Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	996 019 381
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	POLYGON NORWAY HOLDING AS
Forretningsadresse:	Enebakkveien 307 1188 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	-

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Grete Sagegg
Dato for fastsettelse av årsregnskapet:	27.04.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert

År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 03.08.2022

Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Kostnader			
Annen driftskostnad	2	77 000	52 000
Sum kostnader		**77 000**	**52 000**
Driftsresultat		**-77 000**	**-52 000**
Finansinntekter og finanskostnader			
Renteinntekt fra foretak i samme konsern		1 827 000	1 833 000
Sum finansinntekter		**1 827 000**	**1 833 000**
Nedskrivning av finansielle eiendeler		40 000 000	
Rentekostnad til foretak i samme konsern		7 574 000	8 530 000
Sum finanskostnader		**47 574 000**	**8 530 000**
Netto finans		**-45 747 000**	**-6 697 000**
Ordinært resultat før skattekostnad		**-45 824 000**	**-6 749 000**
Skattekostnad på ordinært resultat	5	0	0
Ordinært resultat etter skattekostnad		**-45 824 000**	**-6 749 000**
Årsresultat		**-45 824 000**	**-6 749 000**
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		-45 824 000	-6 749 000
Sum overføringer og disponeringer		**-45 824 000**	**-6 749 000**

Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investering i datterselskap	3	126 131 000	126 131 000
Lån til foretak i samme konsern	4	28 300 000	28 300 000
Sum finansielle anleggsmidler		**154 431 000**	**154 431 000**
Sum anleggsmidler		**154 431 000**	**154 431 000**
Omløpsmidler			
Varer			
Fordringer			
Andre fordringer	4	0	1 833 000
Sum fordringer		**0**	**1 833 000**
Sum omløpsmidler		**0**	**1 833 000**
SUM EIENDELER		**154 431 000**	**156 264 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	6,7	33 886 000	33 550 000
Overkurs	6	-27 071 000	-20 911 000
Sum innskutt egenkapital		**6 815 000**	**12 639 000**
Sum egenkapital		**6 815 000**	**12 639 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			

Balanse

Beløp i: NOK	Note	2020	2019
Langsiktig konserngjeld	4	79 665 000	119 665 000
Sum annen langsiktig gjeld		**79 665 000**	**119 665 000**
Sum langsiktig gjeld		**79 665 000**	**119 665 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner		67 628 000	23 688 000
Kortsiktig konserngjeld		273 000	222 000
Annen kortsiktig gjeld		50 000	50 000
Sum kortsiktig gjeld		**67 951 000**	**23 960 000**
Sum gjeld		**147 616 000**	**143 625 000**
SUM EGENKAPITAL OG GJELD		**154 431 000**	**156 264 000**

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6A, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

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Medlemmer av Den norske revisorforening

Building a better working world

UAVHENGIG REVISORS BERETNING

Til generalforsamlingen i Polygon Norway Holding AS

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert årsregnskapet for Polygon Norway Holding AS som består av balanse per 31. desember 2020, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen, og en beskrivelse av vesentlige anvendte regnskapsprinsipper og andre noteopplysninger.

Etter vår mening er årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av selskapets finansielle stilling per 31. desember 2020, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i avsnittet *Revisors oppgaver og plikter ved revisjonen av årsregnskapet*. Vi er uavhengige av selskapet i samsvar med de relevante etiske kravene i Norge knyttet til revisjon slik det kreves i lov og forskrift. Vi har også overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Øvrig informasjon omfatter informasjon i selskapets årsrapport bortsett fra årsregnskapet og den tilhørende revisjonsberetningen. Styret og daglig leder (ledelsen) er ansvarlig for den øvrige informasjonen. Vår uttalelse om revisjonen av årsregnskapet dekker ikke den øvrige informasjonen, og vi attesterer ikke den øvrige informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese den øvrige informasjonen med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom den øvrige informasjonen og årsregnskapet eller kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon. Dersom vi konkluderer med at den øvrige informasjonen inneholder vesentlig feilinformasjon, er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

Ledelsens ansvar for årsregnskapet

Ledelsen er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet med mindre ledelsen enten har til hensikt å avvikle selskapet eller legge ned virksomheten, eller ikke har noe annet realistisk alternativ.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon. Feilinformasjon kan skyldes misligheter eller feil og er å anse som vesentlig

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dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke de økonomiske beslutningene som brukerne foretar på grunnlag av årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i årsregnskapet, enten det skyldes misligheter eller feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av intern kontroll;
- opparbeider vi oss en forståelse av den interne kontrollen som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll;
- vurderer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige;
- konkluderer vi på om ledelsens bruk av fortsatt drift-forutsetningen er hensiktsmessig, og, basert på innhentede revisjonsbevis, hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape betydelig tvil om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det foreligger vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i årsregnskapet. Hvis slike tilleggsopplysninger ikke er tilstrekkelige, må vi modifisere vår konklusjon. Våre konklusjoner er basert på revisjonsbevis innhentet frem til datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapets evne til fortsatt drift ikke lenger er til stede;
- vurderer vi den samlede presentasjonen, strukturen og innholdet i årsregnskapet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet gir uttrykk for de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde.

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen, tidspunktet for vårt revisjonsarbeid og eventuelle vesentlige funn i vår revisjon, herunder vesentlige svakheter i den interne kontrollen som vi avdekker gjennom vårt arbeid.

Uttalelse om øvrige lovmessige krav

Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet, forutsetningen om fortsatt drift og forslaget til disponering av resultatet er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendige i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Oslo, 29. april 2021
ERNST & YOUNG AS

Revisjonsberetningen er signert elektronisk

Håvard Norstrøm
statsautorisert revisor

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"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Håvard Norstrøm
Statsautorisert revisor
På vegne av: Ernst & Young AS
Serienummer: 9578-5997-4-227067
IP: 109.247.xxx.xxx
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POLYGON NORWAY HOLDING AS - ÅRSBERETNING FOR 2020

Virksomhetens art og hvor den drives
Polygon Norway Holding eier 100% av aksjene i Polygon AS og er et rent holdingselskap. Virksomheten drives i Norge.

Fortsatt drift
I samsvar med regnskapsloven § 3-3a bekreftes det at forutsetningene om fortsatt drift er til stede. Til grunn for antagelsen ligger resultatprognoser for Polygon AS fram til og med 2023 og selskapets langsiktige strategiske planer for årene fremover. Selskapet mottatt morselskapsgaranti av Polygon AB. På bakgrunn av dette mener styret att fortsatt drift kan legges til grunn.

Effekt av COVID-19
COVID-19 har påvirket Polygon AS til en viss grad i 2020, men betydelig mindre enn andre bransjer. Antall oppdrag var i første halvår 2020 redusert med rundt 10-15% grunnet COVID-19, noe som har ført til mindre utnyttelse av ansatte. Den største innvirkningen på inntektene har imidlertid vært fraværet av ansatte på grunn av lukkede skoler og barnehager samt en økning i sykefravær generelt. Dette er delvis oppveid av tiltak som er gjort av den norske regjeringen. COVID-19 har i en viss grad bidratt til et negativt avvik fra budsjettet i 2020.
Når det gjelder Covid 19-effekten i 2021, ser vi for tiden at den har en negativ effekt på sykefraværet og fravær generelt. I tillegg kan varighet av våre oppdrag være lengre ettersom vi trenger å være mer fleksible og spontant utsette arbeid hos kunder på grunn av karantene og andre koronarelaterte faktorer hos både kunder og ansatte.

Arbeidsmiljø og personale
Polygon Norway Holding AS har ingen ansatte.

Miljørapportering
Polygon Norway Holding har ingen operativ virksomhet og har derved ingen forurensende effekt på det ytre miljø.

Resultat, kontantstrøm, investeringer, finansiering og likviditet
Driftsresultatet i selskapet var på kr 0 mill.

Samlet kontantstrøm fra operasjonelle aktiviteter i selskapet var på kr – 43,9 mill.

Selskapets likviditetsbeholdning var kr -107,6 mill. per 31.12.20. Polygon AS har god evne til å betale tilfredsstillende konsernbidrag eller utbytte til Polygon Norway Holding AS.

Totalkapitalen var ved utgangen av året kr 154,4 mill. Egenkapitalandelen pr 31.12.19 var 4,4%.

Finansiell risiko
Markedsrisiko
Selskapet har ingen aktivitet og er således ikke utsatt for markedsrisiko.

Kredittrisiko
Selskapet har ingen aktivitet og er således ikke utsatt for kredittrisiko.

Likviditetsrisiko
Styret vurderer likviditeten i selskapet som tilfredsstillende ut fra en vurdering av Polygon AS' evne til å gi utbytte.

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Resultatdisponering
Styrets forslag til resultatdisponering for 2019 (tusen kroner):

Avsatt Utbytte	:	0
Til Annen egenkapital		- 45 824
Sum Disponering	:	- 45 824

Oslo, 27. apr 2021

DocuSigned by:
F3D7B641733345F...
Axel Jörg Gränitz
Styrets leder

DocuSigned by:
Martin Hamner
346E77F96BCD4FB...
Martin Per Hamner
Styremedlem

DocuSigned by:
kai Andersen
2BD06B094A4E949B...
Kai Roger Kalstveit Andersen
Styremedlem

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POLYGON NORWAY HOLDING AS

Noter til regnskapet for 2020
(Beløp i 1 000 kr.)

Note 1 - Regnskapsprinsipper

Årsregnskapet er satt opp i samsvar med regnskapslovens bestemmelser og god regnskapsskikk.

Konsolideringsprinsipper
Regnskapet gjelder Polygon Norway Holding AS. Som heleid datterselskap av morselskap tilhørende i en EØS-stat, er det ikke utarbeidet konsernregnskap for morselskap i underkonsern. Konsernregnskapet kan fås utlevert ved henvendelse til Polygon AB i Stockholm.

Salgsinntekter
Inntektsføring skjer på opptjeningstidspunktet.

Vurdering og klassifisering av balanseposter
Omløpsmidler og kortsiktig gjeld omfatter poster som forfaller til betaling innen ett år etter anskaffelsestidspunktet, samt poster som knytter seg til varekretsløpet. Øvrige poster er klassifisert som anleggsmiddel/langsiktig gjeld. Omløpsmidler vurderes til laveste av anskaffelseskost og virkelig verdi.

Investering i datterselskap
Investering i datterselskap regnskapsføres etter kostmetoden i selskapsregnskapet. Mottatt utbytte og konsernbidrag inntektsføres når utdelingen ikke overskrider opptjent egenkapital i egen eierperiode. Inntektsføring skjer samme år som utdelingen er avsatt for i datterselskapet.

Valuta
Pengeposter i utenlandsk valuta er vurdert etter kursen ved regnskapsårets slutt.

Skatt
Skattekostnaden i resultatregnskapet omfatter både periodens betalbare skatt og endring i utsatt skatt. Utsatt skatt er beregnet med 22 % på grunnlag av de midlertidige forskjeller som eksisterer mellom regnskapsmessige og skattemessige verdier ved utgangen av regnskapsåret. Skatteøkende og skattereduserende midlertidige forskjeller som reverserer eller kan reverseres i samme periode er utlignet og nettoført. Netto utsatt skattefordel balanseføres i den grad det er sannsynlig at denne kan bli nyttiggjort.

Kontantstrømoppstilling
Kontantstrømoppstillingen er satt opp etter den indirekte metode.

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POLYGON NORWAY HOLDING AS

Noter til regnskapet for 2020

(Beløp i 1 000 kr.)

Note 2 - Ansatte, godtgjørelser, lån til ansatte m.v.

Polygon Norway Holding AS er et rent holdingselskap og det er ingen ansatte i selskapet. Daglig leder er ansatt i Polygon AS og får lønn i dette selskapet.

Honorar til revisor

Honorarer for lovpålagte revisjonstjenester	18
Honorarer for andre tjenester utenfor revisjonen	31

Alle beløp er eksklusive merverdiavgift.

Note 3 - Datterselskap, tilknyttet selskap m.v.

Firma	Anskaffelses tidspunkt	Forretnings - kontor	Eierandel	Stemme-andel
Datterselskap				
Polygon AS	30.11.2010	Oslo	100,00 %	100,00 %

Opplysninger om egenkapital og resultat ifølge siste årsregnskap

Firma	Egenkapital	Resultat
Polygon AS	32 185	-16 988

Note 4 - Mellomværende med selskap i samme konsern m.v.

	Andre fordringer		Lån til datterselskap	
	2020	2019	2020	2019
Polygon AS		1833	28 300	28 300

	Kortsiktig gjeld		Langsiktig gjeld	
	2020	2019	2020	2019
Polygon AS	273	222		
Polygon AB, Sverige			79 665	99 665
Polygon International AB, Sverige				20 000

Renter på lån innen konsernet blir beregnet med flytende rentesats og betalt løpende gjennom året, det er resultatført rentekostnader 5 747 i år mot 6 697 i fjor. Førøvrig ingen transaksjoner med nærstående parter.

I forbindelse med finansieringen av Polygon Group, er selskapets aksjer i Polygon AS pantsatt til fordel for Nordea Bank AB

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POLYGON NORWAY HOLDING AS

Noter til regnskapet for 2020
(Beløp i 1 000 kr.)

Note 5 - Skatt

Årets skattekostnad fremkommer slik:	**2020**	**2019**
Endring i utsatt skatt	0	0
Årets totale skattekostnad	0	0

Årets skattegrunnlag fremkommer slik:

	2020	**2019**
Resultat før skattekostnad	-45 824	-6 749
Permanente forskjeller	40 000	0
Årets skattegrunnlag (underskudd til fremføring)	-5 824	-6 749

Oversikt over midlertidige forskjeller:

	2020	**2019**
Akkumulert fremførbart underskudd før konsernbidrag	-45 671	-39 847
Avskåret rentefradrag til fremføring	-21 295	-15 548
Netto midlertidige forskjeller pr 31.12	-66 966	-55 395
Forskjeller som ikke inngår i utsatt skatt/-skattefordel	-66 966	-55 395
Sum	0	0

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POLYGON NORWAY HOLDING AS

Noter til regnskapet for 2020

(Beløp i 1 000 kr.)

Note 6 - Egenkapital

	Aksjekapital	Overkurs	Sum
Egenkapital 31.12.2019	33 550	-20 911	12 639
Kapitalforhøyelse ved gjeldskonvertering	336	39 664	40 000
Årsresultat		-45 824	-45 824
Egenkapital 31.12.2020	33 886	-27 071	6 815

Note 7 - Aksjekapital og aksjonærinformasjon

Aksjekapitalen i POLYGON NORWAY HOLDING AS består av 335 500 aksjer a NOK 101 som i sin helhet eies av Polygon International AB, Sverige.

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POLYGON NORWAY HOLDING AS

Kontantstrømoppstilling 01.01 - 31.12.20120
(Beløp i 1 000 kr.)

	2020	2019
Resultat før skattekostnad	-45 824	-6 749
Endring i andre tidsavgrensninger	1 884	-1 781
Netto kontantstrøm fra operasjonelle aktiviteter	**-43 940**	**-8 530**
Kapitalforhøyelse ved gjeldskonvertering	-40 000	0
Netto kontantstrøm fra finansieringsaktiviteter	**-40 000**	**0**
Netto endring av likvider i året	-83 940	-8 530
Likvide midler pr. 1.1.	-23 688	-15 158
Likvide midler pr. 31.12.	**-107 628**	**-23 688**

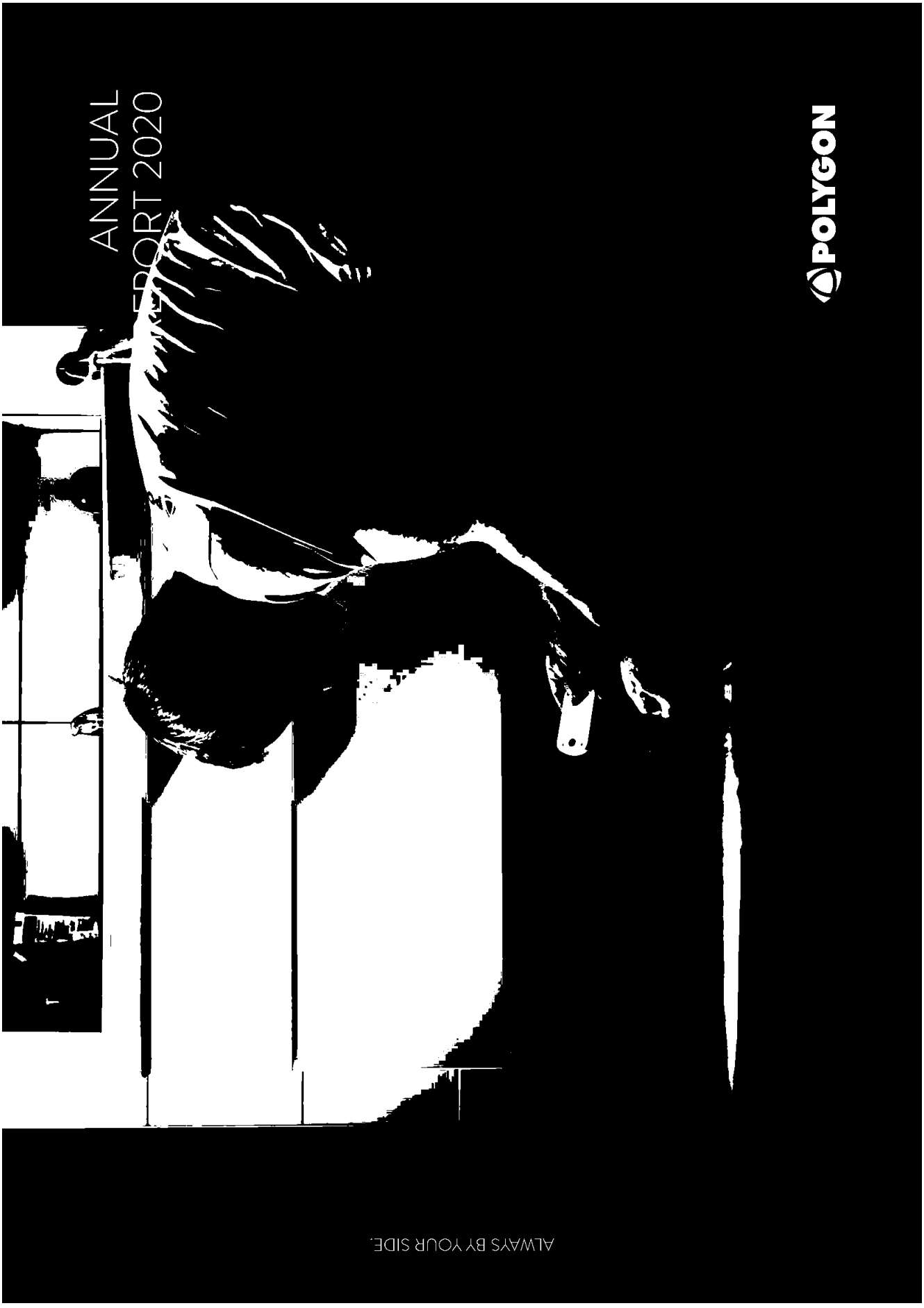
NO 996 019 381 Polygon Norway Holding AS som igjen er et 100 % heleid datterselskap av SE 556816-5855 Polygon AB hjemmehørende i Sverige.

Polygon AB utarbeider konsernregnskap, og selskapet Polygon AS omfattes derfor av regelen for unntak fra konsernregnskapsplikt for morselskap i underkonsern etter Regnskapslovens § 3-7.

Polygon AB's konsoliderte konsernregnskap for 2020 er vedlagt i filen «annual-report-2020_.pdf»

NB! Hjelpetekst til skjema i Altinn:

***Konsernregnskap:** Noteopplysningene må beskrive hvilken unntaksregel som er benyttet for å ikke utarbeide konsernregnskap.*


ANNUAL REPORT 2020
POLYGON
ALWAYS BY YOUR SIDE.

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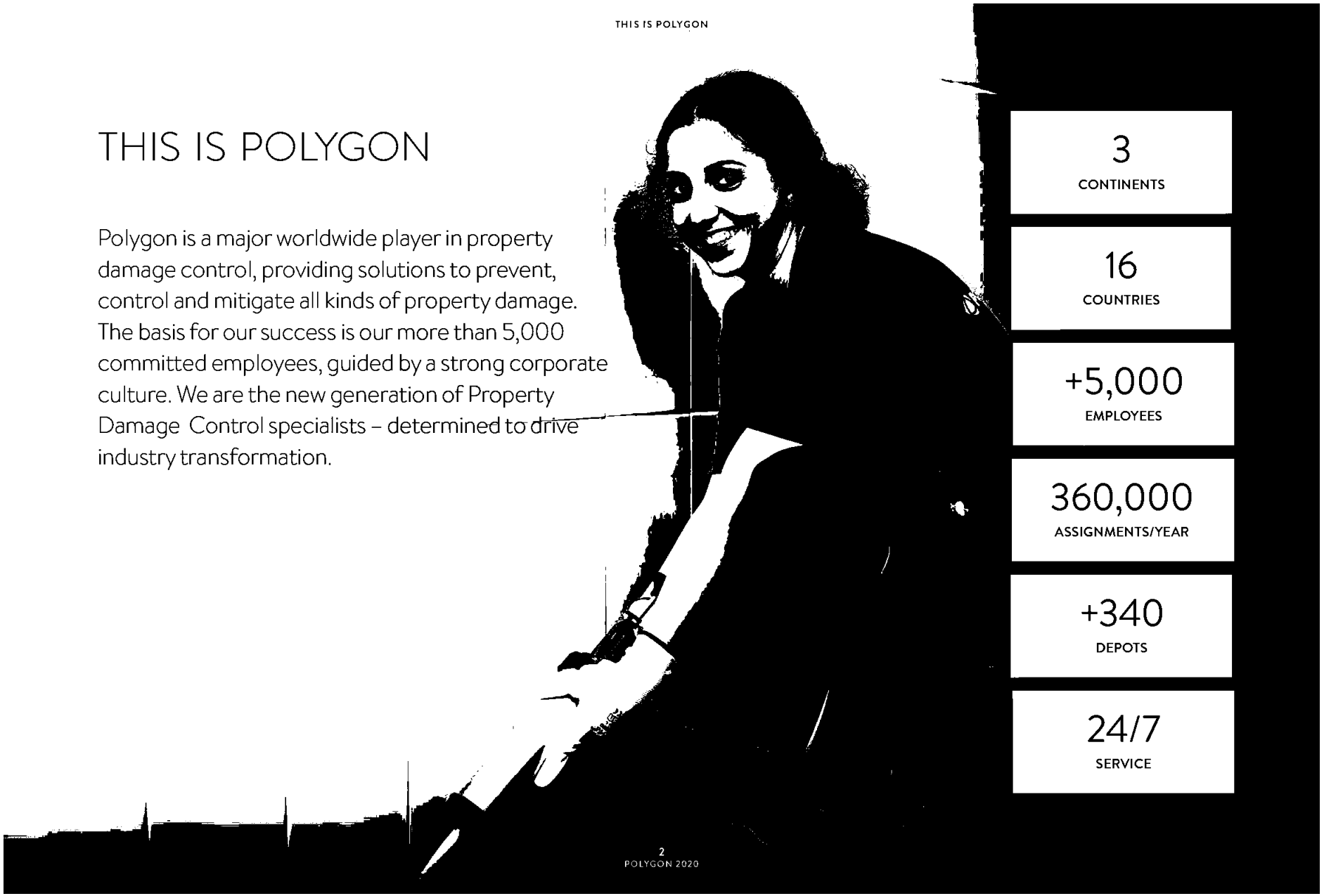
THIS IS POLYGON

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 more than 5,000 committed employees, guided by a strong corporate culture. We are the new generation of Property Damage Control specialists – determined to drive industry transformation.



3	CONTINENTS
16	COUNTRIES
+5,000	EMPLOYEES
360,000	ASSIGNMENTS/YEAR
+340	DEPOTS
24/7	SERVICE

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KEY HIGHLIGHTS 2020

- Great financial result despite the Covid-19 pandemic, which had a limited impact on the Group. Sales growth amounted to 9.8 percent and growth in adjusted EBITA amounted to 12.4 percent.
- Strong organic growth of 6.7 percent was driven by existing partnerships with several large European insurance companies and increased market share in commercial sales.
- Continued high M&A activity adding approximately 50 MEUR of annual sales and 400 employees. Acquired growth amounted to 4.0 percent.
- The acquisition of Hiotlabs enhanced Polygon's digital capabilities to offer water damage prevention to insurance companies that can reduce total damage costs.
- A complex dehumidification project in the US for Covid-19 test kit manufacturing became the largest project for the Group in 2020. Strong growth in M&CC projects in Europe.
- Polygon received various awards and recognition during the year, including several employer awards, a best service award and an innovation award.

ACQUISITIONS

New service line

- Through the acquisition of Hiotlabs, Polygon enters the market for water damage prevention.

New markets

- Polygon entered two new markets through the acquisition of UTG in Luxembourg and Recotech in Italy.

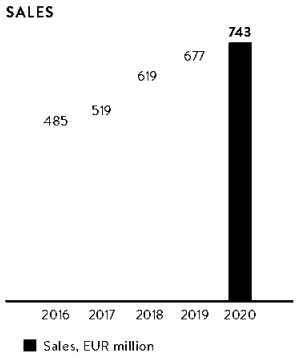
Strengthening existing markets

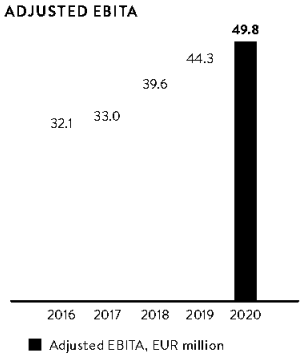
- Polygon Sweden made a bolt on acquisition to strengthen its position in fire damage restoration.
- Polygon acquired the outstanding minority shares of Polygon A/S in Denmark.
- Polygon France acquired Aretech and Hydrotech to improve its market position within Leak detection and Major and Complex Claims[1].
- Polygon Austria acquired Renovo to increase its market share in water- and fire damage restoration.
- POLYGONVATRO in Germany acquired RecoSan GmbH, which further consolidated its position as the clear market leader in Germany. The company will be consolidated from 1 January 2021.

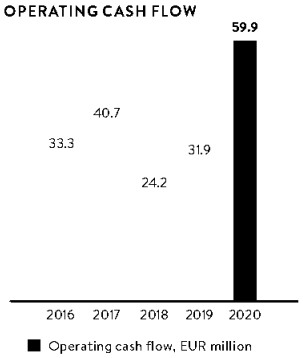
[1] This acquisition included two separate companies.

SUMMARY FINANCIAL YEAR 2020

EUR m	2020	2019
Sales	743.3	677.1
Sales growth, %	9.8	9.3
Adjusted EBITDA	92.5	81.3
Adjusted EBITDA, %	12.4	12.0
Adjusted EBITA	49.8	44.3
Adjusted EBITA, %	6.7	6.5
Operating cash flow	59.9	31.9
Net debt	283.4	284.8
Full-time employees	4,886	4,512







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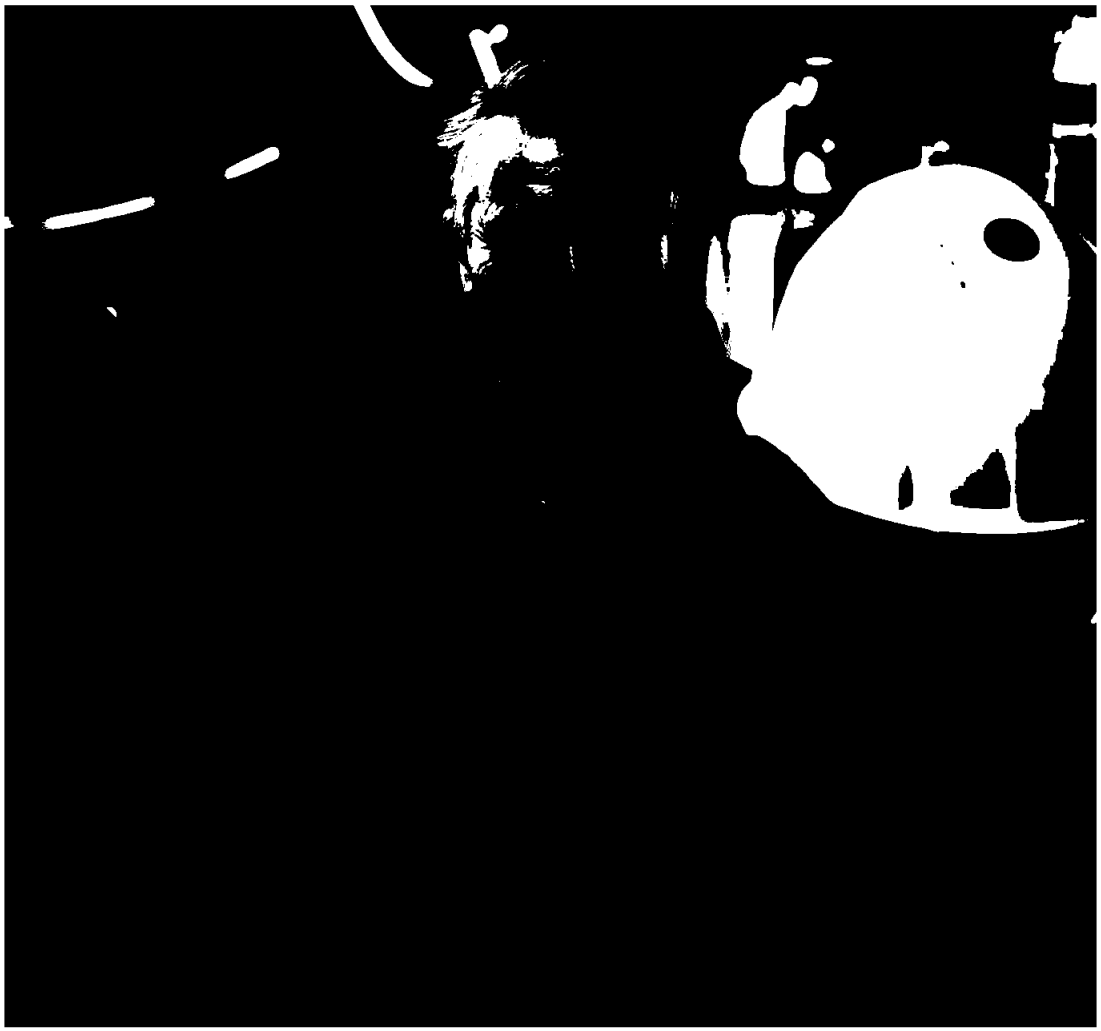
CEO MESSAGE



Polygon enjoyed an excellent year that saw our growth journey continue as we successfully navigated the challenges and opportunities related to Covid-19.

During the year, we completed nine acquisitions, continued to benefit from our economies of scale by broadening our offering across our markets, and made good progress on digitalisation and sustainability.

OUR GROWTH JOURNEY CONTINUES

It is my pleasure to report that Polygon performed exceptionally well during the year and grew both organically and through acquisitions, despite the Covid-19 pandemic. Our sales increased by 9.8 percent in 2020 to EUR 743 million, of which organic growth was 6.7 percent and acquired growth was 4.0 percent. I see our growth during the year as proof that the Polygon Model and our values provide us with a stable foundation – even in challenging times.

We grew in almost all countries during the year, especially in Germany and the US where we won greater market share. Our recent investments in optimising our processes and providing good service are clearly paying off. Adjusted EBITA for the year increased by 12.4 percent, which signals that we have continued to strengthen our platform in Europe where we are the undisputed market leader.

GROWTH THROUGH ACQUISITIONS

Our industry continues to consolidate, which is a trend that Polygon drives by making further acquisitions as we gradually become the global expert in property damage control. Additionally, our customers are increasingly demanding one-stop shop service providers on a nationwide and even an international level.

The pandemic had little effect on our M&A strategy as demonstrated by the eight acquisitions we completed during the year. In fact, we see more acquisition potential than ever as some smaller competitors have struggled with challenges related to Covid-19.

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We continued to develop our position as a nationwide provider in our various markets by acquiring companies that I would call 'regional heroes' in France and Germany. New acquisitions also enabled us to establish a permanent market presence in Italy and Luxembourg.

Our acquisition of Hiotlabs, which offers market-leading sensor technology solutions based on the Internet of Things and machine learning, was a step into the future of our industry. The acquisition has huge potential to further develop our market position in water damage prevention, where we are seeing growing customer demand from large insurance companies that want to reduce their total damage costs.

RESPONDING TO COVID-19

We were quick to procure the necessary personal protective equipment for our employees, and established an in-house Covid-19 taskforce to optimise safety and security standards to protect our people and customers. We were also fast to obtain special permission as an essential service, which enabled us to continue working during national lockdowns.

In addition, our decentralised business model ensured that decisions were made quickly to adapt to local circumstances, and that our managers were close to our people and able to lead by example.

I believe that we gained market share in many markets during the crisis due to the trust our customers have in our ability to deliver. We offered Covid-19 cleaning and sanitation services during the pandemic, but we continued to focus on our core services due to the continued high customer demand for them.

NEW SERVICE LINES

Our strategic acquisitions in recent years are enabling us to roll out new service lines across our markets by drawing on our economies of scale to expand our share of the value chain. For example, our UK acquisition of Plastic Surgeon in 2019 is enabling the roll out of a new service line extension within property restoration and hard surface repairs in our European markets.

The commercial sector is becoming increasingly important and is why we are investing in commercial divisions and building up a key account manager structure to adapt to the new needs of commercial consolidation. This involves a more centralised approach to adapt to new needs, for example regarding framework agreements.

> "Polygon remains one of the very few companies in the UK that has attained Green status"

Another example is PRIMO+, which is our premium service that focuses on commercial end-customers offering a priority response when damage occurs. We see significant market opportunities in such framework agreements as they deliver significant customer value.

LEADING DIGITAL TRANSFORMATION IN OUR INDUSTRY

I see digitalisation as a competitive advantage that on one hand improves our backbone, enabling the tracking of KPIs and ensuring our internal systems are more in sync with insurance companies. Digitalisation also enhances our operational efficiency, for example by increasingly using video and providing digital service update solutions.

There is a clear demand for such solutions both within our organisation and among our customers. Crucially, we have proven that we have the size and scale to be able to make the necessary investments in these solutions – to drive digital transformation in our industry.

SIGNIFICANT PROJECTS DURING THE YEAR

We conducted a number of significant projects during the year. These included a project in the US to ensure an optimal climate for Covid-19 test kit manufacturing, which was one of our largest projects to date. This project provided climate controlled temporary manufacturing rooms in three large facilities in Maine, Illinois and New York with the capacity to produce approximately 50 million Covid-19 test kits per month.

During the year, we continued to invest in our technical capabilities, for example by investing in our technical centre for major and complex claims in Denmark. The centre provides high-tech services that have been greatly appreciated by the market – so much so that it began providing services to customers in Sweden and Norway.

SUSTAINABILITY DIFFERENTIATES OUR OFFERING

I am particularly proud of the various sustainability-related awards we won during the year as they demonstrate that we truly are a sustainability leader in our industry. For example, Polygon UK was awarded Green Status Achilles for the third year running with 100 percent scores across all categories. Polygon remains one of the very few companies in the UK that has attained Green status – the highest award that can be achieved for the four key areas of CSR, Health & Safety, Environment and Quality.

I am very pleased that sustainability is increasingly driven by customer demand. In the Nordics for example, customers choose Polygon because our approach to sustainability differentiates us from competitors and because we can help them achieve their sustainability objectives, particularly regarding CO_2 reduction.

Our core business of restoration brings property back to life as efficiently and sustainably as possible. But we also have a clear ambition to grow in damage prevention using new technology where we see potential to reduce total damage costs and environmental impact. This is definitely an area with great potential going forward and our acquisition of Hiotlabs has further enhanced our damage prevention capabilities for customers.

RECOGNISING THE CONTRIBUTION OF OUR PEOPLE

Finally, I would like to thank every member of our Polygon team – from our technicians out in the field and project leaders, to our managers and back office admin teams – who all faced a challenging 2020 with a great fighting spirit. I am incredibly proud of the excellent working atmosphere among our teams during the pandemic, and we received great customer feedback from their actions and conduct. Their desire to help people in emergency situations really embodies our brand promise to be 'Always By Your Side'.

In 2020, Polygon celebrated its 10-year anniversary. Reflecting on the past decade, we have tripled in size and increased profitability even more. Looking ahead, this past year gives me great confidence for the future of Polygon as we step-by-step become the global expert in property damage control. I am truly excited by what the next decade has in store for our company.

April 2021

Axel Gränitz
CEO Polygon Group

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"This year the Polygon US team has worked together as a group to support our customers, and each other," says Kevin Lockard, National Operations Manager and responsible for customer delivery. "To be a part of a team to perform these large and complex Covid-19 test kit projects is impressive."

ENSURING AN OPTIMAL ENVIRONMENT FOR COVID-19 TEST KIT MANUFACTURING

Polygon US is helping a major US pharmaceutical company to create precise environments for producing Covid-19 test kits in what was Polygon's second largest project ever to date.

The optimal conditions for producing millions of test kits
Polygon US provided climate controlled temporary manufacturing rooms in three large facilities in Maine, Illinois and New York with capacity to produce approximately 50 million Covid-19 test kits per month.

"As a specialty air management solution provider, there is no one else in the industry that is capable of delivering an engineered solution of this nature in this time frame," says Russ Brown, Area manager at Polygon US. "Our advanced expertise, knowledge and depth of equipment can succeed on the most complex of projects."

Successful project
Building a dry room with 300,000 cfm (477,000 cm^3) of low dewpoint air and 2,000 tonnes (7,000 kW) of chilled water that maintains 5 percent relative humidity with up to 100 people, working in the clean room, is no simple task.

"We gained the confidence of our customer through our engineered solutions and delivered a technically challenging equipment set-up with our highly trained operations team," says David Simkins, Director and Head of Engineering.

The project required the technical team to follow strict guidelines for Covid-19 and safety during the setup and commissioning, which continues through a 24/7 service contract. Over 125 large dehumidifiers, chillers, air handlers, coils, heaters and monitoring and control equipment, 4.9 miles of temporary power cable, 4 MW of temporary power and 2 miles of flexible ducting were required to deliver the system.

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THE GLOBAL TRENDS SHAPING OUR INDUSTRY

Our industry is being transformed by a range of global trends – from customer demand and industry consolidation to digitalisation and sustainability.

STABLE AND GROWING CUSTOMER DEMAND

The demand for property damage control services from insurance claims is stable as damages always occur and need to be repaired regardless of fluctuations in the global economy. In Europe, underlying industry growth is driven by the growing number of residential and commercial properties, and property value increases.

INDUSTRY IMPLICATIONS

Continued customer demand regardless of external influences makes the property damage control industry highly stable and resilient. The European property damage restoration market is estimated to be worth around EUR 12–13 billion and has been growing by 2–3 percent per year over the past five years according to a reputable third party.

MARKET CONSOLIDATION

The property damage restoration industry is still very fragmented but is undergoing consolidation. Polygon is the undisputed market leader in Europe, but only accounts for 5–6 percent of the overall market. Insurance companies – which account for approximately two-thirds of Polygon's business – are also increasingly focusing on fewer suppliers that can manage the entire damage restoration process and more framework agreements.

INDUSTRY IMPLICATIONS

There are still significant opportunities for both more organic growth and acquisitions in the fragmented property damage control market. In Europe, there are more than 1,000 regional and local competitors, and the majority of all property restoration jobs are assigned to small local companies.

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INDUSTRY PROFESSIONALISATION
The trend of increasing market consolidation and the creation of larger players is driving greater professionalisation in the industry. Larger players are increasingly cooperating with industry associations and partners to develop quality standards, ethical business practices, environmental initiatives and better working conditions.

INDUSTRY IMPLICATIONS
Larger companies are typically better able to provide more standardised and professional services. This promotes the professionalisation of the entire industry.

INCREASING EXTREME WEATHER EVENTS
The frequency and intensity of extreme weather events, such as storms and floods, have increased in recent years and this trend is expected to continue in the future due to the effects of climate change.

INDUSTRY IMPLICATIONS
For the industry, more extreme weather events due to climate change are expected to increase damage control assignments in the future. Polygon is well positioned as a large, flexible cross-border player – with an industry-leading major and complex claims organisation and a large stock of equipment.

GREATER EFFICIENCY THROUGH DIGITALISATION
Digitalisation is transforming the entire industry by creating new opportunities for greater transparency and real-time documentation. New tools can for example help improve customer interactions, reduce administration, ease internal communication, facilitate acquisitions, speed up integration processes and prevent damage via Internet of Things (IoT) solutions.

INDUSTRY IMPLICATIONS
Leading players must be at the forefront of digitalisation to promote customer satisfaction. IoT technology such as internet-connected sensors (measuring humidity, vibrations, etc) in buildings can predict, alleviate and even prevent damage – to protect customer assets while increasing the addressable market.

SUSTAINABILITY
Customers, employees and investors all have increasing sustainability demands and expectations. Sustainability requirements are now a well-established part of customer procurement processes to help achieve their sustainability objectives. Employees want to work for companies that make a positive contribution in society. Investors seek to invest in companies that present more responsible investment opportunities.

INDUSTRY IMPLICATIONS
By preserving and restoring value, the damage control industry naturally contributes to sustainability by reducing the use of finite resources. Actors need comprehensive policies and processes to ensure they put sustainability objectives at the heart of their business. Speed is important as the faster teams can get to a damaged site, the more material can be saved from destruction. Using digital tools to predict and prevent damage from happening in the first place is increasingly important in helping to reduce and even avoid the environmental implications of property damage.

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STRONG CUSTOMER RELATIONSHIPS

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

We are the preferred supplier to many well-known enterprises and are growing organically with this prestigious customer base, as sales to our ten biggest customers increased by around 12 percent in 2020. Construction, industry and property management companies are also large customers for Polygon and are growing in importance.

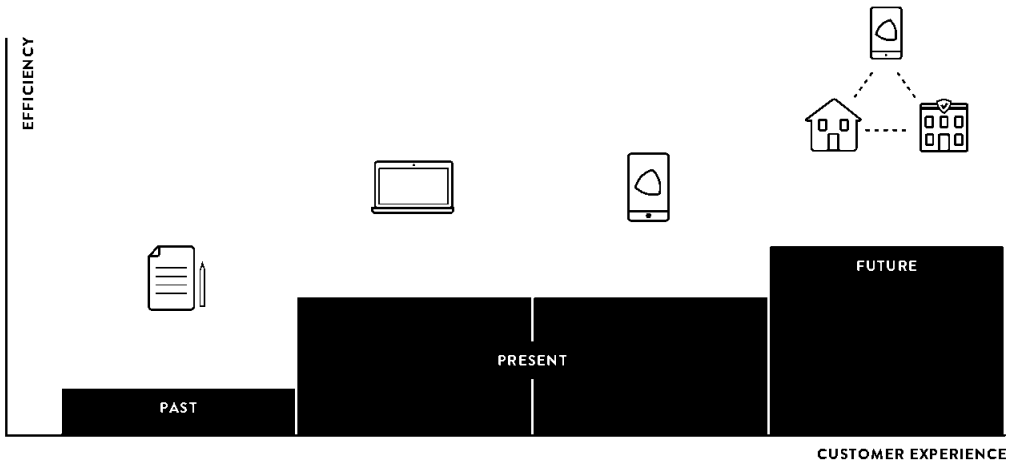
Polygon handles more than 360,000 assignments every year. These jobs span from EUR 200 to major projects with order values exceeding EUR 5 million.

JOBS GRADED ACCORDING TO COMPLEXITY

We group customers 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.

"We are the preferred supplier to many well-known enterprises and are growing organically with this prestigious customer base, as sales to our ten biggest customers increased by around 12 percent in 2020."

STREAMLINING DAMAGE CONTROL



We are already using digital tools in most areas and we are partly connected with our customers through digital solutions. In the future, we will be able to offer fully-connected comprehensive solutions.

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POLYGON HELPS NORWEGIAN CUSTOMER BECOME SUSTAINABILITY LEADER

Environmental performance – a competitive advantage
Polygon Norway was awarded the contract to cover all damage restoration in Norway for its insurance company customer Storebrand a couple of years ago. Polygon's focus on environmental issues was a key element when Storebrand chose Polygon as its supplier.

"We were the only supplier that had the documentation to show that environmental thinking permeates everything we do – from which products we purchase to how we carry out the actual damage restoration process," says Thore Jensen, Sales Manager in Polygon Norway.

Close cooperation
Storebrand previously used several different partners, but Polygon is now their sole supplier – assisting with everything from water, fire and smoke damage to oil spill cleanup and other environmental damage. In cooperation, the partners are working to promote the most environmentally friendly products in damage restoration assignments.

High customer satisfaction
Partner dialogue is good and Storebrand is very satisfied with Polygon's work so far.

"Polygon is a company we trust, they offer good support to us, and their vision of being a responsible supplier is in line with our sustainable strategy," says Procurement Manager Alexander Asbjørnsen at Storebrand.

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THE GLOBAL EXPERT IN PROPERTY DAMAGE CONTROL

Polygon's mission is 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 to add an extra dimension to our deep customer involvement.

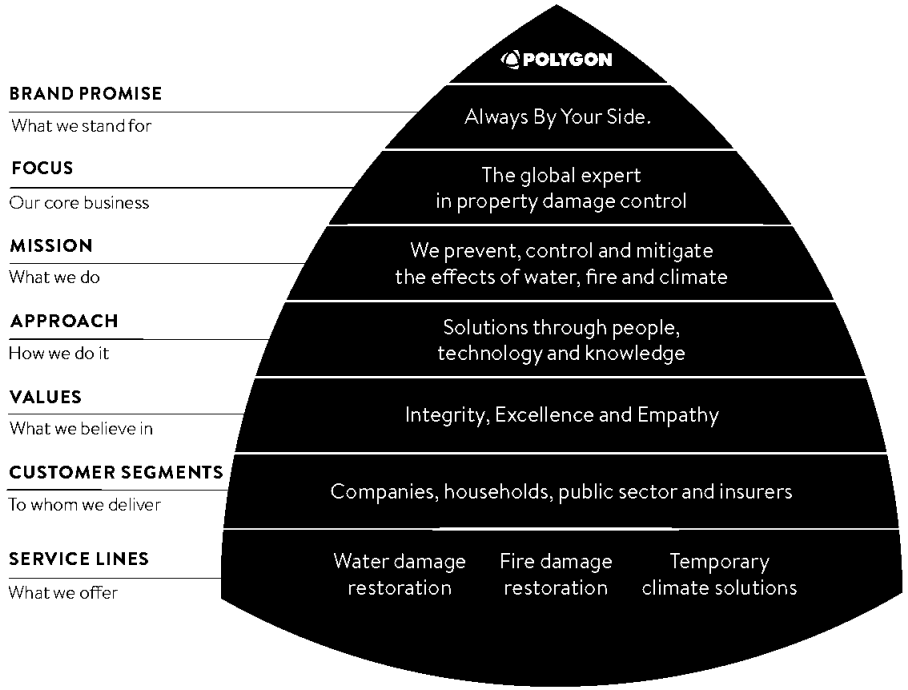
Our strong local presence, backed up by our global strength, enables us to be close to our customers. We are there when they need us the most, so that they can get on with their lives and businesses.

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 comprehensive 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 more than 360,000 assignments. The experience and insight we gain from this drives our continuous development.



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OUR STRATEGIC JOURNEY CONTINUES WITH A FOCUS ON GROWTH

Polygon has been on a strategic journey that has provided a solid foundation for our company. In 2020, Polygon has focused on steps 3 and 4 of its strategy – Organic growth and Buy and build.

ENSURING SOLID FOUNDATIONS

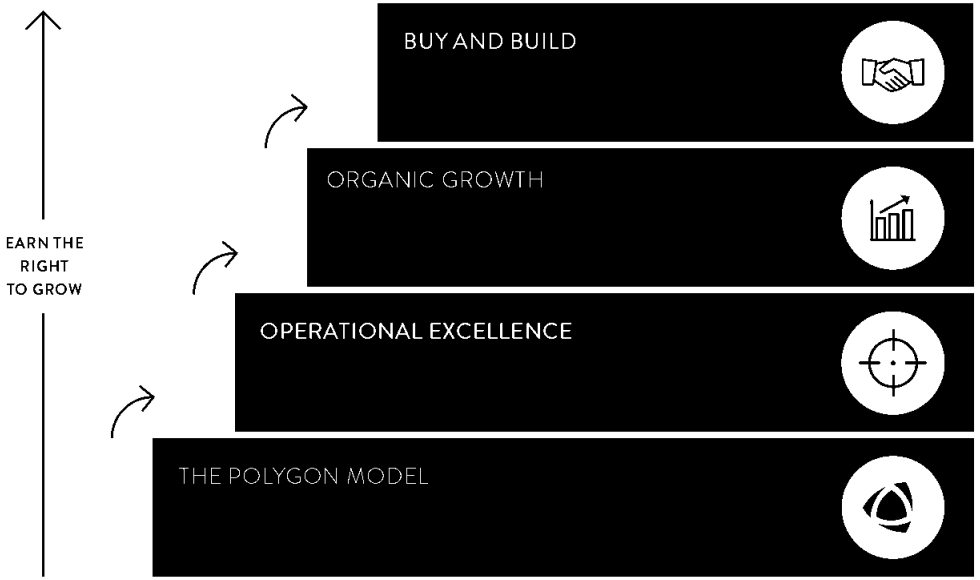
Our four-step strategic focus was introduced as a vital part of the Polygon Model and began by getting our house in order. We called these first two steps 'Polygon model' and 'Operational excellence', and are now well established throughout the Group. As we make acquisitions, the new companies are incorporated into our established culture by implementing the first two steps of our strategy.

The Polygon Group is driven by our well-established business philosophy – the Polygon Model (see page 21). It is characterised by a distributed organisational structure in which local entrepreneurship is a driving force, and where quality and consistency are best-in-class and constantly measured.

OUR STRATEGIC PROGRESS IN 2020

Polygon's long-term strategy is aimed at profitable growth. Our current focus is on step 3 and 4 of our strategy – which involve portfolio growth, establishing cross-border solutions, new customer segments and growth through acquisitions.

In 2020, we completed many acquisitions and have several in the pipeline for 2021. During the year, we have seen damage prevention become an increasingly important part of our business following new capabilities that we have gained through our recent acquisitions. Our aim is to substantially broaden our offering and increase sales, while at the same time maintain and improve the structured high-quality business that we have created in recent years.



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THE POLYGON MODEL

Step one of our strategic agenda is based on the Polygon model, which helps us build a better business by smoothly integrating newly acquired companies and helping us to constantly improve.

BUILD A BETTER BUSINESS

The Polygon model serves as a guide for the integration of newly acquired companies. This guidance helps our new subsidiaries quickly and smoothly get their house in order and adopt our efficient and structured way of working and strong culture.

The step also reinforces our business practices throughout the company by continuously improving our tools and routines for teamwork, and sharing information and good practice. Every other year, we arrange leadership conferences, provide management training programmes, collaborate across borders and develop Group-wide systems such as our Field Service Management system.

FOCUS ON PEOPLE AND CULTURE

All Polygon's employees are guided by the Polygon model that creates a strong corporate culture. This strong corporate culture is a prerequisite to create a long-term profitable business. Polygon's people are its most valuable asset and the annual employee survey is an important tool to help us measure team efficiency, leadership and engagement to achieve our target to be a first choice employer.

We invest long-term in our people and our business areas receive various awards and recognition each year (read more about our People on page 45).

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 an executive training programme through the Polygon Academy that focuses on building a strong corporate culture and the development of leadership skills.

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OPERATIONAL EXCELLENCE

Step two of our strategy is about increasing productivity and service delivery, and making sure we have tools and systems in place – to enable a more efficient workflow and simplify the delivery process to our customers.

QUALITY AND CONSISTENCY

Polygon tracks and acknowledges performance accordingly. We constantly seek to improve our operations through efficient and lean processes, digitalisation and a high level of employee engagement. We monitor our progress through performance indicators (see pages 23–24) 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.

Polygon's continuous focus on under performing countries and units enables us to target local support plans and encourage best practice sharing between countries.

TOOLS AND SYSTEMS

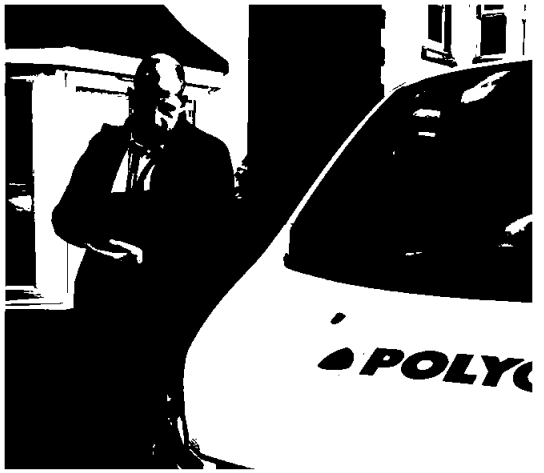
Our customers increasingly need faster processing and communication routes, particularly in property management. Traditionally, the process from reported damage to an actual solution to the problem has included various time-consuming barriers. Polygon is therefore enhancing and simplifying its way of working through digitalisation. Drawing on new digitalisation opportunities and building our IT core strategy to support our business enables us to increase project control and improve our process efficiency.

POLYGONVATRO – RECOGNISED AS GERMANY'S BEST BRAND IN THE INDUSTRY

In 2020, an independent institute analysed and rated 24,000 brands in Germany with data from German social media. Polygonvatro was ranked as the best brand in its industry. The results were published in the German magazine 'Focus' (Issue 41/2020).

NEW EFFICIENT PLANNING SOLUTION SAVES TIME, MONEY AND EMISSIONS

The tool Rit Plan enables Polygon Belgium to optimise route planning for technicians. By driving less, the digital solution saves time and enables technicians to complete more jobs per day, while reducing fuel use and carbon emissions. This smarter way of working reduced Polygon's milage and fuel costs in Belgium by over 10 percent in 2020.



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ORGANIC GROWTH

Step three of our strategic focus on organic growth involves developing our portfolio, and leveraging our international presence by pro moting cross-border solutions to deliver major and complex claims. It also draws on new segments and solutions to grow in the managed property and commercial insurance market.

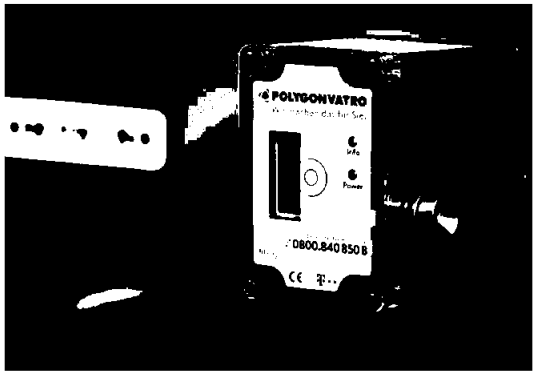
PORTFOLIO DEVELOPMENT

Our portfolio strategy involves working in close partnerships with our key customers and constantly improving our services for them. By focusing on quality, customer satisfaction and driving the development of more efficient end-to-end solutions we increase our share of wallet with key customers. In 2020, we continue to see high growth with our largest customers, which demonstrates the trust they have for us and our ability to reliably deliver excellent services.

GROWTH IN THE COMMERCIAL SEGMENT

We see the commercial customer segment as major source of organic growth going forward. We continue to offer commerical customers value added services such as the Primo+ service, a subscription of fast track disaster response services, the SPARK portal which is a digital service solution that allows all stakeholders involved to follow the damage process from A to Z.

During 2020, we have accelerated that growth journey by strengthening our organisation with an international sales team including Key Account Managers focusing on the commercial segment across Europe. These new sales resources combined with our Centres of Excellence are proving a unique ability in the market to sell and deliver large-scale assignments and specialised services cross-border, in addition to serving commercial customers locally with smaller damages.



POLYGON AWARDED INNOVATION PRIZE

POLYGONVATRO in Germany won the 'Focus' Innovation Prize 2020. In cooperation with the Institute for Management and Economic Research, 'Deutschland Test' evaluated millions of consumer votes and identified Germany's most innovative companies. The analysis focused on innovation, investment, research & development, new products and technology.

MAJOR AND COMPLEX CLAIMS ASSIGNMENT IN NORWAY

Following a huge fire in one of Norway's biggest power stations, Polygon Norway was awarded the clean-up project by Statkraft following tough competition for the contract. The project included cleaning a 17,500 m^2 area of the power station after the water-cooling systems had burnt out leaving a 'greasy' soot coating on all surfaces, including on machines, electrical cabinets and turbines.

MAJOR AND COMPLEX FIRE DAMAGE RESTORATION CLAIM IN UKRAINE

During the year, Polygon Austria together with POLYGONVATRO began a large major and complex fire damage restoration claim at a ski production plant in Ukraine. The project involved cleaning and restoring over 50 machines, and Polygon worked closely with the customer to train their staff to conduct some of the work. This accelerated the job and reduced costs for the customer. The project is an excellent example of how Polygon's skilled technicians can work wherever they are needed – and even in countries where Polygon has no market presence.

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CROSS-BORDER SOLUTIONS

Polygon's ability to leverage its centres of Excellence for Major and Complex Claims and Document Restoration continues to benefit our customers, and we will continue to strengthen these offerings. 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 negative consequences.

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

Further extending the geographical scope for Major and Complex Claims is strategically important to Polygon.

INTERNET OF THINGS (IOT) SOLUTIONS

Digital solutions present opportunities for Polygon to be even more efficient. This is where we see the market going and we want to lead the development.

IoT solutions are accelerating our efforts to predict and therefore prevent damage by using sensor solutions to measure criteria such as humidity and vibrations in both commercial and residential buildings. This contributes to our ambition to create customer value and strengthens our partnerships with large customers such as property management and commercial insurance companies by helping to protect their assets.

WATER DAMAGE PREVENTION

For Polygon, digital solutions represent a broadening of our services – to go beyond mitigation by including damage prevention. Such solutions present new water damage prevention business opportunities by using sensors to help identify leaks and monitor moisture levels in properties.

Water fault switches are also increasingly being installed to switch off water remotely if a leak is detected. Information can be provided to all parties in an insurance claim and even without having to visit a site. Detecting a leak sooner can decrease the amount of restoration work, which often also reduces the environmental impact and financial cost by avoiding the need to replace materials.

EFFICIENT DRYING OF WATER DAMAGED PROPERTIES

Polygon's heat mat solution can reduce drying times by up to 60 percent and energy costs by up to 80 percent compared with conventional drying. The solution will play an important role in the industry as water-damaged properties are expected to become increasingly common due to more extreme weather and flooding caused by climate change.

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BUY & BUILD

The fourth step in our strategy involves growing our company through an ambitious acquisition strategy.

GROWTH THROUGH ACQUISITIONS

Our long-term target is to be number 1 or number 2 in each country in which we operate. The market is slowly consolidating and will provide many additional opportunities for acquisitions in the coming years. The consolidation trend is also in line with the growing demand among insurance customers for one-stop service providers.

Potential acquisitions must be active in areas closely related to Polygon's core businesses. The first two steps in our strategic focus guide their integration into our business systems.

Acquisitions strengthen our leading position all over Europe. Polygon is the largest company within the property damage restoration industry in the Nordic region, and is the undisputed market leader in Germany. Polygon has in fact a strong market position in all European countries where it is present.

We successfully acquired companies in seven countries during 2020. The acquisition of Recotech and UTG brought Polygon into two new countries – Italy and Luxembourg respectively. But all the acquisitions made during the year open up new geographic markets and present new service opportunities.

AQUISITIONS 2020

8

COMPANIES

AQUISITIONS IN NEW COUNTRIES

2

ITALY AND LUXEMBOURG

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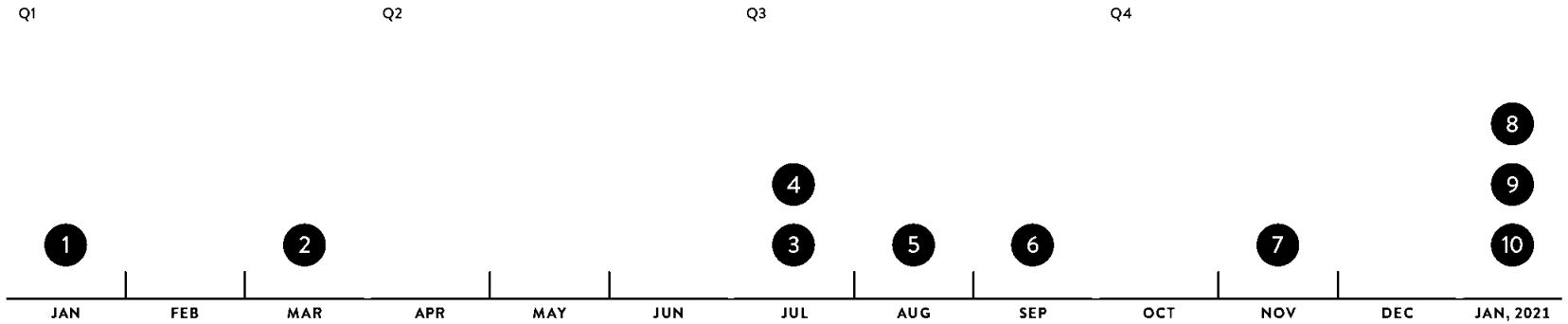
AQUISITIONS 2020



BUY & BUILD STRATEGY EXECUTION 2020

Our strategic acquisitions made during the year

1 SANERINGSFIRMAN HEDBERGS – a property damage restoration company based in central Sweden that is a local market leader in demolition and fire damage restoration. The acquisition broadened Polygon Sweden's customer base in the region, and added 30 employees and annual sales of about 2.5 MEUR.

2 POLYGON DENMARK – Polygon acquired the remaining shares of Polygon A/S in Denmark.

3 UTG – an entrepreneurial company based in Luxembourg working with fire damage restoration and asbestos removal. The company has annual sales of 1.5 MEUR and 15 employees.

4 HYDROTECH AND ARETECH – two French companies that are major players in the Rhône-Alpes and Auvergne region respectively for Leak Detection and Major and Complex Claims. The acquisitions added 55 employees to Polygon France and will increase annual turnover by around 5 MEUR.

5 HIOTLABS – a Swedish-based company offering market-leading sensor technology solutions based on Internet of Things and Machine Learning to detect and prevent water damage in buildings. The acquisition enables Polygon and Hiotlabs to offer end-to-end customer solutions for property damage prevention.

6 RECOTECH – an Italian property damage restoration company specialised in water and fire damage restoration and major and complex claims. The company has a turnover of 5 MEUR and around 31 employees.

7 RENOVO – an Austrian-based company specialising in water and fire damage restoration with a turnover of around 9 MEUR and 64 employees.

8 RECOSAN – a complete property damage restoration company, with a focus on fire damage restoration. The acquisition added an additional 120 employees and a turnover of around 16 MEUR. The acquisition was completed in January 2021.

9 ARMOR AIR SERVICES (AAS) – the acquisition will strengthen Polygon France in the temporary climate solution area. The acquisition was completed in January 2021.

10 SMD SANIERUNGS-MANAGEMENT – a full-range water and fire damage restoration company in Germany. The acquisition will add 75 employees and a turnover of about 8 MEUR. The acquisition was completed in January 2021.

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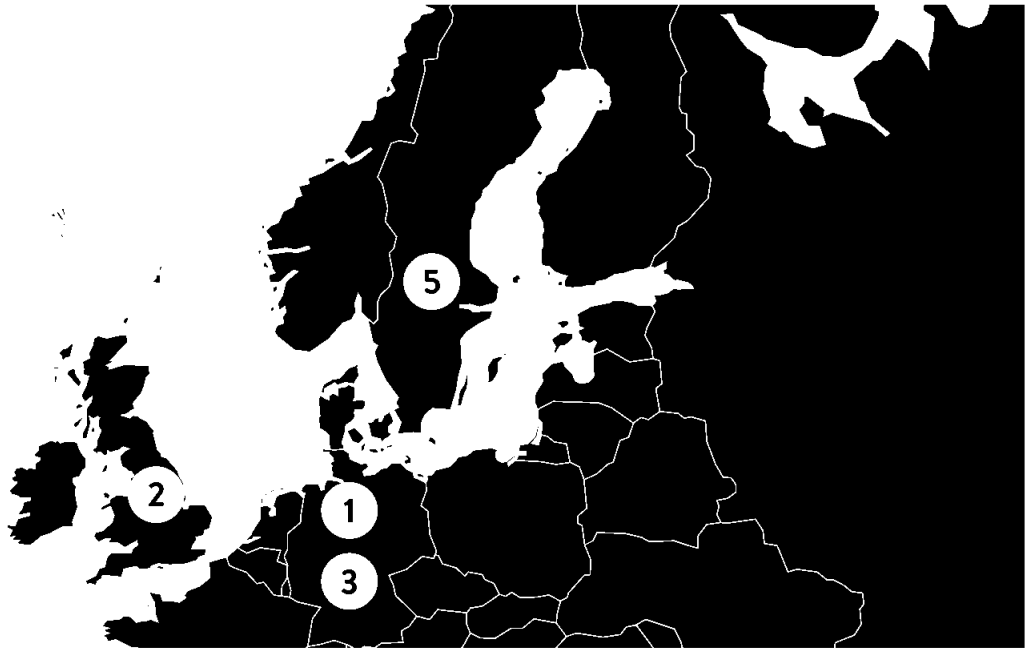
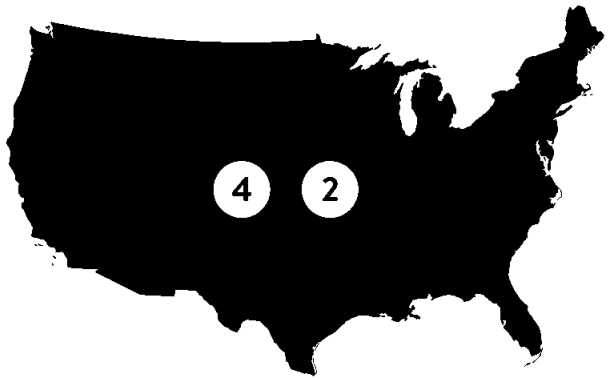
CENTRES OF EXCELLENCE





CENTRES OF EXCELLENCE

1. Major & Complex Claims, GER
2. Document Restoration, UK and US
3. Emergencies, GER
4. Climate Solutions, US
5. Moisture Control, SWE

SHARING EXPERTISE THROUGHOUT OUR BUSINESS

Polygon has five Centres of Excellence in strategic areas that we draw on to benefit customers in all our markets.

Our Centres of Excellence strengthen the operations of every entity in the Polygon Group and provide an added level of professionalism. The centres also create greater opportunities to take on larger assignments through cross-border collaboration.

CENTRE OF EXCELLENCE FOR MAJOR & COMPLEX CLAIMS IN GERMANY

The centre provides expertise and special competence in dealing with major and complex property damage control claims. Polygon's Major & Complex Claims services enable companies to get their business back up and running as soon as possible.

This can involve restarting production in just a few days and gradually ramp it up while restoring the property – all to minimise customer disruption. The centre's unique way of working is available to other subsidiaries in the Polygon Group.

The team of around 70 specialists connected to the Centre of Excellence are dedicated to working with technical and industrial losses. Custom-made trucks act as mobile coordination centres and are fully equipped when it comes to emergency response.

Expanding the Major & Complex Claims business in Germany is a strategic focus area, and cross-border collaborations have been established throughout Europe.

The German Centre of Excellence for Major & Complex Claims also has unique expertise in technical reconditioning to restore water and fire-damaged equipment, tools and machinery. The services use advanced technical equipment and can save up to 60 percent of the costs of purchasing new machinery.

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CENTRE OF EXCELLENCE FOR DOCUMENT RESTORATION IN THE UK AND THE US

The market for document and specialist restoration continues to grow as customers across all sectors recognise the potential to restore items rather than trying to recreate them. Polygon's Centre of Excellence for Document Restoration makes it a global leader in document restoration.

The centre is integrated into operations in the UK and the US, which all share knowledge to enable the entire Group to offer comprehensive and unrivalled services in document restoration. Its 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 expertise and dedicated technical equipment. The centre's European operation, branded Harwell, is one of the most experienced companies in this area, and Polygon has retained the name due to the significant external demand for its services.

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

CENTRE OF EXCELLENCE FOR EMERGENCIES IN GERMANY

Large natural disasters require comprehensive action involving both qualified personnel and high-performance technical equipment.

Polygon's Centre of Excellence for Emergencies in Germany is available to all European Polygon subsidiaries. It manages Polygon's Eurostock – a unique capacity resource with dehumidifiers, fans, heaters and other types of equipment stocked under one roof. The equipment is available 24/7 for major emergencies and can be transported by truck to a damage site anywhere in Europe within two working days.

CENTRE OF EXCELLENCE FOR CLIMATE SOLUTIONS IN THE US

The centre has world-leading specialist expertise in the areas of moisture and temperature management and control, with dedicated engineering solutions and state-of-the-art equipment. Every year, it provides temporary climate solutions for over one million square metres of building space.

The centre creates the right conditions to avoid shutdowns due to climate problems or regulatory restrictions and uses energy-efficient equipment. On construction sites, cold temperature-related risks and problems can be kept under control, enabling projects to be completed on time. In food processing, climate control solutions are provided to deal with temporary moisture challenges due to warm temperatures, so that the necessary hygiene and product safety standards can be maintained.

CENTRE OF EXCELLENCE FOR MOISTURE CONTROL IN SWEDEN

The centre is dedicated to predicting and preventing moisture problems. It handles 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 industry forward.

Controlling moisture is a challenge throughout the entire building process – from initial planning to final inspection. If not addressed, it can cause major disruptions, unnecessary waste and costly delays. The earlier Polygon is involved in a project, the better the assistance it can provide.

The Centre of Excellence for Moisture Control 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 reduce energy consumption and drying times.

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

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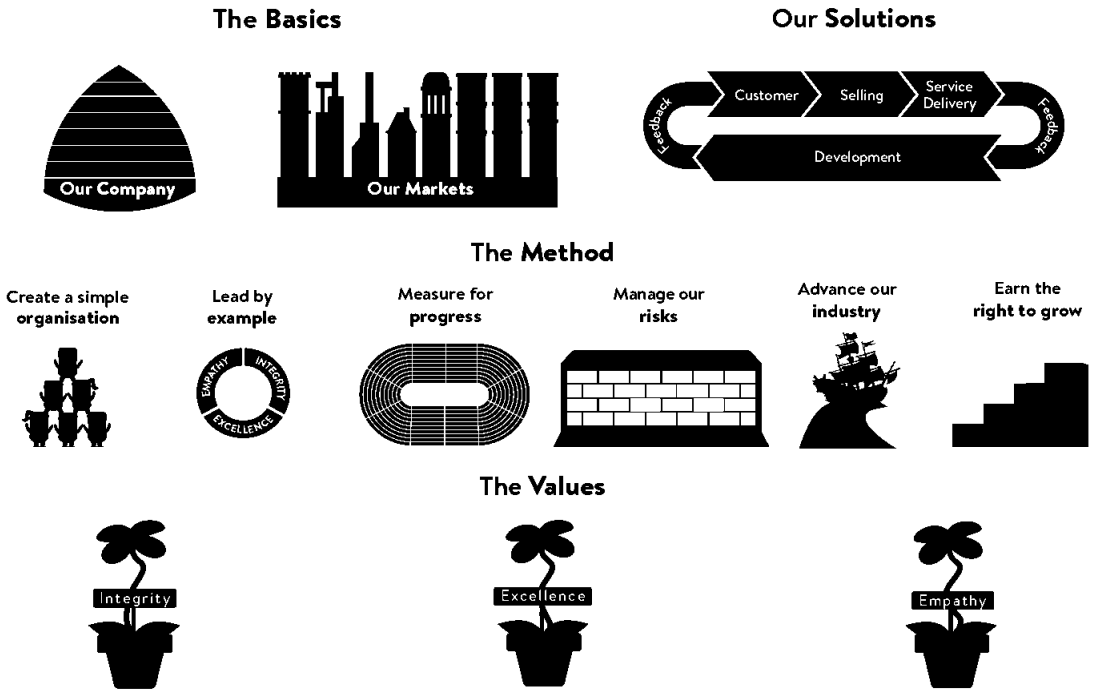
THE POLYGON MODEL



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

As a decentralised service company, the Polygon Model is essential in providing a common framework for Group-wide success. It describes our global guidelines and contains everything we need to position Polygon as the global expert in property damage control and the leader in industry transformation.

MEANS OF IMPLEMENTATION

The Polygon Model is reflected in all internal communication and engagement to achieve maximum penetration in the organisation. The Polygon Academy, our internal development and education programme, serves to establish the Polygon Model throughout the Group, particularly by creating internal ambassadors.

OUR FOUNDATION

Our values of Integrity, Excellence and Empathy are the foundation of our business philosophy and the Polygon Model. 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 who strive for continuous improvement and apply best practices.
- **Empathy** embodies our understanding of customer situations, our desire to be helpful and that our people make the difference.

Our company encompasses our brand promise, focus, mission, approach, values, customer segments and services (read more about our mission and values on page 11). The purpose is to create a strong sense of belonging and a consistent corporate identity, while giving our customers the same high-quality experience regardless of where they are situated in the world.

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

OUR SOLUTIONS

Polygon's solutions define our core processes of selling, service delivery and continuous development. They help us to deliver consistent quality to our customers by defining best practice in each area. Our solutions are always tailored to our specific customers as processes vary for each segment.

OUR METHOD

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. This enables us to respond swiftly to customer needs, which is crucial for success in our business.

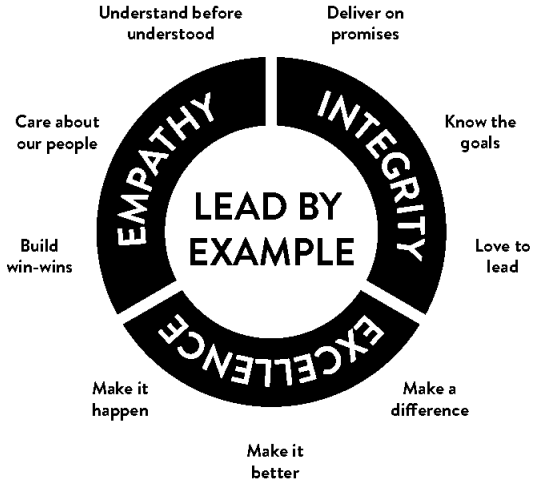
Lead by Example connects our core values with the way our managers lead. It is about delivering on promises, making things happen and caring about our customers and our own people. This type of leadership fully leverages the power of our simple organisation.

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 a number of simple performance indicators in the areas of employee performance, customer satisfaction and business performance. Read more about Measure for progress on page 23–24.

Manage 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 53–54.

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

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.



It's the people of Polygon that really make the difference to our success. Lead by example connects our core values with the way our managers lead. Keeping things simple and setting themselves as an example really make the difference.

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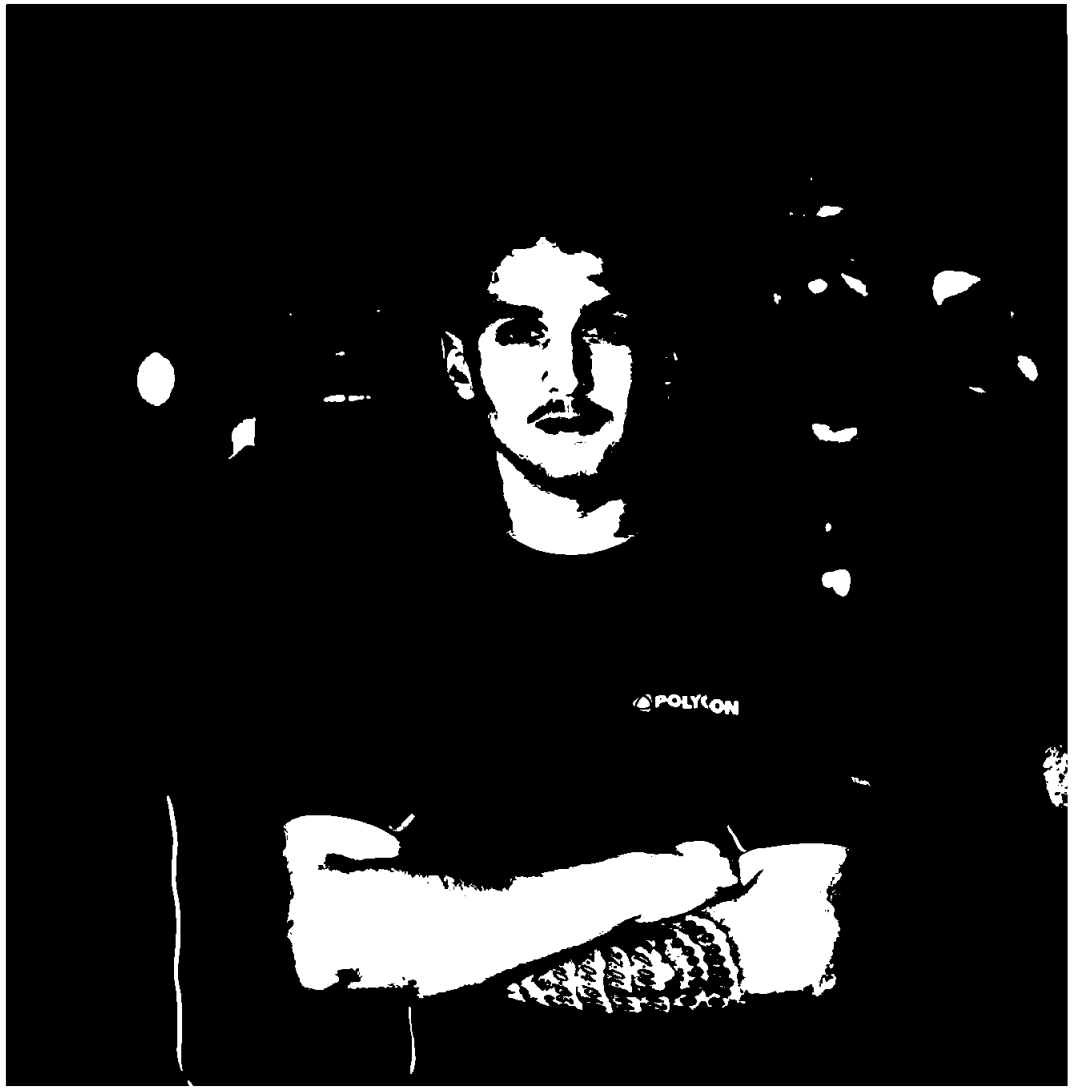

EMPLOYEES, CUSTOMERS AND FINANCIALS IN FOCUS

Polygon's measuring model focuses on employees, customers and financial performance – to measure progress in our decentralised organisation.

We closely measure our performance with our own tailor-made model. The indicators we use are in line with our philosophy of putting people first by focusing on employee performance and customer satisfaction before our business performance. These indicators show where we are heading and what we need to do to achieve our objectives.

EMPLOYEE PERFORMANCE

We strongly believe that happy employees deliver results, and that employee satisfaction correlates with customer satisfaction and financial performance. We measure and follow up this indicator with the employee Net Promotor Score (eNPS). The latest Polygon's eNPS score was stable at 11 (11). To be able to judge if we have the appropriate numbers of employees in different categories, we also monitor headcount.

Polygon aims to be a first-choice employer and was ranked as an attractive employer during the year. Read more about our people on page 45.

NET PROMOTER SCORE (NPS)

The Net Promoter Score is an index that measures the willingness of employees or customers to recommend a company as an employer or supplier to others. The NPS can range from -100 to 100. Any score above zero is considered favourable, and an NPS of more than 50 is excellent.

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CUSTOMER SATISFACTION

As with employee satisfaction, customer satisfaction has a direct influence on our financial performance, and we closely monitor customer perceptions of our services. For 2020, Polygon's customer NPS remained at the favourable level of 42 (43).

We also monitor the quality of our services through various measurements such as customer recognition and the follow-up of customer complaints. The correlation between good service quality and a good gross margin is also strong.

BUSINESS PERFORMANCE

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

NET SALES

Our ability to attract new customers is essential. Certain sections of our business are more dependent on new sales than others as they do not work with framework agreements, for example Temporary Climate Solutions.

Sales in 2020 amounted to EUR 743.3 million, up by 9.8 percent compared with the previous year. Organic growth was 6.7 percent, acquired growth was 4.0 percent.

PORTFOLIO DEVELOPMENT

Taking care of customers and delivering high quality is essential, and is constantly monitored by reporting portfolio development. This indicator focuses on monitoring the development of our largest customers through key account management.

The organic growth of 6.7 percent is proof of good portfolio growth.

JOB VALUE

By ensuring we properly charge for the services we have provided under our customer agreements, we can minimise revenue leakage. A decrease in job value may, for example, lead to a service not being billed or provided.

GROSS MARGIN

Productivity is measured by monitoring the gross margin, which is sales minus direct project costs, such as technical personnel, materials and subcontractor costs.

The gross margin is dependent on how efficiently we use our own personnel – our utilisation ratio. A relatively low gross margin indicates project issues, potentially due to inadequate quality or planning that might result in a low utilisation ratio.

Variations in gross margin may also be due to the proportion of different services we offer. In general, the margin on a service is linked to solutions, and those with a more technical content have a relatively higher margin.

In 2020, the gross margin declined slightly to 23.2 percent.

INDIRECT COSTS

The level of indirect costs indicates whether we have the right structure for efficient support functions (including finance, HR, marketing, IT and project support). An efficient structure can help increase volumes without more resources.

Polygon has successfully decreased its indirect costs in recent years, which has kept costs relatively constant while increased sales has driven profitability. Polygon's economies of scale also help it to outcompete smaller players.

CASH

Cash or days of sales outstanding (DSO) can involve problems such as delays in payment, which can indicate deficiencies in quality in terms of project delivery, or administrative issues with billing. Each Polygon entity can contribute to a healthier balance sheet by scoring higher on this indicator.

DSO improved by 36 days compared with 2019.

RELEVANT AND THOROUGH FOLLOW-UP

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

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

NET PROMOTER SCORE

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CUSTOMER NET PROMOTER SCORE

NET SALES

+ 9.8%

GROSS MARGIN

23.2%

DSO

36

DAYS

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SAFETY FIRST ON LARGE FIRE RESTORATION PROJECT IN FINLAND

Polygon restored the large Keskuskartano residential building in Pori under difficult working conditions with high safety standards.

"Nationwide, this has been a significant fire worksite. But from our point of view, our work process proceeds in principle in the same way as on smaller fire damages, everything just happens on a larger scale," says Sari Mäkitalo, Director at Tehokuivaus Oy.

Zero accidents in extremely challenging working conditions
The working conditions at the beginning of the project were very challenging, with upper floors still burning and the risk of burnt roof material falling. Concrete structures were still extremely hot after the fire and parts of the structure were in danger of collapse.

The area was protected by access tunnels and nets and all employees were secured with safety harnesses. Due to the risk of collapse, a crane was used for the demolition work. "Our investments in occupational safety, health and risk assessment paid off, as the number of accidents on site was zero during our demanding project. I am particularly proud of that," says Mäkitalo.

Polygon acquisition pays off
This major and complex claim was won following Polygon's acquisition of Tehokuivaus Oy in 2019 to strengthen its water and fire restoration offering, which shows the acquisition is already paying off. Polygon was the main contractor throughout the demolition and reconstruction work to bring the building up to a modern standard.

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A ONE-STOP SHOP FOR DAMAGE CONTROL

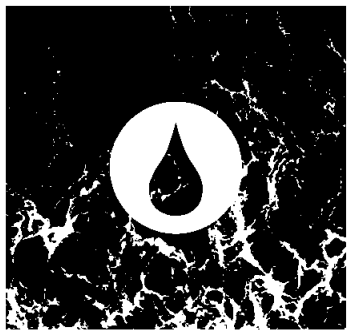
Polygon is the leading specialist and one-stop shop for property damage control and temporary climate solutions.

Our services are categorised according to the cause of damage – water, fire and climate – and we are organised to manage our resources to tackle major disasters. Polygon offers a comprehensive range of services – from standardised to tailor-made solutions and from one-offs to long-term partner agreements. This makes us an overall partner for our customers.

Our focus is on the restoration of damaged property, which is more cost efficient and sustainable than rebuilding. We offer a wide range of services covering every aspect – from damage assessment to post-incident mitigation. On average, a property restoration job takes ten weeks to complete.

PREVENTION AND DIGITALISATION ARE INCREASINGLY IMPORTANT

In recent years, increasingly advanced Internet of Things solutions have improved our ability to prevent and avoid damage in the first place. We help our customers to identify risks, avoid incidents, and achieve moisture control and better indoor air quality. We utilise equipment such as connected sensors that collect real-time data like moisture and temperature. Polygon is at the forefront of prevention and our related services are a competitive advantage.



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

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Polygon can handle everything from small leaks to major incidents caused by flooding – to restore damaged property, equipment and documents to the greatest possible extent. Water damage prevention services due to digitalisation are an increasingly important part of our offering.

STEP-BY-STEP RESTORATION

Our water damage restoration services typically involve pumping away residual water and removing furniture and other valuables to minimise further damage. Once the damaged site is under control, the drying process begins, using energy-efficient drying and de-humidification equipment that might be remotely monitored with sensor solutions.

Factors such as the composition of the wet materials, airflow and humidity levels determine the approach to water damage. 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 site restoration, including the replacement of wall and floor materials or the rebuilding of fittings. Polygon also provides a specialised service for reconditioning damaged equipment and machinery.

RAPID EXPERT ASSISTANCE

It is essential to get businesses affected by property damage back up and running as soon as possible. Damage claims can take time and an affected company might rack up costs and lose customers in the meantime. Rapid assistance is also crucial for restoring as much material as possible.

In most markets, Polygon offers customers a stand-by service to quickly provide expert assistance without unnecessary delays.

EXAMPLES OF SERVICES

DAMAGE ASSESSMENT
DRYING
MOULD REMEDIATION
WATER DAMAGE PREVENTION

RESTORING WATER-DAMAGED PROPERTIES AND SUSTAINABILITY

Drying and restoring a severely water-damaged building instead of demolishing and rebuilding it creates less CO_2 emissions and reduces financial costs. In addition, Polygon always tries to find the smartest and most discreet solution when drying a building. This might mean that part of the premises can remain in use and that the affected customer can keep their business running during the drying period.

MAJOR AND COMPLEX CLAIMS

We have the qualified employees, the state-of-the-art technical equipment and the emergency supplies needed to promptly deal with the growing demand for handling major and complex claims. Our dedicated teams of professionals can rapidly mobilise the resources needed to help industries and other large-scale facilities quickly get back up and running after a disaster.

Read about our technical Centre of Excellence in Germany on page 19.

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Our drying freezing chambers ensure the efficient drying of documents.

DOCUMENT RESTORATION

Polygon has two Centres of Excellence for Document Restoration – one in the UK (branded Harwell) and one in the US (read more about the Centres of Excellence on page 19). Signing a partner agreement with Polygon ensures companies have priority access to our world-leading expertise.

Polygon is the global leader in document restoration and has a large capacity for document drying. Our sophisticated document drying chambers have remote monitoring capabilities and can be adapted to suit the drying requirements of various paper-based materials. Our fleet of chambers range in size and our largest chambers can accommodate up to 200 boxes of documents. These chambers are situated across our global sites.

The airtight chambers use the process of sublimation with precise temperature and pressure control. The moisture inside the documents transfers from a frozen state to a gas state, bypassing the liquid state, which ensures efficient drying.

We perform services to salvage 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 in a number of countries to offer unrivalled support in document restoration.

LEAK DETECTION TO REDUCE RISK AND DAMAGE

Polygon saves water by locating and fixing leaks with non-destructive detection methods. A leak may be undetectable by normal means 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.

WATER DAMAGE PREVENTION

Polygon's acquisition of Hiotlabs in 2020 enabled the offering of a new set of sensor-based services and solutions to prevent water damage. Hiotlabs offers market-leading technology sensor solutions based on the Internet of Things and Machine Learning to detect and prevent water damage in buildings. Polygon's technical water damage service skills combine with Hiotlabs' excellent hardware and software solutions to prevent damage before it happens (read more in the Case Story on page 38).

EUROSTOCK – PROVIDING EQUIPMENT THROUGHOUT EUROPE

For large-scale disasters, Polygon has an emergency stock of dehumidifiers, fans and other equipment at our Eurostock hub at the Centre of Excellence for Emergencies in Germany. From Eurostock, equipment can be put into operation all over Europe within 48 hours. The service is unique and gives us the capacity to quickly respond to major incidents.

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FIRE SERVICES FOR MAJOR CLAIMS

Polygon's fire services can overcome everything from drying up water left by extinguishing and clearing soot and debris, to restoring buildings, machines and equipment.

EXAMPLES OF SERVICES

CLEANING
CONTENT REMOVAL AND STORAGE
RECONSTRUCTION OF PROPERTY AND CONTENTS

BACK IN BUSINESS AS QUICKLY AS POSSIBLE

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, oxidisation and water damage caused by extinguishing.

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.

SHARING KNOWLEDGE AND RESOURCES INTERNALLY

Large fire-damage restoration jobs may require sharing knowledge and equipment between different Polygon units. Some parts of the job may be mainly affected by water and others by smoke. An overall plan is developed that helps establish what can be restored at reasonable cost. Polygon takes on the project management role and is well equipped to conduct all restoration work.

Polygon can also 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.

RECONDITIONING EQUIPMENT

In Germany, Polygon has a Centre of Excellence for the 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, and might include manufacturing equipment or complex instruments. Equipment such as power electronics, computers and office machines, medical equipment, telecom devices and electrical panels can also be reconditioned.

The work can be executed on the customer's premises or at our Centre of Excellence. Reconditioning can save up to 60 percent of the cost of purchasing new machinery, while also reducing business disruption.

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DOCUMENT RESTORATION

Polygon has two Centres of Excellence for Document Restoration – one in the UK (branded Harwell) and one in the US, as well as document restoration services in Netherlands and Finland, and service sites in France and Belgium (read more about our Centres of Excellence on page 19).

We have the largest dedicated facilities and team of experts 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.

The images above show the before and after recovery of fire damaged photos.

Polygon is able to salvage a wide variety of objects after fire damage, such as photos, artworks and books.

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Polygon has the expertise to offer comprehensive climate solutions for controlling the temperature and humidity of a building or manufacturing environment.

MANAGING MOISTURE THROUGHOUT THE LIFECYCLE

Through lifecycle consulting services, we offer project planning and measurements to create better indoor environments throughout the entire lifecycle of a building. Our building engineers minimise and manage issues stemming from moisture.

Our offering includes a wide range of drying, cooling, heating ventilation, filtration 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 the preliminary study of a construction project to demolition. Through continuous measurement and tracking, we ensure that the right conditions are maintained over time.

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.

Over half of construction errors occur in the design phase. Through early identification of at-risk structures from moisture damage, 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 all moisture issues.

EXAMPLES OF SERVICES

DEHUMIDIFICATION AND HUMIDIFICATION
INDOOR AIR QUALITY
TOTAL CLIMATE CONTROL
PROJECT ENGINEERING

CONSTRUCTION SITE SOLUTIONS

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 (read more about the Centre of Excellence on page 19–20). We also have specialised technicians that are trained for offshore assignments.

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, which requires special consideration in the choice of paint and building materials.

Managing temperature and humidity is essential for construction projects to be executed with maximum efficiency and quality. Modern construction materials contain lower VOCs but are more sensitive to moisture and temperature.

Architects and Engineers specify acceptable temperature and humidity ranges for the installation of these materials and a temporary climate control solution is critical to a project's success. Failure to work within these ranges risks unenforceable warranties, difficult working conditions, and delays. The obvious outcomes are losses in productivity and product quality. Temporary heating, cooling and humidity control reduces these risks by effectively keeping all temperature and humidity related challenges under control. The entire process can be easily supervised and documented by Polygon's

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ExactAire®, which is the most advanced system available for monitoring interior environments throughout the construction project.

FULL TEMPERATURE AND HUMIDITY CONTROL

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, which eliminates the need to paint-up every day. It also reduces condensation problems, improves coating productivity, prolongs coating life and reduces coating costs 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.

Polygon Singapore is specialised in temporary climate solutions for the marine industry, with a focus on dehumidifiers for LNG tankers and oil and gas companies.

FOOD INDUSTRY STANDARDS

Food must be handled with care and in safe conditions – from the farm to the consumer. Well-cared-for animals controlled processing facilities, cold stores and distribution centres are critical to safely putting food on the table.

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. Temperature is monitored to maintain hygiene standards, ensure product safety, meet regulatory requirements and eliminate airborne contaminants.

When products arrive at the processing facility, controlling temperature and moisture levels are critical to quality. High humidity can lead to increased bacterial growth and drippage that can contaminate food.

Large-scale natural disasters require large-scale efforts and a lot of high-performance technical equipment.

IMPROVING INDOOR AIR QUALITY

Polygon's indoor air quality concept includes everything from pre-study, design and construction to maintenance, protection, assessment and the 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 day-to-day operations in the building. Our approach can transform a sick building into a healthy building, which benefits the owners and people working inside it.

Our Centre of Excellence in Sweden provides expertise in indoor air quality, and Polygon Finland has indoor services as part of its offering. Poor indoor air quality at home, 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 indoor air. Information is gathered via wireless sensors and transferred through the cloud. Everything is then monitored and controlled, and alerts are sent from easy to manage dashboards.

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GLOBAL PLAYER WITH LOCAL UNDERSTANDING

With over 340 depots in 16 countries on three continents, Polygon uniquely combines local understanding with international insight and Group-wide best practices.

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CONTINENTAL EUROPE

Polygon is the undisputed market leader in the property damage restoration industry in Europe, with operations in Germany, France, Austria, Switzerland, the Netherlands, Belgium, Italy and Luxemburg.

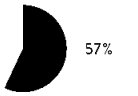
SALES 2020 EUR M

476.5

SHARE OF GROUP SALES

64%

SHARE OF GROUP EMPLOYEES



57%

GERMANY – Our German business, branded POLYGONVATRO, is by far the biggest player in the property damage control business in Germany. POLYGONVATRO is the home of our Centre of Excellence for Major & Complex Claims.

The business area continued to grow during the year by adding six new branches and exceeded 2,000 employees for the first time. POLYGONVATRO also acquired RecoSan GmbH, which is a complete property damage restoration company, with a focus on fire damage restoration. The acquisition added an additional 110 employees and a turnover of around 16 MEUR. At the end of the year, POLYGONVATRO also acquired SMD Sanierungs-Management, which is a full range water and fire damage restoration company. The acquisition adds 75 employees and a turnover of about 8 MEUR.

An employee app was introduced during the year to improve internal communication for everyone, including technicians without their own work computer, by mirroring POLYGONVATRO's intranet and providing other information and functions. The new in4mo mobile solution was also rolled out during the year to enable technicians to make planning sketches on their mobile devices – to improve processes, operations, communication and customer support.

According to ServiceValue, POLYGONVATRO was rated as a Service Champion and the best restoration service by its customers in Germany. The business area was also awarded the Innovation Prize 2020 by 'Focus' and 'Focus Money' and is considered to be among Germany's most innovative companies.

Projects during the year included a large damage restoration following a fire at a chemical company, and POLYGONVATRO was able to support neighbouring countries during their Covid-19 lockdowns.

FRANCE – Polygon France offers a wide range of services and is particularly strong within leak detection. During 2020, Polygon France began working with major and complex claims and performed one large project and five medium sized projects. Document restoration services have also been relatively consistent during the year.

In 2020, Polygon France acquired Hydrotech and Aretech which are major players in the Rhône-Alpes and Auvergne region respectively for Leak Detection and Major and Complex Claims. In November, Polygon France signed an agreement to acquire Armor Air Services (AAS). The acquisition adds technical skills within temporary climate solutions, especially within construction and will enable Polygon France to reinforce its national TCS team with technical skills and technical drying.

Polygon France has developed its organisational structure during the year by integrating recent acquisitions and integrating the same field system for all employees. Polygon France is planning to launch a commercial development department in 2021.

THE NETHERLANDS – In the Netherlands, Polygon is a full-service provider that works on successful cross-border assignments with other Polygon business areas. During the year, Polygon Netherlands worked on several large high-profile projects. The business area launched the Major and Complex Claims service line with a new manager and a dedicated team of specialists, which won two large retail projects, including one conducted in collaboration with POLYGONVATRO in Germany.

Existing collaboration with the major insurance companies in the Netherlands were strengthened, and partnerships were formed with housing corporations. VANWAARDE, the business area's document restoration service, has a long-term contract with a Museum for Architecture to restore architectural drawings.

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CONTINENTAL EUROPE

Continued

AUSTRIA –In Austria, Polygon is one of the leading providers in the market, and has the long-term ambition to grow. However, a strict national lockdown between mid-March until the end of May severely restricted the business. During the year, there was an intensive roll-out of the SPARK application to new and existing brokers and property managers throughout the company.

Another significant development was the acquisition of RENOVO Brand- und Wasserschadensanierungs GmbH in November. Polygon Austria also won a large fire damage restoration claim at a ski production plant in Ukraine, which was conducted together as cross border business with POLYGONVATRO.

SWITZERLAND – Polygon is one of the leading service providers in Switzerland within fire and water damage restoration. In 2020, Polygon Switzerland expanded into French-speaking Switzerland with a new branch in Yverdon-les-Bains. The expansion has made Polygon into a national player which also enables supporting Polygon France in the event of major and complex claims.

BELGIUM – Polygon Belgium, is a leading provider in leak detection and continued to support its customers throughout the pandemic. Key projects during the year included restoration work after a fire at a food manufacturer that involved cleaning production lines in turn to enable the customer to maintain production. Polygon Belgium also dried a sports hall after it was flooded.

During the year, Polygon Belgium invested in the Rit Plan tool to optimise route planning, which significantly reduces costs and CO_2 emissions.

ITALY – Polygon established a presence in Italy with the acquisition of Recotech in 2020. Recotech is a property damage restoration company specialised in water and fire damage restoration and major and complex claims.

LUXEMBOURG – In 2020, Polygon acquired UTG, which is an entrepreneurial company based in Luxembourg working with fire damage restoration and asbestos removal. Polygon also became a member of the ACA, the 'Luxembourg Insurance and Reinsurance Association', to be able to offer our services in a more efficient way to the insurance market in Luxembourg.

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NORDICS AND THE UK

Polygon is the largest provider of property damage restoration services in the Nordics and the UK.

SALES 2020 EUR M

219.2

SHARE OF GROUP SALES

SHARE OF GROUP EMPLOYEES

UK – Polygon UK has a Technical Water Damage Academy and Technical Fire Damage Academy, which act as training resources for insurers and loss adjusters, as well as for internal Polygon teams. The business area owns Plastic Surgeon Ltd, which is a UK market leader in the area of hard surface repair. During the year, Plastic Surgeon began a partnership with Allianz (read more in the Case Story on page 51).

During the year, Polygon UK worked on some challenging flood restoration projects in the middle of the Covid-19 pandemic. Innovative solutions during the pandemic included video reporting by technicians and self-service videos for customers. Significant projects during the year included two Irish hospitals and the Gunnersbury Park Museum.

NORWAY – Polygon Norway works with Major & Complex Claims for a range of customers around the country. It also offers damage repair services, including long-term customer contracts.

During the year, a Chief Operating Officer role was created along with an Operations Manager. Major fire damage restoration projects in 2020 included assignments for Aero Norway and Statkraft Saurdal. During the year, Polygon Norway launched an objective to be climate neutral by 2025.

DENMARK – Polygon is one of the two largest players in Denmark with an offering focused on providing competitive total solutions in building restoration and climate control after fire and water incidents. Polygon Denmark acts as a key provider when it comes to loss adjustment, validating claims and mitigating losses through prompt, professional responses.

Polygon Denmark's Major & Complex Claims is branded POLYGONVATRO DB, which also supports Polygon Norway. A new technical centre near Aarhus was added during the year, and Polygon Denmark now has over 2,000 m^2 of fully equipped workshops with highly skilled technicians and project managers.

FINLAND – Polygon Finland is a market leader in property damage restoration, with a focus on establishing framework agreements in the property management and commercial segments. During the year, a water leak prevention pilot project was run together with the insurance segment. A significant project was the restoration of the large Keskuskartano residential building in Pori under difficult working conditions with high safety standards (read more in the Case Story on page 25).

The business was strengthened by the recruitment of a Chief Growth Officer (CGO) and a profit improvement programme continued with a focus on more developed processes and stabilised operations. In addition, there was an increased focus on safety and environmental impact, and the employee satisfaction (eNPS score) increased by 30 points.

SWEDEN – In Sweden, Polygon is the market leader in water damage restoration, and is home to Polygon's Centre of Excellence for Moisture Control. Polygon Sweden also has a service offering within fire damage restoration.

In 2020, Polygon Sweden acquired Saneringsfirman Hedbergs AB, which is a property damage restoration company based in central Sweden. The business is a local market leader in demolition and fire damage restoration and broadened Polygon Sweden's customer base in the region.

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

SALES

	Sales	
EUR million	**2020**	**2019**
Nordics and UK	219.2	229.3
Continental Europe	476.5	414.6
North America & Asia	47.8	37.1

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NORTH AMERICA AND 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.

SALES 2020 EUR M	SHARE OF GROUP SALES	SHARE OF GROUP EMPLOYEES
47.8	6%	3%

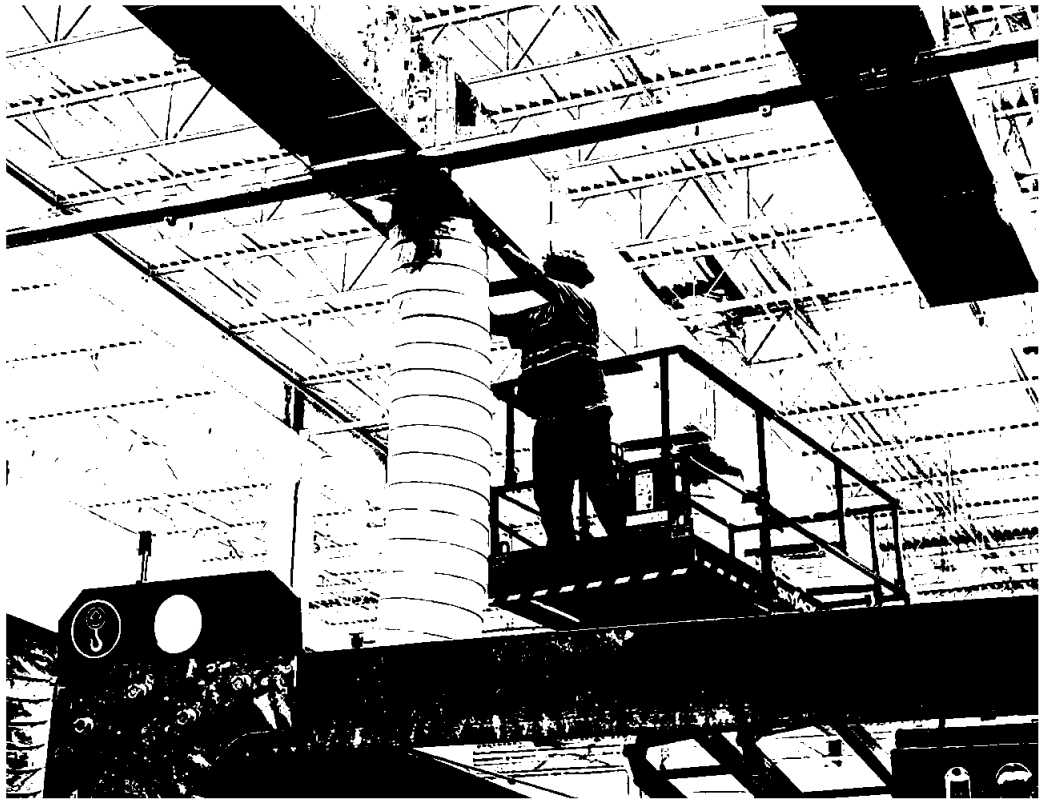
UNITED STATES – Polygon maintains its strong position in temporary climate solutions and document and contents restoration in the US. During the year, the business was recognised as a top 10 contractor for consulting services by the Construction Tech Review for the HVAC industry.

Polygon's experience in climate solutions helped several medical manufacturing companies with their production of Covid-19 testing kits by ensuring precise humidity and temperature (read more in the Case Story on page 6). The business area also supports food manufacturing customers, general contractors and industrial contractors with energy efficient climate solutions.

Documents and Contents Restoration services were enhanced by the acquisition of AMRestore, which supports customers with Art, Electronics, General Contents mitigation and, Document and Scanning services. In 2020, Polygon US was also on hand to help customers to recover from one of the busiest hurricane and wildfire seasons on record.

CANADA – During the Covid-19 pandemic, the business area began offering 24/7 disinfection services throughout the nationwide lockdown. This included preventative cleaning and disinfection cleaning jobs, preparing for multiple testing sites and installing temporary drive-thru testing clinics for Covid-19.

SINGAPORE – Polygon Singapore is dedicated to temporary climate solutions for the marine industry, with a focus on dehumidifiers for LNG tankers and oil and gas companies. A significant project during the year was a plant air handling unit maintenance shutdown. Precision climate control equipment was used to keep humidity below 60 percent during the shutdown.



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HIOTLABS ACQUISITION CREATES MAJOR OPPORTUNITIES

Polygon's acquisition of Hiotlabs in 2020 enables the offering of a new set of sensor-based services and solutions to prevent water damage.

Market-leading sensor solutions
Hiotlabs offers market-leading technology sensor solutions based on the Internet of Things and Machine Learning to detect and prevent water damage in buildings. Polygon's technical water damage service skills combined with Hiotlabs' excellent hardware and software solutions helps to prevent damage before it happens.

"Hiotlabs is very skilled and professional with cutting edge technology and like Polygon, they also have the view that the customer always comes first. Together, we are able to offer new and attractive solutions to our customers and this will enable us to further consolidate our position as the industry leader," says Caroline Finslo, Head of Business of Development at Polygon Group.

The Hiotlabs software platform is unique in that it can handle installation bookings, show analysable data over time, send alerts and give support in the event of an alert. The platform can also be combined with various hardware and can be run on any customer server.

Promoting sustainability in the industry
Water Damage Prevention does not only help customers decrease costs and increase customer satisfaction – it is also great for the environment. By preventing damage, Polygon is able to reduce the magnitude of water leaks and detect them so early that reconstruction can be avoided, which of course saves both time, cost, resources and CO_2 emissions.

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SUSTAINABILITY REPORT

Polygon's responsibility programme ensures we respond to challenges, identify opportunities and deliver results, sustainably.

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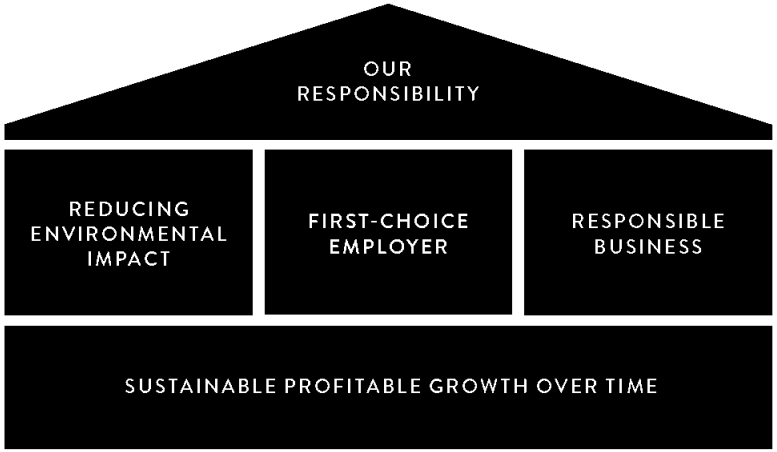
OUR RESPONSIBILITY



Sustainability is a natural part of Polygon's core business. We restore damaged buildings as resource efficiently as possible and help our customers to prevent damage from happening in the first place. Sustainability is also an essential factor for our customers, employees and other key stakeholders that brings about great opportunities and challenges for Polygon that we manage through our sustainability framwork – Our responsibility.

THE PROGRAMME CONSISTS OF THREE AREAS

REDUCING ENVIRONMENTAL IMPACT
Restoration is our core business, which involves bringing damaged property back into use as efficiently as possible. We also work together with customers to prevent damage from occurring in the first place. In this way, we limit the use of new materials and equipment, and reduce waste, which decreases both environmental impact and financial cost.

FIRST CHOICE EMPLOYER
Our employees are our most important resource, and their dedication and competence are crucial to our success. We seek to create good, safe and inclusive work environments where our employees feel engaged and can develop to ensure that Polygon is a first-choice employer. We employ over 5,000 people in 16 countries.

RESPONSIBLE BUSINESS
We have a responsibility to conduct our business to high ethical standards and with respect towards our various stakeholders, such as our customers, employees and society in general. We expect our people to lead by example, with our values of Integrity, Excellence and Empathy as their guiding principles.

AWARDS AND RECOGNITION

Polygon businesses received a variety of sustainability-related awards and recognition during the year:

POLYGONVATRO in Germany was recognised as one of the best employers in Germany and as the best company in its industry by Kununu.

POLYGONVATRO was named as a Service Champion based on customer service experiences by Die Welt.

The Institute for Management and Economic Research, 'Deutschland Test' evaluated millions of consumer votes and identified POLYGONVATRO as Germany's most innovative company.

Polygon UK was awarded the Green Status Achilles award for the third year running with 100 percent scores across all categories. The business also won Sustainability and Training awards hosted by the Post Magazine insurance forum.

Polygon UK maintained its Investors In People (IIP) Platinum standard accreditation for the seventh consecutive year.

Polygon AK in Sweden was nominated at the Sweden Green Building Awards, which is the most prestigious environmental award in Sweden.

Polygon US was recognised by the US magazine 'Construction tech review' as being in the top 10 HVAC (heating ventilation and air conditioning) consulting service companies.

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POLYGON SUPPORTS THE UN SUSTAINABLE DEVELOPMENT GOALS*

At Polygon, we support all 17 of the SDGs, but here we identify the goals we believe are the most relevant to Our Responsibility Programme and where our business can have the greatest positive impact in society.

SUSTAINABLE DEVELOPMENT GOALS

THE FOLLOWING SDGS ARE MOST RELEVANT TO OUR BUSINESS

OTHER RELEVANT GOALS

* Commonly abbreviated as SDGs

KEY SDG GOALS	SDG TARGETS	EXAMPLES OF ACTIVITES
■ 8 – **DECENT WORK AND ECONOMIC GROWTH** As an employer of more than 5,000 people, Polygon supports local livelihoods while providing safe, satisfying and decent working conditions for its employees.	**8.5** – Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. **8.8** – Protect labour rights and promote safe and secure working environments of all workers.	• Previous employee surveys have highlighted that Polygon is an attractive employer in all markets and the 2019 results were above the industry benchmark in almost every area. • Health and safety accreditation in many of our countries. • According to the latest employee survey, Polygon employees feel safe and believe Polygon prioritises safety. • Polygon's lost time injury frequency rate decreased between 2019 and 2020.
■ 12 – **RESPONSIBLE PRODUCTION AND CONSUMPTION** We restore and recycle damaged property as resource and cost efficiently as possible, and even prevent damage from happening in the first place by using smart sensors.	**12.2** – achieve sustainable management and efficient use of natural resources. **12.5** – substantially reduce waste generation through prevention, reduction, recycling, and reuse.	• Our core business involves restoration, which helps avoid greenhouse gas emissions. • We expanded our preventative offering in 2020 by acquiring Hiotlabs. • Several improvements to ensure resource efficient service delivery such as new and innovative dryers, route planning and improvements of the waste management processes.
■ 13 – **CLIMATE ACTION** Our property damage restoration services help customers minimise greenhouse gas emissions and even contribute to their climate neutrality objectives.	**13.2** – integrate climate change measures into cooperate on policies, strategies, and planning.	• One of our countries in the Group is climate neutral and more aim to become so in the future. • A study Polygon conducted with two students from the Royal Institute of Technology in Stockholm estimated that Polygon's water damage restoration services reduce CO_2 emission compared with rebuilding damaged buildings by around 25 percent.
■ 17 – **PARTNERSHIPS FOR THE GOALS** We establish long-term partnerships with customers to help them achieve their sustainability ambitions.	**17.16** – enhance the global partnership for sustainable development complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technologies and financial resources to support the achievement of sustainable development goals in all countries.	• Partnerships with customers such as Gjensidige, Allianz, Storebrand, IF for example, see the Case Story on page 51.

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OTHER RELEVANT GOALS	SDG TARGETS	EXAMPLES OF ACTIVITES
■ 10 – **REDUCED INEQUALITIES** We work to promote a more inclusive and diverse workplace, and help create a more inclusive society by providing employment for people excluded from the job market.	**10.2** – empower and promote the social, economic and political inclusion of all irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.	• Group-wide inclusivity e-learning and statement. • Group-wide Code of Conduct and related e-learning. • Increased number of local initiatives that promote inclusion such as: • A POLYGONVATRO initiative to employ those that might be excluded from society, such as people with no formal education, people with a troubled past and people with disabilities. • Polygon Norway runs the project 'Ringer i Vannet' to bring the long-term unemployed back into the labour market, often by giving them a second chance.
■ 11– **SUSTAINABLE CITIES AND COMMUNITIES** Our services make the built environment more sustainable and resilient by preventing damage and by efficiently restoring damaged properties.	**11.5** – significantly reduce the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters.	• Continuous work to expand our offering to minimise total damage costs for our customers as well as environmental impact. • Polygon AK in Sweden was nominated at the Sweden Green Building Awards, which is the most prestigious environmental award in Sweden. • Polygon US was recognised by the US magazine 'Construction tech review' as being in the top 10 HVAC (heating ventilation and air conditioning) consulting service companies.
■ 16 – **PEACE, JUSTICE AND STRONG INSTITUTIONS** Our strong governance programme and learning management system work to avoid non-compliance in our entire value chain and the industry as a whole.	**16.5** – substantially reduce corruption and bribery in all its forms.	• Established policies, guidelines and procedures. • Learning management system (Polygon Learning Zone) to implement policies and guidelines. • Integration plan for all companies we acquire. • Appointed compliance officers in each country. • Integrity hotline.

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REDUCING ENVIRONMENTAL IMPACT

Our services bring damaged property back into use in a resource-efficient manner. In this way, we decrease both environmental impact and financial cost.

OUR CORE BUSINESS REDUCES ENVIRONMENTAL IMPACT

Restoration, which is our core business, reduces environmental impact and financial costs for our customers by limiting the use of new materials, and reducing waste, compared with demolition and rebuilding. A study Polygon conducted with two students from the Royal Institute of Technology in Stockholm estimated that Polygon's water damage restoration services reduce CO_2 emission compared with rebuilding damaged buildings by around 25 percent.

DAMAGE PREVENTION

We continue to develop our solutions, services and partnerships with the aim of further reducing environmental impact. During 2020, we further developed our damage prevention capabilities for customers following the acquisition of Hiotlabs, which uses a new set of sensor-based services and solutions to prevent water damage (read more in the Case Story on page 38). The acquisition complements our existing prevention solutions, such as the digital solution Polystop and the Primo+ service to help customers review risks and educate them on the opportunities to prevent damage in the first place.

Property damage restoration currently accounts for approximately 20 percent of the total water and fire damage cost for European insurance companies. If a greater share of the damage is prevented or restored, this would both reduce cost and be good for the environment. Polygon plays an important role in this and it presents a significant business opportunity.

CLIMATE NEUTRAL AMBITIONS

We continue to proactively explore how we can further reduce our carbon footprint. Polygon in the Netherlands for example, became our first climate-neutral company in 2018. Polygon Norway announced their target to become climate neutral by 2025 during the year and has established a project group and strategy to work toward this objective.

CONSTANTLY IMPROVE

We perform external energy efficiency audits in accordance with the EU energy efficiency directive that cover approximately 80 percent of the Group. The audits are part of our structured way of working that strives to promote constant improvements. In addition, many of our businesses have Environmental Volunteer Groups or similar initiatives that are run by colleagues taking our environmental commitment out into the wider community.

PROMOTING RESOURCE EFFICIENT OPERATIONS

When our activities have environmental impact, we strive to minimise their magnitude and to be as resource efficient as possible. Our activities are centred around reducing vehicle fuel consumption, the use of energy efficient equipment, and managing materials, chemicals and waste.

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REDUCING VEHICLE FUEL CONSUMPTION

Fuel consumption makes up the majority of our total direct emission. Our countries work to reduce fuel consumption and CO_2 emissions from their vehicles, 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. Polygon Belgium, for example, implemented the Rit Plan digital tool to automatically plan optimal technician driving routes. The tool has enhanced technician productivity and satisfaction, while reducing vehicle fuel consumption and emissions.

Polygon UK has been working proactively to reduce fuel consumption, which is responsible for about 80 percent of its total energy usage. The business uses the Lightfoot system, which is a national initiative to promote cleaner, safer and more cost-efficient driving. While driving, a warning system alerts the driver if they are not driving efficiently, which has contributed to reducing fuel consumption by 16.8 percent since the beginning of 2014.

ENERGY EFFICIENT EQUIPMENT

We use new and innovative technologies that enable the efficient drying of damaged properties. Polygon UK for example, uses award-winning efficient dehumidifiers and speed drying units capable of drying multiple properties, and high-pressure vacuum drying techniques, as well as increasingly using remote monitoring to further promote efficiency.

Another example is how the traditional dehumidification technique – based on dry air – can be supplemented with so called heat mats or heat sticks. In many situations, this can result in faster and more energy-efficient drying. Polygon is a frontrunner in such solutions, which are particularly useful in time-critical projects.

MANAGING MATERIALS, CHEMICALS AND WASTE

To ensure optimal waste management, many of our countries contract certified and centralised waste management contractors to promote nationwide standards and the optimal management of waste. In 2020, Polygon Finland contracted a new nationwide certified waste management contractor, launched waste management training, and established monthly waste reporting and recycling targets.

Limited amounts of potentially hazardous substances are used on our sites. Chemical management is managed locally, and processes and procedures are established to ensure we meet all regulations regarding the use and storage of chemicals, and that our employees are properly trained.

CUSTOMER COLLABORATION ON SUSTAINABILITY

Polygon is a customer-focused company, and we promote sustainability in the industry in close collaboration with our customers. Polygon increasingly works in partnership with customers to help them achieve their sustainability objectives. We know that our indirect emissions (scope 3) represent our greatest proportion of our climate footprint, and therefore by working together with our customers we are able to make the greatest contribution to mitigating climate change. We work actively with many of the large insurance companies, including IF, Allianz, Gjensidige and Storebrand.

For example, Polygon Norway played a part in helping Storebrand to be ranked as the world's most sustainable insurance company in 2020. (read more in the Case Story on page 10). Polygon Norway has also developed climate neutral ambitions together with Gjensidige.

25%

CO_2 REDUCTION

A study Polygon conducted with two students from the Royal Institute of Technology in Stockholm estimated that Polygon's water damage restoration services reduce CO_2 emission compared with rebuilding damaged buildings by around 25 percent.

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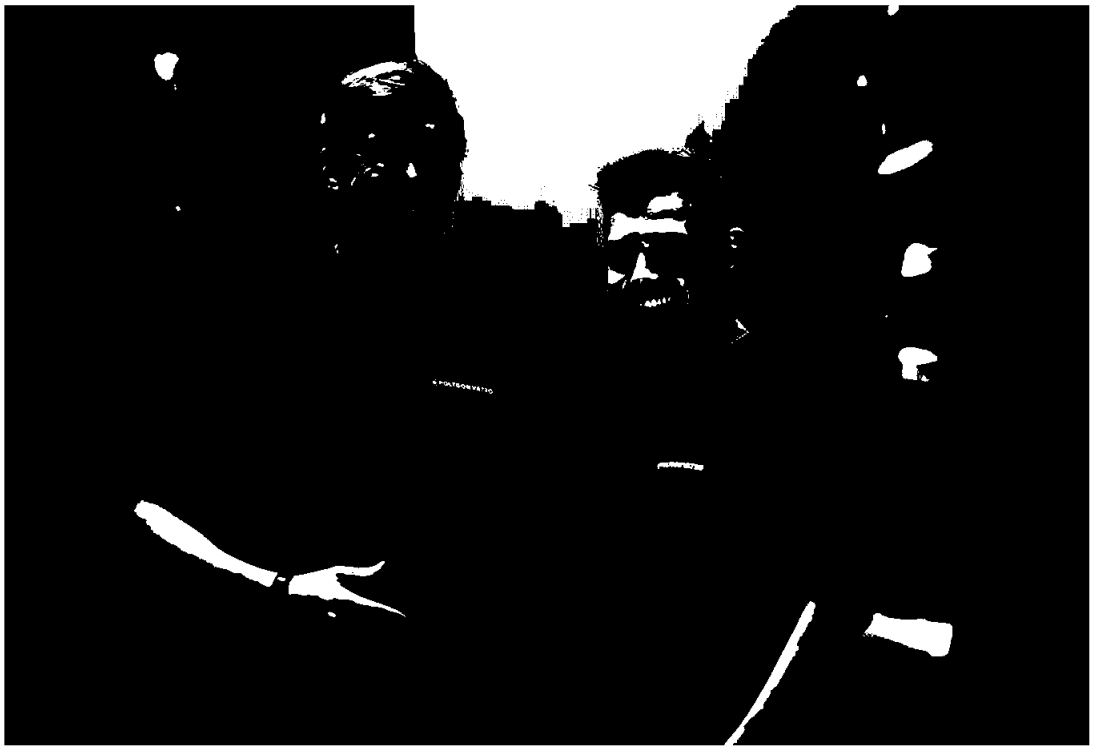
PEOPLE FIRST

Our people are Polygon's greatest asset and we believe that engaged, skilled and satisfied employees will lead to satisfied customers. People are the foundation of our business philosophy – the Polygon Model – and a central part of the 'Our Responsibility' programme.



THE YEAR IN BRIEF FOR OUR PEOPLE

In 2020, the Covid-19 pandemic caused challenges for our company and employees. But we reacted to these challenges proactively, which mitigated the risks to our people (read more in the 'Safeguarding health during Covid-19' section in this chapter).

We drew on our well-developed processes to integrate employees from new acquisitions during the year – both before and after the agreements have been made. Another Group focus in 2020 was strengthening local management and succession planning on a country level.

A DIVERSE WORKFORCE

Polygon has more than 5,000 employees in 16 countries, with a diverse blend of backgrounds. 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 at Polygon should feel respected and included – this is a cornerstone of our corporate culture and is consistent with our corporate values of integrity, excellence and empathy. We promote diversity in the workforce through our Code of Conduct, inclusivity training, our Responsible Business Partner policy and in country-level Employee Handbooks.

Finding the right skilled employees to fill vacancies is a challenge for our entire industry. Polygon works proactively on a local level with various initiatives to fulfil our recruitment requirements. We also see this as an opportunity to promote diversity and inclusion both throughout the company and in society.

In Germany for example, POLYGONVATRO's 'Young Talents' training programme was expanded during the year and 37 new participants began on the three-year programme (read more in the Case Story on page 48). POLYGONVATRO also actively promotes inclusion by employing those that might be excluded from society. This includes integrating people into the labour market with no formal education, people with a troubled past and people with disabilities. Polygon Norway runs a project to bring long-term unemployed back into the labour market, often by giving them a second chance.

STRONG CORPORATE CULTURE

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, ultimately it is people with the right attitude who make the difference. Our employees meet people whose lives have been severely disrupted on a daily basis, and Polygon employees always needs to demonstrate genuine understanding of their situation. Our employees really are the ones that can make a difference for our customer, especially since we often work in people's homes and in direct contact with them.

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All our employees work according to our values – integrity, excellence and empathy – and have our brand promise as their guiding principles.

EMPLOYEE ENGAGEMENT

Being an attractive employer that engages with its employees is essential as it creates opportunities for people to express their views, wishes and concerns, which contributes to overall employee satisfaction. Polygon normally conducts a Group-wide employee survey every year that involves all employees in all countries, although the employee survey was not held in 2020 due to Covid-19.

Our employee turnover has decreased in recent years due to many activities such as the improvement of on-boarding processes, wellbeing activities, and increased focus on training and development. In addition we have won some prestigious people awards, read more on page 40.

DECENTRALISED ORGANISATION

Polygon has a decentralised organisation and a flat structure, with clear accountabilities, this strategy has been part of the success for Polygon. Having the freedom to organise and control their own work decreases employee 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.

STRATEGIC TALENT MANAGEMENT WITH THE POLYGON ACADEMY

Leaders are essential for maintaining and developing the competence of our employees, and ultimately to the company's success. We strive to recruit internally as much as possible and many of our area and unit managers began their Polygon careers as technicians or team leaders.

The Polygon Academy is our internal development programme for identifying potential talent and leaders. It also helps us to share knowledge and best practice, and identify new business opportunities. The academy supports succession planning and ensures that talented employees are acknowledged and get the chance to develop.

The academy was not conducted in 2020 due to Covid-19 but will continue in 2021. The Polygon Champion Camp will also be launched in 2021. The camp will inspire middle managers and project leaders from all countries on themes such as leadership and change management, as well as providing opportunities to share best practice and create ambassadors for the Polygon Model.

In addition, there are a variety of local initiatives related to the Polygon Academy. A 'Polygon Academy for project leaders' initiative is conducted in Norway and a similar initiative was started in the Netherlands in 2020, to raise awareness of the Polygon Model. Sweden also has a three-step training and career programme for technicians to help them to develop their skills and career.

EFFICIENT INTERNAL TRAINING WITH THE POLYGON LEARNING ZONE

The Polygon Learning Zone is the Group's learning management system, which provides employees with the right training and competence in a cost-effective and time-efficient way. It combines locally and centrally geared training programmes, and both e-learning courses and face-to-face training, to empower employees in their own learning and development. The Polygon Learning Zone includes all education and training, with an emphasis on short learning blocks and e-learnings in local languages. The Polygon Learning Zone has been rolled out in 13 of our 16 countries, with three in the process of implementing it in 2021.

The Polygon Learning Zone is an essential tool to support Our Responsibility programme as it reaches out to all employees and ensures they support Polygon's compliance and quality.

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Both internal and external education is provided, such as for Polygon employees that need mandatory external courses and certifications, for example to be qualified to work with asbestos.

FOCUS ON HEALTH AND SAFETY

Working to save and recover customer property is rewarding, but the sites we work on can be hazardous. We apply a structured approach to minimise risks and protect our employees and others from injuries and accidents. Personal protective equipment, clothing, and air filtration to avoid exposure to harmful substances are particularly relevant to our business. We also prevent the spread of microbes and particles to the outside environment.

Our latest employee survey highlighted that employees perceive their work environment to be good or excellent in terms of safety, and that employees believe Polygon prioritises a safe working environment. We continuously monitor sick leave and work-related injuries in each country. In addition, lost time injuries and sick leave rates are monitored quarterly by Group and have both decreased compare to last year. All countries have local health and safety policies in place, dedicated specialists and established rigorous processes to mitigate risks. We benchmark and work to continuously improve our Health and Safety processes.

SAFEGUARDING HEALTH DURING COVID-19

Polygon proactively responded during the Covid-19 pandemic to protect its employees and customers, while ensuring business continuity. Group and local management established Covid-19 teams to coordinate action, communicate good practice and ensure personal protective equipment was available to employees. An 'Inside Polygon special Covid-19 edition' newsletter was sent out every two weeks to employees and e-learnings were provided in some countries.

Another key part of our response was identifying business opportunities for our disinfection services to help customers with properties that had been exposed to Covid-19. During the pandemic, we also used video calls to make initial inspections of a property remotely. Such remote inspections help us decide how we can best act without risking infection and also reduce the need to travel. They can even enable us to guide customers on preventive measures to minimise the extent of the damage.

In addition, Polygon has contributed to the societal response to Covid-19 by providing disinfection services to schools, offices and hospitals. This enabled schools, hospitals and offices to continue their important societal functions. We also provided an optimal climate for Covid-19 test kit manufacturing facilities in the US, which enabled the production of millions of Covid-19 test kits every month (read more in the Case Story on page 6).

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SHAPING OUR FUTURE BY BUILDING OUR SKILLED TEAM OF TOMORROW

The three-year 'Young Talents' training programme gives young people the opportunity to combine school and an apprenticeship with POLYGONVATRO while helping to overcome industry skill shortages.

Transferring skills to young people
Following the success of POLYGONVATRO's 'Young Talents' training programme with 43 promising young people last year, a further 37 participants began on the programme in 2020. The trainees acquire the necessary skills according to national standards and have a mentor at POLYGONVATRO who guides them throughout their apprenticeship.

"All in all, we currently have 76 young talents in Germany being trained up on the following apprenticeships: Tiler, Painter and Office Administrator," says Cornelia Czenkusch, HR Manager at POLYGONVATRO.

Overcoming industry skill shortages
"As in many other countries, in Germany we lack skilled workers, especially in manual professions such as carpentry or tiling. So the apprenticeship programme enables us to grow from inside the company to secure tomorrow's qualified employees, today," says Czenkusch.

One important component of the programme is connecting with other people within the company to develop an internal contact network. The trainees typically enjoy the great spirit they encounter within Polygon and being made to feel as part of the family.

Some of the first young talents have already successfully completed their three-year training programme and are now an integral part of the POLYGONVATRO team, having started their training as a part of a pilot project.

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RESPONSIBLE BUSINESS PRACTICES

We have a responsibility to conduct sustainable business practices 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 guiding principles.

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. In addition, a Responsible Business Partner policy, which reflects our Code of Conduct, is in place in all countries. Code of Conduct implementation is monitored by locally appointed compliance officers as well as by the Group compliance officer.

KNOWLEDGE

Our learning management system (the Polygon Learning Zone) is an essential tool to support the 'Our Responsibility' programme as it is our tool to reach out to all employees and to ensure learning & development and to support compliance and quality.

All employees should acknowledge the Code of Conduct as well as take an e-learning course covering the Code of Conduct. The course helps employees learn about the Code of Conduct and includes a test to confirm they understand and comply with it. As of the end of 2020, approximately 80 percent of our employees have completed Code of Conduct training.

Polygon has established processes to periodically review and monitor Group mandatory training to continuously improve the completion rate.

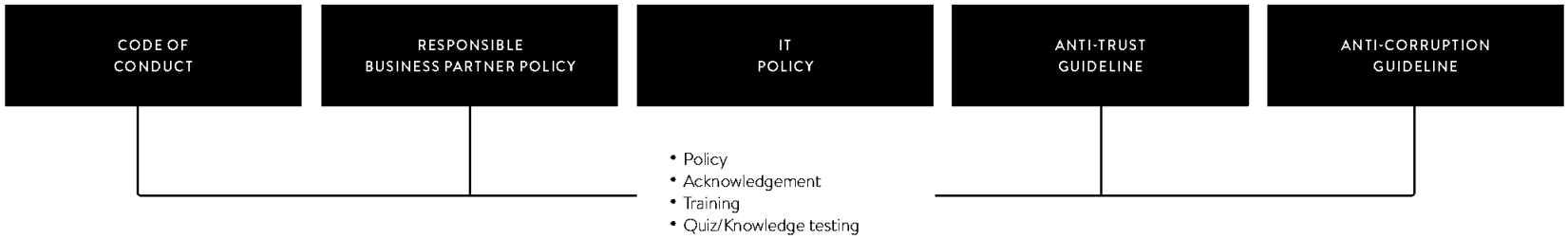
During 2020, new mandatory e-learning training courses for all employees on Anti-Corruption and Anti-Trust were translated and rolled out.

While Polygon's Our Responsibility programme is a unified approach, it allows room for adaptation to local legislation and conditions. Each course is available in the languages spoken in the countries in which we operate. In addition, Polygon's business model is designed to guarantee that we always act ethically, in combination with sustainable financial development.

In addition, we have a gift register and a web-based integrity line to ensure ethical business conduct. Inspirational videos that feature examples of how we address sustainability in various parts of Polygon are also promoted among employees.

See our Corporate Governance Report in the Annual Report 2020.

MANDATORY POLYGON LEARNING ZONE CONTENT FOR ALL EMPLOYEES



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KEY FIGURES

EMPLOYEES PER GEOGRAPHICAL SEGMENT 31 DECEMBER 2020

Segment	Number of employees	Of whom men, %
Nordics and UK	2,062	81%
Continental Europe	2,885	78%
North America	167	77%
Total headcount	**5,114**	**79%**

AGE DISTRIBUTION*

Age	%
< 40	48%
41–50	27%
51–60	21%
> 60	4%
Total	**100**

EMPLOYEE STATISTICS

	2020	2019	2018
Work attendance, %	95%	94%	94%
Employee turnover rate, %	19%	21%	28%
Total full-time employees	4,886	4,512	3,810
Average full-time employees	4,703	4,217	3,810

EMPLOYEE SATISFACTION

	2020	2019	2018
Response rate, %	N/A	90	92
Team efficiency index (ESI) (BM 72)	N/A	77	77
Leadership index (LSI) (BM 77)	N/A	78	78
Engagement index (BM 72)	N/A	84	83

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PARTNERING TO BENEFIT BROKERS, CUSTOMERS AND THE ENVIRONMENT

Plastic Surgeon's recent partnership with Allianz insurance has the potential to reduce insurance cycle times and the amount of waste sent to landfill.

Plastic Surgeon is a Polygon subsidiary that handles restoration claims involving damage to wooden surfaces, cracked tiles and ceramics, brick and stone, UPVC and much more.

Reducing insurance cycle times and waste
The partnership between Plastic Surgeon and Allianz, which is one of the UK's leading insurance companies, has the objective to decrease insurance cycle times by as much 80 percent by repairing rather than replacing damaged items and therefore also saving a lot of waste.

Graham Strait, Head of Supply at Allianz, is positive about the cooperation. "We are really excited to be partnering with Plastic Surgeon. 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. As sustainability is a key focus for our business, I'm pleased that the collaboration aligns with our company objectives by providing an environmentally friendly solution."

Sustainable opportunities for Plastic Surgeon
"Allianz' commitment to a sustainable approach is exemplary with sustainability in the insurance arena becoming more critical. We're excited to work with the team and look very much forward to continuing our partnership," says Lauren Robson, Insurance Services Account Manager at Plastic Surgeon.

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THE AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

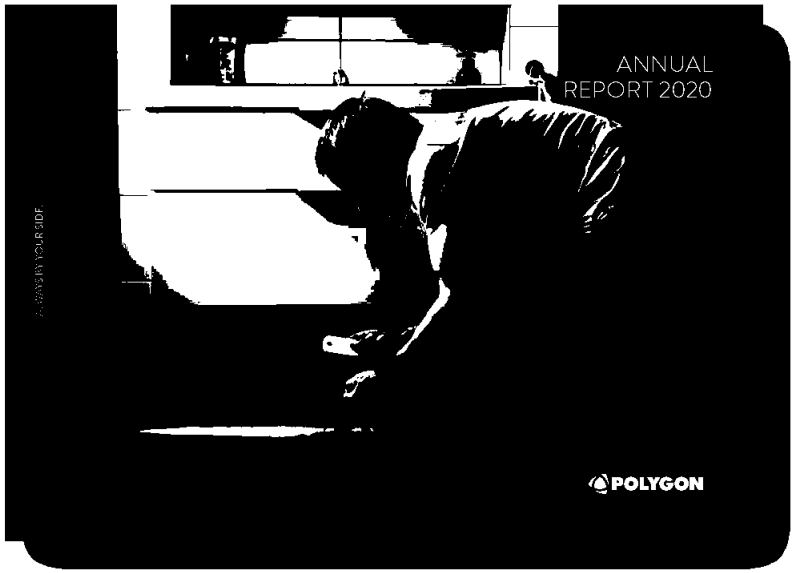
To the general meeting of Polygon AB (Publ), corporate identity number 556816-5855

ENGAGEMENT AND RESPONSIBILITY
The Board of Directors is responsible for the statutory Sustainability Report being 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. This means that the Auditor's Report on the statutory Sustainability Report is different and substantially less in scope than an audit conducted in accordance with the 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, 26 April 2021
Ernst & Young AB
Henrik Jonzén, Authorised Public Accountant



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RISK MANAGEMENT CREATES VALUE

As a decentralised company with operations in 16 countries, Polygon works with risk management to mitigate internal and external risks and draw on opportunities and competitive advantages.

RISK MANAGEMENT AT POLYGON

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, evaluation, mitigation and monitoring. 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 of 'financial', 'operational' and 'strategic' as part of the identification process. The risks identified are evaluated based on their potential impact and likelihood. The Group risk assessment is presented to the audit committee and the Board on an annual basis. Proactive risk management is a central part of the Polygon Model. We continuously initiate and implement risk mitigation activities. The control structure is incorporated into our daily processes, and we review and monitor control activities.

The Covid-19 pandemic in 2020 put Polygon's risk management to the test, but a proactive response to the pandemic throughout the company mitigated the risks and ensured business continuity. Polygon was also quick to identify opportunities from the pandemic, such as by identifying opportunities for our disinfection services.

MAIN RISKS AND ACTIVITIES

Like all businesses, Polygon faces various risks 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

As a service company, Polygon is dependent on the skills, experience and commitment of a number of key employees. An inability to recruit and retain new key employees may harm business development.

How Polygon manages the risk

- Polygon is a people-centric business dedicated to the belief that satisfied employees are an essential success driver. Therefore, several highly valued activities are aimed at attracting, recruiting, developing and retaining the right employees.
- The work is coordinated by the Group HR Manager and is managed at country level, adapted to each country's specific needs. Our Code of Conduct promotes common behaviour throughout the Group. 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 through a variety of channels, such as bi-annual management conferences, a Group-wide intranet, a quarterly newsletter, and several local initiatives.
- A Group-wide employee satisfaction survey is normally held each year but was not conducted in 2020 due to Covid-19. The survey presents an opportunity for all employees to anonymously express their views, wishes and concerns. All employees are also offered an annual performance and development talk with their manager.
- Staff development and training are arranged within the framework of the Polygon Academy, Polygon Learning Zone 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 company's main 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 talented potential employees in each country.

DEPENDENCY ON KEY CUSTOMERS

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

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 ensures local adaptions of Polygon's service offerings. The corporate culture is customer-centric, with a focus on service delivery quality.
- Regularly measuring customer satisfaction at country level identifies areas for improvement in terms of service delivery and customer relationships, and the 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 are 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 reduces 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, the retention of key employees, and failure to realise expected synergies. This risk increases when Polygon enters markets in new countries or new service lines.

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How Polygon manages the risk

- Polygon has a good acquisition track record and extensive experience of the complete process – from identification, to due diligence and 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 the Group has a Head of M&A as well as an Acquisition Integration Manager. When it comes to external expertise, professional legal counsels and M&A specialists are always assigned.
- Polygon only acquires companies that are active within its core business and that share its corporate values. Target markets are countries where we either already do business or where we have operations in neighbouring countries with similar conditions. Our decentralised business model facilitates integration.

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.

How Polygon manages the risk

- During 2020, Polygon strengthened Group IT with specific ERP knowledge as well as increased IT security & information security competence.
- Polygon has service-level agreements (SLAs) 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 the tracking of completed training.
- The process for system development is continuously improved.
- To ensure an industry-leading digital service offering, 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. The construction industry is associated with high risks relating to anti-corruption and bribery.

How Polygon manages the risk

- The Polygon Group has a strong corporate culture, implemented through the Polygon Model. Integrity is a core value that guides our employees in their day-to-day work and contributes to high ethical standards.
- The Code of Conduct, which applies to all our employees, prohibits any form of corruption, fraud, bribery or money laundering and includes Anti-Corruption and Anti-Trust guidelines. The Polygon Group has a Responsible Business Partner policy translated into all local languages and communicated to the employees in e-learning courses as well as during onboarding procedures.
- Internal training on the Code of Conduct, Anti-Corruption, Anti-Trust and the Polygon Model is conducted regularly.
- During 2020, new mandatory group e-learning training courses for all employees on Anti-Corruption and Anti-trust were translated and rolled out.
- 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 whistleblowing function that is managed by a third party to allow the 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.
- Polygon has well-established project management processes, including a periodic review of ongoing projects.

EXTERNAL RISKS

In addition to the above, Polygon also faces external risks that are to a large 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, macroeconomic fluctuations and pandemics such as Covid-19). The general market situation can also affect Polygon's existing and potential customers as 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 and financial position. Polygon cannot influence the likelihood of these risk events, but can reduce the cost of potential negative impacts.

How Polygon manages the risk

- The Board, Group management and country management monitor developments in key markets and proactively assess external risks as well as opportunities that may influence the Group's strategy and operations.
- Global expansion spreads business risk.
- A decentralised organisation enables quick decision making and adaptation to market changes.
- Polygon has proactively responded during the Covid-19 pandemic to protect its employees and customers, while ensuring business continuity.

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BOARD OF DIRECTORS

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

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

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

NADIA MEIER-KIRNER
BOARD MEMBER
Board member since 2017
Nationality: German
Background: Investment advisory professional, Triton Advisors. 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. CFO of Munters.

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GROUP MANAGEMENT

AXEL GRÄNITZ BORN 1968
PRESIDENT AND CEO
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 BORN 1972
COUNTRY PRESIDENT US
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.

MARTIN HAMNER BORN 1964
CHIEF FINANCIAL OFFICER
Joined Polygon in 2019
Background: Chief Financial Officer for AB Industrivärden, Group Controller and Head of Investor Relations for ASSA ABLOY, Authorised Public Accountant for PricewaterhouseCoopers
Education: M.Sc. Business Administration Stockholm University.

CHRISTIAN KOHL BORN 1969
CHIEF OPERATING OFFICER
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 BORN 1961
COUNTRY PRESIDENT UK & IRELAND
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 BORN 1963
COUNTRY PRESIDENT GERMANY
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.

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COUNTRY PRESIDENTS

L.Y. ANG
SINGAPORE
Joined Polygon 1996

SIGURD AUSTIN
NORWAY
Joined Polygon 2020

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

YASSINE BEN HAMOUDA
DENMARK
Joined Polygon 2017

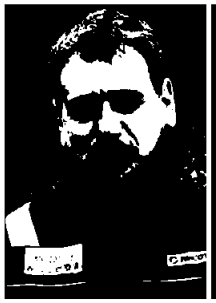
TOM JAATINEN
FINLAND
Joined Polygon 2019

JOACHIM KATGELI
LUXEMBOURG
Joined Polygon 2020

MARLIES VAN DER MEULEN
NETHERLANDS
Joined Polygon 2014

JULIEN MEYNIEL
FRANCE
Joined Polygon 2006

THOMAS PERMAN
SWEDEN
Joined Polygon 2014



SERGIO SIGNORINI
ITALY
Joined Polygon 2020

CARLA SLAETS
BELGIUM
Joined Polygon 2012

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

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

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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 2020 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 more than 300 service depots. Through professional and secure claims processing on behalf of the insured using efficient technology, costs are minimised and the extent of the damage is limited.

The Polygon Group consists of the Parent Company Polygon AB, which was formed on 12 July 2010, and 54 (48) subsidiaries. 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 a wholly owned subsidiary of Polygon Holding AB, of which 86.08% is in turn owned by MUHA No 2 LuxCo S.à.r.l. The remaining 13.92% of the shares are owned by the management of Polygon.

2020 FINANCIAL YEAR

Consolidated sales for the financial year amounted to EUR 743.3 million (677.1) and operating profit to EUR 44.2 million (34.3). Operating profit was charged with items affecting comparability of EUR 0.2 million (3.8).

EUR thousands	2020	2019
EBIT (operational profit/(loss))	44.2	34.3
Amortization and depreciation of assets in connection with acquisition	5.4	6.3
IAC (items affecting comparison)	0.2	3.8
Adjusted EBITA	**49.8**	**44.3**
Adjusted EBITA Margin	**6.7%**	**6.5%**
Depreciation of tangible asset	42.7	36.9
Adjusted EBITDA	**92.5**	**81.3**
Adjusted EBITDA Margin	**12.4%**	**12.0%**

Consolidated sales increased 9.8% compared with the preceding year, of which 6.7% was attributable to organic growth and 4.0% to acquired companies and operations.

Operating profit adjusted for items affecting comparability (adjusted EBITA) increased 12.4% compared with the preceding year.

During the year, the Group carried out six acquisitions and acquired the remaining 33.6% of the shares in PolygonDB A/S in Denmark; see Note 3 Business combinations.

In January, Polygon Sweden completed the acquisition of Saneringsfirman Hedbergs AB with annual sales of EUR 2.5 million and 30 employees. In March, the remaining shares in Polygon A/S in Denmark were acquired.

In the second quarter, Polygon signed agreements to acquire Hiotlabs in Sweden, Aretech, Hydrotech and RDF Developpment in France, and UTG in Luxembourg. These acquisitions, which were completed in the third quarter, contributed annual sales of EUR 6.7 million and 74 employees.

In the third quarter, Recotech in Italy was acquired. This acquisition contributed annual sales of EUR 5 million and 31 employees.

In the fourth quarter, the Group acquired Renovo GmbH in Austria. This acquisition contributed EUR 9 million in sales and 64 employees.

The total cash expenditure for acquisitions amounted to EUR 25.4 million (32.6) for 2020. Most of this amount pertains to the acquisition of the remaining 33.6% of the shares in Denmark.

No operations or companies were divested during the year.

Items affecting comparability comprise the following expenses (revenue):

EUR thousands	2020	2019
Transaction costs, acquisition	0.6	-2.9
Restructuring cost	-0.4	-0.4
Others	-0.4	-0.4
Total	**-0.2**	**-3.8**

Acquisition costs include directly attributable costs such as lawyer and other consulting fees and adjustments of additional purchase prices. Restructuring costs include costs for the divestment of operations, major personnel changes and changes among senior executives. Other pertains to consulting costs in connection with refinancing and the review of the long-term strategy.

At an Extraordinary General Meeting in February 2020, former CEO Evert Jan Jansen was elected as a Board member of Polygon AB. No other changes were made to the Board.

COVID-19

The Covid-19 pandemic and subsequent lockdowns in many parts of the world had a limited impact on the Group's sales and earnings during the year. Polygon's operations were exempt from the restrictions in many countries, although this varied significantly. At times in the UK, 40% of the Group's employees were furloughed, while the operations in the US received major orders for temporary climate solutions for plants producing Covid-19 tests. Government assistance was mainly received in the UK, the Netherlands and Austria.

FINANCING AND LIQUIDITY

During the year, Polygon invested part of the excess liquidity that arose in early December 2019, when the prioritised covered fixed-interest bond from February 2018 was expanded by an additional EUR 40 million. The bond, which as in the past matures 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.

Cash and cash equivalents at 31 December 2020 amounted to EUR 57.1 million (50.6). Cash flow from operating activities in 2020 was EUR 97.3 million (62.1). Operating cash flow amounted to EUR 59.9 million (31.9) and was strengthened by temporary Covid-19 support measures from local governments and improved payment flows for accounts receivable.

CAPITAL EXPENDITURES

The Group's capital expenditure on property, plant and equipment for the period amounted to EUR 19.5 million (16.4). In addition, the Group upgraded its IT systems for EUR 2.1 million (1.4). Total depreciation and amortisation excluding right-of-use assets amounted to EUR 22.2 million (19.8) during the period, of which EUR 13.8 million (12.5) pertained to depreciation of property, plant and equipment and EUR 8.4 million (7.3) to amortisation of intangible assets. Capital expenditure on right-of-use assets amounted to EUR 33.1 million (26.9) for the year. Depreciation of right-of-use assets amounted to EUR 27.4 million (23.3).

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 depreciation of right-of-use assets.

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EMPLOYEES
The average number of employees in the Group during 2020 was 4,834 (4,327). 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 Group had no hedging products to minimise its currency exposure.

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 2020, the Group had EUR 91.6 million (86.3) 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 22 Accounts receivable.

OPERATIONAL RISK
Polygon is a service company and, as such, is dependent on the skills, experience and commitment of its employees and its ability to recruit and retain new competent employees. 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 efficient, satisfactory integration is key to the Group's success in this regard.

PARENT COMPANY
Polygon AB's operations include joint Group functions as well as ownership and management of shares in Group companies. Polygon AB had four employees (five) during the year. No investments were made during 2020. Profit before tax amounted to EUR –5.7 million (3.4). Cash and cash equivalents at the end of the period amounted to EUR 45.3 million (65.9), of which EUR 35.3 million was included in the Group's cash pool. The remaining amount comprised short-term investments of EUR 10 million (0). The Parent Company's assets amounted to EUR 344.4 million (347.8) and equity to EUR 91.6 million (95.3).

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.

Up until 21 April 2021, Covid-19 had had a limited impact on 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 39–51.

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 loss for the year of EUR 3,764,397, together with retained earnings of EUR 95,269,570, amounting to a total of EUR 91,505,173, be carried forward.

No Group contributions or dividends were paid to Polygon Holding AB in 2020 or 2019. In 2019, Polygon AB received shareholder contributions from Polygon Holding AB in conjunction with a new issue of shares.

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FINANCIAL STATEMENTS GROUP

CONSOLIDATED INCOME STATEMENT

EUR thousand	Note	2020	2019
Sale of services	5	743,342	677,080
Cost of sales	6, 8	-570,986	-514,650
Gross profit		**172,356**	**162,430**
Selling and distribution costs	6, 7, 8	-128,816	-123,522
Other operating costs	6	706	-4,590
Operating income		**44,246**	**34,318**
Financial income	10	270	158
Financial expenses	10	-17,234	-17,878
Income after financial items		**27,282**	**16,598**
Income taxes	11	-7,273	-6,084
Net income for the year		**20,009**	**10,514**
Net income for the year			
Attributable to owners of the company		19,809	9,803
Attributable to non-controlling interest		200	711
Total		**20,009**	**10,514**
Number of shares		5,600	5,600
Earnings per share before and after dilution		3.54	1.75

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

EUR thousand	Note	2020	2019
Net income for the year		**20,009**	**10,514**
Consolidated statement of comprehensive income	26		
Items that can not be reclassified to profit or loss			
Actuarial gains and losses on defined benefit plans		-223	-1,632
Income tax effects on other comprehensive income		20	340
Items that later can be reclassified to profit or loss			
Translation difference		-6,080	3,691
Various comprehensive income		**-6,283**	**2,399**
Total comprehensive income for the year, net of tax		**13,726**	**12,913**
Total comprehensive income for the year			
Attributable to owners of the company		13,526	12,202
Attributable to non-controlling interest		200	711
Total		**13,726**	**12,913**

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CONSOLIDATED BALANCE SHEET

EUR thousand	Note	2020	2019
ASSETS			
Non-current assets			
Goodwill	12, 15	175,593	165,459
Right-of-use assets	13	83,040	80,530
Other intangible assets	14	52,862	57,215
Property, plant and equipment	16	57,702	52,713
Deferred tax assets	11	13,146	14,434
Other financial fixed assets		624	1,087
Total non-current assets		**382,967**	**371,437**
Current assets			
Contract assets	17	47,707	45,857
Account receivables	19, 22	92,488	97,837
Receivables from parent company		378	332
Current tax receivables	11	387	1,119
Other current financial assets		3,761	3,247
Prepaid expenses	18	6,835	7,020
Cash and cash equivalents	19, 21	57,058	50,612
Total current assets		**208,614**	**206,024**
TOTAL ASSETS		**591,581**	**577,461**

EUR thousand	Note	2020	2019
EQUITY AND LIABILITIES			
Equity	26		
Issued capital		58	58
Other contributed capital		10,771	10,771
Translation reserve		–4,185	1,896
Retained earnings including net result for the year		80,559	64,120
Equity attributable to owners of the parent company		**87,203**	**76,845**
Non-controlling interests		–	11,890
Total equity		**87,203**	**88,735**
Non-current liabilities			
Post-employment benefit provisions	27	7,040	6,477
Other provisions	3, 20	13,423	9,549
Deferred tax liabilities	11	16,189	21,279
Non-current financial liabilities, interest-bearing	19, 20, 30	254,418	252,918
Non-current lease liability	24	58,812	57,589
Total non-current liabilities		**349,882**	**347,812**
Current liabilities			
Advance payments from customers		220	322
Contract liabilities	17	251	530
Post-employment benefit provisions	27	61	59
Other provisions	3, 20	4,094	6,140
Account payables	19	38,678	43,219
Current lease liability	24	27,208	24,761
Other current liabilities	19, 25	24,077	20,010
Accrued expenses	19, 28	52,516	40,795
Current income tax liabilities	11	7,391	5,078
Total current liabilities		**154,496**	**140,914**
TOTAL EQUITY AND LIABILITIES		**591,581**	**577,461**

Pledged assets and contingent liabilities are stated in 23 and 29.

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CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Note	2020	2019
Operating activities			
Operating profit		44,246	34,318
Adjustments for non cash items before tax	32	44,193	41,790
Income tax paid		−6,311	−4,890
Cash flow from operating activities before changes in working capital		**82,128**	**71,218**
Cash flow from changes in working capital:			
Changes in operating receivables		8,372	−3,259
Changes in work in progress		−2,009	965
Changes in operating liabilities		8,846	−6,808
Cash flow from operating activities		**97,337**	**62,116**
Investing activities			
Acquisition of a subsidiary, net of cash acquired	3	−25,397	−32,583
Purchase of property, plant and equipment	16	−19,531	−16,423
Purchase of intangible fixed assets	14	−2,236	−2,367
Sale of fixed assets		175	979
Net cash flows used in investing activities		**−46,989**	**−50,394**
Cash flow before financing activities		**50,348**	**11,722**
Cash flows from financing activities			
New borrowings		–	40,000
Repayment of borrowings		−1,914	–
Dividends received		1	1
Lease payments		−26,249	−20,460
Financial income received		98	157
Financial costs paid[1)]		−15,032	−13,864
Net cash flows from financing activities		**−43,094**	**5,834**
Cash flow for the year		**7,254**	**17,556**
Cash and cash equivalents, opening balance		50,612	33,192
Translation difference in cash and cash equivalents		−808	−136
Cash and cash equivalents, closing balance		**57,058**	**50,612**

[1)] of which paid interest expenses 10.9 (9.3) MEUR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the company							
EUR thousand	Share capital	Other contributed capital	Translation reserve	Actuarial gains/ losses on defined benefit plans[1]	Retained earnings[1]	Total	Non-controlling interest[2]	Total equity
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**
Acquisition of non-controlling interests	–	–	–	–	–3,168	–3,168	–12,090	–15,258
Net income for the year	–	–	–	–	19,809	19,809	200	20,009
Actuarial gains/losses	–	–	–	–223	–	–223	–	–223
Other comprehensive income	–	–	–7,909	–	–	–7,909	–	–7,909
Tax related to items in other comprehensive income	–	–	1,829	20	–	1,849	–	1,849
Closing balance, December 31 2020	**58**	**10,771**	**–4,185**	**–3,472**	**84,031**	**82,203**	**–**	**87,203**

[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 0 (3) thousands

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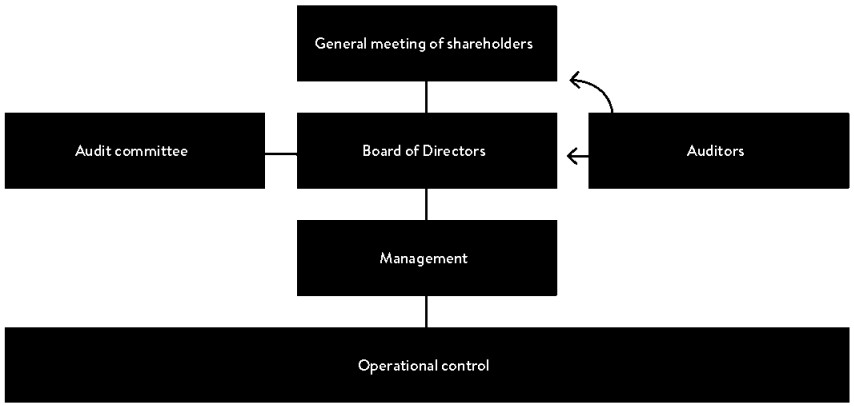
CORPORATE GOVERNANCE REPORT

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 business principles with regard to the environment, human rights, ethics and transparency. The purpose of this report is to describe the rules, guidelines, laws and policies under which Polygon is governed, the division of responsibility within the company and the way in which its decision-making bodies – the Annual General Meeting, the Board of Directors and the CEO – act and interact.

As of the 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 ofwater, 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 86.08% 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 the 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 shares a shareholder may represent at the Annual 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, Evert Jan Jansen and Gunilla Andersson. Evert Jan Jansen was elected as a member of the Board at an Extraordinary General Meeting in February 2020. Evert Jan Janssen is the company's former CEO. For further information about the Board members, including experience, education and other assignments, refer to page 55.

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, a number of meetings were held by circulation.

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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
Four members of the Board are independent in relation to the company. Furthermore, two members of Board are considered independent in relation the owner of the company. The CEO is not a member of the Board but participates in Board meetings in the capacity of rapporteur.

AUDIT COMMITTEE
The Board has appointed an audit committee whose task is to 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 2020 Annual General Meeting, the registered public auditing firm Ernst & Young AB was re-elected as the company's auditors. Auditor in Charge is Henrik Jonzén, who is an Authorised Public Accountant and the elected auditor of Ellevio AB and Alimak Group AB, among others. 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 CEO, COO, CCO and CFO as well as the presidents of three of the Group's subsidiaries, bringing the total number of senior executives in the Group to seven. The CCO resigned in October 2020 and has not yet been replaced. For further information about the management team, including experience, education and other assignments, refer to page 56.

OPERATIONAL CONTROL
The CEO is responsible for the operational control of the Group. Polygon AB'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, the CFO holds meetings with the management teams of the subsidiaries to analyse and discuss the monthly results. The Group presents its financial statements to the market on a quarterly basis.

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.

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	Chairman	2019		No	Yes	6/6
Nadia Meier-Kirner	Member	2017	Member	No	Yes	6/6
Jonas Samuelson	Member	2010	Chairman	Yes	Yes	6/6
Gunilla Andersson	Member	2017		Yes	Yes	6/6
Evert Jan Jansen	Member	February 2020		No	No	6/6

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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 subsidiary in the Group identifying and assessing their most significant risks every year using a Group-wide risk template. 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 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, a review and comparison of profit/loss and balance sheet items, reconciliation of accounts and 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 and presenting 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 both weekly and 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.

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 completed risk assessment and the measures decided. Special attention is given to the Board's monitoring of the development of internal control and assurance that measures are taken regarding any deficiencies or proposals that have been put forward.

ANNUAL INTERNAL CONTROL SELF-ASSESSMENT

The Group has an annual procedure based on an internal control self-assessment. Each subsidiary completes a self-assessment based on predefined questions formulated by the internal control team. 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 internal control team.

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 internal control team
- Reporting of annual internal control self-assessment to the Board

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NOTES GROUP

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 21 April 2021.

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 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 2020. 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 2020 to 31 December 2020, and all balance sheet items refer to 31 December 2020. The preceding financial year was 1 January 2019 to 31 December 2019 and the balance sheet items for this period refer to 31 December 2019.

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.

RECOGNITION OF GOVERNMENT ASSISTANCE RELATED TO COVID-19

During the year, the Group received government assistance related to the Covid-19 pandemic. This government assistance reduced the Group's current expenses, which normally pertain to employee-related costs.

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, 2020	Average rate 2020	Closing balance rate Dec 31, 2019	Average rate 2019
CAD	0.6376	0.6542	0.6832	0.6734
CHF	0.9219	0.9343	0.9175	0.8989
DKK	0.1344	0.1341	0.1339	0.1339
GBP	1.0000	1.0000	1.1707	1.1394
NOK	1.1046	1.1251	0.1014	0.1015
SEK	0.0951	0.0933	0.0958	0.0944
SGD	0.2208	0.2252	0.6617	0.6547
USD	0.6156	0.6358	0.8930	0.8934

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 2020

None of the IFRS adopted by the EU during the year impacted the company.

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

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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.

Depreciation 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 & Asia.

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

Following the introduction of IFRS 16 Leases, lease payments per lease are calculated at present value and a right-of-use asset arises. The depreciation 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. 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

Depreciation 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 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 no hedging.

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 2020 is presented in Note 22 Accounts receivable.

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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. Impairment 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.

EMPLOYEE BENEFITS INCLUDING SALARY, BONUSES AND OTHER BENEFITS
The Group's employees receive a fixed salary based on their employment contract and performance and, in certain cases, bonuses are also paid mainly based on

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earnings targets, which are followed up annually. Other benefits include company car benefits, car allowances and health insurance.

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.

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 & Asia – 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 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 service 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:

	2020	2019
Nordics & UK	**219,161**	**229,340**
Recognised at one point in time	8,295	11,043
Recognised over time	196,883	202,966
Recognised according to practical exemption at invoicing	13,983	15,331
Continental Europé	**476,460**	**414,635**
Revenue recognised at one point in time	30,111	25,987
Revenue recognised over time	437,776	379,394
Revenue recognised according to practical exemption at invoicing	8,573	9,254
North America & Asia	**47,829**	**37,074**
Revenue recognised at one point in time	55	68
Revenue recognised over time	8,799	9,076
Revenue recognised according to practical exemption at invoicing	38,975	27,930
Intercompany sales	**-108**	**-3,969**
Total	**743,342**	**677,080**

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.

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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 LIABILITIES 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 longer 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.

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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 Sweden completed the acquisition of Saneringsfirman Hedbergs AB with annual sales of EUR 2.5 million and 30 employees. In March, the remaining shares in Polygon A/S in Denmark were acquired.

In the second quarter, Polygon signed agreements to acquire Hiotlabs in Sweden, Aretech and Hydrotech in France, and UTG in Luxembourg. These acquisitions were completed in the third quarter and contributed annual sales of EUR 6.7 million and 74 employees.

In the third quarter, Recotech in Italy was acquired. This acquisition contributed annual net sales of EUR 5 million and 31 employees.

In the fourth quarter, Polygon acquired Renovo in Austria. Renovo has annual sales of EUR 9 million and 64 employees.

The total cash expenditure for acquisitions amounted to EUR 25.4 million (32.6) for the full year.

During the year, the above acquisitions contributed sales of EUR 8.8 million and, had they been owned for the entire year, they would have contributed sales of EUR 23.6 million. The corresponding amounts for adjusted EBITA are EUR 0.4 million and EUR 1.0 million.

The amounts and assessments below pertaining to acquisitions in 2019 are final, while the amounts and assessments for 2020 are preliminary.

BUSINESS COMBINATIONS IN 2018 AND 2019

Fair value recognised on acquisition	2020	2019
Customer relationships	2,444	6,545
Trademarks	–	647
Tangible and intangible assets	1,290	2,429
Other non-current receivables	316	1,348
Current receivables	5,527	18,517
Inventory	21	1,018
Total identifiable assets at fair value	**9,599**	**30,504**
Long-term loans and other liabilities	757	1,856
Current liabilities	5,882	19,297
Deferred tax liabilities	674	1,291
Less: Cash and cash equivalents	–1,784	–2,993
Total identifiable liabilites less cash at fair value	**5,529**	**19,451**
Total identifiable net assets at fair value	**4,069**	**11,053**
Goodwill	10,885	29,828
Purchase consideration transferred	**14,954**	**40,881**

	2020	2019
Purchase consideration		
Cash paid	8,595	31,705
Take-over of debt	–	–2,537
Liability to seller	6,359	11,713
Total consideration	**14,954**	**40,881**
Analysis of cash flows on acquisition:		
Net cash acquired with the subsidiary	–1,784	–2,993
Earn-outs	3,032	4,456
Cash paid	8,595	31,705
Acquisition of non-controlling interest	15,358	–
Translation difference	196	–585
Closing balance	**25,397**	**32,583**

Contingent considerations are included in the row "Other provisions" in the balance sheet and are divided into current and non-current liabilities. Contingent considerations totalled EUR 14.3 million (12.3) and were distributed as follows: EUR 12.6 million (8.6) in non-current liabilities and EUR 1.7 million (3.7) in current liabilities.

Company	Country	Corp.ID. No.	Ownership	Closing date	Annual net sales (estimated) MEUR	No of employees*
Saneringsfirman Hedberg AB	Sweden	556815-1988	100%	2020-01-01	2.5	30
POLYGON UTG GmbH	Luxembourg	B90664	100%	2020-07-01	1.5	15
Aretech/ Hydrotech	France	379 873 011	100%	2020-07-07	5.0	55
RDF Developpement	France	521 982 504	100%	2020-07-07		
Hydrotech	France	445 263 734	100%	2020-07-07		
Hiotlabs AB	Sweden	559021-1271	100%	2020-08-03	0.2	4
Recotech s.r.l.	Italy	FI-605131	100%	2020-09-01	5.0	31
RENOVO Brand- u Wasserschaden Sanierungs GmbH	Austria	FN 230343s	100%	2020-11-06	9.0	64

* At the time of acquisition.

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NOTE 4 DIVESTED OPERATIONS

No operations were divested during 2019 or 2020.

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.

2020	Nordics & UK	Continental Europe	North America & Asia	Other	Eliminations	Group Total
Revenue	219,161	476,460	47,829	–	–108	743,342
Total revenue	**219,161**	**476,460**	**47,829**	–	**–108**	**743,342**
Operating profit	**9,764**	**21,242**	**7,846**	**5,394**	–	**44,246**
Net financial items	–	–	–	–	–	–16,964
Tax	–	–	–	–	–	–7,273
Profit for the year	–	–	–	–	–	**20,009**
Depreciation and amortization	**17,110**	**25,857**	**4,282**	**886**	–	**48,135**
Assets	**210,427**	**285,551**	**46,765**	**166,858**	**–118,020**	**591,581**
of which goodwill	*89,818*	*67,525*	*18,250*	–	–	*175,593*
Liabilities	**129,462**	**195,039**	**30,267**	**267,630**	**–118,020**	**504,378**
Capital expenditure						
Property, plant and equipment	1,853	12,660	5,018	–	–	19,531
Intandible assets	90	1,412	–	734	–	2,236

2020	Nordics & UK	Continental Europe	North America & Asia	Eliminations	Group Total
Net sales per service line					
Water damage restoration	106,351	240,463	7,482	–108	354,189
Fire damage restoration	105,012	227,424	1,372	0	333,808
Climate control	7,798	8,573	38,975	0	55,345
Total net sales	**219,161**	**476,460**	**47,829**	**–108**	**743,342**

2019	Nordics & UK	Continental Europe	North America & Asia	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**
of which goodwill	*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
Intandible assets	1,247	707	–	414	–	2,368

2019	Nordics & UK	Continental Europe	North America & Asia	Eliminations	Group Total
Net sales per service line					
Water damage restoration	126,223	204,276	8,374	0	338,873
Fire damage restoration	94,335	197,135	770	0	292,240
Climate control	8,782	9,254	27,931	0	45,967
Total net sales	**229,340**	**410,665**	**37,075**	**0**	**677,080**

Sales per service in the tables above do not include franchise revenue. Sales in respect of franchise fees account for 0.2% (0.4) 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	2020	2019
Sweden	29,447	25,886
Germany	407,336	355,911
Other	306,559	295,283
Total	**743,342**	**677,080**

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NOTE 6 BREAKDOWN OF EXPENSES BY CATEGORY

	2020	2019
Payroll expenses	273,353	249,118
Subcontractor expenses	254,490	230,246
Other operating expenses	95,960	86,271
Depreciations/ scrapping	48,137	43,205
Other expenses	27,789	32,524
Gains (-)/losses/write-offs of assets	-44	-539
Transaction expenses	-589	1,938
Total	**699,096**	**642,762**

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

NOTE 7 AUDIT FEES

	2020	2019
Ernst & Young		
Audit assignment	686	634
Auditing besides audit assignment	96	104
Tax consultation	27	32
Other services	3	-
Others		
Audit assignment	37	56
Auditing besides audit assignment	46	29
Tax consultation	56	12
Other services	125	105
Total auditors' fees	**1,076**	**972**

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 8 LEASE COSTS

	2020	2019
Amortization expense on right-of-use asset	27,367	23,250
Interest expense on lease liabilities	3,879	3,512
Expenses short-term leases[1)]	4,176	5,630
Expenses low value items[1)]	1,603	1,820
Total recognized in income statement	**37,025**	**34,212**

[1)] Included in cost of sales, administrative expenses

NOTE 9 SALARIES, SOCIAL SECURITY EXPENSES AND EMPLOYEE BENEFIT

	2020		2019	
Average number of employees per country	**No of employees**	**Whereof men**	**No of employees**	**Whereof men**
Sweden	230	84%	182	80%
Norway	400	82%	393	85%
Finland	373	85%	345	85%
Denmark	326	73%	333	71%
Belgium	48	86%	44	89%
Austria	131	88%	103	89%
Germany	2,066	78%	1,826	78%
France	119	78%	90	76%
Italy	16	94%	-	0%
Luxembourg	7	96%	-	0%
Switzerland	91	74%	70	75%
United Kingdom	689	83%	634	85%
Netherlands	169	79%	159	80%
Singapore	4	75%	4	75%
USA	129	81%	110	81%
Canada	36	69%	34	67%
Total Group	**4,834**	**80%**	**4,327**	**80%**

SALARIES, SOCIAL SECURITY EXPENSES AND EMPLOYEE BENEFITS

	2020			2019		
	Salaries and other compensations	**Payroll overhead**	**(out of which pension)**	**Salaries and other compensations**	**Payroll overhead**	**(out of which pension)**
Parent company	2,356	513	109	1,936	571	296
Subsidiaries	206,140	42,761	7,948	180,320	39,444	7,333
Total Group	**208,496**	**43,274**	**8,057**	**182,256**	**40,015**	**7,629**

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

	2020			2019		
	Salaries and other compensations	**(of which bonus etc.)**	**Payroll taxes**	**Salaries and other compensations**	**(of which bonus etc.)**	**Payroll taxes**
Board	203	-	45	188	-	34
Managing director	1,132	561	-	717	-	-
Other employees	207,162	10,424	43,229	181,351	7,968	39,981
Total Group	**208,497**	**10,985**	**43,274**	**182,256**	**7,968**	**40,015**

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REMUNERATION TO BOARD MEMBERS

		2020		2019	
Member of the Board		**Compensa-tions**	**Payroll overhead**	**Compensa-tions**	**Payroll overhead**
Lars Blecko	Chairman of the Board	60	19	45	14
Jonas Samuelson	Board member, Chairman of the Audit Commitee	45	14	45	14
Petter Darin	Board member, member of the Audit Committee, June 2019	–	–	19	6
Nadia Meier-Kirner	Board member, member of the Audit Committee	38	–	49	–
Gunilla Andersson	Board member	30	9	30	9
Evert Jan Jansen	Board member, elected in February 2020	30	9	–	–
Total		**203**	**51**	**188**	**44**

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. All fees are unchanged compared with the preceding year.

GENDER DISTRIBUTION OF THE BOARD AND OTHER SENIOR EXECUTIVES

	2020		2019	
Distribution of men and women	**Women**	**Men**	**Women**	**Men**
Within the Board of Directors	2	3	2	3
Regarding CEO and other executives of the Group[1)]	–	7	–	7

[1)] In 2020, senior executives in the Group comprised the CEO, COO, CCO and CFO as well as three country managers

	2020	**2019**
Compensation to Group Management incl. CEO		
Sales and other compensations	3,601	3,057
Pension and reimbursement of medical	106	310
Total	**3,707**	**3,367**

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.

NOTE 10 FINANCIAL INCOME AND EXPENSES

Finance income	**2020**	**2019**
Interest income	98	50
Other financial income	172	108
Total financial income	**270**	**158**
Finance costs		
Interest expense	–11,201	–9,742
Financial exchange differences	–581	–1,350
Interest expense on leased assets	–3,879	–3,512
Other financial expenses	–1,573	–3,274
Total finance costs	**–17,234**	**–17,878**
Net financial expenses	**–16,964**	**–17,720**

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NOTE 11 TAX

The main components of the tax expense are as follows:

	2020	2019
Consolidated income statement		
Taxes for the year	–5,905	–6,750
Adjustments for taxes related to previous year	–2,841	–762
	–8,746	**–7,512**
Change of deferred tax related to temporary differences	1,860	1,550
Other	–386	–122
Total recognised tax expense in the income statement	**–7,273**	**–6,084**

	2020	2019
Reconciliation of effective tax		
Income before taxes	**27,282**	**16,598**
Tax according to current tax rate for Parent Company 21,4%	–5,838	–3,652
Difference related to foreign tax rates	–1,657	–1,342
Non-deductible expenses	–2,015	–3,370
Change in non-capitalized loss carry-forward	2,725	823
Tax-exempt income	2,543	943
Tax related to previous years	–2,841	–762
Other	–189	1,178
Total	**–7,273**	**–6,084**

The growing share of earnings from Germany, where the tax rate is 30%, impacted the Group's tax expense. During the year, the US deemed that it will be possible to utilise 100% of the loss carryforward, which impacted accrued tax revenue in the income statement. The adjustment of previous years pertains to the results of a tax audit in Germany.

The recognised effective tax rate is 26.7% (36.7). The average tax rates in the countries where the Group operates is approximately 27.2%.

DEFERRED TAX ASSET/TAX LIABILITY

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

	2020			2019		
	Deferred tax asset	**Deferred tax liability**	**Net**	**Deferred tax asset**	**Deferred tax liability**	**Net**
Intangible assets	631	13,223	–12,592	–	15,839	–15,839
Plant and machinery	502	4,052	–3,550	403	1,090	–687
Non-current receivables	–	977	–977	–	–	–
Contract assets and liability	54	1,219	–1,165	1,847	754	1,093
Accounts receivable	328	1,660	–1,332	376	3,619	–3,243
Provisions	237	26	211	296	24	272
Other liabilities	305	–	305	189	–	189
Loss carry-forward	14,144	–	14,144	9,886	–	9,886
Provisions for pensions	1,481	2	1,479	1,458	–	1,458
Other	600	166	435	–21	–48	27
Total	**18,283**	**21,325**	**–3,042**	**14,434**	**21,279**	**–6,843**
Netting in company	–5,136	–5,136	–	–	–	–
Closing balance	**13,146**	**16,189**	**–3,042**	**14,434**	**21,279**	**–6,843**

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CHANGE IN DEFERRED TAX ON TEMPORARY DIFFERENCES AND LOSS CARRYFORWARDS

2020	Opening balance	Acquisions	Disclosed in income statement	Disclosed in other comprehensive income	Reclassification	Closing balance
Intangible assets	-15,839	684	663	–	1,900	-12,592
Plant and machinery	-687	–	-2,863	–	–	-3,550
Non-current receivables	–	–	–	923	-1,900	-977
Contract assets and liabilities	1,093	–	-2,258	–	–	-1,165
Accounts receivables	-3,243	–	1,911	–	–	-1,332
Provisions	272	–	-61	–	–	211
Non-current liablities	189	–	116	–	–	305
Loss carry-forward	9,886	92	4,166	–	–	14,144
Provisions for pensions	1,458	–	1	20	–	1,479
Other	26	–	408	–	–	435
Total	**-6,845**	**776**	**2,083**	**943**	–	**-3,043**

2019	Opening balance	Acquisions	Disclosed in income statement	Disclosed in other comprehensive income	Reclassification	Closing balance
Intangible assets	-14,060	-1,194	383	-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-Ccurrent liabilities	116	–	73	–	–	189
Loss carry-forward	10,524	29	-667	–	–	9,886
Provisons for pensions	1,161	–	637	-340	–	1,458
Other	-257	–	283	–	–	26
Total	**-5,096**	**-1,158**	**715**	**-1,307**	–	**-6,845**

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.

	2020	2019
Loss carry forward		
Due date		
0–1 year	–	–
1–2 year	–	37
2–3 year	–	219
3–4 year	25	486
4–5 year	100	–
>5 year	23,665	25,157
No due date	36,533	32,996
Total	**60,323**	**58,896**

Loss carryforwards at year-end totalled EUR 60.3 million (58.9), corresponding to a tax amount of EUR 14.6 million (5.4). Loss carryforwards for which a deferred tax asset has not been recognised amounted to EUR 1.0 million (33.0). Accordingly, loss carryforwards of EUR 59.3 million (25.9) are subject to recognition of deferred tax assets.

NOTE 12 GOODWILL

	2020	2019
Opening balance acquisition values	**174,283**	**145,678**
Additions	13,098	30,282
Reclassifications	–	-4,208
Exchange rates differnces	-3,501	2,531
Closing balance acquisition values	**183,880**	**174,283**
Opening balance impairment	**-8,824**	**-8,552**
Exchange rates differences	537	-272
Closing balance accumulated impairment	**-8,287**	**-8,824**
Net book value closing balance	**175,593**	**165,459**

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NOTE 13 RIGHT-OF-USE ASSETS

2020	Rent of premises	Vehicles	Other	Total
Opening balance acquisition values	73,846	29,581	1,445	104,872
Additions through company acquisitions	1,166	516	–	1,682
Acquisitions	19,347	13,713	24	33,084
Sales/ scrapping	–5,672	–6,108	–263	–12,043
Reclassification	–4,977	5,053	–	76
Translation differences	–911	–484	–2	–1,396
Closing balance acquisition values	**82,799**	**42,272**	**1,204**	**126,275**
Opening balance depreciation	–15,029	–8,913	–400	–24,343
Deprecation according to plan	–14,290	–12,683	–394	–27,367
Sales/ scrapping	2,478	5,442	213	8,133
Reclassification	2,579	–2,579	–	–
Translation differences	210	129	2	341
Closing balance accumulated depreciation	**–24,052**	**–18,604**	**–579**	**–43,235**
Net book value	**58,747**	**23,668**	**625**	**83,040**

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 12.1 million (9.9) is included in the cost of services sold and EUR 15.3 million (13.4) in selling and administrative expenses.

NOTE 14 OTHER INTANGIBLE ASSETS

2020	Trademark	Order-backlog	Customer relations	Other	Total
Opening balance acquisition values	27,781	9,254	66,556	20,833	124,423
Additions through company acquisitions	–	–	2,444	26	2,470
Acquisitions	–	–	–	2,236	2,236
Sales/ scrapping	–	–	–880	–512	–1,392
Translation differences	–312	–87	–898	–87	–1,383
Closing balance acquisition values	**27,469**	**9,167**	**67,222**	**22,496**	**126,354**
Opening balance depreciation	–606	–9,254	–41,404	–9,370	–60,634
Deprecation according to plan	–438	–	–4,812	–1,621	–6,871
Sales/ scrapping	–	–	880	475	1,355
Translation differences	24	87	–953	74	–767
Closing balance accumulated depreciation	**–1,021**	**–9,167**	**–46,289**	**–10,442**	**–66,918**
Opening balance write-downs	–	–	–	–6,574	–6,574
Closing balance accumulated write-downs	**–**	**–**	**–**	**–6,574**	**–6,574**
Net book value	**26,449**	**–**	**20,933**	**5,480**	**52,862**

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**

In the income statement, amortisation of EUR 0.0 million (0.0) is included in the cost of services sold, EUR 6.4 million (6.8) in selling and administrative expenses and EUR 0.5 million (0.7) 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 (0.0).

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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.

	2020		2019	
	Goodwill	**Trademarks**	**Goodwill**	**Trademarks**
Nordics & UK	89,818	5,868	85,599	6,491
Continental Europe	67,525	20,482	60,068	20,575
North America	18,250	99	19,792	108
Total	**175,593**	**26,449**	**165,459**	**27,174**

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 12.3% (11.1) 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 companies be unable to achieve the business plan on which the cash flow calculations are based, this could lead to impairment. The sensitivity analyses carried out, in which reasonable changes in the assumptions made and the estimates of WACC, sales volume and cost trend, have shown that there are healthy margins. The sensitivity analyses are based on a change in one assumption while all other assumptions are kept constant.

NOTE 16 PROPERTY, PLANT AND EQUIPMENT

Property and plant	**2020**	**2019**
Opening balance acquisition value	2,012	2,784
Disposals	–	–776
Translation differences	–4	4
Closing balance acquisition value	**2,008**	**2,012**
Opening balance depreciation	–1,005	–1,703
Depreciation for the year	–6	–43
Disposals	–	742
Translation differences	–4	–1
Closing balance accumulated depreciation	**–1,015**	**–1,005**
Carrying amount closing balance	**993**	**1,007**

Equipment	**2020**	**2019**
Opening balance acquisition value	180,511	161,834
Additions due to acquiring of business	1,260	2,185
Investments	19,531	16,423
Disposals	–6,548	–2,171
Reclassification	–76	226
Adjustments	257	–
Translation differences	–4,524	2,014
Closing balance acquisition balance	**190,411**	**180,511**
Opening balance depreciation	–127,903	–116,064
Depreciation for the year	–13,826	–12,446
Disposals	6,254	2,089
Reclassification	–	–40
Translation differences	2,705	–1,442
Closing balance accumulated depreciation	**–132,770**	**–127,903**
Opening balance write-down	–902	–750
Write-downs	–37	–143
Translation differences	7	–9
Closing balance accumulated write-downs	**–932**	**–902**
Carrying amount closing balance	**56,709**	**51,706**
Total property, plant and equipment	**57,702**	**52,713**

In the income statement, depreciation of EUR 10.8 million (9.9) is included in the cost of services sold, EUR 2.9 million (2.5) in selling and administrative expenses and EUR 0.2 million (0.2) in other operating expenses.

NOTE 17 CONTRACT ASSETS AND LIABILITIES

	2020	**2019**
Contrakt assets		
Opening balance	45,857	44,730
Transfers from contract assets recognised in opening balance to receivables	–41,300	–36,813
Increases as a result of changes in the measure of progress in projects	633,667	591,824
Transfers from contract assets recognised during the year to receivables	–590,591	–556,152
Business combination	638	1,289
Revaluation	–51	678
Translation difference	–513	301
Closing balance	**47,707**	**45,857**
Contract liabilities		
Opening balance	530	369
Revenue recognised that was included in the liability balance at the beginning of the period	–356	–295
Increases due to cash received, excluding amounts recognised as revenue during the period	5,511	5,850
Transfers from contract liabilities recognised during the year to revenue	–5,294	–5,384
Business combination	–	76
Revaluation	–140	–36
Translation difference	–	–50
Closing balance	**251**	**530**

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% (12) of total sales for the year.

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NOTE 18 PREPAID EXPENSES AND ACCRUED INCOME

	2020	2019
Prepaid insurance	1,122	769
Prepaid rent	954	1,022
Prepaid service	2,468	2,471
Leasing	729	979
Personnel related expenses	69	392
Other prepaid expenses	1,493	1,387
Total	**6,835**	**7,020**

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.

	2020		2019	
	Carrying amounts	**Fair value**	**Carrying amounts**	**Fair value**
Current assets				
Accounts receivables	92,488	92,488	97,837	97,837
Other current assets	4,868	4,868	4,558	4,558
Cash and cash equivalents	57,058	57,058	50,612	50,612
Currency derivatives	–	–	–	–
Total assets	**154,414**	**154,414**	**153,004**	**153,004**
Liabilities				
Non-current interest-bearing liabilities	259,885	262,951	255,031	258,756
Shareholder loans	7,083	7,083	6,438	6,438
Non-current lease liability	58,841	58,841	57,589	57,589
Current lease liability	27,178	27,178	24,761	24,761
Trade payables	38,678	38,678	43,219	43,219
Other current liabilities	25,764	25,764	23,735	23,735
Accrued expenses	2,223	2,223	2,376	2,376
Total liabilities	**419,653**	**422,719**	**413,149**	**416,874**

MATURITY DATES FOR FINANCIAL LIABILITIES ARE AS FOLLOWS:

	Book value		Undiscounted cash flow	
	2020	**2019**	**2020**	**2019**
Within 1 year	93,794	92,998	106,440	105,793
Between 2 and 5 years	307,696	301,732	326,693	319,242
After 5 years	18,163	18,419	30,594	30,160
Total	**419,653**	**413,149**	**463,727**	**455,195**

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).

CURRENCY RISK

Currency risk primarily impacts the Group's financial statements through the translation of capital employed and net debt as well as through the translation of earnings in foreign subsidiaries.

The Group's net debt is mainly denominated in EUR (see the table below for a breakdown of net debt by currency).

NET DEBT BY CURRENCY

	2020	2019
EUR	283,586	266,842
SEK	–6,371	3,599
USD	–4,974	190
NOK	4,676	6,119
GBP	–26	5,126
Other currencies	6,485	2,780
Total	**283,376**	**284,656**

TRANSACTION EXPOSURE

The Polygon Group's operations are local in nature and most transactions take place in local markets in the local currency. Since the flow of services between countries is highly limited, the earnings effect is not material for the Group.

TRANSLATION 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 limited. The table below shows the impact of changes in foreign exchange rates on the net assets of subsidiaries in each currency:

	2020	2019
Change in USD rate		
+10/–10%	3,510	2,835
Change in NOK rate		
+10/–10%	2,226	2,475
Change in GBP rate		
+10/–10%	4,671	4,440
Change in DKK rate		
+10/–10%	1,572	1,289

The table below shows the impact of a 10-percent change in the EUR exchange rate against the Group's main currencies on consolidated profit before tax.

	2020	2019
Change in USD rate		
+10/–10%	743	360
Change in NOK rate		
+10/–10%	55	63
Change in GBP rate		
+10/–10%	598	485
Change in DKK rate		
+10/–10%	228	274

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 2020, 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 (2.5), assuming that the Group's duration and funding structure remain constant throughout the year.

The variable rate interest-bearing net liability position for the Group as a whole, including cash and bank balances, was EUR 286.2 million (287.4).

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.

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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 2019 and 2020.

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	2020	2019
Interest-bearing net liabilities (A)	279,123	280,963
Total equity (B)	87,203	88,735
Relation between liabilities and equity (A/B)	3.2	3.2

EUR thousand	2020	2019
Interest-bearing net liabilities including loans from parent company (A)	286,206	287,401
Total equity (B)	87,203	88,735
Relation between liabilities and equity (A/B)	3.3	3.2

IFRS 16 Leases is applied as of 2019.

NOTE 20 INTEREST-BEARING LOANS AND BORROWINGS

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

	2020	2019
Non-current:		
Bond (fixed interest rate)	250,000	250,000
Bond and other loans (floating interest rate)	397	206
Capitalized finance costs[1)]	–3,066	–3,725
Leasing liability (longterm part)	58,812	57,589
Shareholder loan	7,083	6,438
Total non-current liabilities	**313,226**	**310,508**
Current:		
Leasing liability (shortterm part)	27,208	24,761
Total current liabilities	**27,208**	**24,761**
Amount of borrowings	**340,434**	**335,269**

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

BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE:

2020	Derivatives used in hedge accounting	Aquisition earn-outs	Total reported value	Fair value
Valuation category	**Level 2**	**Level 3**		
LIABILITIES				
Long-term liabilities				
Other short-term liabilities	–	12,554	12,554	12,554
Current liabilities				
Other short-term liabilities	–	1,687	1,687	1,687
Total financial liabilities	–	**14,241**	**14,241**	**14,241**

2019	Derivatives used in hedge accounting	Aquisition earn-outs	Total reported value	Fair value
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**

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:

	2020	2019
Financial assets		
Opening balance	–	93
Change market value currency hedge	–	–93
Closing balance	–	–
Financial liabilities		
Opening balance	12,281	3,085
Change acquisition earn-out	1,960	9,193
Closing balance	**14,241**	**12,281**

The average maturity of currency derivatives is six months.

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NOTE 21 CASH AND BANK BALANCES

	2020	2019
Cash at banks and on hand	57,058	50,612
Total	**57,058**	**50,612**

At year-end, the Group had EUR 91.6 million (86.3) available in unutilised loan commitments, for which all covenants have been met.

NOTE 22 ACCOUNTS RECEIVABLE

	2020	2019
Accounts receivables	99,272	103,516
Provision for expected credit loss	–6,784	–5,679
Total	**92,488**	**97,837**

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

AGE ANALYSIS OF ACCOUNTS RECEIVABLE

2020	Account receivables gross	Provisions for expected credit loss	Accounts receivables net
Less than 30 days overdue	22,722	–	22,722
31 to 60 days overdue	8,894	–	8,894
61 to 90 days överdue	5,581	–	5,581
91 to 180 days overdue	6,255	–2,167	4,088
Over 181 days överdue	5,512	–4,617	895
Total overdue accounts	**48,964**	**–6,784**	**42,180**
Accounts receivables within their credit terms	50,308	–	50,308
Total	**99,272**	**–6,784**	**92,488**

2019	Account receivables gross	Provisions for expected credit loss	Accounts receivables net
Less than 30 days overdue	23,271	–	23,271
31 to 60 days overdue	8,387	–	8,387
61 to 90 days överdue	3,815	–	3,815
91 to 180 days overdue	5,371	–	5,371
Over 181 days överdue	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**

PROVISION FOR EXPECTED CREDIT LOSSES

	2020	2019
Opening balance	5,679	5,565
Acquired companies	916	18
Current year provision	845	923
Utilized receivables	–421	–654
Recovered bad debt	–251	–270
Exchange rate differences	16	97
Closing balance	**6,784**	**5,679**

NOTE 23 PLEDGED ASSETS FOR OWN LIABILITIES AND PROVISIONS

	2020	2019
Shares in subsidiaries	491,871	481,011
Other	38,705	27,446
Pledged assets for own liabilities and provisions	**530,576**	**508,457**

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. A number of additional subsidiaries that provide guarantees for their own liabilities for the Group's bonds and associated net assets are presented in the row "Other."

NOTE 24 LEASES

LEASE LIABILITY

	2020	2019
Opening balance	82,350	–
Impact of adoption of IFRS 16	–	71,904
Acquired companies	1,682	6,271
New lease contracts	32,074	25,634
Ended lease contracts	–3,989	–1,044
Interest expenses	3,825	3,512
Repayment lease liability	–28,823	–23,769
Exchange rate difference	–1,103	–158
Closing balance	**86,020**	**82,350**

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

	2020	2019
Less than 6 months	11,466	21,200
6 – 12 months	15,716	14,161
1 – 2 years	21,362	19,648
2 – 5 years	26,197	27,001
Over 5 years	11,279	10,940
Total	**86,020**	**82,350**

UNDISCOUNTED FUTURE LEASE PAYMENTS

	2020	2019
Less than 1 year	29,171	25,509
1 – 2 years	23,791	20,692
2 – 5 years	32,435	29,579
More than 5 years	13,343	13,112
Future finance charges	**98,740**	**88,892**

LEASE OBLIGATIONS

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

	2020	2019
Rent	3,961	4,870
Vehicles	5,006	6,727
Other	25	–
Total	**8,992**	**11,597**

NOTE 25 OTHER LIABILITIES

	2020	2019
VAT	17,256	15,206
Employee withholding taxes	4,723	3,226
Other liabilities	2,098	1,584
Total	**24,077**	**20,016**

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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 2.9 million (2.7) at 31 December 2020. 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.

ACQUISITION OF MINORITY SHARE
In March 2020, the Group acquired the remaining 33.6% of the shares in Polygon A/S in Denmark. Cash consideration of EUR 13.8 million was paid to the non-controlling shareholders. The carrying amount was EUR 11.9 million and the difference of EUR 1.9 million was recognised in retained earnings. An additional EUR 1.3 million was paid in the second quarter. This amount was recognised directly in equity.

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 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 2020 amounted to EUR 8,374 thousand (9,386), of which EUR 221 thousand (1,631) pertained to defined-benefit pensions. The pension cost for defined-contribution pensions amounted to EUR 7,829 thousand (7,504). Expected pension costs for defined-benefit pensions for 2020 amounted to EUR 337 thousand (331).

The higher pension cost in respect of defined-benefit pensions for 2020 is mainly due to the fact that the cost for the preceding year was reduced by EUR 87 thousand as a result of changes to the French pension plan and to the addition of French acquisitions in 2020, which resulted in a higher cost for the year of EUR 12 thousand. The total IAS 19 net debt increased by EUR 563 thousand in 2020. 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) between men and women 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, earnings were charged with a cost of GBP 156 thousand with respect to the recognition of GMP equalisation in profit or loss for 2018 under items affecting comparability. In late November 2020, a further ruling was reached regarding GMP which entailed that the equalisation was to apply from May 1990. This equalisation will take place in the first half of 2021 and no estimate of the impact has been recognised in earnings for 2020 since there was a great deal of certainty as to the levels that existed on the balance sheet date.

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, acquisitions of new companies resulted in a EUR 12 thousand increase in costs compared with the preceding year.

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.

	2020	2019
Summary of pension provisions in the Group		
Long-term defined benefit liability	7,100	6,536
Net liability recognized in the Balance sheet	**7,100**	**6,536**

Pension expenses	**2020**	**2019**
Amounts recognized in the income statement		
Current service cost	228	125
Interest expenses	160	218
Interest income on assets	–64	–92
Expenses, defined benefit plans	**324**	**251**
Expenses, defined contribution plans	7,829	7,504
Amounts recognized in Other Comprehensive Income		
Remeasure of pension obligation	253	1,743
Remeasure of plan assets	–32	–112
Expenses/ (income), defined benefit plans	**221**	**1,631**
Total pension expenses	**8,374**	**9,386**
Amount recognized in the Balance sheet	**2020**	**2019**
Fair value of defined benefit obligation, funded plans	4,300	4,387
Fari value of plan assets	–3,812	–3,793
Net liability recognized in the Balance sheet	**488**	**594**
Present value of defined benefit obligation, unfunded plans	6,612	5,942
Net liability recognized in the Balance sheet	**7,100**	**6,536**

Change in amount recognized in the Balance sheet	**2020**	**2019**
Opening balance, net liability	6,536	5,188
Current service cost	228	125
Net interest	96	126
Remeasurements	221	1,631
Pension payments directy from employer	–95	–107
Employer´s contribution to the pension plan assets	–230	–410
Aquisition / Divestiture	175	–
Effect of changes in foreign exchange rates	169	–16
Closing balance, net liability	**7,100**	**6,536**

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Change in present value of defined benefit obligation	2020	2019
Opening balance, defined benefit obligation	10,329	8,480
Reclassification of special payroll tax	–	–
Current service cost	228	210
Interest expenses	160	218
Remeasurements of pension obligation		
–plan amendment	–	–87
–demographic assumptions	–	–38
–financial assumptions	284	1,618
–experience adjustments	–31	163
Pension payments	–210	–267
Aquisition / Divestiture	175	–
Effect of changes in foreign exchange rates	–23	189
Closing balance, defined benefit obligation	**10,912**	**10,329**

Change in fair value of plan assets	2020	2019
Opening balance, plan assets	3,793	3,292
Interest income	64	92
Return excluding interest income	32	112
Employer´s contribution	324	517
Pension payments from plan assets	–210	–267
Settlements	–	–159
Effect in changes in foreign exchange rates	–220	206
Closing balance, plan assets	**3,783**	**3,793**

Fair value of plan assets	2020	2019
Equities	34%	31%
Bonds	24%	36%
Other, including cash and cash equivalents	42%	33%
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.

2020	Defined benefit obligation	Plan assets	Net liability
Break-down per country			
United Kingdom, funded plan	4,300	3,812	488
Sweden, unfunded plan	5,924	–	5,924
Other countries, unfunded plans[1)]	688	–	688
Total	**10,912**	**3,812**	**7,100**

[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	2020	2019
United Kingdom		
Discount rate	1.50%	1.90%
Inflation	2.50%	2.10%
Future wage increase	E/T	E/T
Furute pension increase	E/T	E/T
Sweden		
Discount rate	1.20%	1.40%
Inflation	1.80%	2.00%
Future wage increase	2.80%	3.00%
Furute pension increase	1.80%	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 995 thousand, corresponding to a debt reduction of 9.1%. A decrease in the discount rate of 0.5 percentage points would increase the pension obligation by EUR 1,137 thousand, corresponding to a debt increase of 10.4%. An increase in inflation of 0.5 percentage points would increase the pension obligation by EUR 757 thousand, corresponding to a debt increase of 7.2%. A decrease in inflation of 0.5 percentage points would reduce the pension obligation by EUR 669 thousand, corresponding to a debt reduction of 6.3%.

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

The weighted average duration of the pension obligation is approximately 19 years.

The Group's expected contributions to defined-benefit pension plans as well as pension payments directly from the employer for the next annual reporting period amount to EUR 332 thousand.

NOTE 28 ACCRUED EXPENSES AND DEFERRED INCOME

	2020	2019
Accrued salary-related expenses	17,841	12,249
Accrued vacation pay	12,894	10,815
Accrued non-received invoices	7,943	5,019
Accrued interest expenses	2,223	2,376
Accrued expenses contracts with customers	6,719	5,850
Other accrued expenses and prepaid income	4,896	4,486
Total	**52,516**	**40,795**

NOTE 29 CONTINGENT LIABILITIES

The Group has no contingent liabilities.

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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 2019	Cashflows	Changes in fair values	Acqusitions	Other	Change in accounting policies	31 December 2020
Non-current interest-bearing liabilities	253,217	-2,527	-	2,105	1,623	-	254,418
Leasing liabilities[1)]	82,349	-26,249	-	1,682	28,232	-	86,019
Earn-outs	12,278	-3,032	-1,364	6,359	-		14,241
Accrued interest expenses	2,231	-10,000	-	-	9,992	-	2,223
Currency derivatives (-asset/+liability)	3	-	-3	-	-	-	-
Total liabilities from financing activities	**350,078**	**-44,382**	**2,458**	**10,146**	**38,593**	-	**356,903**

	31 december 2018	Cashflows	Changes in fair values	Acqusitions	Other	Change in accounting policies	31 December 2019
Non-current interest-bearing liabilities	214,785	40,000	678	206	-2,452	-	253,217
Leasing liabilities[1)]	-	-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**

[1)] See Note 24 Leases for details.

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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, 86.08% 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 presented in Note 20 Interest-bearing loans and borrowings, the Group has loans from Triton of EUR 7.1 million (6.4). During the year, EUR 772 thousand (874) 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 2020 and 2019. For information concerning remuneration to senior executives and the Board of Directors, see Note 9 Salaries, social security expenses and employee benefits.

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-Ostsweiz	Switzerland	CHE-438.878.065	100	100.0%
Nettag AG	Switzerland	CHE-105.859.711	100	100.0%
Lucy Look AG Textilplege	Switzerland	CHE-496.925.450	100	100.0%
Hiotlabs AB	Sweden	559021-1271	75,000	100.0%
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%
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%
Saneringsfirman Hedberg AB	Sweden	556815-1988	500	100.0%
PolygonVatro GmbH	Germany	HRB 10 713	1	100.0%
VDL Verwaltungs GmbH	Germany	HRB 21685	1	100.0%

Subsidiaries	Country	Corporate Identity Number	Number of shares	Share of capital
Polygon Austria Service GmbH	Austria	FN 115034v	75,000	100.0%
Polygon Holding GmbH	Austria	FN 542950g	35,000	100.0%
RENOVO Brandschaden u Wasserschaden Sanierungs Gmb	Austria	FN 230343s	1	100.0%
POLYGON UTG GmbH	Luxembourg	B90664	250	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%
Hydrotech	France	445263734	8,200	100.0%
Aretech	France	379873011	20,000	100.0%
RDF Developpement	France	521982504	1,625	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%
Recotech s.r.l	Italy	FI-605131	0	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	0	100.0%

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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.

	2020	2019
Non-affecting cash-flow:		
Depreciation and impairment of intangible assets	34,277	30,716
Depreciation of tangible assets	13,860	12,489
Disposal/ scrapping of non-tangible assets	–44	–1,077
Changes in provisions and other	–3,900	–338
Total	**44,193**	**41,790**

NOTE 33 SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

After the end of the financial year, PolygonVatro in Germany acquired RecoSan GmbH and SMD Sanierungs-Management GmbH & Co. KG and Polygon France acquired Armor Air Services in January 2021.

NOTE 34 MULTI-YEAR OVERVIEW

	2016	2017	2018	2019	2020
Sales and Net income					
Sales of services	485,282	512,429	619,264	677,080	743,342
Gross profit	25,102	25,438	25,331	34,318	44,246
Net financial income/ expenses	–12,385	–16,946	–14,595	–17,719	–16,964
Income before tax from continuing operations	12,717	8,492	10,736	16,598	27,282
Income taxes	–2,274	–3,024	–4,233	–6,084	–7,273
Net income for the year	**10,443**	**5,468**	**6,503**	**10,514**	**20,009**
Financial position					
Goodwill	104,181	110,942	137,126	165,459	175,593
Other intangible assets	45,561	41,960	53,329	137,745	135,901
Tangible assets	33,251	40,200	46,101	52,713	57,702
Financial assets	23,424	16,744	14,316	15,519	13,770
Contract assets	29,613	28,246	44,730	45,856	47,707
Current receivables	78,425	84,589	98,285	109,556	103,850
Cash and cash equivalents	36,585	42,541	33,192	50,612	57,058
Total assets	**351,040**	**365,221**	**427,078**	**577,461**	**591,581**
Equity	53,373	59,754	75,491	88,734	87,203
Provisions	27,009	21,362	25,085	37,305	36,652
Non-current liabilities	181,282	184,208	214,785	310,509	313,230
Current liabilities	89,376	99,897	111,717	140,916	154,496
Total Equity and liabilities	**351,040**	**365,221**	**427,078**	**577,461**	**591,581**
KPIs					
EBITDA	39,639	40,100	45,316	77,523	92,352
EBITA	30,291	30,114	31,910	40,581	49,661
Adjusted EBITA	32,051	33,022	39,630	44,338	49,833
Adjusted EBITA %	6.6%	6.4%	6.4%	6.5%	6.7%
Net debt	144,647	141,946	180,629	284,755	283,390
Full time employees per year end	2,909	3,279	3,810	4,512	4,886

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.

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NOTE 35 ALTERNATIVE PERFORMANCE MEASURES

EUR thousands	2020	2019
Adjusted EBITDA and EBITA breakdown		
Operating profit (EBIT)	44,246	34,318
Add back depreciations	13,847	12,489
Add back amortisations	34,259	30,716
Operating profit before depreciation and amortisation (EBITDA)	**92,352**	**77,523**
Add back items affecting comparability (IAC)	172	3,756
Operating profit before depreciation and IAC (Adjusted EBITDA)	**92,524**	**81,279**
Operational depreciations	-13,665	-12,333
Operational amortisations	-29,026	-24,608
Operating profit before amortisation and IAC (Adjusted EBITA)	**49,833**	**44,338**

EUR thousands	2020	2019
Operating cash flow breakdown		
Cash flow from operating activities	97,337	62,117
Purchase of tangible assets (net)	-19,531	-16,423
Purchase of intangible fixed assets	-2,236	-2,367
Add back cash-related part of items affecting comparability (IAC)	4,247	4,163
Lease payments	-26,249	-20,460
Operating cash flow incl income tax paid	**53,568**	**27,029**
Add back income tax paid	6,311	4,890
Operating cash flow	**59,879**	**31,918**

ITEMS AFFECTING COMPARABILITY

EUR thousands	2020	2019
Acquisition-related items	588	-2,935
Restructuring	-366	-435
Other, net	-394	-386
Total	**-172**	**-3,756**

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 margin, Adjusted EBITDA, Adjusted EBITA as a percentage of sales revenue

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

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.

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FINANCIAL STATEMENTS PARENT COMPANY

PARENT COMPANY INCOME STATEMENT

EUR thousand	Note	2020	2019
Sales of services	2	3,852	4,055
Total revenue		**3,852**	**4,055**
General administration and sale expenses	3, 4	-3,782	-4,220
Other operating costs	5	-1,020	-208
Operting income		**-950**	**-373**
Finance income	6	4,468	3,707
Finance costs	6	-13,347	-9,223
Income (loss) after financial items, net		**-9,829**	**-5,889**
Appropriations	**7**	4,143	9,253
Income (loss) before income taxes		**-5,686**	**3,364**
Income taxes	8	1,921	-1,759
Net income		**-3,765**	**1,605**

PARENT COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME

EUR thousand	Note	2020	2019
Net income		-3,765	1,605
Comprehensive income		**-3,765**	**1,605**

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PARENT COMPANY BALANCE SHEET

EUR thousand	Note	2020	2019
ASSETS			
Non-current assets			
Non-current financial assets			
Participations in Group companies	9, 13	186,231	186,231
Deferred tax assets	8	2,279	1,110
Receivables from Group companies, interest-bearing	10	95,879	84,365
Total non-current assets		**284,389**	**271,706**
Current assets			
Current receivables			
Receivables, parent company		1,198	731
Other receivables		161	83
Prepaid expenses		12	4
Receivables, Group companies		48,668	75,317
Other short-term investments		10,000	–
Total current receivables		60,039	76,135
Total current assets		**60,039**	**76,135**
TOTAL ASSETS		**344,428**	**347,841**

EUR thousand	Note	2020	2019
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		84,734	88,499
Total non-restricted capital		**91,505**	**95,270**
Total Equity		**91,563**	**95,328**
Non-current liabilities			
Long-term provisions		192	178
Deferred tax liabilities		663	1,444
Non-current financial liabilities, interest-bearing	11	247,210	246,574
Total non-current liabilities		**248,065**	**248,196**
Current liabilities			
Accounts payables		–1	125
Current liabilities, Group companies		84	37
Income tax liabiltiy		608	579
Other current liabilities		243	175
Accrued costs	12	3,866	3,401
Total current liabilities		**4,800**	**4,317**
TOTAL EQUITY AND LIABILITIES		**344,428**	**347,841**

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PARENT COMPANY STATEMENT OF CASH FLOWS

EUR thousand	Note	2020	2019
Operating activities			
Operating income		–950	–373
Cash flow from operating activities prior changes in working capital		**–950**	**–373**
Change in working capital			
Change in receivables and liabilities to Group companies		–235	268
Change in other receivables		–86	173
Changes in other liabilities		430	–990
Cash flow used in operating activities		**–841**	**–922**
Cash flow from financing activities			
Increase in loans		–	40,000
Change of receivables from Group companies		–13,575	–19,182
Capital contribution		–	7,070
Financial income received		4,553	3,788
Financial cost paid		–10,757	–9,177
Cash flow from financial activities		**–19,779**	**22,499**
Cash flow from the year		**–20,620**	**21,577**
Cash and cash equivalents at the beginning of the year[1)]		65,923	44,346
Cash and cash equivalents at the end of the year[1)]		**45,303**	**65,923**

[1)] Cash and cash equivalents is included in the cash pool of the Group and is therefore presentd in Receivables from subsidiaries.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

EUR thousand	Share capital	Share premium	Retained earnings	Total equity
Closing balance per 31 December 2018	**58**	**6,771**	**86,565**	**93,394**
Net income	–	–	1,605	1,605
Closing balance per 31 December 2019	**58**	**6,771**	**88,499**	**95,328**
Net income	–	–	–3,765	–3,765
Closing balance per 31 December 2020	**58**	**6,771**	**84,734**	**91,563**

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NOTES PARENT COMPANY

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 four (five).

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

	2020	2019
Audit assignment (EY)	77	61
Other assignments (EY)	3	6
Total	**80**	**67**

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

	2020	2019
Transaction costs in connection with acquisitions	–54	–134
Currency exchange gains/ losses	22	4
Compensation to former COO (CEO)	368	338
Consultancy costs	684	–250
Total	**1,020**	**208**

NOTE 6 INTEREST INCOME AND INTEREST EXPENSES

	2020	2019
Interest income and other similar transactions		
Interest income, internal	4,468	3,707
Total	**4,468**	**3,707**
Interest cost and other similar transactions		
Interest cost, external	–9,992	–8,532
Interest cost, internal	–76	–146
Exchange rate differences	–1,976	491
Other financial expenses	–1,303	–1,036
Total	**–13,347**	**–9,223**
Net financial costs	**–8,879**	**–5,516**

NOTE 7 APPROPRIATIONS

	2020	2019
Received group contribution	4,143	9,253
Total	**4,143**	**9,253**

In connection with the Parent Company's tax return, an adjustment was made to a Group contribution from Polygon International AB recognised in 2019, whereby EUR 4.2 million was reclassified as dividends.

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NOTE 8 TAX

	2020	2019
Income before taxes	**–5,686**	**3,364**
Tax according to current tax rate for Parent company 21,4%	1,220	–720
Change of deferred tax related to tax loss carry-forward	1,179	564
Non-deductible expenses	–1,258	–1,084
Non-taxable income	–	54
Deferred tax on currency revaluation intercompany loans	782	–510
Others	–1	–63
Total	**1,922**	**–1,759**

As of 31 December 2020, Polygon AB had a gross accumulated loss carryforward of EUR 11.1 million (5.4) (with no maturity date), of which EUR 11.1 thousand (5.1) is recognised as a deferred tax asset of EUR 2.3 million (1.1).

NOTE 9 PARTICIPATIONS IN GROUP COMPANIES

Participation in Group Companies	Country	Corporate Identity Number	Number of shares	Share of capital	2020	2019
Polygon International AB	Sweden	556807-6417	,50,100	100.0%	184,188	184,188
Polygon Finland Holding Oy	Finland	2354769-0	,2,500	100.0%	2,043	2,043
Net carrying value closing balance					**186,231**	**186,231**

	2020	2019
Opening balance	186,231	185,902
Shareholder contribution to Polygon International AB	–	329
Closing balance	**186,231**	**186,231**

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

	2020	2019
Polygon Holding Finland OY	16,400	16,400
Polygon Nederland Holding BV	5,502	5,502
Polygon Norway Holding AS	7,576	10,105
Polygon Restoration Inc	893	854
PolygonVatro GmbH	42,332	32,332
Polygon International AB	–	418
Alvisa 24 AG Region Zürich-Ostsweiz	2,766	2,753
Polygon UK R3 Ltd	15,098	16,001
R3 Polygon UK Ltd	2,200	–
Polygon Holding GmbH	3,113	–
Total	**95,879**	**84,365**

NOTE 11 NON-CURRENT FINANCIAL LIABILITIES

	2020	2019
Bond	250,000	250,000
Capitalized finance costs[1)]	–2,790	–3,426
Total	**247,210**	**246,574**

[1)] Financing costs are allocated over the duration of the loan.

NOTE 12 ACCRUED EXPENSES AND DEFERRED INCOME

	2020	2019
Accrued rent expenses	2,222	2,231
Personnel related expenses	1,634	967
Other accrued expenses	10	203
Total	**3,866**	**3,401**

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	2020	2019
Pledged assets		
Shares in subsidiaries	186,231	186,231
Total assets pledged	**186,231**	**186,231**
Contingent liabiliities	**None**	**None**

NOTE 14 ADJUSTMENT FOR NON-CASH ITEMS IN THE STATEMENT OF CASH FLOWS

	2020	2019
Non-affecting cash-flow:		
Group contributions non paid	–687	9,253
Unrealised currency revaluations	–2,061	580
Total non-cash changes	**–2,748**	**9,833**

NOTE 15 RECLASSIFICATION OF CASH FLOW IN 2019

A reclassification was carried out in the statement of cash flows compared with the amounts recognised in the 2019 Annual Report; see the table below:

	2019	2019*
Cashflow statement line item		
Adjustment for non-cash items included in operating income	–	9,833
Change in receivables and liabilities to Group companies	268	–8,985
Change of receivables from Group companies	–19,182	–19,762

* Reported in Annual report 2019

NOTE 16 RELATED PARTY TRANSACTIONS

The company is under the controlling influence of Polygon Holding AB, the Parent Company of Polygon AB. As of 31 December 2020, 86.08% of Polygon Holding AB, domiciled in Stockholm (556809–3511), was owned by Muha LuxCo S.á.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 0.8 million (0.4) was paid to West Park Management Services Ltd and Triton Partners Ltd as compensation for services rendered and outlays.

Group contributions of EUR 4.1 million (9.3) 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. In 2019, shareholder contributions of EUR 0.3 million were received in connection with a new share issue.

NOTE 17 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 loss for the year of EUR 3,764,397, together with retained earnings of EUR 95,269,570, amounting to a total of EUR 91,505,173, be carried forward.

NOTE 18 SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

In February 2021, Polygon AB loaned DKK 185 million to PolygonDB Holding A/S (Denmark) in conjunction with an internal sale of shares in PolygonDB A/S (Denmark).

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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, 21 April 2021

Lars Blecko	Gunilla Andersson	Evert Jan Jansen	Nadia Meier-Kirner	Jonas Samuelson
/Chairman/	/Board member/	/Board member/	/Board member/	/Board member/

Axel Gränitz
/President & CEO/

Our audit report concerning this annual report was submitted on 26 April 2021
Ernst & Young AB

Henrik Jonzén
/Authorised Public Accountant/

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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 pages 2–57 and pages 65–67 for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 58–64 and 68–96 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 2020 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 2020 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 65–67. 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

VALUATION OF GOODWILL AND TRADEMARK

DESCRIPTION

In the Group's balance sheet as per December 31, 2020 the reported value of Goodwill and Trademarks amounts to EUR 202 million, which equals 34 % 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 2020 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 them growth rate. We have also audited the disclosures in the annual report.

REVENUE RECOGNITION

DESCRIPTION

Sales of services for 2020 amounts to EUR 743,3 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 audited the disclosures in the annual report.

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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.

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 2–57 and pages 65–67. 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 2020 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 65–67 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 2020 and has been the company's auditor since the 7 February 2011.

Stockholm, 26 April 2021
Ernst & Young AB

Henrik Jonzén
Authorized Public Accountant

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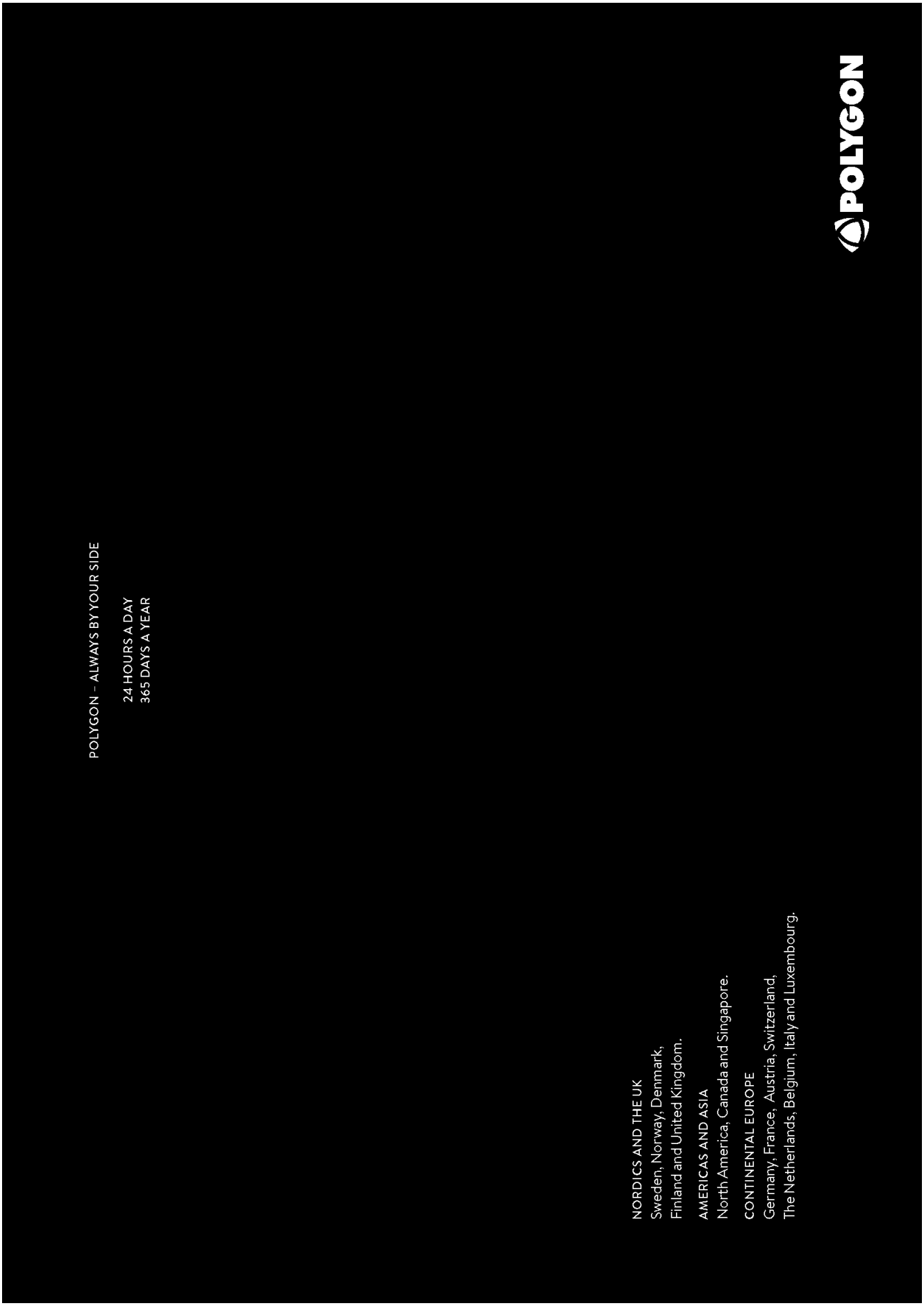
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