is managed by a third party for anonymous reporting of non-compliant behaviour.
- There are Group-wide guidelines regarding a gift register. In addition, on-site due diligence tests of suppliers are conducted when deemed relevant.
- Well established project management process, including periodic review of ongoing projects.

EXTERNAL RISKS

In addition to the above, Polygon also faces external risk, that are to a wide extent beyond Polygon's control. These risks can be unpredictable as they originate outside our organisation and typically have a low rate of occurrence (such as natural disasters, political changes, terrorism and macroeconomic changes).

The general market situation affecting Polygon's existing and potential customers. A lengthy economic downturn in the markets in which Polygon operates could trigger a decline in sales for the industry as well as for Polygon. This could have an adverse effect on the Group's business, earnings or financial position. Polygon cannot influence the likelihood of these risk events, but can reduce the cost of an impact.

ACTIVITIES AND HOW POLYGON MANAGES THE RISK

- The board, group management and country management monitor the development in key markets and proactively assess external risks as well as opportunities that may influence the Group's strategy and operations.
- Globally spread business
- Decentralised organisation enabling quick decision making and adaptation to market changes

BOARD OF DIRECTORS



LARS BLECKO
CHAIRMAN OF THE BOARD
 Board member since 2019
 Nationality: Swedish
 Background: Former President and CEO of Loomis.



GUNILLA ANDERSSON
BOARD MEMBER
 Board member since 2017
 Nationality: Swedish
 Background: Former CFO and Head of Shared Services at Optigroup. Formerly CFO TA Hydraulics, CFO Tour & Andersson AB.



ERIK-JAN JANSEN
BOARD MEMBER
 Board member since February 2020
 Nationality: Dutch
 Background: Former President and CEO of Polygon. Chief Operating Officer Europe at Securitas AB.



NADIA MEIER-KIRNER
BOARD MEMBER
 Board member since 2017
 Nationality: German
 Background: Investment advisory professional, Triton Advisors. Formerly M&A and corporate finance advisor at Dresdner Kleinwort in Frankfurt.



JONAS SAMUELSON
BOARD MEMBER
 Board member since 2010
 Nationality: Swedish
 Background: President and CEO of Electrolux. Formerly CFO of Munters.

GROUP MANAGEMENT



AXEL GRÄNITZ
PRESIDENT AND CEO

Born in 1968

Joined Polygon in 2018

Background: Member of the Executive Board of Dussmann Group, CEO of Dussmann International, senior positions at Arvato AG – Bertelsmann.

Education: Politics at Vanderbilt.



FRANK DOBOSZ
COUNTRY PRESIDENT US

Born in 1972

Joined Polygon: 2008

Background: Industrial and Commercial Coatings and Senior Position with Industrial/Naval Environmental Applications and Project Management.

Education: Bachelor of Science in Environmental Science with emphasis on Political Science from Oregon State University.



JONAS GRANATH
**CHIEF COMMERCIAL OFFICER
& DEPUTY CEO**

Born in 1976

Joined Polygon in 2014

Background: Senior positions at IL Recycling Poland and the Swedish Trade Council

Education: M.Sc. in Economics and Business Administration from Stockholm School of Economics and University of St. Gallen.



MARTIN HAMNER
CHIEF FINANCIAL OFFICER

Born in 1964

Joined Polygon in 2019

Background: Chief Financial Officer for AB Industrivärden 2008–2018, Group Controller and Head of Investor Relations for ASSA ABLOY 1999–2007, Authorised Public Accountant for PricewaterhouseCoopers 1987–1999

Education: M.Sc. Business Administration Stockholm University.



CHRISTIAN KOHL

CHIEF OPERATING OFFICER

Born in 1969

Joined Polygon in 2006

Background: Senior positions at 3M in sales and marketing.

Country President at Munters/Polygon Austria and Switzerland

Education: Law at University of Vienna, Six Sigma Black Belt, IMP Programme at Duke University.



JEREMY SYKES

COUNTRY PRESIDENT UK & IRELAND

Born in 1961

Joined Polygon 2009

Background: International management roles in CompAir, Glynwed plc & TI Group plc

Education: BSc (Hons) Mechanical Engineering, University of Surrey, UK.



ANDREAS WEBER

COUNTRY PRESIDENT GERMANY

Born in 1963

Joined Polygon 2011

Background: Company founder of VATRO, Country Manager of ISS Germany, executive partner of two management (service) companies

Education: Engineer (central heating and ventilation), University of Applied Sciences in Gießen/Germany.

COUNTRY PRESIDENTS



KAI ANDERSEN
NORWAY
Joined Polygon 2015



L.Y. ANG
SINGAPORE
Joined Polygon 1996



YASSINE BEN HAMOUDA
DENMARK
Joined Polygon 2017



ROBERT BERMOSER
AUSTRIA
Joined Polygon 2011



FABIO BERNARDO
CANADA
Joined Polygon 1999



FABIAN BURRI
SWITZERLAND
Joined Polygon 2019



FRANK DOBOSZ
US
Joined Polygon 2008
Member of Group Management



TOM JAATINEN
FINLAND
Joined Polygon 2019



JULIEN MEYNIEL
FRANCE
Joined Polygon 2006



THOMAS PERMAN
SWEDEN
Joined Polygon 2014



CARLA SLAETS
BELGIUM
Joined Polygon 2012



JEREMY SYKES
UK & IRELAND
Joined Polygon 2009
Member of Group Management.



**MARLIES
VAN DER MEULEN**
NETHERLANDS
Joined Polygon 2014



ANDREAS WEBER
GERMANY
Joined Polygon 2011
(founded VATRO 1992)
Member of Group Management.

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2019 CALENDAR YEAR

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ADMINISTRATION REPORT

The Board of Directors and the CEO of Polygon AB (publ), corporate identity number 556816-5855, hereby present the Annual Report and consolidated financial statements for the 2019 financial year.

OPERATIONS

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

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

The Polygon Group consists of the Parent Company Polygon AB, which was formed on 12 July 2010, and 48 (27) subsidiaries. All subsidiaries are fully owned, except for Polygon A/S in Denmark, where 33.6% of the shares are owned by non-controlling interests. The Group was established at the end of September 2010 when Triton Fund III, via Polygon AB, acquired 100% of the shares in Munters' Moisture Control Services (MCS) division from the then listed company Munters AB.

OWNERSHIP STRUCTURE

Polygon AB is wholly owned by Polygon Holding AB, of which 85.96% is in turn owned by MUHA No 2 LuxCo S.à.r.l. Remaining 14.04% of the shares are owned by the management of Polygon.

2019 FINANCIAL YEAR

Consolidated sales for the financial year amounted to EUR 677.1 million (619.3) and operating profit to EUR 34.3 million (25.3). Operating profit was charged with items affecting comparability of EUR 3.8 million (7.7).

EUR thousands	2019	2018
EBIT (operational profit/(loss))	34.3	25.3
Amortization and depreciation of assets in connection with acquisition	6.3	6.6
IAC (items affecting comparison)	3.8	7.7
Adjusted EBITA	44.3	39.6
Adjusted EBITA Margin	6.5%	6.4%
Depreciation of tangible asset	36.9	13.4
Adjusted EBITDA	81.3	53.0
Adjusted EBITDA Margin	12.0%	8.6%

Consolidated sales increased 9.3% compared with the preceding year, of which 2.5% was attributable to organic growth and 6.8% to acquired companies and operations.

Operating profit adjusted for items affecting comparability (adjusted EBITA) increased 12% compared with the preceding

year. The introduction of IFRS 16 Leases during the year positively affected adjusted EBITA by EUR 2.0 million (adjusted EBITA margin by 0.2%) and adjusted EBITDA by EUR 23.9 million (adjusted EBITDA margin by 3.5%).

In December, the company received shareholder contributions from Polygon Holding AB in conjunction with a new issue of shares.

During the year, the Group conducted eight major acquisitions; see Note 3 Business combinations.

In January, Polygon Netherlands strengthened its regional presence through the acquisition of Tiedema Lekdetectie BV and Tiedema Droogtechniek BV, with annual sales of EUR 1.2 million. In March, Polygon acquired the shares of Alvisa Holding AG (Alvisa 24). Alvisa 24, one of the market leaders in Switzerland, is specialised in fire damage restoration and Major & Complex Claims, with annual sales of EUR 11 million. In April, Polygon in the Netherlands acquired the VanWaarde Group with annual sales of EUR 1.5 million, which is primarily active in document restoration.

In May, Polygon UK acquired the Plastic Surgeon Group, with annual sales of EUR 15 million. This acquisition strengthened Polygon's offering in the area of property restoration and hard surface repairs and is ideally suited to Polygon's focus on restoration rather than new construction. In June, Polygon Finland acquired Tehokuivaus OY, with annual sales of EUR 7 million. Through the acquisition, Polygon Finland strengthens its position in water and fire damage restoration. Tehokuivaus is a highly successful company with high customer satisfaction and quality and professional approach to damage restoration.

In August, Polygon US acquired AMRestore Inc, a company active in the document restoration industry and headquartered in Baltimore, USA. The company has annual sales of EUR 2.3 million, with 29 employees. In September, Polygon Norway acquired the remaining shares in the former franchise company, Polygon Haugesund AS.

At the end of June, Alvisa 24, which was acquired in March, signed an agreement concerning the acquisition of the shares of Nettag AG, a company that restores water and fire damage. The acquisition contributes sales of approximately EUR 4.5 million and strengthens Polygon's presence in Switzerland. The transaction took place in November 2019.

No operations or companies were divested during the year.

Items affecting comparability comprise the following expenses (revenue):

EUR thousands	2019	2018
Transaction costs, acquisition	-2.9	-0.9
Restructuring cost	-0.4	-4.3
Impairment IT systems and tangible assets	-	-2.0
Adjustment acquisition Norway	-	-0.7
Others	-0.4	0.2
Total	-3.8	-7.7

At an Extraordinary General Meeting in July 2019, it was resolved that Lars Blecko would take office as the new Chairman of the Board. At the same meeting, Nadia Meier-Kirner remained a member of the Board and Petter Darin resigned from the Board.

FINANCING AND LIQUIDITY

In early December 2019, Polygon AB expanded the Senior Secured Fixed Rate Notes (bond), that was raised in February 2018, by EUR 40 million. The bond, which matures as previously in February 2023, bears a fixed interest rate of 4% per annum. The bond is listed on the Corporate Bond List of NASDAQ OMX in Stockholm.

The expansion will be used to cover liquidity requirements, including acquisitions.

Cash and cash equivalents at 31 December 2019 amounted to EUR 50.6 million (33.2). Cash flow from operating activities in 2019 was EUR 62.1 million (31.2). Operating cash flow increased by 30% compared with 2018 and amounted to 71% in relation to adjusted EBITA. The reason for this was the strong growth at the end of the year, with increasing working capital and higher capital expenditure on equipment and customisation of premises for future growth.

CAPITAL EXPENDITURES

The Group's capital expenditure on property, plant and equipment for the period amounted to EUR 16.4 million (16.3). In addition, the Group upgraded its IT systems for EUR 1.4 million (1.5). Total depreciation and amortisation excluding right-of-use assets amounted to EUR 21.1 million (20.0) during the year, of which EUR 12.5 million (11.3) pertained to depreciation of property, plant and equipment and EUR 8.6 million (8.7) to amortisation of intangible assets. Capital expenditure on right-of-use assets amounted to EUR 25.6 million during the year. Amortisation of right-of-use assets amounted to EUR 23.3 million.

Amortisation of intangible assets mainly refers to customer relationships acquired in connection with business combinations, amortisation of capitalised costs for development of the Group's IT systems and right-of-use assets. During the year, intangible assets were impaired by EUR 0.0 million (1.9). The impairment loss in 2018 primarily pertained to development costs of EUR 1.8 million for internal computer systems that have been put into operation.

EMPLOYEES

The average number of employees in the Group during 2019 was 4,532 (3,836).

For more information, see Note 9 Salaries, social security expenses and employee benefits.

SIGNIFICANT RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

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

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

Risks

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

Currency risk

The Group's currency exposure is divided into transaction exposure (exposure in foreign currency related to contractual cash flows) and translation exposure (equity in foreign subsidiaries). The Group's currency exposure arises from inter-company financing and from translation of the income statements and balance sheets of foreign subsidiaries to the Group's reporting currency (EUR). At year-end, the company had SEK/EUR hedges to cover the head office's costs.

Currency risk refers the risk of changes in foreign exchange rates that could negatively affect the Group's earnings. The Group's transaction exposure is considered low since the extent of the flows between currency zones is limited. The Group's translation exposure relates primarily to translation from Swedish kronor (SEK), Danish kroner (DKK), Norwegian kroner (NOK), Canadian dollars (CAD), US dollars (USD), British pounds (GBP) and Swiss francs (CHF).

Interest rate risk

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

Liquidity risk

Liquidity risk refers to risk that the Group will be unable to meet its short-term payment obligations. The Group carries out continuous liquidity monitoring and forecasts to manage the liquidity fluctuations that are expected to arise. At 31 December 2019, the Group had EUR 86.3 million (69.1) in unutilised loan commitments, for which all covenants have been met.

Credit risk

Credit risk refers to the risk that the counterparty in a transaction will not fulfil its obligations under the agreement and that any collateral will not cover the Group's receivable. For commercial counterparties where the Group has a large 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, meaning that credit risk is dispersed both geographically and among a large number of customers. For further information, see Note 19 Financial instruments and financial risk management.

Operational risk

Polygon is a service company and, as such, is dependent on the skills, experience and commitment of a number of key employees and their best-practice operations and relationships. An inability to recruit and retain new key employees may harm business development.

Polygon's operations are characterised by a low dependency on individual customers combined with strong relationships with large insurance companies. These key partners account for approximately two thirds of the company's business operations. Polygon is dependent on maintaining and developing strong relationships with these partners as well as ensuring the operation, security and development of the Group's business-critical IT systems.

Acquisitions remain an important part of Polygon's development agenda and this leads to risks relating to integration, retention of key employees and failure to realise expected synergies.

PARENT COMPANY

Polygon AB's operations include joint Group functions as well as ownership and management of shares in Group companies. Polygon AB had five employees (four) during the year. No investments were made during 2019. Profit before tax amounted to EUR 3.4 million (loss: 4.7). Cash and cash equivalents in the Group's cash pool amounted to EUR 65.9 million (44.3) at the end of the period. The Parent Company's assets amounted to EUR 347.8 million (305.3) and equity to EUR 95.3 million (93.4).

FUTURE OUTLOOK

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

Until 16 April 2020, the impact of the Covid-19 outbreak has been limited for the Group.

RESEARCH AND DEVELOPMENT

The Group's development work primarily focuses on services, including investments in the digitalisation and development of the service delivery process.

The development work is mainly conducted as an integrated part of daily operations and development costs are recognised directly in profit or loss under operating expenses.

SUSTAINABILITY REPORT IN ACCORDANCE WITH THE SWEDISH ANNUAL ACCOUNTS ACT

According to Chapter 6, Sections 10–14 of the Swedish Annual Accounts Act, large companies are required to prepare a sustainability report for financial years starting after 31 December 2016. This sustainability report is to contain the sustainability disclosures required to provide an accurate understanding of the company's development, position and earnings and the impact of the operations, including disclosures concerning environmental issues, social conditions, employees, respect for human rights and anti-corruption measures. The sustainability report was submitted to the company's auditors on the same date as the Annual Report and is presented on pages 37–45 in the English annual review.

CORPORATE GOVERNANCE REPORT

In accordance with Chapter 6, Section 8 of the Swedish Annual Accounts Act, the Group's corporate governance report is published separately from the administration report.

PROPOSED APPROPRIATION OF EARNINGS

Proposed appropriation of the Parent Company's earnings:

The Board of Directors and the CEO propose that the surplus for the year of EUR 1,604,137, together with retained earnings of EUR 93,665,433, amounting to a total of EUR 95,269,570, be carried forward.

No Group contributions or dividends were paid to Polygon Holding AB in 2019 or 2018. In 2019, Polygon AB received shareholder contributions from Polygon Holding AB in conjunction with a new issue of shares. No shareholder contributions were received during 2018.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

EUR thousand	Note	2019	2018
Sale of services	5	677,080	619,264
Cost of sales	6, 8, 9	-514,650	-473,277
Gross profit		162,430	145,987
Selling and distribution costs	6, 7, 8, 9	-123,522	-112,293
Other operating costs	6	-4,590	-8,364
Operating income		34,318	25,331
Financial income	10	158	91
Financial expenses	10	-17,878	-14,686
Income after financial items		16,598	10,736
Income taxes	11	-6,084	-4,233
Net income for the year		10,514	6,503
Net income for the year			
Attributable to owners of the company		9,803	6,113
Attributable to non-controlling interest		711	390
Total		10,514	6,503
Number of shares		5,600	5,600
Earnings per share before and after dilution		1.75	1.09

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

EUR thousand	Note	2019	2018
Net income for the year		10,514	6,503
Consolidated statement of comprehensive income	26		
<i>Items that can not be reclassified to profit or loss</i>			
Actuarial gains and losses on defined benefit plans		-1,632	-208
Income tax effects on other comprehensive income		340	37
<i>Items that later can be reclassified to profit or loss</i>			
Translation difference		3,691	-1,081
Various comprehensive income		2,399	-1,252
Total comprehensive income for the year, net of tax		12,913	5,251
Total comprehensive income for the year			
Attributable to owners of the company		12,202	4,861
Attributable to non-controlling interest		711	390
Total		12,913	5,251

CONSOLIDATED BALANCE SHEET

EUR thousand	Note	2019	2018
ASSETS			
Non-current assets			
Goodwill	12, 15	165,459	137,126
Right-of-use assets	13	80,530	–
Other intangible assets	14	57,215	53,329
Property, plant and equipment	16	52,713	46,101
Deferred tax assets	11	14,434	13,375
Other financial fixed assets		1,087	941
Total non-current assets		371,437	250,872
Current assets			
Contract assets	17	45,857	44,730
Account receivables	19, 22	97,837	88,369
Receivables from parent company		332	315
Current tax receivables	11	1,119	1,821
Other current financial assets		3,247	2,303
Prepaid expenses	18	7,020	5,476
Cash and cash equivalents	19, 21	50,612	33,192
Total current assets		206,024	176,206
TOTAL ASSETS		577,461	427,078
EQUITY AND LIABILITIES			
Equity			
	26		
Issued capital		58	58
Other contributed capital		10,771	10,771
Translation reserve		1,896	–1,795
Retained earnings including net result for the year		64,120	54,762
Equity attributable to owners of the parent company		76,845	63,795
Non-controlling interests		11,890	11,696
Total equity		88,735	75,491
Non-current liabilities			
Post-employment benefit provisions	27	6,477	5,129
Other provisions		9,549	1,485
Deferred tax liabilities	11	21,279	18,471
Non-current financial liabilities, interest-bearing	19, 20, 30	252,918	214,785
Non-current lease liability		57,589	–
Total non-current liabilities		347,812	239,870
Current liabilities			
Advance payments from customers		322	1,482
Contract liabilities	17	530	369
Post-employment benefit provisions		59	59
Other provisions	27	6,140	3,062
Account payables		43,219	45,550
Current lease liability	19	24,761	–
Other current liabilities		20,010	20,308
Accrued expenses	19, 25	40,795	38,683
Current income tax liabilities	19, 28	5,078	2,207
Total current liabilities	11	140,914	111,717
TOTAL EQUITY AND LIABILITIES		577,461	427,078

Pledged assets and contingent liabilities are stated in 23 and 27.

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Note	2019	2018
Operating activities			
Operating profit		34,318	25,331
Adjustments for non cash items before tax	32	41,790	23,912
Income tax paid		-4,890	-6,313
Cash flow from operating activities before changes in working capital		71,218	42,930
Cash flow from changes in working capital:			
Changes in operating receivables		-3,259	-4,062
Changes in work in progress		965	-11,601
Changes in operating liabilities		-6,808	3,924
Cash flow from operating activities		62,116	31,191
Investing activities			
Acquisition of a subsidiary, net of cash acquired	3	-32,583	-34,038
Purchase of property, plant and equipment	16	-16,423	-16,288
Purchase of intangible fixed assets	14	-2,367	-2,239
Sale of fixed assets		979	694
Net cash flows used in investing activities		-50,394	-51,871
Cash flow before financing activities		11,722	-20,680
Cash flows from financing activities			
New borrowings		40,000	210,000
Repayment of borrowings		-	-181,410
Dividends received		1	8
Lease payments		-20,460	-
Financial income received		157	83
Financial costs paid ¹⁾		-13,864	-17,149
Net cash flows from financing activities		5,834	11,532
Cash flow for the year		17,556	-9,148
Cash and cash equivalents, opening balance		33,192	42,541
Translation difference in cash and cash equivalents		-136	-201
Cash and cash equivalents, closing balance		50,612	33,192

¹⁾ of which paid interest expenses 9.3 (9.1) MEUR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Attributable to the owners of the company						Non-controlling interest ²⁾	Total equity
	Share capital	Other contributed capital	Translation reserve	Actuarial gains/ losses on defined benefit plans ¹⁾	Retained earnings ¹⁾	Total		
Closing balance, December 31 2017	58	10,771	-714	-1,807	50,626	58,934	820	59,754
New issues of shares	-	-	-	-	-	-	10,486	10,486
Net income for the year	-	-	-	-	6,113	6,113	390	6,503
Actuarial gains/losses	-	-	-	-208	-	-208	-	-208
Other comprehensive income	-	-	-1,081	-	-	-1,081	-	-1,081
Tax related to items in other comprehensive income	-	-	-	37	-	37	-	37
Closing balance, December 31 2018	58	10,771	-1,795	-1,978	56,739	63,795	11,696	75,491
Shareholder's contribution	-	-	-	-	329	329	-	329
Net income for the year	-	-	-	-	9,803	9,803	711	10,514
Actuarial gains/losses	-	-	-	-1,632	-	-1,632	-	-1,632
Other comprehensive income	-	-	5,113	-	-	5,113	-	5,113
Tax related to items in other comprehensive income	-	-	-1,422	340	-	-1,082	-	-1,082
Other changes	-	-	-	-	517	517	-517	-
Closing balance, December 31 2019	58	10,771	1,896	-3,270	67,390	76,845	11,890	88,735

¹⁾ Retained earnings in statement of financial position consist of Actuarial gains/losses and retained earnings.

²⁾ Translation reserve regarding non-controlling interest amounts to EUR 3 (0) thousands.

CORPORATE GOVERNANCE REPORT

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

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

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 mitigate the effects of water, fire and climate damage. Governance and control of the company are regulated by a combination of written rules and standard practice. These rules refer mainly to the Swedish Companies Act and the Swedish Annual Accounts Act, but also to the Swedish Corporate Governance Code and the rules applicable in the regulated market where the company's bonds are traded. Polygon AB's bonds have been listed on the Corporate Bond List of NASDAQ OMX in Stockholm since 2014.

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, of which 85.96 % is in turn owned by MUHA 2 Luxco S.à.r.l.

GENERAL MEETING OF SHAREHOLDERS

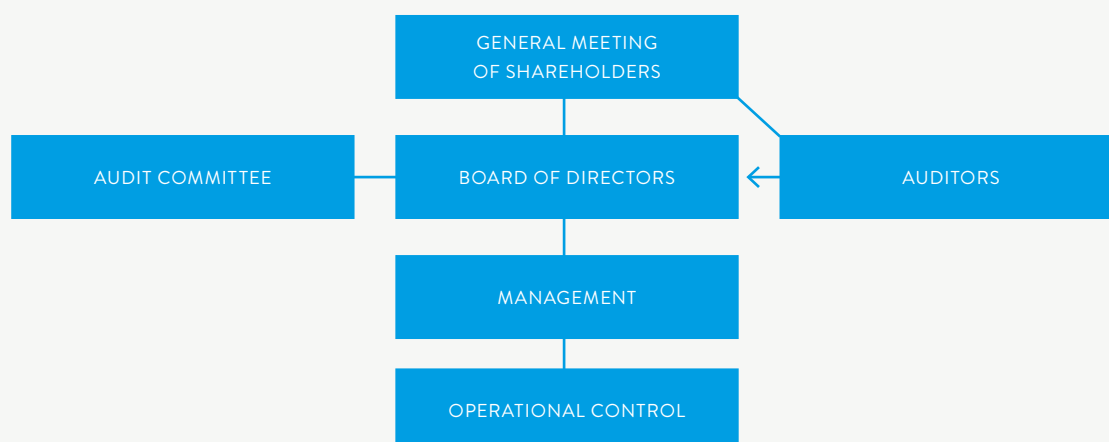
The general meeting of shareholders is the company's highest decision-making body. At a general meeting, the shareholders exercise their voting rights by electing the company's Board of Directors and auditors and passing resolutions on guidelines for remuneration to the company's Board of Directors, 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 financial year also resolves on the 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 authorised the Board to issue shares or acquire treasury shares.

BOARD OF DIRECTORS

During the year, the Board of Directors comprised four to five members: Lars Blecko (Chairman), Nadia Meier-Kirner, Jonas Samuelson, Petter Darin and Gunilla Andersson. Petter Darin resigned from the Board in July 2019. In July 2019, the Board appointed Lars Blecko as Chairman of the Board. For further information about the Board members, including experience, education and other assignments, refer to page 49.

WORK AND RESPONSIBILITIES OF THE BOARD

The Board Chairman oversees the work of the Board and has special responsibility for monitoring the company's development between Board meetings and ensuring that the members of the Board are continuously provided with the information required to satisfactorily discharge their duties. During the financial year, the Board held six scheduled meetings, one of which was a statutory meeting in conjunction with the Annual General Meeting. In addition to these meetings, a number of meetings were held by circulation.



The work of the Board is governed by the rules of procedure, which are adopted annually. The rules of procedure stipulate the distribution of duties between the Board and management, the responsibilities of the Board Chairman and the CEO, and the procedures for financial reporting.

INDEPENDENCE OF THE BOARD

All members of the Board are independent in relation to the company. Furthermore, three members of Board are considered independent in relation 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 established principles for financial reporting and internal control. The committee formulates guidelines for the company's financial reporting and monitoring, and has decision-making authority in matters related to internal control. The audit committee maintains contact with the company's auditors in order to plan the focus and scope of the audit work. The management audit that is performed by the company's auditors every autumn is based on the risk and materiality analysis compiled by the auditors. In connection with the annual closing of the books, the company's auditors report their observations from the audit and their assessment of the company's internal control. During the year, the audit committee comprised two Board members. The committee held five meetings during the year. These meetings were also attended by the company's CFO and auditors who reported on specific items on the agenda.

AUDITORS

At the 2019 Annual General Meeting, the registered public auditing firm Ernst & Young AB was re-elected as the company's auditors. Auditor in Charge is Staffan Landén, who is an Authorised Public Accountant and the elected auditor of Vattenfall, Alfa Laval, Ambea and Nederman, among others. In addition, Staffan Landén has been appointed as a stock market auditor by NASDAQ OMX in Stockholm. The auditors' independent status is ensured by the auditing firm's internal guidelines. This independence has been confirmed to the audit committee.

CEO AND GROUP MANAGEMENT

The CEO and Group management formulate and execute Polygon's overarching strategies and address matters related to acquisitions, divestments and major investments. Such matters are prepared by Group management for resolution by the Board of the Parent Company. The President and CEO is responsible for the daily administration of the company in accordance with the decisions of the Board and the instructions of the CEO.

The Group's management team comprises the CEO, COO, CCO and CFO. Group management comprises the Group's management team as well as the presidents of three of the Group's subsidiaries, bringing the total number of senior executives in the Group to seven. As of 2020, the Group's management team consists of a total of seven people, including three CEOs from the Group's subsidiaries.

OPERATIONAL CONTROL

The CEO is responsible for the operational control of the Group. Polygon Group's organisation is decentralised. This is a deliberate, strategic choice motivated by the fact that the business is normally local in nature and a conviction that the best decisions are made locally. The Group's commercial organisation is based on decentralisation of responsibilities and powers in combination with an efficient and effective reporting and control system. In the subsidiaries, there are written instructions for the respective presidents. The operations of the subsidiaries are also regulated by a number of Group policies and instructions. The Code of Conduct is an example of such a document.

A large part of the communication and discussions within the Group is based on the internal financial reporting. On a monthly basis, local accounts are prepared for each internal profit centre, as are the consolidated accounts. Aside from the income statement and balance sheet, the monthly accounts contain key performance measures and other relevant data. In connection with the monthly accounts, follow-up meetings are held with the management teams of subsidiaries. The Group presents its financial statements to the market on a quarterly basis.

Name	Position	Elected	Audit committee	Independent in relation to shareholders	Independent in relation to the company and the company's management	Attendance at Board meetings
Lars Blecko	Member/Chairman ¹⁾	2019		Yes	Yes	6/6
Petter Darin	Member ¹⁾	2015	Member	No	Yes	3/6
Nadia Meier-Kirner	Member/Chairman ¹⁾	2017	Member	No	Yes	6/6
Jonas Samuelson	Member	2010	Chairman	Yes	Yes	6/6
Gunilla Andersson	Member	2017		Yes	Yes	6/6

¹⁾ Petter Darin resigned from the Board in July 2019. Nadia Meier-Kirner stepped down as Chairman of the Board and was succeeded by Lars Blecko in July 2019.

INTERNAL CONTROL

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

Internal control with respect to financial reporting is designed to ensure reasonable assurance and reliability in the company's external financial reporting, which comprises the annual report and interim reports. This internal control is also designed to provide reasonable assurance that the financial reporting is prepared in accordance with the applicable laws and accounting standards. In accordance with the rules of procedure for the Board, the Board plans a review of the company's internal control once a year.

Control environment

The control environment, which determines individual and collective behaviour within the Group, is defined by the governing documents and is realised through an organisational structure with clearly defined roles and responsibilities. The segregation and delegation of responsibilities have been documented and communicated in internal documents, including the rules of procedure for the Board, instructions for the CEO, order of delegation, order of authorisation and other internal control documents, such as the Code of Conduct, anti-corruption policy, money laundering policy, finance policy, investment policy and finance manual.

Governing documents are prepared and evaluated on an ongoing basis by management and the Group policies are approved by the Board of Directors.

Risk assessment

An annual risk assessment is carried out to identify risks and measures to counteract these risks. The Board has overall responsibility for risk management, while operational responsibility is delegated to the CEO, Group management and the president in each country. Effective risk management begins with identifying the risks as well as their probability and the consequence of each risk. Polygon manages risk through an active risk management process based on risk identification, risk assessment, risk management, monitoring and assessment. The process begins with each country in the Group identifying and assessing their most significant risks every year. Group management then identifies and assesses the most significant risks at Group level. The Group's risk assessment is presented to the audit committee and Board of Directors annually.

Control activities

Control activities counteract the risks identified during the risk assessment and ensure correct and reliable financial reporting and efficient processes. Control activities include both general and detailed controls intended to prevent, detect and correct errors and any fraud.

There is a basic control structure in place to counteract and prevent the risks that the company has identified. The control structure is incorporated into the daily processes, and the Group's finance and accounting system is structured to support the control activities. The company's finance system is designed in such a way that payment of invoices, etc., must adhere to the established decision-making paths and to the signatory and

authorisation rights that are stipulated in the internal control documents. In addition to the daily 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 organisation, such as the Board's monitoring and reconciliation of Board resolutions passed, an analysis and follow-up of profit/loss and balance sheet items, reconciliation of accounts, approval and reporting of business transactions in the accounting department.

Information and communication

Polygon has built up an organisation to ensure that the financial reporting is correct and that the process for preparing the financial reports is 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 communications reach all affected parties. Group management is provided with monthly financial information about the company and its subsidiaries regarding performance, 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 organisation. The Board regularly evaluates the information provided by management and the auditors. Furthermore, the Board carries out an annual follow-up of the risk assessment and the measures decided. Special attention is given to the Board's monitoring of internal control to ensure that measures are taken regarding any deficiencies or proposals that have been put forward.

Annual internal control self-assessment

In 2015, the Group introduced a procedure based on an internal control self-assessment. Each subsidiary completes a self-assessment based on predefined questions formulated by the Group's accounting department. The aim of this assessment is to examine the Group's internal control system and its compliance with established policies and procedures. The results are reviewed and reported to the audit committee.

The self-assessment is carried out on the basis of significant transaction flows and controls in these flows. The focus is on material profit/loss and balance sheet items and the areas where the risk of errors could be significant. The self-assessment is carried out in the second quarter and follow-up is carried out at regular intervals by the Group's accounting department.

Examples of monitoring activities

- Monthly/continuous monitoring and analysis of financial reports
- Reporting of risk analysis to the Board once a year
- Follow-up of the self-assessment performed by the Group's accounting department
- Reporting of annual internal control self-assessment to the Board

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 CORPORATE INFORMATION

These consolidated financial statements include the Parent Company Polygon AB, corporate identity number 556816-5855, and its subsidiaries. The postal address of the head office is Sveavägen 9, SE-111 57 Stockholm, Sweden.

Polygon AB is a wholly owned subsidiary of Polygon Holding AB, corporate identity number 556809-3511, domiciled in Stockholm, Sweden. Polygon Holding AB is the highest level at which consolidated financial statements are prepared. The ultimate Parent Company of the Group is MuHa LuxCo S.à.r.l., corporate identity number B154023 and domiciled in Luxembourg, which is exempt from the requirement to prepare consolidated financial statements. MuHa LuxCo S.à.r.l. is under the controlling influence of Triton Fund III, which, under the regulations applying in Luxembourg, is not required to prepare consolidated financial statements.

The financial statements pertain to Polygon AB and were approved by the Board of Directors at the Board meeting on 26 April 2020.

NOTE 2 ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2.1 SIGNIFICANT ACCOUNTING POLICIES

RULES AND REGULATIONS APPLIED

The consolidated financial statements 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 adopted by the EU for financial years beginning on or after 1 January 2019. In addition, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied.

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

PRESENTATION CURRENCY

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

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

REPORTING PERIOD

The reporting period is the financial year from 1 January 2019 to 31 December 2019, and all balance sheet items refer to 31 December 2019. The preceding financial year was 1 January 2018 to 31 December 2018 and the balance sheet items for this period refer to 31 December 2018.

BASIS OF PRESENTATION

The consolidated financial statements have been prepared based on the assumption of a going concern. Assets and liabilities are measured at historical cost with the exception of derivative financial instruments and additional purchase prices, which are measured at fair value.

BASIS OF CONSOLIDATION

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

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

Definition of subsidiary

The term "subsidiary" includes all companies over which Polygon AB (publ) holds a controlling influence. Controlling influence means that Polygon has the ability to govern the subsidiary, is entitled to the return that it generates and can use its influence to control the activities that impact this return. The consolidated financial statements are prepared according to the acquisition method.

Non-controlling interests

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

Translation of financial statements of foreign subsidiaries

Subsidiaries with a functional currency other than EUR are translated to EUR, since this is the presentation currency of the Group and the functional currency of Polygon AB. Income statement items are translated at the average exchange rate and balance sheet items are translated at the closing day rate. All surplus values recognised in connection with the acquisition of a foreign subsidiary, such as goodwill and other previously unrecognised intangible assets, are regarded as belonging to the respective unit and are therefore translated at the closing day rate. Translation differences are recognised in other comprehensive income. On the divestment of a subsidiary, the accumulated translation differences are reversed to profit or loss.

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

EUR thousand	Closing balance rate Dec 31, 2019	Average rate 2019	Closing balance rate Dec 31, 2018	Average rate 2018
CAD	0,6832	0,6734	0,6416	0,6542
DKK	0,1339	0,1339	0,1339	0,1342
GBP	1,1707	1,1394	1,1044	1,1303
NOK	0,1014	0,1015	0,0997	0,1042
SEK	0,0958	0,0944	0,0973	0,0975
SGD	0,6617	0,6547	0,6385	0,6279
USD	0,8930	0,8934	0,8731	0,8475

GROSS RECOGNITION

Gross recognition is applied consistently in the recognition of 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, gross recognition is also applied for revenue and expenses.

CLASSIFICATION OF ASSETS AND LIABILITIES

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

NOTE 2.2 CHANGES IN ACCOUNTING POLICIES**IFRS ADOPTED BY THE EU THAT CAME INTO EFFECT IN 2019:****IFRS 16 Leases**

This standard came into effect on 1 January 2019 and replaced IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. For companies that are a lessee, the former classification into operating and finance leases has disappeared and been replaced by a model where assets and liabilities for all leases will be recognised in the balance sheet. For leases with a term of 12 months or less or where the underlying asset is of a low value (corresponding to approximately USD 5,000 or less), there is a possibility to apply an exemption rule. In the income statement, depreciation is recognised separately from interest expenses attributable to the lease liability.

The new standard means that when the company enters into a lease, all future payments for this lease are discounted and recognised as a financial liability in the balance sheet. A corresponding amount is recognised as a non-current asset (right-of-use asset). When the lease payments are then settled through an invoice or in a similar manner, they are recognised as a repayment of the liability and interest expense. The non-current assets are amortised in accordance with the economic life of the asset, as specified in the standard.

In the financial statements, this is entailing a slight improvement in operating profit as well as an increase in financial expenses. In the statement of cash flows, payment is shifted from operating activities to financing activities. The balance sheet total and performance measures linked to the balance sheet total are impacted by the change in accounting policy.

On the transition on 1 January 2019, Polygon applied the modified retrospective approach, which entailed the opening balance being adjusted for the accumulated effect of initial application of the standard on the first application day and that comparative years are not to be restated.

The lease liability was measured at the present value of the remaining lease payments and the right-of-use asset for all leases amounted to the equivalent of the lease liability adjusted for any prepaid and accrued lease payments recognised as per 31 December 2018. Only marginal reclassifications of prepaid and accrued lease payments have been carried out. An incremental borrowing rate has been established for each country ranging between 3.9% and 7.6%, with an average rate of about 5%. The transition had no impact on opening equity.

Polygon has chosen to apply the exemption rules for short-term leases and low-value leases (EUR 5 thousand or the corresponding amount in the currency concerned). These leases are not included in the right-of-use asset or the liability but are recognised in profit or loss. In applying the standard, Polygon has determined that a time horizon other than three years can generally be used for leases for offices and depots where no final dates have agreed (so-called open final dates), although the formal lease term is shorter.

Right-of-use assets primarily comprise leases for offices, depots and cars. Premises account for about 60% of the total lease cost and vehicles for about 40%. The number of leases for premises is small but they are more complex and individually formulated. There are many leases for vehicles but they are usually standardised with plenty of administrative information available. Impairment requirements are managed in accordance with the Group's accounting policies; see below under Note 2.3. When calculating the lease liability and the right-of-use asset, the lease payment is used as the basis and, should this be difficult to separate from the total payment, a standard formula established by the Group is used. The standard formula is based on an average for the Group of the proportion of lease payments in relation to the total payment. The remaining proportion of the payment is recognised continuously in profit or loss. An assessment is made of the probability of utilising extension options, should these be included in the leases. Should the leases lack final dates, a period of three years is used for premises, four years for vehicles and three years for other assets. These Group-wide assumptions are based on a combination of experience and the average for the respective right-of-use asset.

Impact on the balance sheet:

	Opening balance 1 January 2019	Impact IFRS 16	New opening balance 1 January 2019
Other intangible assets	53,329	-2,561	50,768
Right-of-use assets	-	71,687	71,687
Deferred tax receivables	13,375	-	13,375
Total impact assets	66,704	69,126	135,830
Equity	75,491	-	75,491
Non-current interest-bearing liabilities	208,632	-2,778	205,854
Non-current lease liabilities	-	52,201	52,201
Deferred tax liabilities	18,471	-	18,471
Current liabilities	11,696	-	11,696
Current lease liability	-	19,703	19,703
Total impact equity & liabilities	314,290	69,126	383,416

Impact on the income statement:

	Full-year		
	Period values according to IAS 17	Impact IFRS 16	Period values according to IFRS 16
Cost of sales	-515,260	610	-514,650
Gross profit	161,820	610	162,430
Administrative and selling expenses	-124,901	1,379	-123,522
Operating profit	32,327	1,991	34,318
Financial items	-14,257	-3,463	-17,720
Profit before income taxes	18,071	-1,473	16,598
Income taxes	-6,454	370	-6,084
Profit for the period	11,617	-1,103	10,514
Adjusted EBITDA and EBITA			
Adjusted EBITDA	57,357	23,922	81,279
Adjusted EBITA	42,347	1,991	44,338

Comparative year in accordance with IAS 17

In the 2018 comparative year, lease costs were recognised in accordance with IAS 17.

Reconciliation between operating leases recognised in 2018 and opening balance for lease liabilities according to IFRS 16:

	2019
Total operating lease commitments disclosed at 31 December 2018	88,445
Less exemptions used:	-
Low value items	-8,493
Leases with remained lease term less than 12 months	-2,694
Other adjustments:	-
Open-end contracts estimate	10,562
Service and maintenance excluded	-5,246
Other minor adjustments	-2,225
Operating lease liabilities before discounting	80,349
Effect of discounting	-11,223
Finance lease obligations	2,778
Total lease liabilities recognized under IFRS 16	71,904

During 2019, new information became available in respect of a number of leases, which led to the preliminary opening balance for right-of-use assets increasing from EUR 66 million to EUR 71.7 million and the lease liability increasing from EUR 66 million to EUR 71.9 million.

NOTE 2.3 SUMMARY OF KEY ACCOUNTING POLICIES**RECOGNITION OF FOREIGN EXCHANGE EFFECTS**

Transactions denominated in a currency other than the Group's functional currency are restated at the rate prevailing on the transaction date. Assets and liabilities denominated in a currency other than the Group's functional currency are restated at the closing day rate. Exchange differences are recognised in profit or loss as they arise.

RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCY

Receivables and liabilities denominated in foreign currency have been restated at the closing day rate. Exchange gains and losses pertaining to operating receivables and liabilities are recognised in operating profit. Exchange differences related to financial assets and liabilities are recognised among financial items. As of 1 January 2018, exchange differences related to inter-company financial assets and liabilities are recognised in other comprehensive income, together with the deferred tax effect of the same.

INTANGIBLE ASSETS

An intangible asset is an identifiable non-monetary asset that lacks physical substance. Intangible assets that are identified and measured separately from goodwill from business combinations may include trademark-related, customer-related, contract-related and/or technology-related assets. Typical marketing and customer-related assets are trademarks and customer relationships. Customer contracts and customer relationships are attributable to expected customer loyalty and the cash flow that is expected to arise over the remaining useful lives of these assets. The cost for this type of intangible asset consists of the fair value on the acquisition date, calculated according to established valuation methods.

Development costs are recognised as an intangible asset only if it is sufficiently probable that the development project will generate economic benefits in the future and the cost of the asset can be measured reliably. The cost of capitalised development costs includes only expenses directly attributable to the development project. Other internally generated intangible assets are not recognised as assets. Instead, the costs are recognised as an expense in the period in which they arise.

Separately acquired intangible assets are recognised at cost less accumulated amortisation and impairment.

All intangible assets are amortised on a straight-line basis over their estimated useful lives and are reviewed on every balance sheet date. Amortisation begins when the asset is available for use. Certain trademarks have an unlimited lifetime and are not amortised at all.

Amortisation is calculated as follows:

	Years
Patent, licenses and software	3–8
Customer relations	10–12

Where appropriate, order value is amortised over a period of one to three months.

BUSINESS COMBINATIONS AND GOODWILL

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

If the consideration paid by the Group is greater than the fair value of the identified net assets, the difference is recognised as consolidated goodwill. Goodwill is continuously measured at cost less accumulated impairment. Since it is not possible to individually test goodwill for impairment, goodwill is allocated to one or more cash-generating units, depending on how the goodwill is monitored for internal control purposes. Polygon has allocated goodwill to three cash-generating units: Nordics & UK, Continental Europe and North America.

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

See Note 12 Goodwill and Note 15 Impairment testing of goodwill and trademarks.

RIGHT-OF-USE ASSETS

On the introduction of IFRS 16 Leases, lease payments per lease are present valued and a right-of-use asset arises. The amortisation period amounts to the term of the lease, including any extension options that will be exercised by Polygon. The asset is checked continuously and impairment requirements are identified as soon as such a change arises. For further information, see below under Impairment of intangible assets and property, plant and equipment. If payment or other terms and conditions are amended, the asset is remeasured, and this also applies if the term is extended.

Amortisation is calculated as follows:

	Years
Rents	3–13
Vehicles	1–5
Other equipment	1–4

For further information, see Note 24.

PROPERTY, PLANT AND EQUIPMENT

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 their estimated useful lives. When property, plant and equipment are recognised, any residual value is taken into account when the depreciable amount of the asset is determined. Depreciation begins when the asset is ready to be taken into use. Land is not depreciated.

Property, plant and equipment are derecognised from the balance sheet on divestment or when no future economic benefits are expected from either their use or their sale. Any gains or losses are calculated as the difference between the sale proceeds and the asset's carrying amount. The gain or loss is recognised in profit or loss as other expenses or other income in the accounting period when the asset was divested.

The residual value, useful life and depreciation rate of an asset are reviewed at the end of each financial year and adjusted, if necessary, for subsequent periods.

Customary costs for maintenance and repairs are expensed as incurred. However, costs related to significant renewals and improvements are recognised in the balance sheet 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 OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

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

An impairment loss is to be recognised 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 realisable value. Impairment losses are recognised in profit or loss.

For all assets except goodwill and intangible assets with indefinite useful lives, an assessment is made on each balance sheet date as to whether there is an indication that an earlier impairment loss, in whole or in part, is no longer justified. If the assumptions underlying the calculation of an asset's recoverable amount have changed, the carrying amount of the asset or assets is increased to its recoverable amount. Such a reversal is to not to exceed the amount the company would have recognised after depreciation and amortisation if the impairment had not been recognised. The reversal is recognised in profit or loss unless the asset is recognised in a restated 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 during which the acquisition was carried out, the initial allocation should then be carried out before the end of the financial year following the year when the acquisition was carried out. 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 instruments recognised as assets in the balance sheet include cash and cash equivalents, accounts receivable, other receivables and currency derivatives. Financial instruments recognised as liabilities include trade payables, loans payable and other liabilities. Recognition depends on how

the financial instruments have been classified. At year-end, the company had SEK/EUR hedges to cover the head office's costs. Classification and measurement of financial assets is dependent on the company's business model for holding the asset and the contractual cash flows of the asset:

- Financial assets held for the sole purpose of receiving the contractual cash flows of the asset and where the cash flows consist solely of nominal amounts and interest on nominal amounts are to be measured at amortised cost.
- Financial assets held for the purpose of collecting contractual cash flows as well as being available for sale and where the cash flows consist solely of nominal amounts and interest on nominal amounts are to be measured at fair value with changes in value recognised in other comprehensive income.
- Financial assets held for the sole purpose of being available for sale are measured at fair value with changes in value recognised in profit or loss.
- Financial assets with contractual cash flows consisting not only of nominal amounts and interest on nominal amounts are to be measured at fair value with changes in value recognised in profit or loss, regardless of the purpose for which the asset is held.

Since all of Polygon's financial assets subject to a loss risk are more current in nature, the simplified method is used for impairment testing (see below in the Impairment of financial assets section).

Accounts receivable in the Group mainly pertain to large and well-established customers (insurance companies) with good ability to pay, which is taken into consideration in the loss allowance for expected credit losses. Credit terms are normally short-term, in the range of ten to 60 days with a standard of 30 days. The credit losses incurred by the Group over the past three years have been minor. The loss allowance for expected credit losses as of 31 December 2019 is presented in Note 22 Accounts receivable.

On the introduction of IFRS 9 in 2018, Polygon did not implement any remeasurements that impacted opening equity for the year.

Recognition and derecognition

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party in accordance with the contractual terms of the instrument. Accounts receivable are recognised in the balance sheet when an invoice has been sent and the company's right to remuneration is unconditional. A liability is recognised when the counterparty has performed and a contractual obligation to pay exists, even if an invoice has not yet been received. Trade payables are recognised when an invoice has been received.

A financial asset and financial liability are offset and recognised in a net amount in the balance sheet only when there is a legal right to offset the amounts and the company intends to settle the items in a net amount or to simultaneously realise the asset and settle the liability. A financial asset is derecognised from the balance sheet when the contractual rights have been realised, mature or the company loses control over them. The same applies for a portion of a financial asset. A financial liability is derecognised from the balance sheet when the contractual obligation has been fulfilled or otherwise extinguished. The same applies for a portion of a financial liability. On each reporting date, the company assesses whether there are objective indications that a financial asset or group of financial assets requires impairment.

Gains and losses on derecognition from the balance sheet and modifications are recognised in profit or loss.

CLASSIFICATION AND MEASUREMENT

Financial assets

Debt instruments: The classification of financial assets that are debt instruments is based on the Group's business model for managing the asset and the nature of the contractual cash flows.

Instruments are classified as follows:

- amortised cost
- fair value through other comprehensive income, or
- fair value through profit or loss.

The Group's debt instruments are classified at amortised cost.

Financial assets classified at amortised cost are initially measured at fair value plus transaction costs. Accounts receivable and lease receivables are initially recognised at their invoiced amount. After initial recognition, the assets are measured according to the effective interest method. In accordance with the business model, assets classified at amortised cost are held for the purpose of collecting the contractual cash flows, which exclusively comprise payments of the principal and interest on the outstanding principal. The assets are covered by a loss allowance for expected credit losses.

Derivatives: Classified at fair value through profit or loss. The Group does not apply hedge accounting.

Fair value is determined according to the description in Note 20 Interest-bearing loans and borrowings.

Financial liabilities

Financial liabilities are classified at amortised cost with the exception of derivatives. Financial liabilities recognised at amortised cost are initially measured at fair value including transaction costs. After initial recognition, they are measured at amortised cost according to the effective interest method.

CASH AND BANK BALANCES

Cash and current bank balances in the balance sheet consist of bank deposits, available cash and demand deposits with a maturity of three months or less from the date of acquisition. Cash and bank balances are subject to the requirements for a loss allowance for expected credit losses.

FINANCIAL LIABILITIES

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

- Financial liabilities measured at fair value through profit or loss
 - Held-for-trading financial liabilities
 - Financial liabilities initially measured at fair value ("fair value option")
- Financial liabilities measured at amortised cost

Financial liabilities measured at fair value through profit or loss

Some of the Group's acquisitions include additional purchase prices. These are recognised as a financial liability measured at fair value through profit or loss. Additional purchase prices are based on an assessment made by executive management concerning the probable outcome and have been classified at level 3 since there is no observable market data to apply.

Changes in the value of financial liabilities that are measured at fair value ("fair value option") and are attributable to changes in the credit risk associated with the liability are to be recognised in other comprehensive income.

Financial liabilities measured at amortised cost

Liabilities are initially measured at fair value less transaction costs. In subsequent periods, these liabilities are recognised at amortised cost in accordance with the effective interest method.

Fees paid for loan commitments and borrowings (commitment fees) are recognised as transaction costs and are allocated over the term of the loan commitments/loans in profit or loss.

In cases where quoted information/inputs are not available in order to measure financial instruments at fair value, established valuation methods that can be more or less dependent on quoted information/inputs are used. In some cases, valuation methods based on the company's own assumptions and estimates are applied. The fair values of financial assets and liabilities are assumed to be their nominal values for those assets and liabilities with a term of less than one year. The fair values of financial liabilities are their discounted cash flows. Discounting is carried out at the interest rate that is available to the Group for similar financial instruments.

Purchases and sales of financial instruments are recognised on the trade date, which is the date on which the Group commits to purchase or sell the financial instrument. Financial instruments are derecognised when the right to receive or pay cash flows attributable to the financial instrument expires or has been transferred, or the Group has explicitly transferred all risks, allocations and obligations entailed by the holding of the financial asset or liability.

FINANCIAL DERIVATIVES AND HEDGE ACCOUNTING

Derivative financial instruments are measured initially and subsequently at fair value. Changes in fair value are recognised through profit or loss unless they comprise 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 changes in value are recognised in profit or loss together with changes in the value of the hedged item in the balance sheet. Changes in the value of derivatives that comprise part of an effective hedging relationship are recognised as other comprehensive income. The accumulated change in value for this type of derivative is reversed to profit or loss in the same period 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 gains or losses that have been recognised in other comprehensive income, and ultimately recognised as an adjustment of either expenses or revenue when the planned transaction or assumed obligation is realised, are recognised in profit or loss. However, if a planned transaction or an assumed obligation is no longer expected to occur, the accumulated gain or loss that has been recognised in other comprehensive income for the period in which the hedge applied is immediately transferred to profit or loss.

Polygon does not apply hedge accounting.

IMPAIRMENT OF FINANCIAL ASSETS

With the exception of financial assets classified at fair value through profit or loss, the Group's financial assets are subject to impairment for expected credit losses. In addition, impairment also encompasses contract assets

not measured at fair value through profit or loss. The simplified impairment method can be applied for all of Polygon's financial assets. In accordance with IFRS 9, impairment losses are recognised prospectively and a loss allowance is recognised when there is exposure to credit risk, usually on initial recognition. Expected credit losses reflect the present value of all deficits in cash flows attributable to expected losses, either for the next 12 months or for the expected remaining term of the financial instruments, depending on the type of asset and on potential credit deterioration since initial recognition. Expected credit losses reflect an objective, probability-weighted outcome taking into consideration multiple scenarios based on reasonable and well-founded forecasts. The calculation of the impairment requirement for doubtful receivables, which are the most material financial assets subject to a loss risk, comprises a combination of a collective and an individual assessment. In the collective assessment, a provision is made for the loss risk for all accounts receivable that are more than 180 days past due. For other accounts receivable, an individual assessment of the loss risk is carried out based on the customer's ability to pay and other relevant factors for individual customers or for the specific market in which the customer operates.

On every balance sheet date, Polygon assesses whether there are any circumstances indicating that a financial asset may need to be impaired. Financial assets are recognised in the balance sheet at amortised cost, meaning the net of gross value and impairment loss. The impairment loss is recognised in profit or loss.

PROVISIONS

A provision is recognised when the Group has a present obligation, either legal or informal, as a result of a past event, it is probable that a payment will be required to settle the obligation and the amount of the obligation can be reliably measured. 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 expected reimbursement is recognised 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 recognised as an interest expense.

REMUNERATION OF EMPLOYEES IN RESPECT OF PENSIONS AND OTHER NON-CURRENT REMUNERATION

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

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

Items attributable to the vesting of defined-benefit pensions during the current period and net interest on the defined-benefit net liability (asset) are recognised in profit or loss. Costs for service in earlier periods that are attributable to a change in the pension plan or a reduction are also recognised in profit or loss, as are any gains or losses that arise on settlement of the pension liability. Remeasurements, which are recognised in other comprehensive income under the heading "Items that will not be reclassified to profit or loss", comprise actuarial gains and losses, the difference between actual return and interest income on plan assets and the effect of changes in asset caps excluding net interest. Actuarial gains and losses arise due to changes in actuarial assumptions and differences between previous actuarial assumptions and the actual outcome.

A net liability or net asset comprising the net of the present value of the defined-benefit pension obligations and the fair value of the plan assets is recognised in the balance sheet for each pension plan. The carrying amount of the net asset is limited to the asset cap, which comprises the present value of repayments from the plan or reduced future payments to the plan.

The total net obligation for all plans is recognised in the consolidated balance sheet. The net obligation is divided into a current and a non-current portion.

The Group's costs for defined-contribution pension plans are charged to profit or loss in the year to which they are attributable.

TERMINATION BENEFITS

A provision is recognised in conjunction with the termination of employment only if the company is obligated to either terminate the employment of an employee or group of employees before the normal point in time or to pay remuneration upon termination through an offer of voluntary resignation. In the latter case, a liability and expense are recognised if it is probable that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

LEASES FOR THE COMPARATIVE YEAR 2018

For the comparative year 2018, leases are classified in the consolidated financial statements as either finance or operating leases. A finance lease exists when the financial risks and rewards of ownership are essentially transferred to the lessee.

Assets that are leased under finance leases are recognised as non-current assets in the balance sheet and are initially measured at the lower of the fair value of the lease object and the present value of the minimum lease payments when the lease is entered into. The obligation to pay future lease payments is recognised as non-current and current liabilities. The leased assets are amortised over the useful life of the asset in question, while the lease payments are recognised as interest and repayment of the liability.

Leases where the lessor retains essentially all of the risks and rewards of ownership are classified as operating leases. Operating lease payments that the Polygon Group pays in its capacity as lessee are expensed on a straight-line basis over the lease term.

SEGMENT REPORTING

The Group has three operating segments. The operating segments have been identified based on the internal monitoring of the Group's operating activities. Operating profit for the identified operating segments is regularly monitored by the Group's chief operating decision-maker, which is Polygon's President and CEO, in order to allocate resources and assess results. The Group's internal reporting and, consequently, the information provided to the chief operating decision-maker, are divided into geographic areas – Nordics & UK, Continental Europe and North America – which constitute the Group's operating segments.

The segments are responsible for operating profit and the net assets that are used in their operations, while net financial items, tax, net borrowings and equity are not recognised by segment. Operating profit and net assets for the segments are consolidated according to the same principles as for the Group as a whole. The segments consist of a group of separate companies divided geographically by country. Operating expenses that are not included in the segments are recognised in Group-wide expenses and consist of Group-wide functions, including Group management and central staffs.

REVENUE

Polygon provides services in the area of preventing, controlling and mitigating the effects of water, fire and climate.

The customer base includes insurance companies, companies in the private and public sectors, and households.

The scope and complexity of the projects vary from simple leak detection to large restoration projects, with most of the projects being small (under EUR 2 thousand) and short-term (with a duration of under three months). Typical examples of services that Polygon provides are repair and restoration of equipment, restoration services for everything from documents to buildings, leak detection and moisture control as well as keeping certain climate conditions at a constant level.

Polygon's operations are characterised by a local presence and strong ties to local customers. International cooperation has become increasingly significant in the major & complex claims segment.

Payment terms are determined according to industry practices and vary from country to country and project to project (from advance and partial payments to payments due after performance obligations are satisfied). Polygon's payment terms do not include financial components; nor are they subject to any type of variable or restricting conditions.

Warranties are provided according to business practices and legal requirements in the country where the project is performed.

The allocation of performance obligations is straightforward due to the nature of Polygon's business – one job is considered one performance obligation, which makes it easy to allocate the price to the performance obligation, regardless of whether it is a fixed price or current account.

Polygon's revenue is generated from the sale of services in the area of preventing, controlling and mitigating the effects of water, fire and climate.

Most of Polygon's revenue is generated from performance obligations that are satisfied over time since Polygon performs restoration and humidity control services on assets controlled by the customer. Revenue from such projects is recognised over the period during which the performance obligation is carried out. For consulting services, equipment rental and other services billable by the hour or other fixed time periods, the practical expedient is used and revenue is recognised at the amount at which Polygon has a right to invoice during the current accounting period.

The exception from the above is leak detection projects where the performance obligation is satisfied upon receipt of a leak detection report. Revenue for these jobs is recognised at a specific point in time.

See the below breakdown by segment:

Full-year	2019	2018
Nordics & UK	229,340	202,690
Revenue recognised at one point in time	11,043	18,524
Revenue recognised over time	202,966	168,133
Revenue recognised according to practical exemption at invoicing	15,331	16,033
Continental Europe	414,635	382,717
Revenue recognised at one point in time	25,987	22,707
Revenue recognised over time	379,394	350,954
Revenue recognised according to practical exemption at invoicing	9,254	9,056
North America	37,074	34,724
Revenue recognised at one point in time	68	25
Revenue recognised over time	9,076	10,439
Revenue recognised according to practical exemption at invoicing	27,930	24,260
Intercompany sales	-3,969	-867
Total	677,080	619,264

Polygon uses the portfolio approach for revenue recognition, which allows bundling of similar agreements and performance obligations for more effective handling. The portfolio approach is applied to the large amount of small (under EUR 2 thousand) and short-term (under three months) obligations that make up the bulk of the Group's business. The remaining obligations with a longer duration are recognised using the percentage of completion method.

Polygon uses costs incurred to determine the percentage of completion of the performance obligation (based on costs incurred to date). In certain projects where the degree of invoicing reflects the progress of the performance obligation, actual outgoing invoicing is used for revenue recognition. Combined, these two methods provide a fair presentation of the transfer of goods and services and show the Group's completion of the promised deliveries to the customer.

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

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

Commission fees from the franchise part of the business are recognised at the amount to which Polygon has the right to invoice the franchisee during the current accounting period.

In Norway, the Group has agreements with franchisees under which Polygon receives 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 recognised net as sales revenue, meaning that the commission is recognised in sales revenue. Because revenue from the franchise business is not material, the Group has decided not to report this separately in Note 5.

On the introduction of the standard in 2018, the Group decided to apply the standard retrospectively, utilising the practical expedient to not restate contracts that begin and end within the same annual financial year or are completed at the beginning of the current financial year.

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 the respective tax authorities. The Group's current tax is calculated using the tax rates and tax laws enacted or substantively enacted on the balance sheet date.

Current tax attributable to items recognised in equity and in other comprehensive income is recognised in equity and in other comprehensive income and not in profit or loss.

Deferred tax

Deferred tax is recognised 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 recognised 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 recognised as part of a transaction that is not a business combination and which, at the time of the transaction, affects neither the recognised gain nor the taxable gain or loss, and
- for deductible temporary differences attributable to investments in subsidiaries, apart from cases where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

A deferred tax asset is recognised for deductible temporary differences, including loss carryforwards to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amounts of deferred tax assets are reviewed on each balance sheet date and adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow part of or the entire deferred tax asset to be utilised.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax amounts are related to the same entity in the Group and the same tax authority.

RECOGNITION OF CASH FLOW

Cash and cash equivalents consist of available cash, disposable bank deposits and other short-term investments with a remaining maturity of three months or less from the date of acquisition. Cash received and paid is recognised in the statement of cash flows. Cash flow from operating activities is recognised in accordance with the indirect method.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date that confirm the existing terms as of the balance sheet date are taken into consideration in the measurement of assets and liabilities.

NOTE 2.4 KEY ACCOUNTING ASSESSMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the financial statements in accordance with the applicable accounting policies, the Board and CEO are required to make certain estimates and assumptions that impact 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:

LEASE LIABILITY AND RIGHT-OF-USE ASSETS ACCORDING TO IFRS 16 LEASES

When calculating the present value of lease liabilities and right-of-use assets where the final date is lacking, a clear breakdown of lease payments and other payments or an implicit interest-rate component are not apparent, assumptions about these have to be made.

The interest-rate component for all of the Group's companies, adapted to the market in which they operate, has been formulated as part of the transfer pricing documentation.

Should the leases lack final dates, a period of three years is used for premises, four years for vehicles and three years for other assets. These Group-wide assumptions are based on a combination of experience and the average for the respective right-of-use asset.

When calculating the lease liability and the right-of-use asset, the lease payment is used as the basis and, should this be difficult to separate from the total payment, a standard formula established by the Group is used. The standard formula is based on an average for the Group of the proportion of lease payments in relation to the total payment. The remaining proportion of the payment is recognised continuously in profit or loss.

An assessment is made of the probability of utilising extension options, should these be included in the leases.

IMPAIRMENT OF INTANGIBLE ASSETS

Intangible assets other than goodwill and intangible assets with an indefinite useful life are amortised over the period in which they will generate revenue, meaning their useful lives. If there is any indication that an asset may be impaired, the recoverable amount of the asset is calculated. The recoverable amount of an asset is the higher of its net realisable value 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 15 Impairment testing of goodwill and trademarks. 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 recognised.

DEFERRED TAX ASSETS

Deferred tax is recognised for temporary differences arising between the tax bases and carrying amounts of assets and liabilities as well as for unutilised loss carryforwards. A deferred tax asset is recognised only to the extent that it is probable it can be utilised against future profit. 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.

REVENUE RECOGNITION BASED ON INDIVIDUAL ASSESSMENT

The Group applies the percentage of completion method on an individual basis for significant customer contracts, meaning contracts with a value of more than EUR 100 thousand and a term of more than three months. The estimate of total contract costs and revenue is critical for revenue recognition and provisions for onerous contracts and the outcome of additional invoicing may affect profit.

PROVISIONS FOR EXPECTED CREDIT LOSSES ON ACCOUNTS RECEIVABLE

Accounts receivable are initially recognised at transaction price in accordance with IFRS 15 and thereafter at amortised cost. A loss allowance for expected credit losses is made on every balance sheet date in an amount that corresponds to the expected credit losses for the remaining term. The assessment is based on criteria that show whether the risk has changed since the initial measurement date. Loss allowances for expected credit losses are recognised in profit or loss under other operating expenses. See Note 22 Accounts receivable.

PENSION AND OTHER POST-RETIREMENT BENEFITS

Defined-benefit pension provisions are calculated based on actuarial calculations with assumptions about the discount rate, inflation, future salary increases and demographic factors. These assumptions are updated annually, which affects the size of the recognised provisions. The most significant assumptions relate to the discount rate and future salary increases. In the Swedish pension plans, mortgage bonds are used as the basis for the discount rate. For other pension liabilities, the discount interest rate has been based on first-class corporate bonds.

NOTE 3 BUSINESS COMBINATIONS

The fair value of assets and liabilities identified on the acquisition date is presented below.

For acquisitions of service companies, Polygon pays not only a consideration for the net asset value of the company but also a surplus value, for example, for the acquisition of new customer relationships and knowledgeable, well-educated and experienced employees. A service company's employees are its single most important value creator, but they are not recognised 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.

In January, Polygon Netherlands strengthened its regional presence through the acquisition of Tiedema Lekdetectie BV and Tiedema Droogtechniek BV, with annual sales of EUR 1.2 million.

In March, Polygon International AB acquired the shares of Alvisa Holding AG (Alvisa 24). Alvisa 24, one of the market leaders in Switzerland, is specialised in fire damage restoration and Major & Complex Claims, with annual sales of EUR 11 million.

In April, Polygon in the Netherlands acquired the VanWaarde companies with annual sales of EUR 1.8 million, which is active in such areas as document restoration.

In May, Polygon UK acquired the Plastic Surgeon Group, with annual sales of EUR 15 million. This acquisition strengthened Polygon's offering in the areas of property restoration and hard surface repairs.

In June, Polygon Finland acquired Tehokuivaus OY, with annual sales of EUR 7 million in the area of restoration of water and fire damage.

In August, Polygon USA acquired AMRestore, a document restoration company based outside Washington DC/Baltimore, with annual sales of EUR 2.3 million.

In September, Polygon Norway acquired the remaining shares in the former franchise company Haugesund AS with annual sales of EUR 1.8 million.

In November, the acquisition of Nettag AG, a restoration company for water and fire damage in Switzerland with annual sales of EUR 4.5 million, was completed.

During the year, the above acquisitions contributed sales of EUR 32.7 million and, had they been owned for the entire year, they would have contributed sales of EUR 49.2 million. The corresponding amounts for adjusted EBITA are EUR 5.0 million and EUR 9.4 million.

The amounts and assessments below pertaining to acquisitions in 2018 are final, while the amounts and assessments for 2019 are preliminary.

BUSINESS COMBINATIONS IN 2018 AND 2019

Fair value recognised on acquisition	2019	2018
Customer relationships	6,545	13,121
Trademarks	647	790
Acquired order backlog	–	104
Tangible and intangible assets	2,429	1,148
Other non-current receivables	1,348	3,851
Current receivables	18,517	13,928
Inventory	1,018	71
Total identifiable assets at fair value	30,504	33,013
Long-term loans and other liabilities	1,856	4,259
Current liabilities	19,297	7,168
Deferred tax liabilities	1,291	473
Less: Cash and cash equivalents	–2,993	–654
Total identifiable liabilities less cash at fair value	19,451	11,247
Total identifiable net assets at fair value	11,053	21,767
Non-controlling interest measured at fair value	–	–10,523
Goodwill	29,828	23,773
Purchase consideration transferred	40,881	35,017

	2019	2018
Purchase consideration		
Cash paid	31,705	32,408
Take-over of debt	–2,537	156
Liability to seller	11,713	2,453
Total consideration	40,881	35,017
Analysis of cash flows on acquisition:		
Net cash acquired with the subsidiary	–2,993	–654
Earn-outs	4,456	–
Cash paid	31,705	32,408
Translation difference	–585	–
Closing balance	32,583	31,754

Company	Country	Corp.ID. No.	Ownership	Closing date	Annual net sales (estimated) MEUR	No of employees
Von Der Lieck GmbH & Co. KG	Germany	HRA 6565	100%	2018-01-02	4.0	25
Dansk Byggningskontrol A/S	Denmark	31 85 98 83	100%	2018-01-04	29.0	236
Polygon Kongsberg AS	Norway	884 251 192	100%	2018-07-02	1.7	17
Buskerud Skadebegrensning AS	Norway	977 073 189	100%	2018-07-03	1.8	20
Refix Skadesanering AB	Sweden	556858-0335	100%	2018-10-01	3.2	30
Neways Property Care Ltd	UK	4 373 558	100%	2018-10-03	6.1	54
Tiedema Droogtechniek B.V.	Netherlands	1 098 498	100%	2019-01-01	0.4	4
Tiedema Lekdetectie B.V.	Netherlands	1 159 013	100%	2019-01-01	0.8	8
Alvisa Holding AG	Switzerland	CHF-358.912.902	100%	2019-03-01	11.0	67
Vanwaarde Documentwacht B.V.	Netherlands	851 557 776	100%	2019-04-01	0.6	5
Vanwaarde Museumwacht B.V.	Netherlands	821 366 026	100%	2019-04-01	0.6	6
Vanwaarde Restauratie B.V.	Netherlands	850 412 869	100%	2019-04-01	0.6	6
The Plastic Surgeon Holdings Limited	UK	10 552 793	100%	2019-05-10	14.9	239
Tehokuivaus OY	Finland	1767199-4	100%	2019-06-03	7.0	60
AMRestore, Inc	USA	26-0581070	100%	2019-08-23	2.3	29
Polygon Haugesund AS	Norway	979 489 986	100%	2019-09-01	1.8	14
Nettag AG	Switzerland	CHE-105.859.711	100%	2019-11-01	4.5	35

ACQUIRED ASSOCIATED COMPANIES 2018

Company	Country	Corp.ID. No.	Ownership	Closing date
Polygon Innlandet AS	Norge	975 843 777	40%	2018-01-03
Caption Data Limited	Storbritannien	6 557 609	20%	2018-02-06

NOTE 4 DIVESTED OPERATIONS

No operations were divested during 2018 or 2019.

NOTE 5 SEGMENT INFORMATION

The Group has three operating segments that are divided by geographical market. IFRS is applied by all segments and by the Group as a whole.

2019	Nordics & UK	Continental Europe	North America	Other	Eliminations	Group total
Revenue from external customers	229,340	410,666	37,074	–	–	677,080
Revenue from internal customers	–	3,969	–	–	–3,969	–
Total revenue	229,340	414,635	37,074	–	–3,969	677,080
Operating profit	9,449	18,640	4,198	2,031	–	34,318
Net financial items	–	–	–	–	–	–17,720
Tax	–	–	–	–	–	–6,084
Profit for the year	–	–	–	–	–	10,514
Depreciation and amortization	16,835	21,673	3,744	954	–	43,206
Assets	202,771	250,666	41,118	188,833	–105,927	577,461
<i>of which goodwill</i>	85,599	60,068	19,792	–	–	165,459
Liabilities	139,613	158,569	30,691	265,780	–105,927	488,726
Capital expenditure						
Property, plant and equipment	2,499	10,183	3,729	12	–	16,423
Intangible assets	1,247	707	–	414	–	2,368

2019	Nordics & UK	Continental Europe	North America	Group Total
Net sales per service line				
Water damage restoration	126,223	204,276	8,374	338,873
Fire damage restoration	94,335	197,135	770	292,240
Climate control	8,782	9,254	27,931	45,967
Total net sales	229,340	410,665	37,075	677,080

2018	Nordics & UK	Continental Europe	North America	Other	Eliminations	Group total
Revenue from external customers	202,690	381,850	34,724	–	–	619,264
Revenue from internal customers	–	867	–	–	–867	–
Total revenue	202,690	382,717	34,724	–	–867	619,264
Operating profit	1,546	17,177	3,534	3,074	–	25,331
Net financial items	–	–	–	–	–	–14,595
Tax	–	–	–	–	–	–4,233
Profit for the year	–	–	–	–	–	6,503
Depreciation and amortization	8,047	8,521	2,450	966	–	19,984
Assets	106,467	90,343	29,203	285,821	–84,757	427,078
<i>of which goodwill</i>	68,776	49,580	18,770	–	–	137,126
Liabilities	85,748	105,671	25,098	219,826	–84,757	351,587
Capital expenditure						
Property, plant and equipment	3,023	9,688	3,658	–81	–	16,288
Intangible assets	663	662	–	914	–	2,239

2018	Nordics & UK	Continental Europe	North America	Group Total
Net sales per service line				
Water damage restoration	124,311	193,693	9,814	327,818
Fire damage restoration	68,647	179,101	516	248,264
Climate control	9,732	9,056	24,394	43,182
Total net sales	202,690	381,850	34,724	619,264

Sales per service in the tables above do not include franchise revenue. Sales in respect of franchise fees account for 0.2% of total sales.

The timing of revenue recognition is shown in the table in Note 2.3 – Summary of key accounting policies.

SALES BY COUNTRY

The figures for revenue are based on the country where the customer is located and from which the sales derive.

Geography	2019	2018
Sweden	25,886	22,172
Germany	355,911	334,645
Other	295,283	262,447
Total	677,080	619,264

NOTE 6 BREAKDOWN OF EXPENSES BY CATEGORY

	2019	2018
Payroll expenses	249,118	219,327
Subcontractor expenses	230,246	220,720
Other operating expenses	86,271	97,577
Depreciations/ scrapping	43,205	19,984
Other expenses	32,524	33,544
Gains (-)/losses/write-offs of assets	-539	1,239
Adjustment acquisition Norway	-	658
Transaction expenses	1,938	884
Total	642,762	593,933

The expenses above are included in the cost of services sold, selling and administrative expenses, and other operating expenses.

NOTE 8 LEASE COSTS

	2019
Amortization expense on right-of-use asset	23,250
Interest expense on lease liabilities	3,512
Expenses short-term leases ¹⁾	5,630
Expenses low value items ¹⁾	1,820
Total recognized in income statement	34,212

¹⁾ Included in cost of sales, administrative expenses

NOTE 7 AUDIT FEES

	2019	2018
<i>Ernst & Young</i>		
Audit assignment	634	527
Auditing besides audit assignment	104	300
Tax consultation	32	38
Other services	-	4
<i>Others</i>		
Audit assignment	56	18
Auditing besides audit assignment	29	-
Tax consultation	12	-
Other services	105	74
Total auditors' fees	972	961

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

NOTE 9 SALARIES, SOCIAL SECURITY EXPENSES AND EMPLOYEE BENEFITS

Average number of employees per country	2019		2018	
	No of employees	Whereof men	No of employees	Whereof men
Sweden	233	76%	213	79%
Norway	393	86%	384	84%
Finland	350	85%	277	85%
Denmark	327	72%	331	67%
Belgium	43	88%	41	90%
Austria	95	88%	102	86%
Germany	1,868	78%	1,710	77%
France	89	76%	85	76%
Switzerland	88	84%	-	79%
United Kingdom	710	84%	437	79%
Netherlands	166	81%	131	85%
Singapore	4	75%	4	75%
USA	128	80%	90	83%
Canada	38	66%	31	65%
Total Group	4,532	80%	3,836	79%

SALARIES, SOCIAL SECURITY EXPENSES AND EMPLOYEE BENEFITS

	2019			2018		
	Salaries and other compensations	Payroll overhead	(out of which pension)	Salaries and other compensations	Payroll overhead	(out of which pension)
Parent company	1,936	571	296	2,707	513	135
Subsidiaries	180,320	39,444	7,333	164,412	35,853	6,595
Total Group	182,256	40,015	7,629	167,119	36,366	6,730

BREAKDOWN OF SALARIES, SOCIAL SECURITY EXPENSES AND OTHER EMPLOYEE BENEFITS BETWEEN THE BOARD OF DIRECTORS, THE CEO AND OTHER EMPLOYEES

	2019			2018		
	Salaries and other compensations	(of which bonus etc.)	Payroll taxes	Salaries and other compensations	(of which bonus etc.)	Payroll taxes
Board	188	–	34	262	–	47
Managing director	717	212	–	1,343	410	8
Other employees	181,351	7,756	39,981	165,514	7,623	36,311
Total Group	182,256	7,968	40,015	167,119	8,033	36,366

REMUNERATION TO BOARD MEMBERS

Member of the Board		2019		2018	
		Compensations	Payroll overhead	Compensations	Payroll overhead
Luc Hendriks	Chairman of the Board	–	–	60	–
Ole Skov	Board member, resigned Dec 2018	–	–	30	9
Jonas Samuelson	Board member, Chairman of the Audit Committee	45	14	45	15
Petter Darin	Board member, member of the Audit Committee, resigned Jun 2018	19	6	37	12
Lars-Ove Håkansson	Board member, resigned Dec 2018	–	–	30	2
Nadia Meier-Kirner	Board member, member of the Audit Committee	49	–	30	–
Gunilla Andersson	Board member, elected Dec 2017	30	9	30	9
Lars Blecko	Chairman of the Board since Jul 2019, elected Dec 2018	45	14	–	–
Total		188	44	262	47

A fee of EUR 60 thousand is paid to the Chairman of the Board and a fee of EUR 30 thousand is paid to each Board member per full year. A fee of EUR 15 thousand is paid to the Chairman of the audit committee and a fee of EUR 7.5 thousand is paid to each audit committee member per full year.

GENDER DISTRIBUTION OF THE BOARD AND OTHER SENIOR EXECUTIVES

	2019	2018
Distribution of men and women within the Board of Directors		
Women	2	2
Men	2	5
Distribution of men and women regarding CEO and other executives of the Group ¹⁾		
Women	–	–
Men	7	7

¹⁾ In 2019, senior executives in the Group comprised the CEO, COO, CCO and CFO as well as three country managers.

	2019	2018
Compensation to Group Management incl. CEO		
Sales and other compensations	3,057	3,738
Pension and reimbursement of medical	310	151
Total	3,367	3,889

Salaries to the CEO and other senior executives are established by the Board. Salary level is to be based on market conditions in relation to qualifications and performance. In addition to fixed salary, remuneration may include a maximum bonus of 100% of fixed salary. The outcome of the bonus is mainly based on the attainment of financial targets.

The company uses only defined-contribution pension solutions for senior executives. These pension solutions vary between 15% and 35% of annual fixed salary.

The notice period for senior executives is between six and 12 months, plus six months of termination benefits that cover only fixed salary. The CEO has a notice period of six months and termination benefits are paid during this period. In the event of termination of employment on the part of the company, the notice period is six months.

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

In 2018, the former CEO received termination benefits corresponding to six months, a bonus corresponding to 50% of annual salary and a lump sum of EUR 130 thousand in accordance with the termination agreement.

NOTE 10 FINANCIAL INCOME AND EXPENSES

	2019	2018
Finance income		
Interest income	50	83
Other financial income	108	8
Total financial income	158	91
Finance costs		
Interest expense	-9,742	-9,633
Financial exchange differences	-1,350	-112
Interest expense on leased assets	-3,512	-
Other financial expenses	-3,274	-4,879
Total finance costs	-17,878	-14,686
Net financial expenses	-17,720	-14,595

DEFERRED TAX ASSET/TAX LIABILITY

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

NOTE 11 TAX

The main components of the tax expense are as follows:

	2019	2018
Consolidated income statement		
Taxes for the year	-6,750	-3,896
Tax on capital gains not recognised in profit-or loss	-	-434
Adjustments for taxes related to previous year	-762	1,704
	-7,512	-2,626
Change of deferred tax related to temporary differences	1,550	-1,731
Other	-122	124
Total recognised tax expense in the income statement	-6,084	-4,233

	2019	2018
Reconciliation of effective tax		
Income before taxes	16,598	10,736
Tax according to current tax rate for Parent Company 21,4%(22)	-3,552	-2,362
Difference related to foreign tax rates	-1,342	-1,027
Non-deductible expenses	-3,370	-1,057
Change in non-capitalized loss carry-forward	823	-3,676
Tax-exempt income	943	1,284
Taxable income not recognized in Profit and Loss account	-	-434
Tax related to previous years	-762	1,704
Other	1,178	1,335
Total	-6,084	-4,233

The growing share of earnings from Germany, where the tax rate is 30%, impacted the Group's tax expense and resulted in ongoing caution when recognising deferred tax assets for loss carryforwards.

The recognised effective tax rate is 36.6% (39.4). The average tax rates in the countries where the Group operates is approximately 25%.

	2019			2018		
	Deferred tax asset	Deferred tax liability	Net	Deferred tax asset	Deferred tax liability	Net
Intangible assets	-	15,839	-15,839	-	14,060	-14,060
Plant and machinery	403	1,090	-687	217	924	-707
Non-current receivables	-	-	-	-	-	-
Contract assets and liability	1,847	754	1,093	847	732	115
Accounts receivable	376	3,619	-3,243	320	2,566	-2,246
Provisions	296	24	272	258	-	258
Other liabilities	189	-	189	116	-	116
Loss carry-forward	9,886	-	9,886	10,524	-	10,524
Provisions for pensions	1,458	-	1,458	1,161	-	1,161
Other	-21	-48	26	5	262	-257
Total	14,434	21,279	-6,845	13,448	18,544	-5,096
Netting in company	-	-	-	-73	-73	-
Closing balance	14,434	21,279	-6,845	13,375	18,471	-5,096

CHANGE IN DEFERRED TAX ON TEMPORARY DIFFERENCES AND LOSS CARRYFORWARDS

2019	Opening balance	Acquisitions	Disclosed in income statement	Disclosed in other comprehensive income	Exchange differences	Closing balance
Intangible assets	-14,060	-1,194	382	-967	-	-15,839
Plant and machinery	-707	8	12	-	-	-687
Contract assets and liabilities	115	-	978	-	-	1,093
Accounts receivables	-2,246	-	-997	-	-	-3,243
Provisions	258	-	14	-	-	272
Non-current liabilities	116	-	73	-	-	189
Loss carry-forward	10,524	29	-667	-	-	9,886
Provisions for pensions	1,161	-	637	-340	-	1,458
Other	-257	-	283	-	-	26
Total	-5,096	-1,157	714	-1,307	-	-6,845

2018	Opening balance	Acquisitions	Disclosed in income statement	Disclosed in other comprehensive income	Exchange differences	Closing balance
Intangible assets	-11,871	-3,408	1,219	-	-	-14,060
Plant and machinery	-1,749	-37	1,079	-	-	-707
Contract assets and liabilities	2,120	-450	-1,555	-	-	115
Accounts receivables	-2,907	-	661	-	-	-2,246
Provisions	692	41	-475	-	-	258
Non-Current liabilities	266	-	-150	-	-	116
Loss carry-forward	12,363	-	-1,839	-	-	10,524
Provisions for pensions	1,125	-	-	36	-	1,161
Other	899	-	-859	-	-297	-257
Total	938	-3,854	-1,918	36	-297	-5,096

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

	2019	2018
Loss carry forward		
<i>Due date</i>		
0-1 year	-	-
1-2 year	37	-
2-3 year	219	37
3-4 year	486	-
4-5 year	-	349
>5 year	25,157	22,980
No due date	32,996	49,024
Total	58,896	72,040

Loss carryforwards at year-end totalled EUR 58.9 million (72.0), corresponding to a tax amount of EUR 5.4 million (18.7). Loss carryforwards for which a deferred tax asset has not been recognised amounted to EUR 33.0 million (31.5). Accordingly, loss carryforwards of EUR 25.9 million (40.5) are subject to recognition of deferred tax assets.

NOTE 12 GOODWILL

	2019	2018
Opening balance acquisition values	145,678	119,338
Additions	30,282	26,647
Reclassifications	-4,208	-
Exchange rates differences	2,531	-307
Closing balance acquisition values	174,283	145,678
Opening balance impairment	-8,552	-8,396
Exchange rates differences	-272	-156
Closing balance accumulated impairment	-8,824	-8,552
Net book value closing balance	165,459	137,126

NOTE 13 RIGHT-OF-USE ASSETS

2019	Rent of premises	Vehicles	Other	Total
Opening balance acquisition values	–	–	–	–
Impact of IFRS 16 adoption	51,788	16,470	868	69,126
Additions through company acquisitions	4,376	1,820	76	6,272
Acquisitions	15,174	11,265	502	26,941
Sales/ scrapping	-1,405	-40	–	-1,445
Reclassification	4,051	–	–	4,051
Translation differences	-138	66	-1	-73
Closing balance acquisition values	73,846	29,581	1,445	104,872
Opening balance depreciation	–	–	–	–
Deprecation according to plan	-13,968	-8,883	-399	-23,250
Sales/ scrapping	477	19	–	496
Reclassification	-1,489	–	–	-1,489
Translation differences	-48	-50	-1	-99
Closing balance accumulated depreciation	-15,029	-8,913	-400	-24,343
Net book value	58,817	20,668	1,045	80,530

In the income statement, depreciation of EUR 9.9 million is included in the cost of services sold and EUR 13.3 million in selling and administrative expenses.

NOTE 14 OTHER INTANGIBLE ASSETS

2019	Trademark	Order-backlog	Customer relations	Other	Total
Opening balance acquisition values	26,549	9,034	55,785	23,329	114,697
Additions through company acquisitions	647	–	6,508	233	7,388
Acquisitions	–	–	–	1,212	1,212
Reclassification	500	174	3,923	-3,985	612
Translation differences	84	46	341	43	514
Closing balance acquisition values	27,781	9,254	66,556	20,833	124,423
Opening balance depreciation	-259	-9,034	-35,774	-9,584	-54,651
Deprecation according to plan	-341	-174	-5,430	-1,357	-7,301
Reclassification	–	–	–	1,608	1,608
Translation differences	-7	-46	-199	-37	-290
Closing balance accumulated depreciation	-606	-9,254	-41,404	-9,370	-60,634
Opening balance write-downs	–	–	–	-6,717	-6,717
Write-downs	–	–	–	143	143
Closing balance accumulated write-downs	–	–	–	-6,574	-6,574
Net book value	27,174	–	25,153	4,888	57,215

2018	Trademark	Order-backlog	Customer relations	Other	Total
Opening balance acquisition values	25,821	8,914	40,157	18,132	93,024
Additions through company acquisitions	930	123	15,806	3,357	20,217
Acquisitions	–	–	–	2,239	2,239
Disposals	–	–	–	-395	-395
Translation differences	-202	-3	-178	-4	-387
Closing balance acquisition values	26,549	9,034	55,785	23,329	114,697
Opening balance depreciation	-159	-8,914	-29,997	-7,220	-46,290
Deprecation according to plan	-93	-123	-5,859	-2,650	-8,725
Disposal	–	–	–	287	287
Translation differences	-7	3	82	-1	77
Closing balance accumulated depreciation	-259	-9,034	-35,774	-9,584	-54,651
Opening balance write-downs	–	–	–	-4,774	-4,774
Write-downs	–	–	–	-1,943	-1,943
Closing balance accumulated write-downs	–	–	–	-6,717	-6,717
Net book value	26,290	–	20,011	7,028	53,329

In the income statement, depreciation of EUR 1.3 million (1.3) is included in costs of services sold, EUR 6.8 million (7.2) in selling and administrative expenses and EUR 0.7 million (0.2) in other operating expenses. The impairment loss primarily pertained to development costs for internal computer systems that have been put into operation and amounted to EUR 0.0 million (1.9).

NOTE 15 IMPAIRMENT TESTING OF GOODWILL AND TRADEMARKS

Polygon has three operating segments that comprise cash-generating units.

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

	2019		2018	
	Goodwill	Trademarks	Goodwill	Trademarks
Nordics & UK	85 599	6 491	68 776	5 517
Continental Europe	60 068	20 575	49 580	20 668
North America	19 792	108	18 770	105
Total	165 459	27 174	137 126	26 290

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, such as discount rates, the growth rate for revenue and salary and overhead levels. Changes in these assumptions and estimates could affect the carrying amount of goodwill.

Value in use is determined through cash flow calculations, where the first five years are based on the five-year business forecast established by management. This assessment is based on country-specific market assessments, competition analyses and product mix development. The cash flows estimated after the first five years are based on an annual growth rate of 2% (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), which is based on assumptions concerning the interest rate on long-term government bonds as well as the company-specific risk factor and beta value.

The estimated cash flows have been discounted to present value using a discount rate (WACC) of 11.1% (11.8) 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.

Should the company be unable to achieve the business plan on which the cash flow calculations are based, this could lead to impairment. The sensitivity analyzes that have been carried out, where reasonable changes in made assumptions and estimates of WACC, sales volume and cost development have been made, show that good margins exist. The sensitivity analyzes are based on a change in one assumption while all other assumptions are kept constant.

NOTE 16 PROPERTY, PLANT AND EQUIPMENT

Property and plant	2019	2018
Opening balance acquisition value	2,784	2,795
Disposals	-776	-
Translation differences	4	-11
Closing balance acquisition value	2,012	2,784
Opening balance depreciation	-1,703	-1,392
Depreciation for the year	-43	-317
Disposals	742	-
Translation differences	-1	6
Closing balance accumulated depreciation	-1,005	-1,703
Carrying amount closing balance	1,007	1,081

Equipment	2019	2018
Opening balance acquisition value	161,834	147,475
Additions due to acquiring of business	2,185	1,301
Investments	16,423	16,288
Disposals	-2,171	-3,362
Reclassification	226	462
Translation differences	2,014	131
Closing balance acquisition balance	180,511	161,834
Opening balance depreciation	-116,064	-108,009
Depreciation for the year	-12,446	-10,756
Disposals	2,089	2,460
Reclassification	-40	-17
Translation differences	-1,442	241
Closing balance accumulated depreciation	-127,903	-116,064
Opening balance write-down	-750	-669
Write-downs	-143	-85
Translation differences	-9	4
Closing balance accumulated write-downs	-902	-750
Carrying amount closing balance	51,706	45,020
Total property, plant and equipment	52,713	46,102

In the income statement, depreciation of EUR 9.8 million (8.9) is included in the cost of services sold, EUR 2.5 million (1.9) in selling and administrative expenses and EUR 0.2 million (0.5) in other operating expenses.

NOTE 17 CONTRACT ASSETS AND LIABILITIES

	2019	2018
Contract assets		
Opening balance	44,730	28,246
Transfers from contract assets recognised in opening balance to receivables	-36,813	-26,995
Increases as a result of changes in the measure of progress in projects	591,824	514,855
Transfers from contract assets recognised during the year to receivables	-556,152	-478,325
Business combination	1,289	7,269
Revaluation	678	-118
Translation difference	301	-202
Closing balance	45,857	44,730
Contract liabilities		
Opening balance	369	876
Revenue recognised that was included in the liability balance at the beginning of the period	-295	-
Increases due to cash received, excluding amounts recognised as revenue during the period	5,850	369
Transfers from contract liabilities recognised during the year to revenue	-5,384	-876
Business combination	76	-
Revaluation	-36	-
Translation difference	-50	-
Closing balance	530	369

Most of the assignments received by Polygon are carried out over a short period of between one and three months and the average contract amount is EUR 2 thousand. Polygon receives a large number of orders and manages them using the portfolio approach with an average contract margin. A small number of Polygon's projects continue for a longer period and have a higher contract amount. These projects are recognised individually on an ongoing basis using the percentage of completion method. These projects accounted for 12% (11) of total sales for the year.

NOTE 18 PREPAID EXPENSES AND ACCRUED INCOME

	2019	2018
Prepaid insurance	769	637
Prepaid rent	1,022	832
Prepaid service	2,471	1,557
Leasing	979	753
Personnel related expenses	392	212
Other prepaid expenses	1,387	1,485
Total	7,020	5,476

NOTE 19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT IN THE POLYGON GROUP

Polygon is exposed to a number of financial market risks that the Group is responsible for managing under the finance policy approved by the Board of Directors. The overall objective is to have cost-effective funding in the Group. The financial risks in the Group are mainly managed in relation to the Group's functional currency, which is EUR. The impact of the financial risks on the

Group's earnings is mainly managed through a weekly exchange of non-EUR cash into EUR and, to only a limited extent, through the use of financial instruments. The main risk exposures for the Group are liquidity risk, interest rate risk, currency risk, credit risk and counterparty risk.

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

	2019		2018	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Current assets				
Accounts receivables	97,837	97,837	88,369	88,369
Other current assets	4,558	4,558	3,278	3,278
Cash and cash equivalents	50,612	50,612	33,192	33,192
Currency derivatives	-3	-3	93	93
Total assets	153,004	153,004	124,932	124,932
Liabilities				
Non-current interest-bearing liabilities	255,031	258,756	208,632	212,278
Shareholder loans	6,438	6,438	6,153	6,153
Non-current lease liability	57,589	57,589	-	-
Current lease liability	24,761	24,761	-	-
Trade payables	43,219	43,219	45,550	45,550
Other current liabilities	23,735	23,735	20,308	20,308
Accrued expenses	2,376	2,376	1,866	1,866
Total liabilities	413,149	416,874	282,509	286,655

CURRENCY RISK

As a result of its international operations, Polygon is impacted by changes in foreign exchange rates. The following table shows the currency exposure for the various financial assets and liabilities.

BREAKDOWN OF GROUP LOANS BY CURRENCY

	2019	2018
EUR	257,573	212,006
Other currencies	2,402	2,779
Total	259,975	214,785

BREAKDOWN OF ACCOUNTS RECEIVABLE BY CURRENCY

	2019	2018
EUR	63,432	56,250
SEK	3,749	3,363
USD	5,053	6,346
NOK	7,398	7,924
GBP	9,310	7,035
Other currencies	8,895	7,451
Total	97,837	88,369

BREAKDOWN OF OTHER CURRENT RECEIVABLES BY CURRENCY

	2019	2018
EUR	2,976	2,255
SEK	500	481
USD	94	60
NOK	123	122
GBP	763	353
Other currencies	102	7
Total	4,558	3,278

BREAKDOWN OF CASH AND BANK BALANCES BY CURRENCY

	2019	2018
EUR	33,165	16,906
SEK	519	1,241
USD	4,515	5,122
NOK	2,094	5,983
DKK	5,619	-128
GBP	2,190	3,446
Other currencies	2,510	950
Total	50,612	33,520

The amounts above pertain to receivables from banks.

BREAKDOWN OF TRADE PAYABLES BY CURRENCY

	2019	2018
EUR	27,614	28,373
SEK	1,850	2,512
USD	1,264	2,014
NOK	5,601	5,051
GBP	5,181	6,068
Other currencies	1,710	1,532
Total	43,219	45,550

BREAKDOWN OF CURRENT LIABILITIES BY CURRENCY

	2019	2018
EUR	12,567	11,047
SEK	713	880
USD	107	–
NOK	1,907	2,814
GBP	2,182	3,679
Other currencies	2,533	1,888
Total	20,010	20,308

LEASE LIABILITIES BY CURRENCY

	2019
EUR	47,548
SEK	4,119
USD	4,705
NOK	8,189
GBP	7,316
Other currencies	10,473
Total	82,350

BREAKDOWN OF DEFERRED INTEREST EXPENSES BY CURRENCY

	2019	2018
EUR	2,376	1,866
Total	2,376	1,866

TRANSACTION EXPOSURE

The Polygon Group's policy for transaction exposure is to minimise the impact of short-term changes in foreign exchange rates for currencies other than EUR by hedging the transaction exposure on a case-by-case basis.

The main transaction exposures arise in EUR against local currencies.

CURRENCY EXPOSURE

Polygon's assets in foreign subsidiaries are financed through loans or equity. If a foreign subsidiary that has a reporting currency other than EUR is financed through equity, a translation risk arises in connection with the translation of the subsidiary's balance sheet. Translation risk is the risk that changes in foreign exchange rates will negatively impact Polygon's net assets in foreign operations in connection with the translation of the foreign units' income statements and balance sheets. Currency effects arising on translation are recognised in the consolidated statement of other comprehensive income.

Since many significant subsidiaries have EUR as their functional currency, the Group's translation risk is very limited. The table below shows the impact of changes in foreign exchange rates on the net assets of subsidiaries in each currency:

	2019	2018
Change in USD rate		
+10/-10%	522	480
Change in NOK rate		
+10/-10%	589	361
Change in GBP rate		
+10/-10%	684	614
Change in SEK rate		
+10/-10%	671	665

TRANSACTION RISK AND HEDGING IN CENTRAL CURRENCIES

Polygon has outstanding hedges for its transaction exposure in SEK/EUR for headquarter costs. Hedge accounting is not applied.

INTEREST RATE RISK

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

At 31 December 2019, a simultaneous change in interest rates of +/-1 percentage point, excluding interest rate hedges, would have impacted annual net interest expenses by EUR 2.5 million (2.1), assuming that the Group's duration and funding structure remain constant during the year.

The variable rate interest-bearing net liability position for the Group as a whole, including cash and bank balances, was EUR 287.4 million (181.6).

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. An age analysis of accounts receivable is presented in Note 22 Accounts receivable.

LIQUIDITY AND REFINANCING RISK

Financing risks refer to the risk of difficulty in obtaining financing for operations at a given point in time. Polygon's finance policy states that the Group's external loan portfolio is to have a maturity structure that guarantees that Polygon will not be exposed to refinancing risks.

Polygon is also subject to covenants that are specified in the terms and conditions of the bond and in the terms and conditions of the bank overdraft facility, such as key ratios and performance measures linked to the consolidated income statement and balance sheet. These covenants were fulfilled for 2018 and 2019.

CAPITAL RISK MANAGEMENT

The Group's capital structure should be maintained at a level that ensures the ability to advance the business in order 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 may, upon approval by the shareholders and external lenders when appropriate, vary the dividend that is paid to the shareholders, reduce the share capital to enable payments to the shareholders, issue new shares or sell assets to reduce its debt. The Group continuously analyses the relationship between debt and equity as well as the relationship between debt and equity including loans from shareholders.

EUR thousand	2019	2018
Interest-bearing net liabilities (A)	280,963	175,441
Total equity (B)	88,734	75,491
Relation between liabilities and equity (A/B)	3,2	2,3

EUR thousand	2019	2018
Interest-bearing net liabilities including loans from parent company (A)	287,401	181,594
Total equity (B)	88,734	75,491
Relation between liabilities and equity (A/B)	3,2	2,4

IFRS 16 Leases is applied as of 2019. The amounts for 2018 have not been restated in conjunction with the implementation of IFRS 16.

NOTE 20 INTEREST-BEARING LOANS AND BORROWINGS

The table below shows the Group's various loans and borrowings, including interest rate hedging.

	2019	2018
<i>Non-current:</i>		
Bond (fixed interest rate)	250,000	210,000
Bond and other loans (floating interest rate)	206	2,778
Capitalized finance costs ¹⁾	-3,725	-4,146
Leasing liability (longterm part)	57,589	-
Shareholder loan	6,438	6,153
Total non-current liabilities	310,508	214,785
<i>Current:</i>		
Leasing liability (shortterm part)	24,761	-
Total current liabilities	24,761	-
Amount of borrowings	335,269	214,785

¹⁾ Financing costs are allocated over the duration of the loans.

MATURITY DATES FOR FINANCIAL LIABILITIES ARE AS FOLLOWS:

	Book value		Undiscounted cash flow	
	2019	2018	2019	2018
Within 1 year	92,998	67,731	95,769	69,802
Between 2 and 5 years	301,732	208,626	303,225	210,026
After 5 years	18,419	6,153	30,008	12,455
Total	413,149	282,510	429,002	292,283

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 translated 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 4.00% (4.00).

BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE:

	Derivatives used in hedge accounting	Acquisition earn-outs	Total reported value	Fair value
2019				
Valuation category	Level 2	Level 3		
LIABILITIES				
Long-term liabilities				
Other short-term liabilities	-	8,551	8,551	8,551
Current liabilities				
Other short-term liabilities	3	3,727	3,730	3,730
Total financial liabilities	3	12,278	12,281	12,281

	Derivatives used in hedge accounting	Acquisition earn-outs	Total reported value	Fair value
2018				
Valuation category	Level 2	Level 3		
ASSETS				
Current assets				
Other short-term assets	93	-	93	93
Total financial assets	93	-	93	93
LIABILITIES				
Current liabilities				
Other short-term liabilities	-	3,085	3,085	3,085
Total financial liabilities	-	3,085	3,085	3,085

The Group categorises 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, for essentially 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 additional purchase prices for acquired operations. The measurement of this is based on the acquired operations' expected future financial performance, which has been assessed by management.

BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE:

	2019	2018
Financial assets		
Opening balance	93	-
Change market value currency hedge	-93	93
Closing balance	-	93
Financial liabilities		
Opening balance	3,085	1,509
Change acquisition earn-out	9,193	1,778
Change market value currency hedge	3	-202
Closing balance	12,281	3,085

The average maturity of currency derivatives is six months.

NOTE 21 CASH AND BANK BALANCES

	2019	2018
Cash at banks and on hand	50,612	33,192
Total	50,612	33,192

At year-end, the Group had EUR 86.3 million (69.1) available in unutilised loan commitments, for which all covenants have been met.

NOTE 22 ACCOUNTS RECEIVABLE

	2019	2018
Accounts receivables	103,516	93,934
Provision for expected credit loss	-5,679	-5,565
Total	97,837	88,369

No pledged assets (collateral) have been received for accounts receivable.

AGE ANALYSIS OF ACCOUNTS RECEIVABLE

	Account receivables gross	Provisions for expected credit loss	Accounts receivables net
2019			
Less than 30 days overdue	23,271	-	23,271
31 to 60 days overdue	8,387	-	8,387
61 to 90 days overdue	3,815	-	3,815
91 to 180 days overdue	5,371	-	5,371
Over 181 days overdue	8,285	-5,679	2,606
Total overdue accounts	49,129	-5,679	43,450
Accounts receivables within their credit terms	54,387	-	54,388
Total	103,516	-5,679	97,837

	Account receivables gross	Provisions for expected credit loss	Accounts receivables net
2018			
Less than 30 days overdue	22,922	-	22,922
31 to 60 days overdue	10,100	-	10,100
61 to 90 days overdue	4,615	-	4,615
91 to 180 days overdue	6,520	-	6,520
Over 181 days overdue	6,143	-5,565	578
Total overdue accounts	50,300	-5,565	44,735
Accounts receivables within their credit terms	43,634	-	43,634
Total	93,934	-5,565	88,369

PROVISION FOR EXPECTED CREDIT LOSSES

	2019	2018
Opening balance	5,565	4,817
Acquired companies	18	196
Current year provision	923	1,153
Utilized receivables	-654	-283
Recovered bad debt	-270	-309
Exchange rate differences	97	-9
Closing balance	5,679	5,565

NOTE 23 PLEDGED ASSETS FOR OWN LIABILITIES AND PROVISIONS

	2019	2018
Shares in subsidiaries	481,011	459,368
Pledged assets for own liabilities and provisions	481,011	459,368

All shares in the Group's major subsidiaries and the Group's internal loans are pledged as collateral for the Group's bond. The amounts presented under pledged assets correspond to the total net assets in the pledged subsidiaries.

NOTE 24 LEASES

LEASE LIABILITY

	2019
Opening balance	
Impact of adoption of IFRS 16	71,904
Acquired companies	6,271
New lease contracts	25,634
Ended lease contracts	-1,044
Interest expenses	3,512
Repayment lease liability	-23,769
Exchange rate difference	-158
Closing balance	82,350

Maturity dates for lease liabilities are as shown in the following table:

	2019
Less than 6 months	10,600
6 - 12 months	14,161
1 - 2 years	19,648
2 - 5 years	27,001
Over 5 years	10,940
Total	82,350

In the 2018 comparative year, lease costs were recognised in accordance with IAS 17.

UNDISCOUNTED FUTURE LEASE PAYMENTS

	2018
Less than 1 year	25,509
1 - 2 years	20,692
2 - 5 years	29,579
More than 5 years	13,112
Future finance charges	88,892

FINANCE LEASE OBLIGATIONS 2018

The finance lease obligations in 2018 pertain to cars in Denmark. These obligations have an average term of four years and include an option to acquire the object after the end of the lease term.

	2019	2018
Less than 1 year	-	1,007
1 - 2 years	-	672
2 - 3 years	-	482
3 - 4 years	-	345
4 - 5 years	-	278
More than 5 years	-	-
Future lease payments	-	2,784

PRESENT VALUE OF FUTURE LEASE PAYMENTS

	2019	2018
Less than 1 year	-	967
1 - 2 years	-	619
2 - 3 years	-	426
3 - 4 years	-	293
4 - 5 years	-	227
More than 5 years	-	-
Total	-	2,532

OPERATING LEASE OBLIGATIONS 2018

The operating lease obligations for 2018 primarily pertain to premises, service vehicles, computers and office equipment. These obligations have an average term of one to five years and do not include an option to acquire the object. The Group is not currently subject to any restrictions as a result of these obligations.

	2019	2018
Less than 1 year	–	29,222
1-2 years	–	20,762
2-3 years	–	15,360
3-4 years	–	10,365
4-5 years	–	7,255
More than 5 years	–	5,491
Future finance charges	–	88,455
	2019	2018
Rent of premises	–	13,132
Cars and other vehicles operating leases	–	13,791
Other operating leasing	–	3,005
Total	–	29,928

In 2018, lease costs amounted to EUR 29.9 million.

MINIMUM LEASE PAYMENTS

	2019	2018
Less than 1 year	–	29,222
1-2 years	–	20,762
2-3 years	–	15,360
3-4 years	–	10,365
4-5 years	–	7,255
More than 5 years	–	5,491
Future finance charges	–	88,455

LEASE OBLIGATIONS

Polygon has entered into leases that had not yet taken effect at year-end, according to the table below:

	2019
Rent	4,870
Vehicles	6,727
Other	–
Total	11,597

NOTE 25 OTHER LIABILITIES

	2019	2018
VAT	15,206	13,015
Employee withholding taxes	3,226	3,206
Other liabilities	1,578	4,087
Total	20,010	20,308

NOTE 26 EQUITY**SHARE CAPITAL**

Each share has a quotient value of EUR 10.27 per share. All shares are of the same class and carry the same voting rights. All shares are paid in full. All shares carry the same entitlement to the company's assets and profit. There are no restrictions on the transferability of the shares according to the law or the Articles of Association.

OTHER CONTRIBUTED CAPITAL

Pertains to equity contributed by the owners. This includes share premium reserves.

In accordance with Chapter 4, Section 2, Paragraph 2 of the Swedish Annual Accounts Act, the wholly owned subsidiary Polygon International AB has had a fund for development costs in restricted equity since 2016. The fund

amounted to EUR 2.3 million (2.7) at 31 December 2019. This amount is not available for distribution.

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 recognised in other comprehensive income.

FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve covers all exchange differences arising on 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 EUR.

ACTUARIAL GAINS/LOSSES

Refer to Note 27 Pension provisions.

NOTE 27 PENSION PROVISIONS

The Polygon Group has established pension plans for its employees in the countries where the Group operates. The plans generally conform to local practice in the respective countries and may take the form of defined-contribution or defined-benefit plans. Polygon has defined-benefit plans in Sweden, Germany, France and the UK. The defined-benefit pension plan in Norway was finally terminated in 2015 and was then transferred to 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, for example, insurance companies. The Group has no further obligations once the contributions have been paid.

The defined-benefit pension plans mainly encompass employees in Sweden, but also employees in France. 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, usually as a percentage of final salary, to the plan participants during their entire lifetimes or parts thereof.

The total pension cost for 2019 amounted to EUR 9,386 thousand (7,061), of which EUR 1,882 thousand (669) pertained to defined-benefit pensions. The pension cost for defined-contribution pensions amounted to EUR 7,504 thousand (6,392), with the increase for 2019 primarily attributable to acquired companies. Expected pension costs for defined-benefit pensions for 2019 amounted to EUR 331 thousand (282).

The lower pension cost in respect of defined-benefit pensions for 2019 is due to changes in the pension plan in France, which resulted in a reduced cost for the year of EUR 87 thousand. The total IAS19 net debt increased by EUR 1,530 thousand in 2019. This increase was due to declining discount rates in Europe.

The pension plan in the UK is funded and also includes a defined-contribution component. The pension plan is closed, which means that no new vesting is made. The plan assets are exposed to market risks, among other risks. The ruling in the Lloyd case in November 2018 concerning equalisation of guaranteed minimum pensions (GMP) impacted essentially all companies in the UK and resulted in the recognition of a non-recurring cost in profit or loss. In Polygon's case, an overall assessment indicated a cost of GBP 156 thousand with respect to the recognition of GMP equalisation, corresponding to an estimated increase in defined-benefit obligations of 5%, which was recognised in profit or loss for 2018 as a previous service cost under items affecting comparability. As in earlier years, annuities were purchased in small amounts and payments were made to external pension plans. The purchase of annuities is recognised as a settlement in the IAS 19 summary, with a non-recurring cost of SEK 3 thousand recognised in profit or loss for 2019, and the remainder as payments from the plan.

The pension plan in Sweden consists of the collectively agreed ITP plan. This plan includes both defined-contribution and defined-benefit components. The defined-benefit pension 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 a change in the discount rate, increased life expectancy, higher inflation and salary increases. In 2019, Polygon changed mortality table from PRI2011 to DUS14, which resulted in slightly lower defined-benefit pension plans for less than 1%.

In France and Germany, there are unfunded pension obligations in minor amounts. The present value of these pension plans is mainly impacted by changes in the discount rate. In France, a collective agreement for 26 employees resulted in lower costs for the year. This change has been recognised in profit in the 2019 income statement.

The tables below summarise the components of the net pension expense that are recognised in profit or loss and in other comprehensive income as well changes in the value of the defined-benefit pension obligation recognised in the balance sheet.

	2019	2018
Summary of pension provisions in the Group		
Long-term defined benefit liability	6,536	5,188
Net liability recognized in the Balance sheet	6,536	5,188

Pension expenses	2019	2019
Amounts recognized in the income statement		
Current service cost	125	327
Interest expenses	218	223
Interest income on assets	-92	-88
Amortization of unrealized actuarial losses	-	-
Expenses, defined benefit plans	251	462
Expenses, defined contribution plans	7,504	6,392
Amounts recognized in Other Comprehensive Income		
Remeasure of pension obligation	1,743	48
Remeasure of plan assets	-112	159
Expenses/ (income), defined benefit plans	1,631	207
Total pension expenses	9,386	7,061

Amount recognized in the Balance sheet	2019	2018
Fair value of defined benefit obligation, funded plans	4,387	3,733
Fair value of plan assets	-3,793	-3,292
Net liability recognized in the Balance sheet	594	441
Present value of defined benefit obligation, unfunded plans	5,942	4,747
Net liability recognized in the Balance sheet	6,536	5,188

Change in amount recognized in the Balance sheet	2019	2018
Opening balance, net liability	5,188	4,988
Current service cost	125	327
Net interest	126	135
Settlement	-	-88
Remeasurements	1,631	207
Pension payments directly from employer	-107	-164
Employer's contribution to the pension plan assets	-410	-231
Acquisition / Divestiture	-	95
Effect of changes in foreign exchange rates	-16	-169
Closing balance, net liability	6,536	5,188

Change in present value of defined benefit obligation	2019	2018
Opening balance, defined benefit obligation	8,480	8,486
Reclassification of special payroll tax	-	-
Current service cost	210	149
Interest expenses	218	223
Settlement	-157	-72
Remeasurements of pension obligation		
- plan amendment	-87	176
- demographic assumptions	-38	-130
- financial assumptions	1,618	171
- experience adjustments	163	8
Pension payments	-267	-387
Acquisition / Divestiture	-	95
Effect of changes in foreign exchange rates	189	-239
Closing balance, defined benefit obligation	10,329	8,480

Change in fair value of plan assets	2019	2018
Opening balance, plan assets	3,292	3,498
Interest income	92	88
Return excluding interest income	112	-159
Employer's contribution	517	395
Pension payments from plan assets	-267	-387
Settlements	-159	-74
Effect in changes in foreign exchange rates	206	-69
Closing balance, plan assets	3,793	3,292

Fair value of plan assets	2019	2018
Equities	31%	48%
Bonds	36%	21%
Other, including cash and cash equivalents	33%	31%
Total	100%	100%

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

	Defined benefit obligation	Plan assets	Net liability
2019			
Break-down per country			
United Kingdom, funded plan	4,387	3,611	776
Sweden, unfunded plan	5,479	-	5,479
Other countries, unfunded plans ¹⁾	463	-	463
Total	10,329	3,611	6,718

¹⁾ France and Germany

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

Significant actuarial assumptions	2019	2018
United Kingdom		
Discount rate	1.90%	2.80%
Inflation	2.10%	2.50%
Future wage increase	E/T	E/T
Future pension increase	E/T	E/T
Sweden		
Discount rate	1.40%	2.40%
Inflation	2.00%	2.00%
Future wage increase	3.00%	3.00%
Future pension increase	2.00%	2.00%

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

An increase in the discount rate of 0.5 percentage points would reduce the pension obligation by EUR 948 thousand, corresponding to a debt reduction of 9.2%. A decrease in the discount rate of 0.5 percentage points would increase the pension obligation by EUR 1,079 thousand, corresponding to a debt increase of 10.5%.

An increase in inflation of 0.5 percentage points would increase the pension obligation by EUR 698 thousand, corresponding to a debt increase of 7.0%. A decrease in inflation of 0.5 percentage points would reduce the pension obligation by EUR 615 thousand, corresponding to a debt reduction of 6.2%.

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

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

The Group's expected contributions to defined-benefit pension plans as well as pension payments directly from the employer for the next annual reporting period amount to EUR 337 thousand.

NOTE 28 ACCRUED EXPENSES AND DEFERRED INCOME

	2019	2018
Accrued salary-related expenses	12,249	12,110
Accrued vacation pay	10,815	9,846
Accrued non-received invoices	5,019	4,542
Accrued interest expenses	2,376	1,866
Accrued expenses contracts with customers	5,850	5,243
Other accrued expenses and prepaid income	4,486	5,073
Total	40,795	38,680

NOTE 29 CONTINGENT LIABILITIES

The Group has no contingent liabilities.

NOTE 30 CHANGES IN FINANCIAL LIABILITIES

Reconciliation of opening and closing balances of financial liabilities and their movement in cash flow are presented in the table below:

	31 december 2018	Cashflows	Changes in fair values	Acquisitions	Other ¹⁾	Change in accounting policies	31 December 2019
Non-current interest-bearing liabilities	214,785	40,000	678	206	-2,452	-	253,217
Leasing liabilities ²⁾	-	-20,460	-	6,271	27,412	69,126	82,349
Earn-outs	-	-4,160	-	11,713	4,725	-	12,278
Accrued interest expenses	1,866	-8,168	-	-	8,533	-	2,231
Currency derivatives (-asset/+liability)	-	-	3	-	-	-	3
Total liabilities from financing activities	216,651	7,212	681	18,190	38,218	69,126	350,078

	31 december 2017	Cashflows	Changes in fair values	Acquisitions	Other	Change in accounting policies	31 December 2018
Non-current interest-bearing liabilities	183,389	30,000	-1,942	2,779	559	-	214,785
Current interest-bearing liabilities	885	-	-	-885	-	-	-
Accrued interest expenses	1,900	-1,900	-	-	1,866	-	1,866
Currency derivatives (-asset/+liability)	202	-	-202	-	-	-	-
Total liabilities from financing activities	186,376	28,100	-2,144	1,894	2,425	-	216,651

¹⁾ Other changes include accrued interest on bonds of EUR 8,533 thousand (1,866).

²⁾ See Note 24 Leases for details.

NOTE 31 RELATED PARTY TRANSACTIONS AND LIST OF GROUP COMPANIES

The Group is under the controlling influence of Polygon Holding AB, the Parent Company of Polygon AB. As of 31 December, 85.96% of Polygon Holding AB, domiciled in Stockholm (556809-3511), was owned by MuHa LuxCo S.à.r.l, and the company was under the controlling influence of Triton Fund III. Polygon Holding AB is the highest level at which consolidated financial statements are prepared. The ultimate Parent Company of the Group is MuHa LuxCo S.à.r.l., corporate identity number B154023 and domiciled in Luxembourg, which is exempt from the requirement to prepare consolidated financial statements. MuHa LuxCo S.à.r.l is under the controlling influence of Triton Fund III, which, under the regulations applying in Luxembourg, is not required to prepare consolidated financial statements. As stated in IFRS 16 Leases is applied as of 2019. The amounts for 2018 have not been restated in conjunction with the implementation of IFRS 16.

As shown in Note 20 Interest-bearing loans and borrowings, the Group has loans from Triton of EUR 6.4 million (6.2). During the year, EUR 874 thousand (633) was paid to West Park Management Services Ltd and Triton Partners Ltd as compensation for services rendered and outlays.

As in the preceding year, no Group contributions or dividends were paid to Polygon Holding AB during the current year. Transactions between subsidiaries were not material during 2019 and 2018. For information concerning remuneration to senior executives and the Board of Directors, see Note 9.

POLYGONVATRO GmbH is included as a German subsidiary in the consolidated financial statements of Polygon AB and, as a result, makes use of the exemption provision of section 264 (3) HGB (German Commercial Code).

Subsidiaries	Country	Corporate Identity Number	Number of shares	Share of capital
Company name				
Polygon International AB	Sweden	556807-6417	50 100	100,0%
Alvisa Holding AG	Switzerland	CHE-358.912.902	100	100,0%
Alvisa 24 AG Region Bern-Mittelland-Wallis	Switzerland	CHE-370.318.182	100	100,0%
Alvisa Dienstleistungen GmbH	Switzerland	CHE-371.376.207	1	100,0%
Alvisa 24 AG Industrie	Switzerland	CHE-385.897.636	100	100,0%
Alvisa 24 AG Region Nordwest-Zentralschweiz	Switzerland	CHE-167.028.245	100	100,0%
Alvisa 24 AG Region Zürich-Ostseiz	Switzerland	CHE-438.878.065	100	100,0%
Lucy Look AG Textilpege	Switzerland	CHE-496.925.450	100	100,0%
Nettag AG	Switzerland	CHE-105.859.711	100	100,0%
Polygon A/S	Denmark	42 93 83 19	470 000	66,4%
Dansk Bygningskontroll A/S	Denmark	31859883	27	100,0%
Polygon Norway Holding AS	Norway	996019381	335 500	100,0%
Polygon AS	Norway	915229115	3 450	100,0%
Skadegruppen AS	Norway	943578524	31 000	100,0%
Haugesund AS	Norway	979 489 986	834	100,0%
Polygon Nederland Holding BV	Netherlands	51345706	40	100,0%
Polygon Nederland BV	Netherlands	28030503	40	100,0%
Tiedema Ledketectie BV	Netherlands	01159013	1 800	100,0%
Tiedema Droogtechniek BV	Netherlands	01098498	180	100,0%
Vanwaarde Documentwacht BV	Netherlands	851557776	1 800	100,0%
Vanwaarde Museumwacht BV	Netherlands	821366026	1 800	100,0%
Vanwaarde Restauratie BV	Netherlands	850412869	18 000	100,0%
Polygon Belgium NV	Belgium	440188077	1 250	100,0%
Polygon Sverige AB	Sweden	556034-6164	2 100	100,0%
AK-Konsult Indoor Air AB	Sweden	556394-3249	4 000	100,0%
Refix Skadesanering AB	Sweden	556858-0335	27 000	100,0%
PolygonVatro GmbH	Germany	HRB 10 713	1	100,0%
VDL Verwaltungs GmbH	Germany	HRB 21685	1	100,0%
Polygon Austria Service GmbH	Austria	FN 115034v	75 000	100,0%
Polygon Restoration Inc	Canada	103804811	81	100,0%
Lora Construction Inc	Canada	863300307	20 000	100,0%
9237-2556 Quebec Inc	Canada	815014006	200	100,0%
Polygon France SAS	France	341 019 180	100	100,0%
Polygon Service Pte Ltd	Singapore	201012990Z	1 317	100,0%
R3 Polygon UK Ltd	United Kingdom	00402652	250 000	100,0%
Harwell Technical Services Ltd	United Kingdom	3064821	10 000	100,0%
Neways Associates Ltd	United Kingdom	4373558	90	100,0%
The Plastic Surgeon Holdings Limited	United Kingdom	105552793	3 499 943	100,0%
TPSFF Holdings Limited	United Kingdom	06509389	26 134 457	100,0%
The Plastic Surgeon Limited	United Kingdom	03718897	11 145	100,0%
TPS Fine Finishing Limited	United Kingdom	326551	100	100,0%
The Plastic Surgeon (Logistics) Limited	United Kingdom	3676312	100	100,0%
The Plastic Surgeon (Franchising) Limited	United Kingdom	4761634	100	100,0%
Polygon US Corporation	USA	27-2892115	1 000	100,0%
AM Restore, Inc	USA	26-0581070	1 000	100,0%
Polygon Finland Holding Oy	Finland	2354769-0	2 500	100,0%
Polygon Finland Oy	Finland	0892371-5	50 000	100,0%
Tehokuivaus OY	Finland	1767199-4	1	100,0%

NOTE 32 ADJUSTMENT FOR NON-CASH ITEMS IN THE STATEMENT OF CASH FLOWS

Non-cash changes in financial liabilities are recognised in Note 30 Changes in financial liabilities.

	2019	2018
Non-affecting cash-flow:		
Depreciation and impairment of intangible assets	30,716	8,725
Depreciation of tangible assets	12,489	11,259
Negative goodwill	–	658
Disposal/ scrapping of non-tangible assets	–1,077	1,239
Changes in provisions and other	–338	2,031
Total	41,790	23,912

NOTE 33 SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

After the end of the financial year, the Board of Directors of Polygon AB decided to acquire the minority share, 33.6%, in Polygon A/S in Denmark.

At an Extraordinary General Meeting in February, the former CEO, Evert Jan Jansen, was elected member of Polygon AB's Board of Directors.

In January 2020, Polygon Sverige AB acquired Saneringsfirman Hedbergs AB.

NOTE 34 MULTI-YEAR OVERVIEW

	2015	2016	2017	2018	2019
Sales and Net income					
Sales of services	438,740	485,282	512,429	619,264	677,080
Gross profit	6,975	25,102	25,438	25,331	34,318
Net financial income/ expenses	–6,812	–12,385	–16,946	–14,595	–17,719
Income before tax from continuing operations	163	12,717	8,492	10,736	16,598
Income taxes	41	–2,274	–3,024	–4,233	–6,084
Net income for the year	204	10,443	5,468	6,503	10,515
Financial position					
Goodwill	104,865	104,181	110,942	137,126	165,459
Other intangible assets	47,523	45,561	41,960	53,329	137,745
Tangible assets	27,233	33,251	40,200	46,101	52,713
Financial assets	22,282	23,424	16,744	14,316	15,519
Contract assets	17,508	29,613	28,246	44,730	45,856
Current receivables	71,288	78,425	84,588	98,284	109,555
Cash and cash equivalents	26,529	36,585	42,541	33,192	50,612
Total assets	317,228	351,040	365,221	427,078	577,461
Equity	42,257	53,373	59,754	75,491	88,734
Provisions	26,719	27,009	21,362	25,085	37,305
Non-current liabilities	175,812	181,282	184,208	214,785	310,433
Current liabilities	72,440	89,376	99,897	111,717	140,989
Total Equity and liabilities	317,228	351,040	365,221	427,078	577,461
KPIs					
EBITDA	21,843	39,639	40,100	45,316	77,523
EBITA	12,478	30,291	30,114	31,910	40,581
Adjusted EBITA	20,028	32,051	33,022	39,630	44,338
Adjusted EBITA %	4,6%	6,6%	6,4%	6,4%	6,5%
Net debt	96,248	144,647	141,946	180,629	284,755
Full time employees per year end	2,765	2,909	3,279	3,810	4,512

IFRS 15 Revenue from Contracts with Customers is applied as of 2018 and the comparative figures from 2017 have been restated in accordance with the new standard.

IFRS 16 Leases is applied as of 2019. The amounts for 2018 have not been restated in conjunction with the implementation of IFRS 16.

NOTE 35 ALTERNATIVE PERFORMANCE MEASURES

EUR thousands	2019	2018
Adjusted EBITDA and EBITA breakdown		
Operating profit (EBIT) ¹⁾	34,318	25,331
Add back depreciations	12,489	11,259
Add back amortisations ²⁾	30,716	8,726
Operating profit before depreciation and amortisation (EBITDA)	77,523	45,316
Add back items affecting comparability (IAC)	3,756	7,720
Operating profit before depreciation and IAC (Adjusted EBITDA)	81,279	53,036
Operational depreciations	-12,333	-10,756
Operational amortisations ²⁾	-24,608	-2,650
Operating profit before amortisation and IAC (Adjusted EBITA)	44,338	39,630

¹⁾ of the total profit in 2019, 1,990 relates to difference between lease liability amortisations and lease payments

²⁾ of the total amount of amortisations in 2019, 23,350 relates to right-of-use amortisations

EUR thousands	2019	2018
Operating cash flow breakdown		
Cash flow from operating activities	62,116	31,192
Purchase of tangible assets (net)	-16,423	-16,288
Purchase of intangible fixed assets	-2,367	-2,238
Add back cash-related part of items affecting comparability (IAC)	4,163	5,227
Lease payments	-20,460	-
Operating cash flow incl income tax paid	27,029	17,892
Add back income tax paid	4,890	6,313
Operating cash flow	31,918	24,206

EUR thousands	2019	2018
Items affecting comparability		
Transaction costs, acquisition	-2,935	-0,931
Restructuring cost	-0,435	-4,332
Impairment IT systems and tangible assets	-	-2,042
Adjustment acquisition Norway	-	-658
Others	-386	243
Total	-3,756	-7,720

NOTE 36 DEFINITIONS

Sales revenue	Sales revenue excluding VAT and discounts
Organic growth	Growth generated by existing operations excluding the impact of foreign exchange
Acquired growth	Sales revenue from acquired companies during the first 12 months in the Group
Gross profit	Sales revenue less cost of services sold
Adjusted EBITDA	Earnings before interest, tax, depreciation of property, plant and equipment, amortisation of intangible assets and items affecting comparability
Adjusted EBITA	Earnings before interest, tax, depreciation of the surplus value of property, plant and equipment, amortisation of the surplus value of intangible assets in connection with acquisitions and items affecting comparability
EBIT	Earnings before interest and tax
Adjusted EBITDA, Adjusted EBITA margin	Adjusted EBITDA, Adjusted EBITA as a percentage of sales revenue
Operational impairment losses	Amortisation of intangible assets that are not related to acquisitions
Operational depreciation	Depreciation of property, plant and equipment related to acquisitions
EBIT	Earnings before interest and tax
Operating cash flow	Cash flow from operating activities excluding payments attributable to items affecting comparability, paid income tax less repayment of lease liabilities and investments
Net financial items	Financial income less financial expenses including exchange differences related to financial assets and liabilities
Net debt	Interest-bearing debt (including pension and lease liabilities) less cash and bank balances
Earnings per share	Profit/loss for the year attributable to Parent Company shareholders divided by the average number of shares for the year
Items affecting comparability	Items attributable to capital gains/ losses, impairment, restructuring, redundancy costs and other similar material income and expenses
Capital expenditures	Resources used to acquire intangible assets and property, plant and equipment
Rolling 12 months	Past 12 months
IFRS	The term "IFRS" as used in this document refers to the application of IAS and IFRS as well as the interpretations of these standards published by the IASB's Standards Interpretation Committee (SIC).

Polygon presents certain financial performance measures that are not defined in accordance with IFRS. Polygon believes that these performance measures provide useful supplementary information for investors and company management to enable an assessment of trends and the company's performance. Since not all companies calculate financial performance measures in the same manner, these performance measures are not always comparable with those used by other companies. The performance measures used are not to be seen as a replacement for the performance measures defined in accordance with IFRS but rather as a complement.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

EUR thousand	Note	2019	2018
Sales of services	2	4,055	3,752
Total revenue		4,055	3,752
General administration and sale expenses	3, 4	-4,220	-3,561
Other operating costs	5	-208	-911
Operating income		-373	-720
Finance income	6	3,707	2,964
Finance costs	6	-9,223	-14,004
Income (loss) after financial items, net		-5,889	-11,760
Appropriations	7	9,253	7,070
Income (loss) before income taxes		3,364	-4,690
Income taxes	8	-1,759	536
Net income		1,605	-4,154

PARENT COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME

EUR thousand	Note	2019	2018
Net income		1,605	-4,154
Comprehensive income		1,605	-4,154

PARENT COMPANY BALANCE SHEET

EUR thousand	Note	2019	2018
ASSETS			
Non-current assets			
Non-current financial assets			
Participations in Group companies	9, 13	186,231	185,902
Deferred tax assets	8	1,110	1,782
Receivables from Group companies, interest-bearing	10	84,365	64,603
Total non-current assets		271,706	252,287
Current assets			
Receivables, parent company		731	604
Other receivables		83	245
Prepaid expenses		4	15
Receivables, Group companies		75,317	52,114
Total current assets		76,135	52,978
TOTAL ASSETS		347,841	305,265
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital(5,600 shares at ratio value 10,27 EUR)		58	58
Non restricted equity			
Other contributed capital		6,771	6,771
Retained earnings		88,499	86,565
Total non-restricted capital		95,270	93,336
Total Equity		95,328	93,394
Non-current liabilities			
Long-term provisions		178	150
Deferred tax liabilities		1,444	936
Non-current financial liabilities, interest-bearing	11	246,574	206,378
Total non-current liabilities		248,196	207,464
Current liabilities			
Accounts payables		125	889
Current liabilities, Group companies		37	53
Income tax liability		579	–
Other current liabilities		175	569
Accrued costs	12	3,401	2,896
Total current liabilities		4,317	4,407
TOTAL EQUITY AND LIABILITIES		347,841	305,265

PARENT COMPANY STATEMENT OF CASH FLOWS

EUR thousand	Note	2019	2018
Operating activities			
Operating income		-373	-720
Adjustments for non cash items in income before tax	14	9,833	6,442
Income tax paid		-	-
Cash flow from operating activities prior changes in working capital		9,460	5,722
Change in working capital			
Change in intercompany receivables and liabilities		-8,985	-6,866
Change in other receivables		173	-159
Changes in other liabilities		-990	787
Cash flow used in operating activities		-342	-516
Cash flow from financing activities			
Increase in loans		40,000	210,000
Repayment of borrowings		-	-181,418
Change of receivables Group companies		-19,762	-320
Capital contribution		7,070	680
Financial income received		3,788	2,964
Financial cost paid		-9,177	-13,226
Cash flow from financial activities		21,919	18,680
Cash flow from the year		21,577	18,164
Cash and cash equivalents at the beginning of the year		44,346	26,182
Cash and cash equivalents at the end of the year		65,923	44,346

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

EUR thousand	Share capital	Share premium	Retained earnings	Total equity
Closing balance per 31 December 2017	58	6,771	90,719	97,548
Net income	-	-	-4,154	-4,154
Closing balance per 31 December 2018	58	6,771	86,565	93,394
Shareholder's contribution	-	-	329	329
Net income	-	-	1,605	1,605
Closing balance per 31 December 2019	58	6,771	88,499	95,328

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

NOTE 1 BASIS OF PRESENTATION

RULES AND REGULATIONS APPLIED

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 recognised as cash since they are part of the Group's cash pool. However, the bank balances are presented as cash in the statement of cash flows.

IFRS 9

Due to the relationship between accounting and taxation, the rules concerning financial instruments under IFRS 9 are not applied in the Parent Company as a legal entity. Instead, the Parent Company applies the acquisition method in accordance with the Swedish Annual Accounts Act. Accordingly, the Parent Company measures non-current financial assets at cost and current financial assets at the lower of cost or net realisable value, applying the rules for impairment of expected credit losses in accordance with IFRS 9 with respect to assets that are debt instruments. For other financial assets, impairment is based on market value.

The Parent Company applies the exemption option not to measure financial guarantee contracts that benefit subsidiaries, associated companies and joint ventures in accordance with the rules of IFRS 9, but rather applies the measurement principles in IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

PARTICIPATING INTERESTS IN SUBSIDIARIES

In the Parent Company, participating interests in subsidiaries are recognised in accordance with the cost method. All dividends are recognised in the Parent Company's profit or loss.

GROUP CONTRIBUTIONS AND SHAREHOLDER CONTRIBUTIONS

Shareholder contributions are recognised directly in equity by the recipient and are capitalised in shares and participations by the renderer insofar as impairment is not required. Group contributions received and paid are recognised in profit or loss as appropriations in accordance with RFR 2.

NOTE 2 BREAKDOWN OF SALES

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

NOTE 3 SALARIES, REMUNERATION TO EMPLOYEES AND OTHER FEES

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

The average number of employees in the Parent Company was five (four).

Remuneration of these individuals (including salaries, social security expenses, pensions and similar) and significant terms of employment are described in Note 9 Salaries, social security expenses and employee benefits (notes to the consolidated financial statements).

NOTE 4 AUDIT FEES

	2019	2018
Audit assignment (EY)	61	37
Other assignments (EY)	6	17
Total	67	54

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

NOTE 5 OTHER OPERATING EXPENSES

	2019	2018
Transaction costs in connection with acquisitions	-134	1
Currency exchange gains/ losses	4	43
Compensation to former CFO & CEO	338	868
Total	208	911

NOTE 6 INTEREST INCOME AND INTEREST EXPENSES

	2019	2018
Interest income and other similar transactions		
Interest income, internal	3,707	2,964
Total	3,707	2,964
Interest cost and other similar transactions		
Interest cost, external	-8,532	-8,765
Interest cost, internal	-146	-
Exchange rate differences	491	-932
Other financial expenses	-1,036	-4,307
Total	-9,223	-14,004
Net financial costs	-5,516	-11,040

NOTE 7 APPROPRIATIONS

	2019	2018
Received group contribution	9,253	7,070
Total	9,253	7,070

NOTE 8 TAX

	2019	2018
Income before taxes	3,364	-4,690
Tax according to current tax rate for Parent company 21,4% (22%)	-720	1,032
Non-deductible expenses	-1,084	-13
Non-taxable income	54	-
Tax loss carry forward used	564	-
Effect of changes tax rate	-	-35
Deferred tax on currency revaluation intercompany loans	-510	-448
Others	-63	-
Total	-1,759	536

Polygon AB had accumulated loss carryforwards of EUR 5,489 thousand gross (14,108) as per 31 December 2019 with no due date, of which EUR 5,186 thousand (8,324) is recognised as a deferred tax asset in an amount of EUR 1,110 thousand (1,782) as per 31 December 2019.

NOTE 9 PARTICIPATIONS IN GROUP COMPANIES

Participation in Group Companies	Country	Corporate Identity Number	Number of shares	Share of capital	2019	2018
Polygon International AB	Sweden	556807-6417	50,100	100.0%	184,188	183,859
Polygon Finland Holding Oy	Finland	2354769-0	2,500	100.0%	2,043	2,043
Net carrying value closing balance					186,231	185,902

	2019	2018
Opening balance	185,902	185,902
Shareholder contribution to Polygon International AB	329	-
Closing balance	186,231	185,902

Indirect holdings and the Group structure are described in Note 31 Related party transactions (notes to the consolidated financial statements).

NOTE 10 NON-CURRENT RECEIVABLES FROM GROUP COMPANIES

	2019	2018
Polygon Holding Finland OY	16,400	15,619
Polygon Nederland Holding BV	5,502	5,502
Polygon Norway Holding AS	10,105	9,937
Polygon Restoration Inc	854	802
PolygonVatro GmbH	32,332	32,332
Polygon International AB	418	411
Alvisa 24 AG Region Zürich-Ostseiz	2,753	-
Polygon UK R3 Ltd	16,001	-
Total	84,365	64,603

NOTE 11 NON-CURRENT FINANCIAL LIABILITIES

	2019	2018
Bond	250,000	210,000
Capitalized finance costs ¹⁾	-3,426	-3,622
Total	246,574	206,378

¹⁾ Financing costs are allocated over the duration of the loan.

NOTE 12 ACCRUED EXPENSES AND DEFERRED INCOME

	2019	2018
Accrued rent expenses	2,231	1,866
Personnel related expenses	967	757
Other accrued expenses	203	273
Total	3,401	2,896

NOTE 13 PLEDGED ASSETS

All shares in the Group's major subsidiaries and some of the Group's internal loans are pledged as collateral for the Group's bond. The amounts presented in Note 23 Pledged assets for own liabilities and provisions (notes to the consolidated financial statements) correspond to the total net assets in the pledged subsidiaries. The table below shows the carrying amount of the Parent Company's subsidiaries that are included in the Group's pledged assets.

EUR thousand	2019	2018
Pledged assets		
Shares in subsidiaries	186,231	185,902
Total assets pledged	186,231	185,902
Contingent liabilities	None	None

NOTE 14 ADJUSTMENT FOR NON-CASH ITEMS IN THE STATEMENT OF CASH FLOWS

	2019	2018
Non-affecting cash-flow:		
Group contributions non paid	9,253	7,070
Unrealised currency revaluations	580	-778
Changes in provisions	-	150
Total non-cash changes	9,833	6,442

NOTE 15 RELATED PARTY TRANSACTIONS

The company is under the controlling influence of Polygon Holding AB, the Parent Company of Polygon AB. As of 31 December 2019, 85.96% of Polygon Holding AB, domiciled in Stockholm (556809-3511), was owned by Muha LuxCo S.à.r.l, and the company was under the controlling influence of Triton Fund III. There have been no material transactions with companies in which Triton Fund III has a significant or controlling influence. During the year, EUR 874 thousand (633) was paid to West Park Management Services Ltd and Triton Partners Ltd as compensation for services rendered and outlays.

Group contributions of EUR 9.3 million (7.1) were received from the subsidiary Polygon International AB.

As in the preceding year, no Group contributions were received from Polygon Holding AB during the current year. Shareholder contribution of EUR 329 thousands was received in relation to new issue of shares.

NOTE 16 PROPOSED APPROPRIATION OF EARNINGS

PROPOSED APPROPRIATION OF EARNINGS

Proposed appropriation of the Parent Company's earnings:

The Board of Directors and the CEO propose that the surplus for the year of EUR 1,604,137, together with retained earnings of EUR 93,665,433, amounting to a total of EUR 95,269,570, be carried forward.

NOTE 17 SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

After the end of the financial year, the Board of Directors of Polygon AB decided to acquire the minority share, 33.6%, in Polygon A/S in Denmark.

In January 2020, Polygon Sverige AB acquired Saneringsfirman Hedbergs AB.

At an Extraordinary General Meeting in February, the former CEO, Evert Jan Jansen, was elected member of Polygon AB's Board of Directors.

SIGNATURES OF THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors and the CEO hereby certify that the annual accounts were prepared in accordance with generally accepted accounting standards in Sweden, and that the consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as defined in regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, and provide a fair presentation of the

Group and the Parent Company's financial position and earnings. The Board of Directors and the CEO also certify that the statutory administration report provides a fair presentation of the Group's and the Parent Company's operations, financial position and earnings and describes the material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, 16 April 2020

Lars Blecko
/Chairman/

Gunilla Andersson
/Board member/

Evert Jan Jansen
/Board member/

Nadia Meier-Kirner
/Board member/

Jonas Samuelson
/Board member/

Axel Gränitz
/President & CEO/

Our audit report concerning this annual report was submitted on 21 April 2020
Ernst & Young AB

Staffan Landén
/Authorised Public Accountant/

AUDITOR'S REPORT

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Polygon AB (publ) except for the corporate governance statement on pages 2–53 and pages 62–64 for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 55–61 and 65–96 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 62–64. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU with the exception of a very limited service reported to the Audit Committee.

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of goodwill and trademark*Description*

In the Group's balance sheet as per December 31, 2019 the reported value of Goodwill and Trademarks amounts to EUR 192,6 million, which equals 33 % of the Group's total assets. As described in note 2.4 the company prepares annually, or as soon there is an indication that there is an impairment need, an impairment test. Goodwill is allocated to cash generating units and in if the book value exceeds the recoverable amount, the asset is impaired to its recoverable amount. The recoverable amount is determined by calculating the value in use and in note 2.4 it is stated that when making this calculation assessment of the future profit and loss is made. In note 15 it is stated that the assessment of the value in use is based on the group's five-year business plan and an assessed 2% annual growth rate thereafter for the cash generating units. When determining important assumptions the company uses both historical experiences as well as assessments of the future. In 2019 no need for impairment has been identified. Based on the assumptions used in the calculation of the value in use we have assessed the valuation of goodwill and trademark as a key audit matter in the audit.

How our audit addressed this key audit matter

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

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

Revenue Recognition*Description*

Sales of services for 2019 amounts to EUR 677,1 million. The policies for revenue recognition is stated in note 2.4. Revenue is recognized when the control has passed to the customer by the customer being able to use or benefit from the good or service, at which point it is deemed to have been transferred. Control may be passed at a given point in time or over time. Revenue shall consist of the amount that the Company expects to receive in exchange for the delivered goods or services.

Based on that the revenue recognition involves assessments made by the company it is our assessment that revenue recognition is a key audit matter in the audit.

How our audit addressed this key audit matter

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

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

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2–53 and 62–64. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

- identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to

fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Polygon AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

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

Basis for opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

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

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 62–64 has been prepared in accordance with the Annual Accounts Act.

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

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

Ernst & Young AB, P.O.Box 7850, 103 99 Stockholm, was appointed auditor of Polygon AB (publ) by the general meeting of the shareholders on the 4 April 2019 and has been the company's auditor since the 7 February 2011.

Stockholm, 21 April 2020
Ernst & Young AB

Staffan Landén
Authorized Public Accountant

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