
ANNUAL
REPORT
2018
ALWAYS BY YOUR SIDE.
POLYGON

CONTENTS

OUR MISSION

Everyone who owns a property wants to avoid damage caused by fire, water or humidity. To prevent and control is a good start. But sometimes damage still occurs. And when it does – fast and efficient mitigation is a must. This is why Polygon exists. We prevent, control and mitigate. And our customers know that we are always by their side.

Driving transformation in property damage control
Polygon is a major worldwide player in property damage control, providing solutions to prevent, control and mitigate all kinds of property damage. The basis for our success is our 4,000 committed employees, guided by a strong corporate culture. We see ourselves as the new generation of Property Damage Control specialists – determined to drive industry transformation.

WATER

FIRE

CLIMATE

POLYGON IN BRIEF

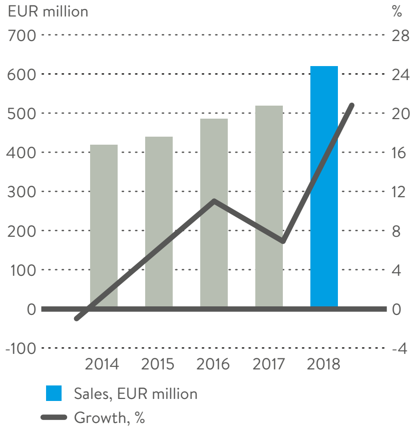
300,000	619	3	13
YEARLY ASSIGNMENTS	MILLION EUR SALES	CONTINENTS	COUNTRIES
300	4,000	24/7	60+
DEPOTS	EMPLOYEES	SERVICE	YEARS' EXPERIENCE

SUMMARY FINANCIAL YEAR 2018

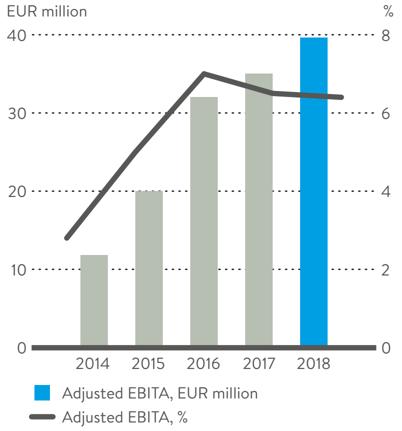
EUR m	2018	2017
Sales	619.3	512.4
Sales growth, %	20.8	6.9
EBITDA	45.3	40.1
EBITDA, %	7.3	7.8
Adjusted EBITDA	53.0	43.0
Adjusted EBITDA, %	8.6	8.4
EBITA	31.9	30.1
EBITA, %	5.2	5.9
Adjusted EBITA	39.6	33.0
Adjusted EBITA, %	6.4	6.4
Cash flow from operating activities	31.2	40.7
Net debt	180.6	141.9
Full-time employees	3,810	3,279

2017 figures have been restated for implementation of IFRS 15 Revenue from Contracts with Customers.
Figures for assignments, depots, employees and sales are approximate.

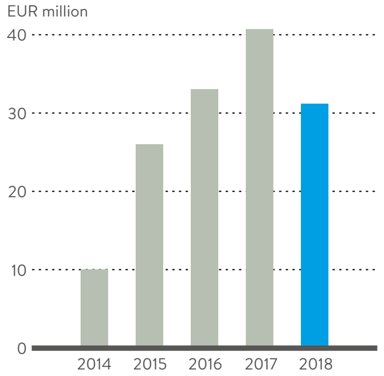
SALES AND GROWTH



ADJUSTED EBITA



CASH FLOW FROM OPERATING ACTIVITIES



HIGHLIGHTS FROM 2018

- Polygon's growth during 2018 was fuelled by a high rate of acquisitions, proving our ability to execute our strategic Buy and Build agenda. Read more about our acquisitions on page 15.
- Polygon was awarded Platinium status by Investors in People (IIP), for being an appreciated employer and workplace, and also for our engagement in sustainability work.
- Refinancing via placement of bond of EUR 210 Millions.
- Polygon in Norway and colleagues from Polygonvatro Germany conducted a successful clean-up and restoration after a fire at Gardemoen airport.
- Two new franchisees were added in Canada.
- After a large fire at an industrial complex, Polygonvatro Germany and Polygon Denmark demonstrated superior cross-border teamwork.
- Polygon UK and Ireland was awarded the highest status in Achilles, a highly regarded supply chain audit standard focused on risk, sustainability and business performance.
- Polygon UK and Ireland was named as a global leader in people management practice, having been shortlisted in the Platinum Employer of the Year 250+ category in the Investors in People Awards 2018.
- The Spark App, which rationalises communication in the property management sector, was launched in Sweden.
- Axel Gränitz was appointed as CEO of Polygon Group.
- Polygon Netherlands became the country's first climate neutral restoration company.
- The annual employee surveys showed steady improvements and employee satisfaction.

Photo: The Wind Energy service area was introduced in Germany in 2017 and has continued to develop very strongly.

A STRONG YEAR FOCUSED ON GROWTH

During 2018, Polygon continued to demonstrate the strengths of our strategy and our sustainable business model. Our financial performance was excellent, and growth exceeded 20 percent. In fact, we have out-stripped the market for several years in a row when it comes to growth. This means that our customers continuously entrust us with an increasing portion of their damages.

In recent years, we have meticulously executed on our four-step strategic journey. After having worked intensively with Structure & Culture and getting the right organisation in place, we went into a period of hard work to further optimise Quality & Consistency in our service delivery during 2016 and 2017. These two steps represent the creation of a solid company foundation.

The next two steps – Segments & Solutions and Buy & Build – are all about growth. That's what we have been focus on during 2018. At the end of 2017, we started to concentrate on the Segments & Solutions phase, which meant entering new customer segments and developing new solutions to even better respond to customer needs. This focus has continued during 2018. The achievements are several, and two examples are increased business within the cross-border Major & Complex Claims area and the release of the Spark app, which provides information and improves communication between residents and property managers.

The fourth and final step, Buy & Build, is all about capitalising on our size and capacity in the fragmented market, through acquisitions of smaller and mid-sized damage restoration companies. In line with the Buy & Build strategy, we have successfully realised more than ten acquisitions during 2018, including Neways Property Care in the UK, Caliber Sanering and Refix Skadesanering in Sweden, and Dansk Bygningskontrol in Denmark. We see ourselves in a position to use our know-how in Buy & Build and implementation to expand our activities to other countries in the future. In January 2019, we delivered on this ambition when we signed an agreement with a leading Swiss company to enter a new country for Polygon. Alvisa 24 is specialised in Fire Damage Restoration and Major & Complex Claims and adds 67 employees and sales of EUR 11 million.

With each acquisition, we work through the foundation, implementing the Polygon structure and culture. For this reason, we held Polygon Academy training specifically for newly acquired companies. The training, which was originally launched in 2016, introduces management to the Polygon Model, shares best practices and provides inspiration to become a true part of our Group philosophy.

CONTINUED FAVOURABLE MARKET TRENDS

Insurance companies continue to drive the market in favour of large service providers like Polygon. Digital tools, a high level of professionalism, project management skills, a one-stop-shop service, and capacity of scale and reach are qualifications that favour Polygon. We are the undisputed market leader in Europe with a market share of approximately 10 percent, with the number two being only half our size. Our geographical footprint, national coverage, complete service range and financial power continue to be noticeable benefits.

I have worked in the professional services sector for many years, and my firm belief is that the quality of the services is all about the people. Since my start in 2018, I learned that Polygon has the best possible position in this area. We have great people on board – people who know how to respond to a customer, who are empathetic, who excel in professionalism and who work in line with the Polygon model from A to Z. I want to assure and safeguard this strength since it is absolutely crucial for the growth phase we have now entered.

Polygon will continue to lead industry transformation through digitalisation initiatives and consolidation of the fragmented market. The company is in great shape for further advancing the damage restoration industry, and the Polygon employees form the right team to lead the way forward for Polygon.

Thank you,

Stockholm in February 2019

Axel Gränitz
CEO & President Polygon Group

ACQUISITIONS

Denmark
The acquisition of Dansk Bygningskontrol was completed and takes Polygon closer to market leadership in Denmark. The acquisition added 230 employees and annual sales of EUR 29 million.

Germany
Von der Lieck, a well-established company in western Germany, was acquired and added 25 employees and annual sales of EUR 4 million. The company offers both drying and leak detection services.

Norway
Minority shares in four franchisees were acquired, with call options for 100 percent ownership. In July, two of the call options were used and the franchisees in Drammen and Kongsberg became 100 percent owned subsidiaries.

Sweden
With the acquisition of Caliber Sanering, adding 11 employees and sales of EUR 1.8 million, Polygon expanded into fire damage restoration in Sweden, meeting the growing demand for one-stop shopping. The fire service line was also strengthened via the acquisition of Refix Skadesanering, adding 30 permanent employees and annual sales of EUR 3.2 million.

The acquisition of Stockholm-based Metodia added expertise in moisture measurement and safety, and strengthened the position in the construction customer segment in Stockholm.

UK
Neways Property Care was acquired, enabling Polygon to offer a full service of property damage repair and restoration in the country. The acquisition added 54 employees and annual sales of EUR 6.1 million.

Group
As a way to strengthen the digital offering with new Internet-of-Things solutions for property damage prevention, control and mitigation, minority shares of Caption Data were acquired.

CAREFULLY SELECTED ACQUISITIONS INCREASE POLYGON'S GLOBAL FOOTPRINT

To grow by acquisitions (Buy & Build) is the last step in Polygon's strategic four-step agenda, and a necessity in order to approach the long-term target of being number 1 or 2 in each country of operation.

This strategy is about capitalising on our size and capacity by acquiring carefully selected companies within our industry. Our position in each individual market determines which type of acquisition may be relevant.

In 2018, for example, we acquired Neways Property Care in the UK in order to be able to develop a one-stop shop for our customers. This acquisition enables insurers to benefit from a fully joined up, in-house restoration model, shortening claims, eliminating costs and improving the customer claim journey. In Sweden, the acquisition of Caliber Sanering and Refix Skadesanering meant service line expansion into fire damage restoration, supporting the ambition to develop national fire damage restoration services.

With each acquisition, we work through the foundation, implementing the Polygon structure and culture.

2018 was a very productive Buy & Build year as we successfully acquired companies in six countries – Denmark, Germany, Norway, Sweden and the UK. In addition, we entered a new market early 2019, when we acquired Alvisa 24 in Switzerland.

FAVOURABLE MARKET DYNAMICS

The damage control industry is fragmented but undergoing professionalisation and consolidation. Driving forces are industry transformation via digitalisation, supply chain centralisation, intensified sustainability focus and an increasing number of extreme weather events. Scale and resources are becoming increasingly important. For Polygon, the market dynamics are very favourable.

Polygon operates in a low-cyclical market, with stable demand for must-have services. Damage needs to be repaired, the faster the better. In general terms, there is stable and low-cyclical demand for Property Damage Control services, driven by insurance claims. These are basically resilient to downturns in the general economy.

The European property damage restoration market is estimated to be worth around EUR 5 billion and has been growing by 1–3 percent per year. The total number of restorable residential and commercial properties continues to increase, as does the average value of these properties, which in turn results in more claims for damages.

A FRAGMENTED MARKET UNDERGOING RAPID CHANGE

The property damage control industry is highly fragmented, but is undergoing professionalisation, with Polygon as one of the frontrunners. As the market is consolidated, barriers to entry are also raised.

Polygon's ambition is to be the number 1 or number 2 operator in each country where we are active. In Europe, for example, we are the undisputed market leader, but our overall market share is still only around 10 percent. There is only one other player that can claim to be European, and Polygon is more than twice as big as this competitor on this continent. This means that there is great potential for growth, both organically and via acquisitions – and Polygon is in the position to drive consolidation in the business. Around 80 percent of all property restoration jobs in Europe are assigned to small local companies that cover only a limited geographical area.

There are around 1,000 small regional and local competitors to Polygon. These companies are typically not awarded framework contracts with large insurance companies.

INDUSTRY COOPERATION DRIVES PROFESSIONALISATION

We are driving hard to make our industry more mature and professional. To achieve this, we cooperate with industry associations and partners. We strive to develop quality standards, ethical business practices, environmental initiatives and better conditions for everyone working in our business.

SIZE AND CAPACITY ARE DECISIVE

Around 95 percent of Polygon's business is related to predictable damage following a seasonal pattern. This includes water leaks and fires that are not related to weather. The remaining 5 percent is driven by more extreme events, such as storms and floods.

These are, of course, less foreseeable and can be volatile within a country or a region during a specific period. For the last 35 years, the number of major weather events has constantly been increasing. As a consequence of climate change, this trend is likely to continue. For example, the 2018 Atlantic hurricane season started earlier than usual and had unusually many simultaneous hurricanes. For Polygon's operations in the US, the storms Florence and Michael led to several unforeseen assignments during the autumn.

The frequency of property damage can vary depending on circumstances beyond Polygon's control, the outdoor temperature and the weather. It follows that scale and resources are important and decisive. Polygon stands strong in this perspective since we are a big, flexible cross-border player with a large stock of dehumidifiers, fans, heaters and other types of equipment under one roof at our Eurostock in the Netherlands.

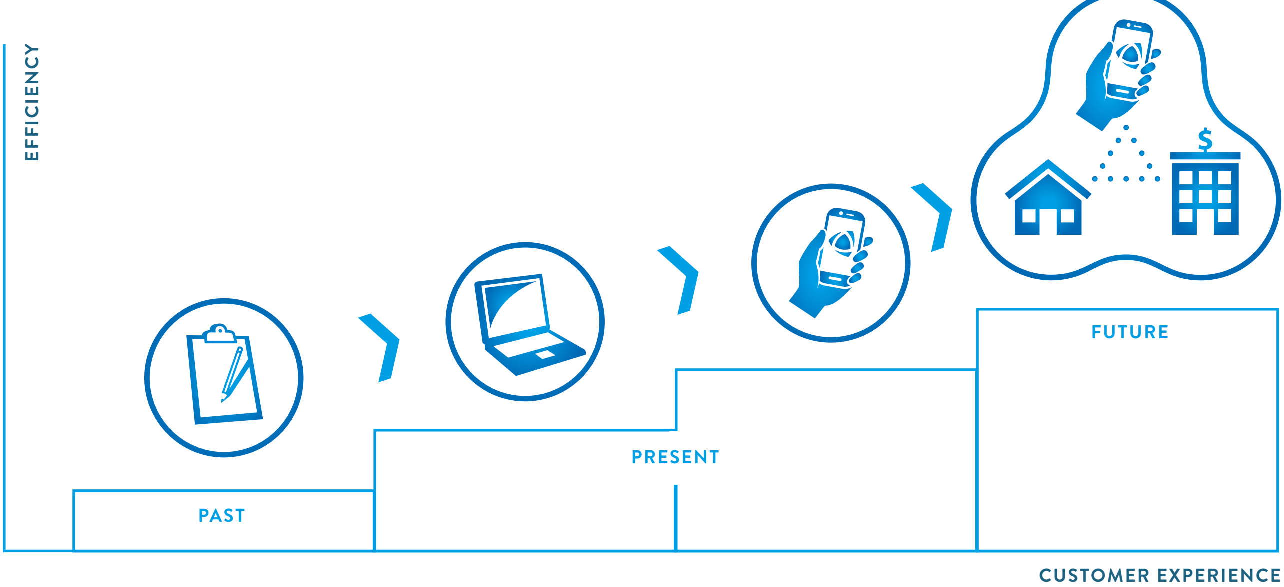
INCREASED DEMAND FOR PROFESSIONAL ONE-STOP-SHOP

Insurance companies prefer suppliers with flexible capacity that can manage the entire damage restoration process. The demand is ever-increasing in the areas of digital capabilities, increased professionalism, project management skills, preference for one-stop shops and the centralisation of procurement. As they are increasingly focusing on fewer suppliers and more framework agreements, this is another trend that favours large service providers such as Polygon.

DIGITALISATION PLAYS A KEY ROLE

Digitalisation is a strategic priority for boosting our internal efficiency and employee satisfaction. It is no longer mainly a means for cost cutting, and digital solutions now help us excel in our daily work, improve customer interactions, increase internal communication, facilitate acquisitions and integration processes, and much more.

STREAMLINING DAMAGE CONTROL



Customers want to be in better control through greater transparency and real-time documentation. Reduced administration and faster handling are key issues. Being at the forefront of digitalisation is important for customer satisfaction, and Polygon has high ambitions in this area and has already launched a system for Field Service Management, a state-of-the-art intranet and a collaboration app for property management companies.

SUSTAINABILITY IS BECOMING A NECESSITY

Sustainability – and especially adaption to, and prevention of, climate change – is an all-embracing trend in society today. With the mission to preserve and restore value, the damage control industry fits well into this challenge, since our business naturally contributes to reducing the use of finite resources. Polygon's size and capacity are great advantages when it comes to responding to increased sustainability requirements from customers, employees and investors. Our ambition is to help customers achieve their sustainability goals, and we welcome high sustainability requirements in procurement processes. In addition, we want to integrate sustainability into every aspect of our business, and have therefore developed a responsibility programme, described on page 38.

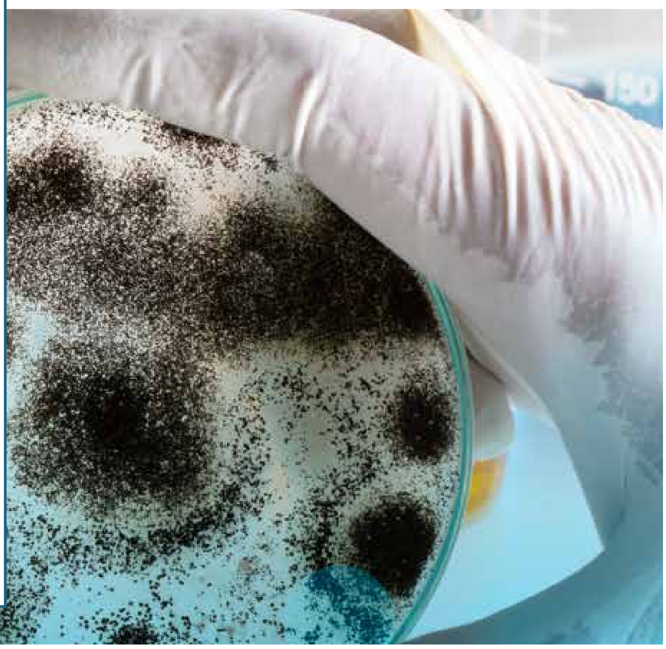
A WIDE RANGE OF CUSTOMERS

Polygon handles approximately 300,000 touch points every year. These jobs span from minor EUR 200 orders to major projects with order values exceeding EUR 10 million.

Our business portfolio is characterised by low single-customer dependency combined with strong relationships with blue-chip insurance companies. These constitute around two-thirds of our business and are stable, long-term relationships reinforced by the ongoing integration of IT systems to form solid and long-term partnerships. Polygon is the preferred supplier of many well-known enterprises and is growing organically inside this prestigious customer base. Sales to our ten biggest customers increased by 26 percent in 2018.

Construction, industry and property management companies are also large customers for Polygon. These account for around 32 percent of our total sales and are growing in importance.

The customers are grouped into segments, with jobs graded according to complexity. A low-complexity job typically involves only one service line and no project management. A medium-complexity job may require more than one service line, including project management and several site visits. Complex jobs usually have a higher order value and require multiple service lines, many technicians and often the use of subcontractors.



COMPANY DAYS IN UK STRENGTHEN CORPORATE CULTURE

The UK operation is a role model when it comes to employee communication and ensuring that every colleague understands and delivers the company's goals and culture.

"With a team of over 450 employees based all over the country, continuous communication is vital to have well trained people delivering consistent services everywhere, living Polygon's values," says Jeremy Sykes, Managing Director Polygon UK & Ireland.

At least once a year the senior management travel around the country over the course of two weeks in order to meet up with every employee. Meetings with groups of colleagues – usually between 25 and 45 – are held, and employees are encouraged to challenge and ask questions. Everything from, "Why are we tracking van fuel economy and driving style?" to, "What is the impact of Brexit?". The ambition is to have an open climate, and the managers share in-depth information about business results, investments and future priorities. These so-called company days are arranged after the Polygon Group's yearly management conference and serve as an important complement to day-to-day information, continuous team meetings, the annual performance review and the employee survey.

"Written information is valuable, but there is no substitute for meeting, shaking hands, sharing a sandwich, sharing the successes and challenges, and saying thank you," Jeremy Sykes, Managing Director Polygon UK & Ireland, comments.

THE GLOBAL EXPERT IN PROPERTY DAMAGE CONTROL

Polygon's core business is to be the global expert in property damage control, with the mission to prevent, control and mitigate the effects of water, fire and climate.

A COMPLETE RANGE OF SERVICES

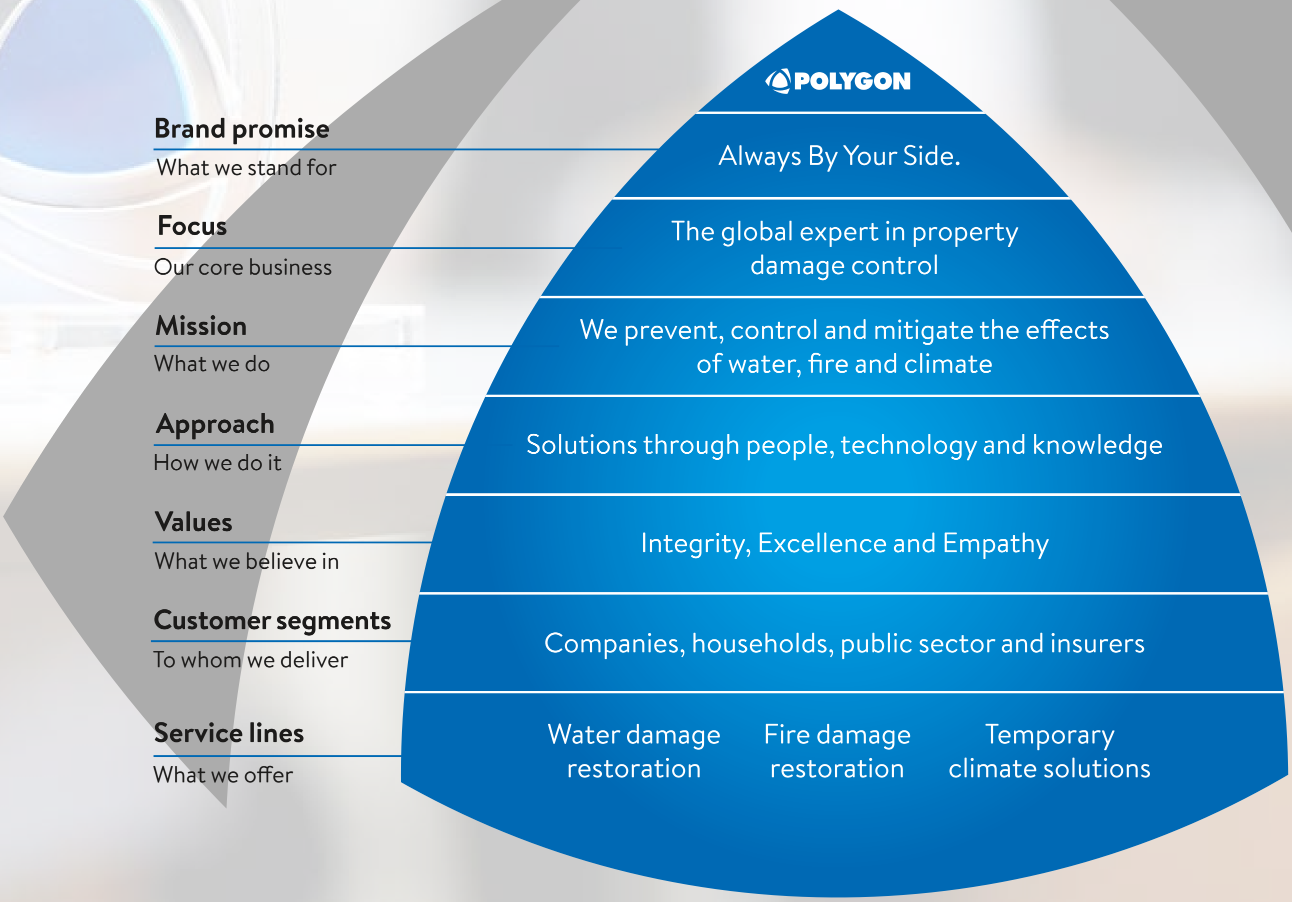
We offer a complete range of services to meet the needs of all our customers – from households and companies to insurers and the public sector. Having a clear focus and being a dedicated specialist in our industry enables us to deliver a unique offering.

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

Every year, we complete more than 300,000 assignments. The experience and insight we gain from this are what drives our continuous development.

CUSTOMER FOCUS AND LOCAL PRESENCE

Our brand promise, Always By Your Side, reflects what our customers can expect from us. It goes beyond our service offering. Adding an extra dimension to our deep customer involvement. Our strong local presence, backed by our global strength, enables us to be close to our customers. We are there when they need us the most, so that they can get on with their lives and businesses. We deliver on our promises by applying our core values of Integrity, Excellence and Empathy in everything we do.



A GROWTH-FOCUSED STRATEGY

Polygon's long-term strategy has been based on a four-step agenda, with the first two steps about getting the house in order. From 2018 and onwards, the focus has been more commercial, and aimed at growth and increasing sales. During 2014–2017, the first two steps – Structure & Culture and Quality & Consistency – were implemented at all levels and in all units of the Group.

Today, the company is powered by our well-established business philosophy – the Polygon Model – and is characterised by a distributed organisational structure in which local entrepreneurship is a driving force. All our employees are guided by a strong corporate culture. Quality and consistency are best-in-class and constantly measured. It is fair to say, that by now our house is in very good order.

We have now entered the growth phase of our four-step journey. Our aim is to substantially increase sales, while at the same time continuously maintaining and improving what we have created.

To pave the way for success, we have six strategic focus areas connected to our four-step journey.

- Structure & Culture (build a better business and focus on people and culture)
- Productivity & Service Delivery (improve operations)
- Portfolio Development (increase share of wallet with our key account customers)
- New Segments & Solutions (grow property management and commercial insurance)
- Cross-Border Solutions (sell and deliver major and complex claims)
- Buy & Build (grow by acquisitions)

STRUCTURE & CULTURE

Build a better business

By operating in close teamwork and taking advantage of all the knowledge there is in our worldwide Group, we continuously improve our business practices. We have tools and

routines for sharing information and knowledge in a structured way, and we are eager to implement best practices.

In a decentralised service and geographically diverse company like ours, it is extremely important to have a clear business philosophy, a common set of management principles and guiding core values. We call this framework the Polygon Model, and we have been working with it since 2015.

With 4,000 employees working in different locations, internal communication tools and common processes are vital. We arrange annual leadership conferences, provide a management training programme, collaborate across borders and develop Group-wide systems such as our Field Service Management system. In 2018, our state-of-the-art intranet was nominated for Best Intranet of the Year at the Episerver Website Awards.

Focus on people and culture

Polygon's primary resources are our people, and their dedication and knowledge form the basis for success. All employees are guided by a strong corporate culture based on cause and effect: happy people – happy customers – happy owners. This constitutes the foundation for the way we act and work, and is a prerequisite to create a long-term profitable business.

We have developed an extremely strong and solid corporate culture. This sets us apart from the competition. The corporate values – Integrity, Excellence and Empathy – are a guide in everything we do. This goes for our long-standing employees as well as for the new people we employ or who join our Group through acquisitions.

INTERNAL COMMUNICATION TOOLS AND COMMON PROCESSES ARE VITAL.

We work hard to maintain and further develop this culture, supporting what works well and improving what can be made better. In connection with each new acquisition, a process is promptly initiated to pilot new colleagues into Polygon's culture and way of working. Some of the senior executives of the newly acquired companies have undergone a year-long executive training programme through the Polygon Academy, focusing on building a strong corporate culture and the development of leadership skills.

PRODUCTIVITY AND SERVICE DELIVERY

Improve operations

The Polygon Model is deeply rooted among our employees, and efforts are made on a daily basis to maintain, integrate and develop our way of working. Still, it is a constant job and a never-ending process. Especially since Polygon is growing partly by acquisitions, meaning that we continually gain new colleagues from different parts of the world. This responsibility

OUR STRATEGIC JOURNEY

STEP 4
Buy & Build

STEP 3
Segments & Solutions

STEP 2
Quality & Consistency

STEP 1
Structure & Culture

4 Buy & Build
– Grow by acquisition

3B Cross Border Solutions
– Sell and deliver Major & Complex Claims

3A New Segments & Solutions
– Grow Managed Property and Commercial Insurance

2B Portfolio Development
– Increase share of wallet with our key account customers

2A Productivity and Service Delivery
– Improve operations

1 Structure & Culture
– Build a better business
– Focus on people & culture

lies with our unit managers in their day-to-day management of the business. Efficient and lean processes, digitalisation and highly engaged employees are the core productivity drivers.

We follow our progress through performance indicators. We see steady progress, but there is always room for improvement. We need 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.

The digital agenda was boosted during 2018 via several initiatives. We have continued to develop and implement our Field Service Management system and our strong platform for integration with customer systems called PolyFlow. The latter increases our productivity and ensures improved quality. We already have customers with systems in place for automated claims, and we have created a digital service solution for property managers and their customers (the so-called Spark app) that will allow claims in the property management operations to be handled smoothly.

In early 2018, we bought a minority share in Caption Data, which has been involved in Internet-of-Things (IoT) solutions for Polygon since 2011. Together, we work to provide visibility of moisture levels in damp properties. This provides information to all parties in an insurance claim, without having to visit a site. We supply this as a service in new-build applications too, where moisture levels are critical.

POLYGON HAS DEVELOPED AN OUTSTANDING CORPORATE CULTURE.

PORTFOLIO DEVELOPMENT

Increase share of wallet with our key account customers

As the industry leader, our key account customers expect us to drive the development of more effective end-to-end solutions. Our joint ambition is therefore a complete redesign of the value chain – and it is all about digitalisation. We have implemented a Field Service Management system with the aim to automate processes and facilitate seamless integration with insurers and multiple other external systems. The basic objective of the system is to achieve transparency and trust. Thus, the insurer's willingness to place a larger portion of the business at Polygon increases.

With our PolyFlow integration platform, we are the first company in our industry to integrate our Field Service Management system with several of the leading customer portals. This enables us to deliver no-touch claims together with leading insurers and other customers. One of the insurance companies that has come the furthest in this area is Gjensidige in Norway. The PolyFlow advantages empower Polygon with attractive growth opportunities within the existing customer base and help us seize the opportunities to become a strategic partner.

NEW SEGMENTS & SOLUTIONS

Grow managed property and commercial insurance

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

A new online application was developed and launched during 2018 – Spark. This is a digital service solution for property managers and their customers. Spark offers property managers and their tenants digitalised service updates and information about the claims process. Integrated and updated directly from Polygon's systems, it is an informative and interactive front-end solution with great benefits throughout the claim lifecycle. With Spark, Polygon can resolve issues in a completely new and faster way, and all stakeholders benefit from this integrated value chain. As a first step, Spark was launched for a major Swedish cooperative housing company during 2018, and it is currently being rolled out in several parts of Sweden. The plan is to launch Spark in Austria, the Netherlands and Finland during 2019.

During 2018, we also accelerated our effort to better predict and thus avoid damage by using the advantages of IoT. Through internet-connected sensors (measuring humidity, vibrations, etc) in both commercial and residential buildings, we can predict and alleviate damage. The technology protects our customers' assets while increasing our addressable market, since restoration will increase at the expense of new construction. Escape of water claims are a core area of focus for insurance companies as costs continue to rise. By providing solutions that recognise water usage and can tell the difference between a leak and normal usage, action can be taken early to alert the property owner of a potential problem or to shut off the water supply automatically. Polygon has been working with various suppliers in the UK to develop smart prevention solutions and is now piloting some of them with the UK's largest insurers of domestic and commercial properties.

CROSS-BORDER SOLUTIONS

Sell and deliver major and complex claims

The efforts to leverage the strength of our competence centres for Major and Complex Claims (M&CC) and Document Restoration have seen good progress during the year. M&CC has increased its revenues by 30 percent in three years. Polygon has the qualified employees, the state-of-the-art technical equipment and the emergency supplies needed to promptly deal with large incidents and minimise the consequences. Continuing to extend the geographical scope for M&CC is strategically important.

During 2018, cross-border activities have increased substantially, including several large projects across Europe, and increased awareness has been achieved through customer events in the majority of our countries. In close cooperation, these dedicated teams of professionals can instantly mobilise the resources needed to help industries and other large-scale facilities quickly get back into business after a disaster.

A good example of how the German competence can contribute in other parts of the world is the handling of a major fire at the Norwegian Gardemoen airport in March 2018. Polygon Oslo Nord was called in and was able to achieve a highly successful clean-up and restoration together with colleagues from other parts of the Group. To ensure the best possible results in restoring all the advanced technical equipment, specialists in major and complex damage from Polygonvatro in Germany were engaged.

BUY & BUILD

Grow by acquisitions

Our acquisition strategy is ambitious. The long-term target is to be number 1 or number 2 in each country of operation. Potential acquisitions must be active in areas closely connected to Polygon's core businesses. We provide both controlled integration into our business systems and additional opportunities for acquired companies.

Starting with acquisitions in 2017, Polygon stepped up the efforts in 2018 and successfully acquired companies in five countries – Denmark, Germany, Norway, Sweden and the UK.

With the acquisition of Caliber Sanering and Refix Skadesanering, the service portfolio in Sweden expanded into the fire damage market. This is well in line with the growing demand among insurance customers for one-stop shopping. Another strategically important highlight was the acquisition of the well-respected chartered building company Neways Property Care in the UK. This acquisition enables us to provide UK-based insurance customers with a comprehensive offering of restoration and repair services.

The acquisitions of Dansk Bygningskontrol in Denmark (2018) and Skadegruppen in Norway (2017) have made Polygon the largest company within the property damage restoration industry in the Nordic region. Simultaneously, our leading position in Europe is strengthened.

The most substantial acquisitions during 2018 were Dansk Bygningskontrol with annual sales of EUR 29 million, Neways Property Care in the UK with annual sales of EUR 6.1 million, and Von der Lieck in Germany with annual sales of EUR 4 million.

INCREASED SALES AND CLOSE RELATIONSHIPS WITH LARGE CUSTOMERS

Strengthening relationships with key account customers, and increasing share of wallet, is an important part of Polygon's strategy. In 2018, the German and Norwegian operations have shown great results, including the following.

NEW APPROACH IN GERMANY

In recent years, Polygonvatro Germany has significantly increased its sales to insurance companies thanks to a strategic approach to key account management. From having previously worked primarily with the insurance companies' central units, Polygonvatro Germany has enlarged its focus on local sales and support the branches to build more relationships as well. Polygonvatro Germany currently has all major insurance companies in Germany as customers, and most have framework agreements. Most of these customers have grown significantly over the years due to certain success factors.

"We are considered high quality in the business, a good sales network and we prioritise building long-term relationships. These are the main reasons why we have succeeded so well. In addition, we are good at teamwork on all levels and at inspiring each other," says Christian Mayer, Key Account Manager at Polygonvatro Germany.

EXTENDED COOPERATION IN NORWAY

Another great example of portfolio development from 2018 is the contract that Polygon in Norway won with insurance company Storebrand. The contract covers all of Storebrand's damage restoration in Norway, runs for at least three years, and makes Storebrand Polygon's third largest customer in Norway. Polygon will assist the customer with everything from water, fire and smoke damage repair to oil spill clean-up and other environmental damage.

A decisive factor in the choice of Polygon was the companies' shared ambition to reduce environmental impact. In line with this, a study is currently ongoing into how to replace parts of the fleet with plug-in electric vehicles.

CROSS-BORDER COOPERATION HELPED A DANISH CUSTOMER

Thanks to successful cooperation between Polygon in Denmark and Polygonvatro in Germany, an intensive damage restoration effort could be carried out at a large industrial complex in Denmark that was severely impacted by fire.

Once the firefighters had the blaze under control, it was clear that far-reaching measures would be necessary to salvage the machinery. The insurance company contacted PolygonDB and they, in turn, contacted Polygonvatro in Germany as they understood that the assignment would demand enormous resources. Everything went according to plan and the customer, the insurance company, was more than satisfied.

"After our success in saving all of the machinery and finishing the job on schedule, I feel confident that PolygonDB and Polygonvatro Germany can look forward to more collaborative assignments in Denmark," Michael L. Mølgaard, Claims Process Manager at PolygonDB concludes.

HOW WE WORK – THE POLYGON MODEL

Polygon is a decentralised service company with a distributed organisation and a strong base of unit managers, for whom local entrepreneurship is the foundation for success. We have a clear business philosophy and a set of management principles that guide us in our daily work. We call it the Polygon Model. It contains everything needed to position us as the global expert in property damage control. And it gives us a solid base to lead industry transformation.

THE VALUES – OUR FOUNDATION

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

Integrity means that we are honest, accountable and reliable.

Excellence means that we are experts and knowledge leaders, that we strive for continuous improvement and apply best practices.

Empathy embodies our understanding of our customers' situations, our desire to be helpful and that our people make the difference.

THE METHOD – A SET OF MANAGEMENT PRINCIPLES

The Method is our principles that unit managers follow in their day-to-day management of the business.

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

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

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

Manage our Risks represents our way of identifying the most significant risks to create awareness and avoid threats to our business. The key risk areas are finance, IT, contracts and assignments, human resources and governance.

Advance our Industry is about our responsibility to promote good working terms and conditions for our employees, while striving to ensure that our competitors meet the same standards. As an industry leader, we feel a strong sense of

OUR GOAL IS TO PROVIDE THE SAME EXPERIENCE TO ALL OUR CUSTOMERS.

responsibility to drive this development and we are convinced that it will benefit our whole industry, our employees and our customers.

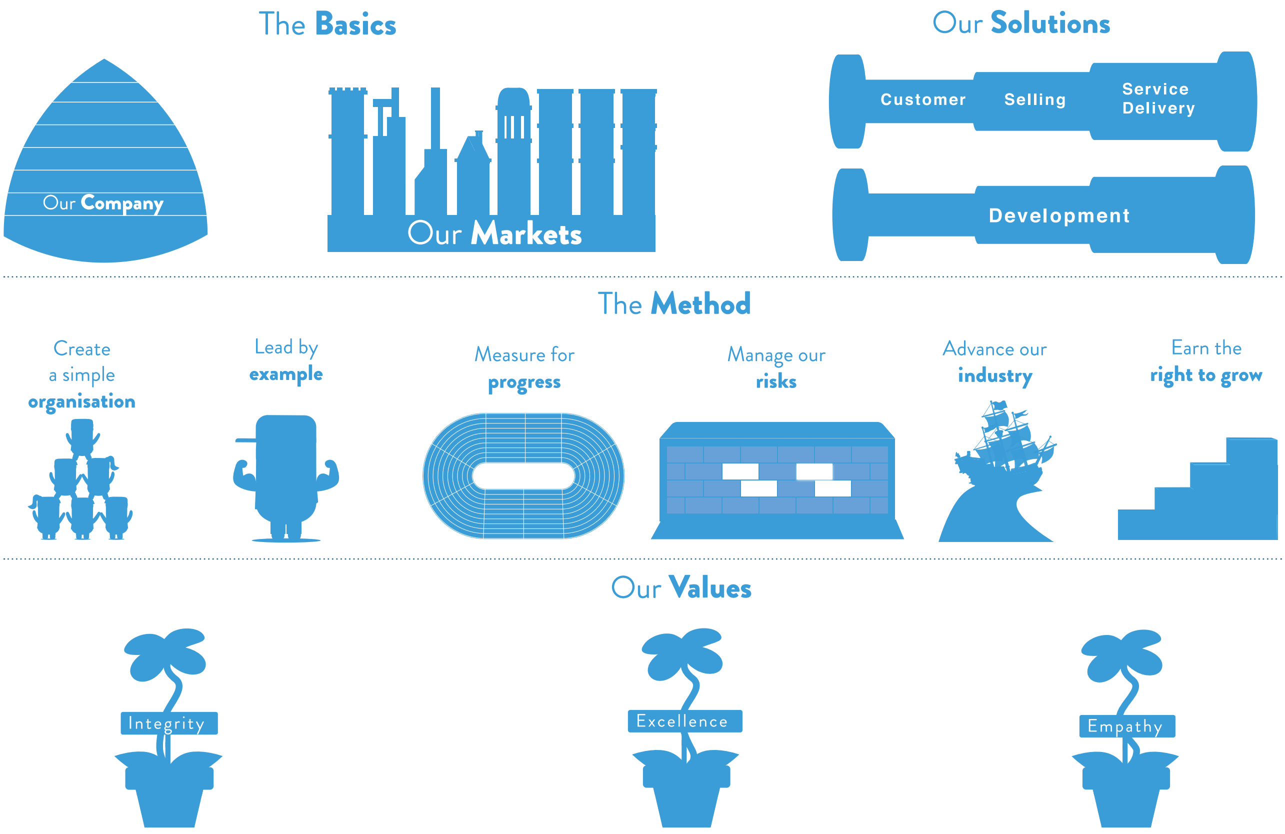
Earn the Right to Grow is about developing our business in the right sequence. This means getting the basics in place and delivering our core services in a consistent way before venturing into new business areas or making acquisitions.

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

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

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

THE POLYGON MODEL



OUR MEASURING FOCUS: EMPLOYEES, CUSTOMERS AND FINANCIAL PERFORMANCE

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

51%

For 2018, Polygon's NPS remained on a solid level of 51 (51).

In order to monitor our performance, we have a number of indicators that quickly let us know whether things are as they should be. In line with our philosophy of putting people first, we follow this belief when we measure our performance. We start with measuring our employee performance, followed by customer satisfaction and, only then, our business performance indicators.

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

EMPLOYEE PERFORMANCE

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

The NPS can range from -100 to +100. Any score above zero is considered favourable, and an NPS of more than 50 is excellent. For 2018, Polygon's NPS remained on a solid level of 51 (51) and gained market share.

CUSTOMER SATISFACTION

We measure and monitor our customers' perceptions of our services. Just like employee satisfaction, customer satisfaction has a direct influence on our financial performance. We also monitor our process quality through various measurements such as credits and follow-ups of customer complaints. The correlation between good processes and a good gross margin is also strong.

BUSINESS PERFORMANCE

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

Net sales

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

RELEVANT AND THOROUGH FOLLOW-UP

- Successful management of our ten measurements will improve the Group's income statement, balance sheet and cash flow. We follow each unit to endure that good management of our measurements = good profit development.
- We only measure what can be influenced by an individual entity. A local entity cannot influence the expenses for the Group's head office, and this is therefore not included in that entity's income statement.

agreements. Temporary Climate Solutions is one example. For full-year 2018, net sales amounted of EUR 43 million, represent in a growth of over 8 percent.

Portfolio development

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

The organic growth of over 7 percent is clear proof of good portfolio growth.

Job value

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

Gross margin

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

In 2018, the gross margin has deteriorated somewhat due to a number of reasons, one of them being the effects from implementing new processes.

Indirect costs

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

THE IMPORTANCE OF HIGH QUALITY AND CUSTOMER CARE CAN NEVER BE EXAGGERATED.

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

Cash/DSO

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

DSO has been kept at the same level as in 2017.

CUSTOMER BENEFITS WITH SPARK – A NEW DIGITAL SERVICE SOLUTION

Polygon has developed a digital service solution that offers property managers and their tenants service updates and information about a claims process. The online application – Spark – is integrated and updated directly from Polygon's systems, with great benefits for all involved stakeholders.

When a damage case is opened, the tenant receives a message with confirmation of a booked appointment with Polygon, and an invitation to the Spark solution that can be opened in an internet browser. Both property managers and tenants are continuously informed about important events and details via messages from Polygon. Property managers can decide which information to include in the solution for their tenants.

Spark enables Polygon to resolve issues in a completely new and faster way, and no middlemen are needed.

Spark was developed in cooperation with the Nordic IT company Evry and launched with HSB, a major Swedish cooperative housing company. The plan is to launch Spark in Austria, the Netherlands and Finland during 2019.

A ONE-STOP SHOP FOR PREVENTING, CONTROLLING AND MITIGATING

Polygon is the fully-fledged specialist in property damage control and temporary climate solutions. Our services are categorised according to the cause of damage – water, fire and climate. Our specialists are organised the same way and we can regroup our resources to take care of major disasters that require an all-in effort. Scale and resources are important Polygon advantages.

Whatever the cause of the problem, we offer a complete range of services – from standardised to tailor-made solutions and from one-offs to partner agreements. This makes us an overall partner for our customers. They can find whatever services they are looking for under one roof.

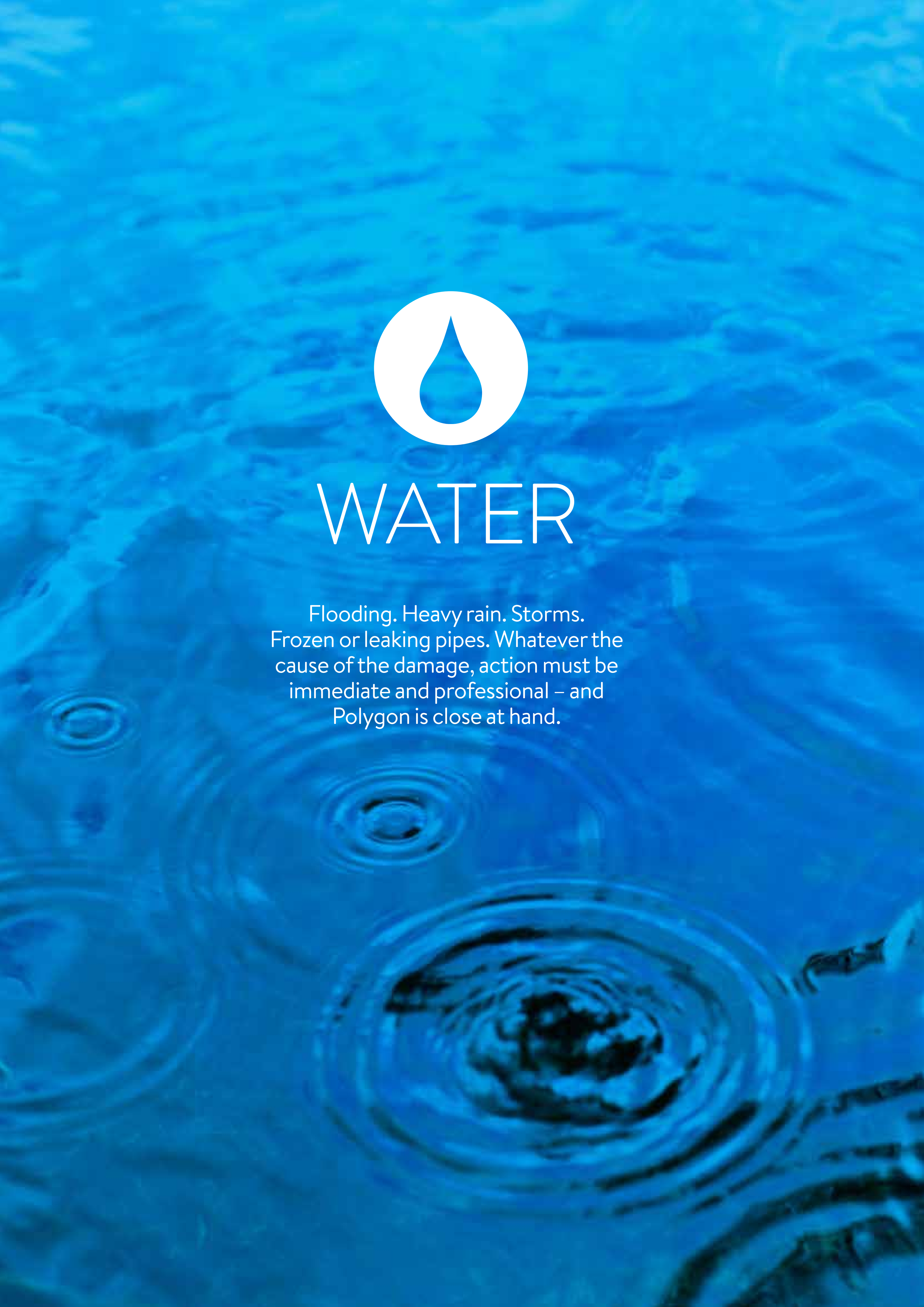
WE PREVENT, CONTROL AND MITIGATE

By tradition, our focus is on the restoration of damaged property. This is more cost effective and environmentally sustainable than rebuilding. We have a wide range of services covering every aspect of this area. From damage assessment to post-incident mitigation. On average, a property restoration job takes ten weeks to complete.

There is an increasing demand for preventive measures and we help our customers identify risks, avoid incidents and achieve moisture control and better indoor air quality. Prevention is becoming ever more important as a competitive advantage, and our aim is to be at the forefront. To achieve this, we utilise Internet-of-Things (IoT) solutions, for instance connected sensors that collect real-time data including as moisture and temperature. Polygon in the UK and in the US are leading the way and have already seen great impact, including more customer touch points and more proactive and predictive operations.

PREVENTION IS BECOMING INCREASINGLY IMPORTANT.

SERVICES	WATER	FIRE	CLIMATE
PREVENT	Consulting	Consulting	Consulting
CONTROL			Temporary climate solutions
MITIGATE	Water damage restoration Leak detection Document restoration Technical reconditioning	Fire damage restoration Document restoration Technical reconditioning	Document restoration



WATER

Flooding. Heavy rain. Storms. Frozen or leaking pipes. Whatever the cause of the damage, action must be immediate and professional – and Polygon is close at hand.

HELP WITH ALL TYPES OF WATER DAMAGE

Polygon's water specialists handle everything from small leaks to major incidents caused by flooding. We are experts in salvaging damaged property, equipment and documents to the greatest possible extent, and we also contribute to preventing future damage.

WATER DAMAGE RESTORATION SERVICES INCLUDE:

- Alarm response
- Damage assessment
- Claims handling
- Demolition
- Drying
- Mould remediation
- Remote video
- Remote monitoring
- Specialist water services
- Video scoping
- Technical reconditioning
- Major and complex claims

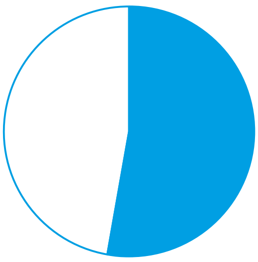
RESTORATION STEP BY STEP

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

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

It usually takes time to sort out a claim for water damage (or any damage). In the meantime, the affected company racks up costs and customers might be lost. Getting the business back up and running quickly is crucial. In many countries, Polygon therefore offers our customers a membership service to get expert help without unnecessary delays.

Polygon also has a specialised service for reconditioning damaged equipment and machinery.



53%

Share of sales[1]

[1] Including Major and Complex Claims 12%

DOCUMENT RESTORATION SERVICES INCLUDE:

- Disaster recovery
- Emergency stabilisation
- Complete project management
- Freeze-vacuum drying and freeze drying
- Sanitisation
- Smoke and soot (carbon) removal
- Deodorisation
- Dehumidification and drying
- Emergency planning and training
- Scanning
- Storage
- Consulting
- Archival and artwork conservation

SAVING TIME, MONEY AND EMISSIONS

To dry a building instead of demolish and rebuild it has many benefits. It generates less CO_2 emissions and also saves money thanks to less cost for building material and less need for man hours working with demolition and rebuilding. In addition, Polygon always tries to find the smartest and most discreet solution when drying a building. This means that all or part of the premises can remain in use and that the affected customer can keep the business running during the drying period.

SALVAGING VALUABLE DOCUMENTS

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

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

POLYGON CAN RESPOND POWERFULLY TO MAJOR INCIDENTS.

Polygon has two Centres of Excellence for Document Restoration – one in the UK and one in the US. We also have a service centre in Germany for these kinds of job. By signing a partner agreement with Polygon, companies gain priority access to our world-leading expertise. One that is familiar with their business and ready to respond immediately when needed. This keeps the interruption of the business as short as possible.

LEAK DETECTION TECHNIQUES INCLUDE:

- Acoustic
- CCTV drainage surveys
- Thermography
- Tracer gas
- Video endoscopes
- Correlation

LEAK DETECTION

We also offer a range of leak detection services. These reduce risk and mitigate damage by accurate, non-destructive detection where traditional methods will be destructive or have failed.

A leak may be undetectable to the naked eye and might be located in, for example, a pipe, a roof, a heating system or a swimming pool. The potential damage as a result of a leaking pipe should not be underestimated. A 0.5 mm leak could lose 20 litres of water an 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, our service is designed to identify areas of concern before damage occurs.

COPING WITH MAJOR INCIDENTS

For large-scale disasters, Polygon has an emergency stock of dehumidifiers, fans and other equipment at the Centre of Excellence for Emergencies in the Netherlands. From this hub, equipment can be put into operation all over Europe within no more than 48 hours. The service is unique and gives us the capacity to respond powerfully to major incidents. Our resources are always only a phone call away.

FIRE

Clearing soot and debris.
Drying up water left by the extinguishing work. Restoring buildings, machines and equipment. These are the major restoration challenges after a sudden fire, and Polygon is equipped to take on the job anywhere – from start to finish.

FIRE SERVICES TO QUICKLY GET BACK IN BUSINESS

Once a fire is extinguished, it is time to call in Polygon. Our job includes cleaning, drying and restoring of buildings, machines, documents and equipment – always with the goal to get the customer back in business as quickly as possible.

FIRE DAMAGE RESTORATION SERVICES INCLUDE:

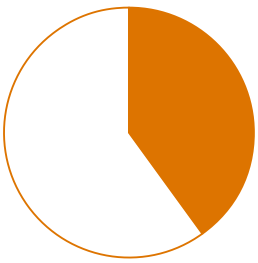
- Cleaning
- Transportation
- Content removal & storage
- Carbon removal
- Ultrasonic cleaning
- Odour neutralisation
- Corrosion control
- Reconstruction of property and contents
- Technical reconditioning
- Major and complex claims
- Water damage

Polygon's role in a fire incident is to clean up after the fire and mitigate the secondary effects. This includes smoke damage, oxidisation and water damage caused by extinguishing the blaze. Our services also comprise the restoration of damaged equipment and managing subcontractors to restore the property to original condition. All to make the site ready and operational as soon as possible.

PLANNING AND PROJECT MANAGEMENT

Cleaning up a fire site involves clearing ash and debris and retain what can be saved. In some cases, the clean-up will reveal further water damage, which necessitates a drying process.

Large fire damage restoration jobs may require sharing knowledge and equipment between different Polygon units. Some parts may be mainly affected by water and some parts by smoke. A total plan has to be designed. What can be recovered at reasonable costs? What cannot be saved? Polygon takes on the project management role, has the answers and is equipped to have it done. During 2018, Neways Property Care in the UK was acquired, enabling Polygon to offer a full service of property damage repair and



40%

Share of sales

WE ALWAYS MAKE A TOTAL PLAN FOR WHAT CAN BE SAVED AND RECONDITIONED.

restoration in the country. The acquisition added 54 employees and annual sales of GBP 5.4 million.

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

MAKING EQUIPMENT WORK AGAIN

In Germany, Polygon has a Centre of Excellence for Technical Reconditioning of water and fire-damaged equipment, tools and machinery. This is a highly specialised service that is usually carried out jointly with the equipment manufacturer and under strict quality guidelines. It involves dismantling machinery damaged by fire or water – often manufacturing equipment or complex instruments. The work can be executed on the customer's premises or at our Centre of Excellence.

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

SALVAGING FIRE-DAMAGED DOCUMENTS

Polygon has two Centres of Excellence for restoring damaged documents – one in the US and one in the UK. There is also a service centre in Germany. We have the largest dedicated facilities and staff across a number of countries to give our customers unrivalled support in document restoration. This expertise is mainly used in connection with water damage, but can be used for fire-damaged material whenever needed.

CLIMATE

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

A WIDE RANGE OF CLIMATE SOLUTIONS

Polygon offers comprehensive climate solutions for controlling the temperature and humidity of a building or manufacturing environment.

TEMPORARY CLIMATE SOLUTIONS INCLUDE:

- Dehumidification
- Humidification
- Air conditioning
- Heating
- Air exhaust
- HEPA filtration
- Chilled water
- Total climate control
- Remote monitoring
- Equipment sizing
- Project engineering

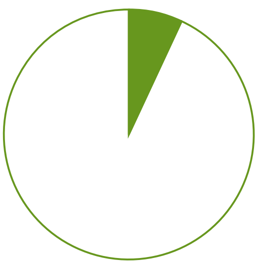
We can heat a construction site during sub-zero temperatures. We can reduce moisture levels on an oil platform so that it can be repainted. We can control moisture levels in a food processing plant during humid summer months. Just to give a few examples of our competence span.

MANAGING MOISTURE EFFECTS THROUGHOUT THE LIFECYCLE

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

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

Our services demand extensive knowledge about building construction, airflow dynamics, ventilation requirements, the



7%

Share of sales

impact of ceiling height and air leakage as well as the effects of outdoor temperatures and humidity levels. More than 50 percent of construction errors occur on the drawing board. Through early identification of at-risk structures from a moisture standpoint, costly future renovations can be avoided. Polygon has certified moisture safety engineers who can help in many areas.

WE MANAGE THE EFFECTS OF MOISTURE THROUGHOUT THE ENTIRE LIFECYCLE OF A BUILDING.

30 YEARS OF DESIGNING SOLUTIONS FOR CONSTRUCTION SITES

Polygon's Centre of Excellence for Climate Solutions in the US has over 30 years of experience of designing temporary dehumidification solutions for the construction environment. We also have specialised technicians who are trained for offshore assignments.

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

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

The use of temporary heating or cooling reduces these risks by effectively keeping all temperature-related challenges under control. Polygon offers vast knowledge, experience and technical expertise in addressing these kinds of problem.

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

SOLUTIONS FOR SURFACE PREPARATION AND COATING

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

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

Polygon provides engineered solutions and maintains the largest fleet of climate control equipment in the industry. Our application specialists ensure a project stays on schedule with minimal downtime. In addition, coating life can be prolonged and coating costs be reduced by up to 20 percent.

KEEPING FOOD SAFE

Food has to be handled with ultimate care and under safe conditions - all the way from the farm to the consumer. This starts at the farm, where well-cared-for animals are more productive and valuable. Failing to control environmental conditions can cause discomfort for the livestock. When products arrive at the processing facility, controlling temperature and moisture levels is critical to producing quality. High humidity can lead to increased bacterial growth and drippage that contaminates the food.

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

IMPROVING INDOOR AIR QUALITY

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

INTERNET-OF-THINGS SOLUTIONS

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

DIGITAL TOOLS PROFESSIONALISE THE INDUSTRY

Digitalisation is a strategic priority for Polygon, and we are continuously developing solutions that benefit our customers, employees and partners. These include PolyStop and the PsycIt app.

LESS WATER DAMAGE WITH POLYSTOP

In the UK, for example, Polygon has brought its digital PolyStop device to the market. This helps property owners manage water usage and reduce damage from leaks. PolyStop learns normal water consumption and sends a smartphone notification if flows become abnormal. The device also allows the water to be remotely shut off using a phone, and can even be set to independently decide to turn off the water. Escape of water claims are the highest cost claims for insurers, and these costs are constantly rising. PolyStop has been developed with the aim of preventing or reducing the impact of these damages.

US APPS BENEFIT INTERNAL AND EXTERNAL PROFESSIONALS

In the US, there is an app for employees called PolygonPro that gives operations teams the ability to access job information on android devices. The app includes job site safety analysis, equipment performance, job notes and electronic client signature functionality.

The US also offers a psychrometric app called PsycIt, a valuable time-saving tool for building site managers, quantity surveyors, architects, engineers and HVAC technical staff. The app quickly and precisely computes up to six properties of the air, allowing more accurate assessment of the time needed to efficiently dry a controlled space.

CONSOLIDATED EXPERTISE FOR THE BENEFIT OF ALL CUSTOMERS

Excellence is one of our core values. To back up this claim, we have established five Centres of Excellence where we are consolidating our expertise in a number of strategic areas. This expertise works across borders and develops practices that benefit customers in all our markets.

Excellence in one place breeds excellence in another. This benefits every entity in the Polygon Group and, in turn, all our customers. Ultimately, this will elevate our entire industry to a new level of professionalism.

MAJOR AND COMPLEX CLAIMS IN GERMANY

Our technical Centre of Excellence in Germany is driving excellence when it comes to dealing with major and complex claims that require special skills and exceptional work in property damage control. The German organisation has a unique and well documented way of working, available to other subsidiaries in the Polygon Group.

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

Technical reconditioning

The German Centre of Excellence for Major & Complex Claims also possesses unique skills in technical reconditioning. Through the specialists at this centre, water and fire-damaged equipment, tools and machinery are taken care of and restored. A high level of expertise and knowledge is required to handle damaged machine tools. Special knowledge and technical expertise are essential at every step of the process. And you must have access to the advanced technical equipment required to complete the reconditioning professionally. The Centre is completely up to date in all aspects of this complex business. Our services can usually save up to 60 percent of the costs of purchasing new machinery.

An expanding business

Major & Complex Claims in Germany has demonstrated the power of its business and increased its revenues by EUR 23 million in 4 years. Expanding this business is a strategic focus area, and cross-border collaborations have been established with Austria, the Netherlands, Belgium and the Nordics.

DOCUMENT RESTORATION IN UK AND US

Polygon's operations in the UK and US jointly constitute Polygon's Centres of Excellence for Document Restoration. They exchange experience and know-how and enable the Group to offer comprehensive and unrivalled services in document restoration across a number of countries. Their combined knowledge and skills are drawn upon by the local subsidiaries in different types of complex restoration project.

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

The market for document and specialist restoration continues to grow as customers across all sectors recognise the potential in restoring items rather than trying to recreate them. This include the industry, services, domestic and heritage market.

Cold snap in UK and Ireland 2018

In February 2018, the UK and Ireland were affected by a cold snap that brought unusually low temperatures and heavy snowfall to large areas. The weather event was named the Beast from the East, and Polygon's efforts turned out to be the largest emergency assignment in 2018, with 1,500 geographically spread claims in a few days, mainly due to water tanks freezing in private homes. A special surge team was set up so that business-as-usual claims could also be handled simultaneously. The weather, the number of claims and the geographical spread were challenging, but the assignments were solved overall with great success.

Large document restoration effort for the French government

An excellent example of how all of Europe can benefit from the UK Centre of Excellence was a job for the French government in 2018. Polygon assisted with a major document restoration project following water damage to 10,500 boxes of government documents at the Ministry of Culture. The damage was extensive and the project demonstrated how Polygon can provide cross-border support and solutions. Experts from the UK were called in to support the team in Paris.

The restoration process involved freeze-vacuum drying, sanitisation and specialist cleaning, and Polygon successfully restored the irreplaceable documents, meeting the customers' needs at all times.

EMERGENCIES IN THE NETHERLANDS

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

Polygon's Centre of Excellence for Emergencies in the Netherlands is available to all European Polygon subsidiaries. It constitutes Polygon's Eurostock – a unique capacity resource with 3,500 dehumidifiers, fans, heaters and other types of equipment stocked under one roof. The fleet was extended during 2018 with 200 fans and 16 econ heaters.

The equipment is available 24/7 for major emergencies. It takes a maximum of two workdays, often only one, for the equipment to be shipped by truck and arrive at a damage site anywhere in Europe.

CLIMATE SOLUTIONS IN THE US

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

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

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

Polygon came to the rescue when hurricanes hit the US

In the US, severe floods and hurricanes are frequent. In 2018, the two most devastating hurricanes were Florence in September and Michael in October. Polygon was called in to help get the affected communities back to normal as soon as possible. Our large fleet of dehumidification and climate control equipment as well as our experienced, dedicated and knowledgeable technicians willing to work long hours, were invaluable in achieving this mission. In total, the storms led to an increase in sales of approximately USD 2.3 million in the US.

MOISTURE CONTROL IN SWEDEN

Our Centre of Excellence for Moisture Control in Sweden is dedicated to predicting and preventing moisture problems. We handle all types of assignments with both expertise and equipment.

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

We have unique technical competence, we employ the most up-to-date instruments and equipment, we minimise environmental impact and we have a well-equipped laboratory to support our efforts. Since this is quite a new science, we have instinctively been very active in developing new methods and techniques to help our customers in the best possible way.

Moisture control is an emerging business, and the Centre of Excellence demonstrates our ambition to lead the way forward.

Heating complements dry air

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

A GLOBAL PLAYER WITH LOCAL UNDERSTANDING

Polygon has over 300 depots in 13 countries and 3 regions. We combine local understanding with international insights in a unique way.

NORDICS AND UK

Polygon is the largest provider of property damage restoration services in the Nordics and the UK. During 2018, we have significantly strengthened our market positions in Denmark and the UK.

POLYGON IS THE LARGEST PROVIDER OF PROPERTY DAMAGE RESTORATION SERVICES.

Denmark After the acquisition of Dansk Bygningskontrol, with 230 employees, Polygon has a very strong position in Denmark as one of the two largest players. The offering is focused on fire and water services. The integration of Dansk Bygningskontrol has been very successful, and the development during 2018 was very good. Cross-border collaborations are increasing, and in 2018 two major and complex claims were carried out, one with Germany and one with Norway.

Finland Polygon is a market-leading full-service provider with good national coverage in Finland. Additionally, we offer industry-leading services within indoor quality for public properties. The development did not live up to expectations in 2018, but initiatives to strengthen quality, culture and processes have shown results.

Norway Polygon Norway is a market-leading full-service provider and has been very successful in collaborations with Polygonvatro Germany during 2018. The integration of Skadegruppen, which was acquired in 2017, has been in focus in parallel with sales and improvement in leadership, culture and processes. The minority shares in two Norwegian franchisees and all the shares in our franchise partners in Drammen and Kongsberg were acquired in 2018.

Sweden In Sweden, Polygon is a market leader in water damage restoration. Our Centre of Excellence for Moisture Control is located in Sweden. With the acquisition of Caliber Sanering, we entered the fire damage restoration market and subsequently also acquired Refix Skadesanering. Efforts to increase sales to customers in managed property have been successful, and the Spark app that was developed together with HSB, the largest cooperative housing association in Sweden, has been well received. The implementation of the Field Service Management system has progressed during 2018 and has initially had some negative effects on internal efficiency. During 2018 the Swedish consultancy business has been involved in several large hospital projects. The competence in environmental management and certification has been particularly requested.

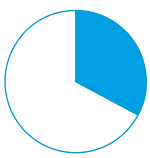
UK In the UK, we acquired Neways Property Care, enabling us to offer full-service property damage repair and restoration in the country. The acquisition added 54 employees and annual sales of GBP 5.4 million. The Centre of Excellence for Document Restoration is partially located in the UK, and the UK operation, branded Harwell, is one of the most experienced companies in this area.

SALES AND ADJUSTED EBITA

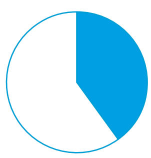
	Sales		Adjusted EBITA	
EUR million	**2018**	**2017**	**2018**	**2017**
Nordics and UK	202.7	144.0	8.4	6.0
Continental Europe	382.7	335.9	21.3	19.8
North America	34.7	32.6	4.4	4.3
Other[1]	–	–	5.6	3.0

[1] Royalty fee minus head quarter costs.

NORDICS AND UK



Share of Group sales, 33%



Share of Group employees, 44%

CONTINENTAL EUROPE

Polygon has operations in Germany, France, Austria, the Netherlands and Belgium, and cross-border assignments are increasing every year, especially when it comes to Major & Complex Claims. Polygon also entered a new market in Switzerland after year end, with the acquisition of Alvisa 24.

Germany The German operation accounts for 54 percent of Polygon Group sales and is the home of our Centre of Excellence for Major & Complex Claims. Polygon is by far the biggest player in the property damage control business in Germany. The German operations had very good development in 2018.

During 2018, we completed an acquisition of Von der Lieck in Germany. The company offers drying and leak detection services and added 25 employees and annual sales of EUR 4 million. Operations in Germany were affected by flooding in 2018. Over 10,000 damages were reported in one month, and Polygon's sales hit a record. The Wind Energy service area, introduced in 2017, continued to develop very strongly. The Polygonvatro Germany e-box, which collects energy data from customer sites and delivers it via the cloud into our systems, was implemented and 20,000 boxes were installed in Germany.

Austria In Austria, Polygon is one of the leading players in the market and has an ambition to grow. The plan is to launch Spark in Austria, the Netherlands and Finland during 2019. Due to weaker sales than expected, efficiency measures have been implemented.

Belgium Belgium is so far a fairly small market for Polygon, but we are a leading player in leak detection. The Field Service Management system was implemented at the end of 2017 and has contributed to the operations during 2018.

France To drive market consolidation and become a major French player, Polygon acquired in the end of December 2017 the company group Bretagne Assèchement, with 47 specialists and annual sales of EUR 5 million. The French operation have had strong development with increasing profit and a high growth since the acquisition. The market in France is mainly regional, and Polygon adapts its operations to this. We offer a wide range of services in the country and are particularly strong within leak detection.

The Netherlands In the Netherlands, Polygon is a full-service provider with strong development and several successful cross-border assignments. In 2018, Polygon became the first Dutch climate neutral property restoration company, according to the external agency the Climate Neutral Group.

NORTH AMERICA

On the North American continent, Polygon has presence in the United States and Canada. Operations in Singapore are also a part of this segment.

United States In the US, Polygon holds a strong position in temporary climate solutions and document restoration, and the development in 2018 was strong. The US operations focus on competitive, high-value solutions and have long been an established player, positioned as a solution provider. Just like in 2017, Polygon was called in after devastating hurricanes hit the country. In 2018, it was the south-west part of the country that was most severely affected (by hurricanes Florence and Michael). Polygon US stood close by its customers and supported those affected in property damage restoration projects by supplying the necessary drying capacity.

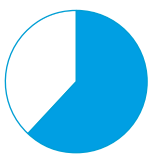
In our Centre of Excellence for Document Restoration in Allentown, Pennsylvania, we focus mainly on customers with outstanding requirements for high-quality expertise. This niche mainly includes universities, government bodies and cultural institutions. Our people are leading experts in their area, with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

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

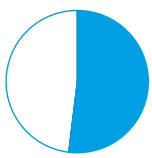
Canada Polygon launched a franchise model in Canada three years ago. We have worked intensively with the offering to potential franchisees, and the Field Service Management system has increased service efficiency. Two new franchisees were successfully added in Quebec.

Singapore The operations in Singapore are dedicated to Temporary Climate Solutions for the marine industry, with focus on rental dehumidifiers for LNG tankers and oil and gas companies. During 2018, Polygon Singapore centred on broadening the customer base in the country and – potentially – in other parts of Pacific Asia.

CONTINENTAL EUROPE

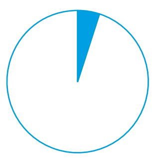


Share of Group sales, 62%

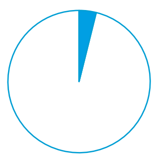


Share of Group employees, 52%

NORTH AMERICA



Share of Group sales, 5%



Share of Group employees, 4%

RESPONSIBILITY IN A CHANGING ENVIRONMENT

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

OUR RESPONSIBILITY PROGRAMME

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

KEY SUSTAINABILITY AREAS

First-choice employer (Social)

Employees are Polygon's key resource. We employ close to 4,000 people in 13 countries. Their dedication and knowledge are crucial to our success. Our focus is always on the customer and on delivering our promise. We have an instinct to help, and we take responsibility with a clear accountability. This attitude is key to the success of our company and ensures that Polygon is a first-choice employer.

OUR WAY OF WORKING DECREASES BOTH ENVIRONMENTAL IMPACT AND COST.

Resource-efficient operations (Environmental)

Restoration is our core business. We bring valuable property back to life. This limits the use of new materials and equipment, and reduces waste. In the end, our way of working decreases both environmental impact and cost.

Responsible business (Economic)

It is our responsibility to conduct business using high ethical standards with respect towards individuals and society. We expect our people to lead by example with our values of Integrity, Excellence and Empathy as their guiding principles. To promote sound business practices and to act in an ethical way, we place great emphasis on implementing our Code of Conduct in our network of employees and partners.

SUSTAINABILITY RISKS AND OPPORTUNITIES TOWARDS A SUSTAINABLE OFFERING

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

SOCIAL RESPONSIBILITY LEADS TO COMPETENT EMPLOYEES

During the year, Polygon in Norway signed an agreement with Ripples in the Water, a joint venture of the Confederation of Norwegian Enterprise (NHO) to promote the recruitment of people who have ended up outside the labour market. Polygon Bergen was the first one to hire a decontamination technician in April. Several more were soon to follow.

Ripples in the Water's aim is to pair job seekers with the right company, and every year it helps over 1,500 people to find a permanent job.

"Polygon has an ambition to be an industry leader in social responsibility. We strive to take care of our employees, but also provide opportunities for those who, for some reason, encountered obstacles in their professional life. The initiative is mutually beneficial for both sides as Polygon gets access to new, skilled, motivated and loyal employees," says Polygon AS HR Manager Jeanette Vannebo.

FIRST-CHOICE EMPLOYER

Polygon's key resources are people, knowledge and technology – in that order. Our people always come first. The dedication and knowledge of our employees are crucial to our success, and we do everything to make their job easier. This is ensured by our simple organisation and flat structure, with clear accountability. Our focus is always on the customer. All according to the Polygon Model.

A DIVERSE WORKFORCE

Polygon has close to 4,000 employees in 13 countries. Our business is diverse and so are our employees. Many come from the construction, real estate or plumbing industries. Some colleagues have academic degrees, while the vast majority are experienced practical technicians. Due to the nature of some of our jobs and tasks, we can offer employment opportunities to people without formal education. We make certain that our employees get the proper training, knowledge and tools to perform their job.

ATTITUDE IS KEY

We value experience and skills but, in the end, it is people with the right attitude who make a difference. Each day, we meet thousands of people whose properties have been damaged. Their lives have been severely disrupted, and we need to demonstrate genuine understanding of their situation. This is crucial, especially since we, in most cases, work in people's homes and in direct contact with them.

Each and every Polygon employee knows that we have to reassure our customers that their property will be restored in the best possible way and in the shortest time possible. Then we work to deliver on that promise. We have an instinct to help, and we take responsibility. We are able to make quick decisions to benefit our customers. This attitude is key to the success of our company.

OUR MISSION IS TO HELP

We structure our operations in such a way that our employees get the necessary support to help customers in the best and fastest way. Our organisation is simple and our structure is flat; it has been reduced from seven to only four layers in the past few years. The idea is clear: to be effective, our field specialists must be empowered to act independently when interacting with customers. We make sure that everyone has the right competence, information and tools to take decisions when needed, which is usually right away. In fact, this is something we track – in our most recent employee survey 91 percent said they feel empowered to make decisions when needed. Also, having the freedom to organise and control your own work decreases stress and increases motivation. Polygon's flat structure also creates a sense of family. Our warm atmosphere makes people feel like they are among friends, which makes it easier to perform their job.

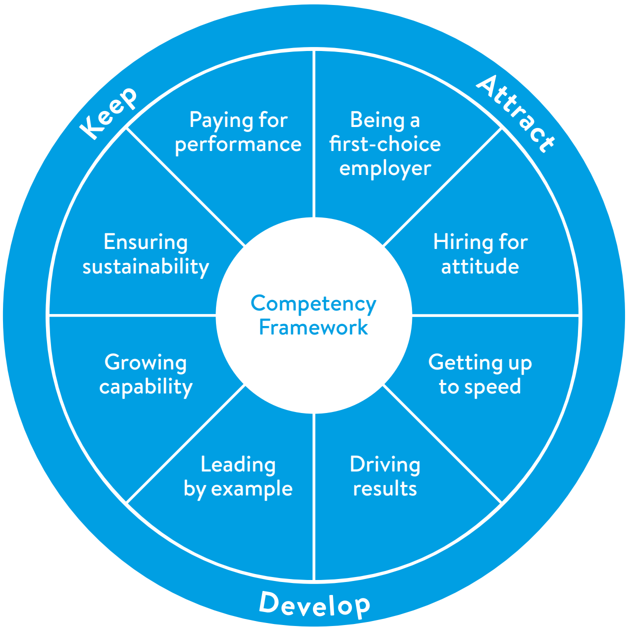
POLYGON ACADEMY – STRATEGIC TALENT MANAGEMENT WITHIN THE POLYGON GROUP

Leading by example is one of the fundamental elements of the Polygon Model. The capabilities of Polygon's leaders are key to keeping and developing the competence of our employees, and ultimately to the company's results and success. We believe in our employees and in the company's ability

to empower them to grow as professionals. Consequently, our approach is to promote from within. In fact, some of our area managers and many unit managers began their Polygon career as technicians or team leaders.

The Polygon Academy is our own programme, designed to foster outstanding leaders. The Academy helps us identify and manage talent in a structured way. The core of the Polygon Academy is sharing knowledge and best practice as well as identifying new business opportunities. This way, expertise that already exists in our Group is unlocked, accelerating the implementation and execution of Polygon's strategy. The Academy also provides opportunities for participants to build and expand their personal networks.

OUR APPROACH TO PEOPLE AND ORGANISATION



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

After completing the one-year training, they cascade what they have learnt into their own operations.

During 2018, the Polygon Academy was run for the third time. This year we focused on the acquired companies. The managers were introduced to the Polygon model and the training sessions were held in different Polygon countries. All sessions were led by Group and country management. The sessions included presentations and workshops that gave deeper insight into the Polygon Model.

POLYGON LEARNING ZONE

Polygon's ambition is to develop our people and make them grow. Local and centrally geared training programmes help them improve their skills and prepare them for more challenging tasks. Clearly understanding your current job, and having the right conditions to perform it well, makes it easier to set and reach both individual and company targets.

Polygon's professional development is focused on technicians, our main group of employees. Overall, our aim is to consolidate all resources within the entire Group and make them accessible to everyone. We do this by developing the Polygon Learning Zone, our new learning management system. The purpose is to provide everybody with the right training and competence in a cost- and time-efficient way. The Polygon Learning Zone comprises all our education and training, with an emphasis on short learning blocks and e-learning. It has been rolled out in Norway, the UK, the Netherlands and the US.

Many Polygon employees also need mandatory external courses and certifications, for instance to be cleared to work with asbestos.

YOUNG TALENTS PROGRAMME LAUNCHED IN GERMANY

The management team at Polygon Germany is convinced that its employees are the most valuable part of the company, as skilled and well-trained employees make a critical contribution to success. However, they experienced an increasing challenge to find adequate candidates for junior positions. That is why the Young Talents programme was launched in 2018, a training programme that is specifically designed to develop young talents and prepare them for a career within the Polygon Group.

Before the pilot was started in August, regional workshops were held to identify the major requirements. The programme consists of one trained instructor per branch and a supervisor for the programme. Monthly telephone meetings are held to coordinate progress and share best practice examples. Young Talent camps are also held to facilitate engagement and collect ideas for improvement from the talents.

An early learning in the process was that the branches needed more support than expected to implement the programme, which is why a support position through a Young Talents coordinator was established at the headquarters. In total, the programme was completed by 16 young talents, who provided thoroughly positive feedback. As the Young Talents pilot proved to be highly successful, the management team decided to roll out the programme to all branches in Germany in 2019.

ENGAGED EMPLOYEES

To complement our everyday communication with our employees, a structured survey is conducted every year. It presents an opportunity for our people to express their views, wishes and concerns. All employees in all countries are invited to participate. The survey that was conducted in the beginning of 2018 was answered by 92 percent of the total staff. Considering all newly acquired companies also participated in the survey, the response rate is remarkable. The benchmark is 82 percent. This demonstrates the importance our people ascribe to these issues.

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

The 2018 survey showed substantial progress: the number of highly engaged employees is the same as last year, feedback from managers has improved and trust in management has increased. All indices display a positive trend over time: team efficiency is at 77 (76), leadership is at 78 (77) and engagement at 83 (82). eNPS has gone up from 9 to 11. Almost all results in the survey are above the industry benchmark. The results help us further improve our way of working, at all levels. Teams follow up their survey results and performance compared to targets, review their current situation and set new targets.

DRIVING HEALTH AND SAFETY ISSUES

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

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

We continuously monitor sick leave in each country. Occupational injuries are monitored on a quarterly basis.

MANAGING HR IN A STRUCTURED WAY

When we recruit, we focus on candidates' personality and drive rather than on their exact formal education. Once people are on board, we bring them up to speed and train them. We also work to ensure continuity of our workforce and capabilities. In 2017, a Group-wide standard for onboarding was set. During 2018 the countries has continued to develop local activity plans for onboarding. Our selection of employees places equal emphasis on attitude and formal qualifications. We prioritise a fast and efficient induction process since the experiences of the initial period affect new employees' loyalty to the company.

To suit the needs of our decentralised business, our overall approach is to develop standards within the area of human resources (HR) at Group level. These standards outline our common base level. Polygon subsidiaries are able to adjust and develop them as they see fit.

POLYGON GERMANY KEEPS EMPLOYEES FIT

To foster employees' fitness and wellbeing, Polygon Germany decided to provide all employees with special benefits for the use of sport facilities. Employees can choose from a wide range of different sports like swimming, golfing, gyms and many more. Feedback from the staff has been vastly positive.

POLYGON UK AND IRELAND NAMED AS A GLOBAL LEADER IN PEOPLE MANAGEMENT PRACTICE

Polygon UK and Ireland has been shortlisted in the Platinum Employer of the Year 250+ category in The Investors in People Awards 2018. The Awards celebrate the best people management practices amongst Investors in People accredited businesses. The 13 award categories recognise the organisations that have achieved the highest standards. There are a range of award categories, focusing on the key elements of what it means to be an Investor in People, from Excellence in Leadership and Management, to Excellence in Social Responsibility.

OUR WORK IS A TEAM SPORT

When a residential complex in Norway's Fredrikshamn was subject to extensive water damage after heavy rainfall, Polygon Norway responded quickly but soon realised that the work was more extensive than they had resources for. Therefore, colleagues in the Polygon Group were asked for help.

Paw Larsen, Head of Department at Polygon in Copenhagen in Denmark, received the inquiry and immediately 15 of his people expressed enthusiasm to go to Norway and help.

"We decided to send a group of people the first week, and then exchange them with new colleagues in the second and third week," Paw comments.

Only a couple of hours after the inquiry was received, the first Danish colleagues were on their way to Norway. As the work proceeded well, an unexpected problem occurred. After the first week, they had made so much progress that the Danish help was no longer needed.

Paw is certain that there will be more cross-border assignments in the future.

"An event like the one in Norway clearly shows the strength we have as an international group. This enables Polygon to quickly offer more resources than might be available locally. I usually say that our work is a team sport; every time you help a teammate, you also help yourself and the team as a whole," says Paw Larsen.

RESOURCE-EFFICIENT OPERATIONS

Throughout the entire process of protecting and restoring value, we act responsibly in all relations and situations. Polygon has responsibility at heart. We bring valuable property back to life, decreasing both environmental impact and cost.

RESOURCE-EFFICIENT OPERATIONS

Our job is to restore rather than replace damaged property. The fact that we do this, and the way we do it, saves resources and limits environmental impact.

At the same time, our a ctivities do affect the environment. We have a vehicle fleet for service purposes. We use various equipment, materials and chemicals to restore buildings and inventory. In the end we are responsible for disposing whatever cannot be saved.

Polygon's environmental efforts are centred around efficient use of materials, energy and other resources. We use non-destructive methods as far as possible. Environmental management is actively handled at the country level, taking national characteristics into consideration.

REDUCING FUEL USE AND CARBON DIOXIDE EMISSIONS

Many Polygon subsidiaries are working on lowering their energy use and increasing energy efficiency.

For instance, Polygon UK is working to reduce fuel consumption since this comprises about 80 percent of the total energy usage. Polygon UK uses the Lightfoot system, which is a national initiative to reward cleaner, safer and cheaper driving. Engines are automatically shut off as soon a vehicle arrives at a customer and, while driving, a warning system issues an alert if the driver is not driving efficiently. As a result, fuel consumption has been reduced by about 44 percent since the beginning of 2014 (2018: average 8.2 l/ 100 km – 2014: 11.8 l/100 km), which translates into annual savings of about 975 tonnes of CO_2 emissions. In total, about 3,000 tonnes of CO_2 emissions and GBP 300,000 in fuel costs have been saved since the system was initiated in 2014.

Part of the Lightfoot project is a mapping tool that helps drivers to identify the optimal route to their customers, which further increases fuel efficiency.

Another example is that Polygon Germany installed speed limiting devices in all its transporters to lower fuel consumption and increase driver safety.

IDENTIFYING POLYGON'S CARBON FOOTPRINT

During the year, Polygon initiated a project to identify the carbon footprint of the Group's emissions. The project is a collaboration with students at the KTH Royal Institute of Technology in Stockholm. Once the results of the project are available, further strategic steps can be taken to lower carbon emissions.

POLYGON IN THE NETHERLANDS
AN INDUSTRY LEADER IN SUSTAINABILITY

Polygon is the first Dutch property restoration company to be climate neutral. Through calculating its carbon footprint, taking various measures to reduce CO_2 emissions and investing in a durable climate project, Polygon Netherlands' business operations are now climate neutral and verified by the external agency the Climate Neutral Group.

As a result, the business has also been nominated for a sustainability award in the Netherlands – the Rob Insinger Award, which is an initiative of insurance companies that aims at increasing sustainability in the damage industry.

Sustainability is part of Polygon Netherlands' intrinsic motivation and Country President Marlies van der Meulen comments:

"Over the past years, we have taken steps to reduce our carbon emissions. For example, we replaced our fleet of cars with more sustainable vehicles, carried out in-house development of sustainable cleaning products, developed better separation of project waste and saved energy in drying rooms. We have also been offsetting our remaining CO_2 emissions through investing in a sustainable project for hydropower energy in India."

Polygon in the Netherlands also has sustainable plans for the future, such as looking into the possibilities of circular economy in the restoration industry.

RESPONSIBLE BUSINESS

It is our responsibility to conduct business using high ethical standards, show respect towards individuals and society, and to use sustainable practices that contribute to a better environment. We expect our people to lead by example with our values of integrity, excellence and empathy as their core principles. The Polygon Model and our Code of Conduct guide our efforts.

OUR 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, society and shareholders.

FRAMEWORK FOR IMPLEMENTATION

Polygon uses a Group-wide framework, Our Responsibility, to implement the Polygon Code of Conduct. Apart from the Code, Our Responsibility consists of various guidelines, e-learning programmes and a values game. In addition, there is a gift register and an integrity phoneline to ensure ethical business conduct. While Our Responsibility is a unified approach, it allows room for adaptation to local legislation and conditions. Each tool is available in the languages spoken in our countries of operation.

"Our Code of Conduct outlines the ethical stance we take towards each other and in our business activities. Our business model is also designed to guarantee that we take ethical responsibility in everything we do, in combination with sustainable financial development." – Maria Wallin, Group Business Controller and Compliance Officer.

BOOSTING COMPLIANCE

The Polygon Code of Conduct rests on the principle that every employee is responsible for his/her own professional behaviour. Code of Conduct implementation is monitored by Polygon's HR function. During 2017, we began rolling out an e-learning course covering our Code of Conduct and the implementation continued during 2018. The course helps employees learn about the Code and includes a test and confirmation that they understand and comply with the Code of Conduct.

Polygon took several other steps to promote compliance with internal and external rules and regulations. We continued to roll out Fair Competition, our anti-corruption and anti-trust policy, and to secure Polygon regarding compliance with GDPR.

We have also launched inspirational films that feature examples of how we address sustainability in various parts of Polygon.

POLYGON UK ACHIEVES GREEN COMPANY STATUS IN ACHILLES ACCREDITATION

Achilles is a supply chain audit standard focused on providing insight on risk mitigation, sustainability and business performance, and is relied on by safety-critical industries and governments worldwide. Polygon UK achieved an outstanding 100 percent score after rigorous audit across all four key sectors: corporate social responsibility (CSR); health and safety; environmental and quality.

The Green Company status is a great recognition of Polygon's continuous improvement and acknowledges the importance with which we view our responsibilities, including our duty of care to serve customers safely, economically and to the highest environment standards.

The award gives Polygon UK increased opportunities to collaborate with specialist businesses around the country, develop innovation and address industry challenges to benefit supply-chain practice.

KEY FIGURES

EMPLOYEES PER GEOGRAPHICAL SEGMENT 31 DECEMBER 2018

Segment	Number of employees	Of whom men, %
Nordics and UK	1,692	80
Continental Europe	1,973	78
North America	145	78
Total	**3,810**	**79**

AGE DISTRIBUTION

Age	%
< 40	49
41–50	28
51–60	20
> 60	3
Total	**100**

EMPLOYEE STATISTICS

	2018	2017	2016
Work attendance, %	94.0	96.0	96.4
Employee turnover rate, %	28.0	18.4	18.4
Average number of employees	3,836	3,279	2,909
Of whom men, %	79	79	79

EMPLOYEE SATISFACTION

	2018	2017	2016
Response rate, %	92	91	94
Team Efficiency Index (ESI) (BM 72)	77	76	76
Leadership index (LSI) (BM 77)	78	77	77
Engagement index (BM 72)	83	83	82

FINANCIAL KEY FIGURES

	2018	2017	2016
Sales, MEUR	619.3	512.4	485.3
Adjusted operating profit (EBITA), MEUR	39.6	33.0	32.1
Adjusted operating margin (EBITA), %	6.4	6.4	6.6

70.0%

Proportion of operations environmentally certified per ISO 14001

77.0%

Proportion of operations environmentally certified per ISO 9001

ACTIVE RISK MANAGEMENT MINIMISES RISKS

As a decentralised company with operations in 13 countries, Polygon faces internal and external risks that may impact the ability to achieve strategic objectives and financial targets. Successful risk mitigation creates opportunities and competitive advantages. Although we cannot prevent external risks, we strive to work preventively to be prepared for different scenarios.

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

Effective risk management starts with identifying the risks, effects and probabilities of each of these risks. Polygon manages risks through an active risk management process based on risk identification, risk evaluation, risk handling and follow-up and evaluation. The process starts with each country annually identifying and evaluating its most significant risks using a Group-wide risk form. Group management then identifies and evaluates the most significant risks at Group level. The Group risk assessment is presented to the audit committee and the board on a yearly basis.

RISK CATEGORIES AND RANKING

During 2018, Polygon has conducted a thorough risk evaluation process, ranking all risks based on probability and impact. The general identified risks (there could be other specific risks at local level) according to the Polygon Model are:

- Financial
- Operational
- Contract and assignment
- IT
- Sustainability
- Governance
- Branding

RISK MANAGEMENT PROCESS

RISK IDENTIFICATION → RISK EVALUATION → RISK HANDLING → FOLLOW UP AND EVALUATION

The ten most important risks in 2018 when it comes to probability and impact are listed in the table below.

Rank	Risk category – risk name	Risk description	Risk management
1	**Business risk** – IT risk	Polygon is dependent on IT to manage critical business processes, including administrative functions and the protection of personal data.	Service-level agreements (SLA) with IT suppliers ensuring the quality of outsourcing partners. Policies for IT and IT security are implemented, and audits are conducted regularly.
2	**Business risk** – Dependency on key employees	Polygon is dependent on the skills, experience and commitment of a number of key employees. An inability to attract and retain new key employees may harm business development.	Employee satisfaction surveys are conducted yearly. Implementation of strong corporate culture through the Polygon Model and investments in knowledge transfer, employer branding and employee development through the Polygon Academy HR policies to ensure common handling of HR issues.
3	**Business risk** – Acquisitions and integration	Mergers and acquisitions may incur risks relating to integration, separation, retention of key employees, misjudged forecasts regarding financial results and failure to realise expected synergies.	Due diligence routines and defined acquisition process at Group level, including mandatory integration plan, regular follow-ups and reviews.
4	**Business risk** – Anti-competitive behaviours	The construction industry is associated with high risk relating to anti-corruption and bribery.	The Code of Conduct, which applies to all employees, prohibits any form of corruption, fraud, bribery or money laundering. Internal training in anti-corruption, anti-trust and the Polygon Model is conducted regularly. Procurement and authorisation policies aim to secure good governance. In 2019, a Code of Conduct for business partners will be rolled out.
5	**Strategic risk** – Global economic and market conditions	Global economic development affects demand from existing and potential customers. Sustained economic downturn or loss of consumer confidence could trigger a decrease in demand for Polygon's services.	The risk is mitigated thanks to globally spread business, workforce flexibility, activities and strategic planning, and monitoring.
6	**Business risk** – Customer risk	Dependency on key customers (insurance companies). Mutually beneficial relationships must be maintained.	Strong key account and customer relationship management. Customer satisfaction surveys are conducted regularly. Clear focus on quality of service and development of new solutions and on expanding the customer base.
7	**Business risk** – Legislation	Failure to comply with legislation and regulations or personal data rules may result in loss of business, fines or sanctions. Compliance sometimes requires quick adaptation to changes.	Regular reviews with external experts for monitoring and evaluation of legislative and regulatory changes that affect Polygon. Timely implementation of changes in policies and roll-out via internal training. Back-to-back protection for handling of personal data by sub-contractors.
8	**Financial risk** – Currency translation risk	Polygon has global operations and is exposed to the financial effects of currency fluctuations when operations' other functional currencies are translated into EUR at then-applicable exchange rates. Changes in currency exchange rates may have an adverse effect on the consolidated income statement, balance sheet and cash flow. Currency translation could also result in significant changes to the carrying value of assets, liabilities and equity.	Aside from EUR, functional currencies include GBP, NOK, SEK, USD, DKK, CAD and SGD. The main currency risks are related to GBP, NOK and USD. Intercompany loans reduce the currency risk, but cash flows for the non-EUR countries are currently not hedged. The income statement is re-evaluated each month to ensure correct business decisions.
9	**Strategic risk** – The issuer's dependency on other companies within the Group	Polygon AB, as issuer, is a holding company with great dependency on the success/result of other Group companies.	Ensuring efficient and stable Group structure – the current structure is pledged to a large extent regarding the loan structure. Monitoring of changes in local legislation and prevention of impact of these changes.
10	**Financial risk** – Goodwill	The Group carries goodwill on its balance sheet and, unless business units perform in line with forecasts, there is a risk of goodwill impairment and non-cash impairment charges.	Reporting, reviews, follow-up and action plans if necessary.

COUNTRY PRESIDENTS

ROBERT BERMOSER
Austria
Joined Polygon 2011
Country president from
January 1, 2018.

CARLA SLAETS
Belgium
Joined Polygon 2012

FABIO BERNARDO
Canada
Joined Polygon 1999

YASSINE BEN HAMOUDA
Denmark
Joined Polygon 2017
Country president since
January 4, 2018
Member of the extended
Group Management.

TOM JAATINEN
Finland
Will join Polygon 2019

JULIEN MEYNIEL
France
Joined Polygon 2006

ANDREAS WEBER
Germany
Joined Polygon 2011
(founded VATRO 1992)
Member of the extended
Group Management.

MARLIES VAN DER MEULEN
Netherlands
Joined Polygon 2014

KAI ANDERSEN
Norway
Joined Polygon 2015

L.Y. ANG
Singapore
Joined Polygon 1996

THOMAS PERMAN
Sweden
Joined Polygon 2014

JEREMY SYKES
United Kingdom
Joined Polygon 2009
Member of the extended Group
Management.

FRANK DOBOSZ
USA
Joined Polygon 2008

CONTENTS

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 2018 financial year.

OPERATIONS

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

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

The Polygon Group consists of the Parent Company Polygon AB, which was formed on 12 July 2010, and 27 (28) subsidiaries. All subsidiaries are fully owned, except Polygon A/S in Denmark, where 33.6% of the shares are owned by non-controlling interests. The Group was established at the end of September 2010 when Triton Fund III, via Polygon AB, acquired 100% of the shares in Munters' Moisture Control Services (MCS) division from the then listed company Munters AB.

OWNERSHIP STRUCTURE

Polygon AB is wholly owned by Polygon Holding AB, of which 83.83% is in turn owned by MUHA No 2 LuxCo S.à.r.l.

2018 FINANCIAL YEAR

Consolidated sales for the financial year amounted to EUR 619.3 million (512.4) and operating profit to EUR 25.3 million (25.4). Operating profit was charged with items affecting comparability of EUR 7.7 million (2.9).

	2018	2017
EBIT (operating profit)	25.3	25.4
Depreciation and amortisation of assets in connection with acquisitions	6.6	4.7
Items affecting comparability	7.7	2.9
Adjusted EBITA	**39.6**	**33.0**
Adjusted EBITA margin, %	**6.4**	**6.4**
Depreciation of property, plant and equipment	13.4	10.0
Adjusted EBITDA	**53.0**	**43.0**
Adjusted EBITDA margin, %	**8.6**	**8.4**

Consolidated sales increased 20.8% compared with the preceding year, of which 7.4% was attributable to organic growth and 11.4% to acquired companies and operations. Translation effects had a negative impact of 0.8% on sales.

Operating profit adjusted for items affecting comparability (EBITA) increased 20% compared with the preceding year and was impacted positively in all business segments, particularly in Nordics & UK, which increased 40% mainly due to major acquisitions and a strong performance in the UK.

During the year, the Group conducted six major acquisitions and a small number of minor acquisitions of assets and liabilities; see Note 3 Business combinations.

PolygonVatro GmbH acquired Von Der Lieck GmbH & Co (VDL) in October 2017 and the acquisition was closed on 2 January 2018. VDL strengthened Polygon's position in the western region of Germany, close to the Dutch border.

Polygon A/S in Denmark acquired the shares of Dansk Bygningskontrol A/S (DB) and the acquisition was closed on 4 January 2018. After a directed equity issue in Polygon A/S to the former owners of DB, Polygon's participating interest in the Danish subgroup amounts to 66.4%. The acquisition strengthened Polygon's position in Denmark since DB was three times larger than the existing operations in Denmark on the acquisition date. The acquisition is expected to generate synergies between the two companies in Denmark and result in a significantly more efficient organisation.

In January 2018, Polygon AS in Norway acquired minority shares in four franchise partners, with a call option to increase the ownership to 100%. In early July 2018, this call option was exercised for two of these companies: Buskerud Skadebegrensning AS and Kongsberg AS. Both companies were merged with Polygon AS during the autumn.

Polygon Sverige AB acquired 100 % of the shares in Refix Skadesanering AB and the acquisition was closed on 1 October 2018. The acquisition strengthened Polygon Sverige's position in fire damage restoration.

Polygon UK acquired 100% of the shares in Neways Property Care and the acquisition was closed on 3 October 2018. The acquisition has enabled Polygon UK to offer a full-service concept in the area of property damage repair and restoration.

Polygon Sverige conducted two minor acquisitions of assets and liabilities during the financial year (Metodia AB and Caliber Sanering AB).

At the beginning of the financial year, Polygon International AB acquired a minority interest in Caption Data Ltd (CDL) in the UK. The acquisition provided Polygon with an opportunity to influence and participate in digitalisation of the industry, since CDL is a world leader in the development of remote monitoring applications, such as solutions for moisture control.

No operations or companies were divested during the year.

Items affecting comparability comprise the following expenses (revenue):

	2018	2017
Acquisition costs	–0.9	–1.5
Restructuring	–4.2	–4.0
Impairment of IT systems and property, plant and equipment	–1.9	–0.6
Negative goodwill in Norway	–0.7	4.0
Other	–0.0	–0.8
Total	**–7.7**	**–2.9**

In December 2018 at an Extraordinary General Meeting, it was decided that Luc Hendriks, Lars-Ove Håkansson and Ole Skov would leave and that Lars Blecko will join Board of Directors. Nadia Meier-Kirner was elected as Chairman of the Board at the same general meeting.

FINANCING AND LIQUIDITY

At the beginning of February 2018, Polygon AB issued a EUR 210 million covered bond, with a possibility to issue subsequent notes. The bond, which 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.

The proceeds from the new bond were used to redeem an earlier bond of EUR 180 million and to cover other liquidity requirements, including acquisitions.

Cash and cash equivalents at 31 December 2018 amounted to EUR 33.2 million (42.5). Cash flow from operating activities in 2018 was EUR 31.2 million (40.7). The deteriorating cash flow compared to the previous year is mainly affected by the acquisitions made during the year in which the operational processes in acquired companies take time to streamline. Strong growth with high activity level in the existing business, especially in Germany, has also had a negative impact on cash flow.

CAPITAL EXPENDITURES

The Group's capital expenditure on property, plant and equipment for the period amounted to EUR 16.3 million (16.9). In addition, the Group upgraded its IT systems for EUR 1.8 million (2.4). Total depreciation and amortisation during the period amounted to EUR 20.0 million (14.7), of which EUR 11.3 million (9.3) pertained to depreciation of property, plant and equipment and EUR 8.7 million (5.4) to amortisation of intangible assets.

Amortisation of intangible assets mainly refers to customer relationships acquired in business combinations as well as amortisation of capitalised costs for development of the Group's IT systems. During the year, intangible assets were impaired by EUR 1.9 million (0.5). The write down is mainly development costs for internal IT systems that are in use and amounts to EUR 1,8 (0,5) million.

EMPLOYEES

The average number of employees in the Group during 2018 was 3,836 (3,279).

For more information, see Note 8 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), credit risk, liquidity risk and operational risks.

Currency risk

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

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

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 2018, the Group had EUR 69.1 million (60.9) 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 17 Financial instruments and financial risk management.

Operational risk

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.

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 (three) during the year. No investments were made during 2018. The Group posted a loss before tax of EUR 4.7 million (loss: 7.4). The change in earnings is mainly due to higher items affecting comparability in 2018 related to the change of CEO and financial non-recurring costs when the previous covered bond of EUR 180 million was redeemed and replaced by a covered bond of EUR 210 million in early February 2018, which was offset by the fact that net Group contributions received increased EUR 6.4 million compared with the preceding year.

Cash and cash equivalents in the Group's cash pool amounted to EUR 44.3 million (26.2) at the end of the period. The Parent Company's assets amounted to EUR 305.3 million (279.4) and equity to EUR 93.4 million (97.5).

EVENTS AFTER THE END OF THE YEAR

In January 2019, Polygon Nederland BV acquired the companies Tiedema Lekdetectie BV and Teidema Droogtechniek BV and the acquisitions were closed immediately. The acquisitions strengthened Polygon's position in leak detection and temporary climate solutions in the Netherlands.

On 1 March 2019, Polygon International AB acquired Alvisa 24 Holding AG in Switzerland and the acquisition was closed immediately. The acquisition enabled Polygon to expand its operations to include an additional country in Europe, creating new opportunities for cooperation and efficiency enhancement.

For more information, see Note 31 Significant events after the end of the financial year.

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.

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 acquisition of a minority interest in Caption Data Ltd (CDL) in the UK in February 2018 is a good example of this. This acquisition provided Polygon with an opportunity to influence and participate in the digitalisation of the industry, since CDL is a leader in the development of remote monitoring applications, such as solutions for moisture control.

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 38–47 of the annual review.

CORPORATE GOVERNANCE REPORT

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

PROPOSED APPROPRIATION OF EARNINGS

Proposed appropriation of the Parent Company's earnings:

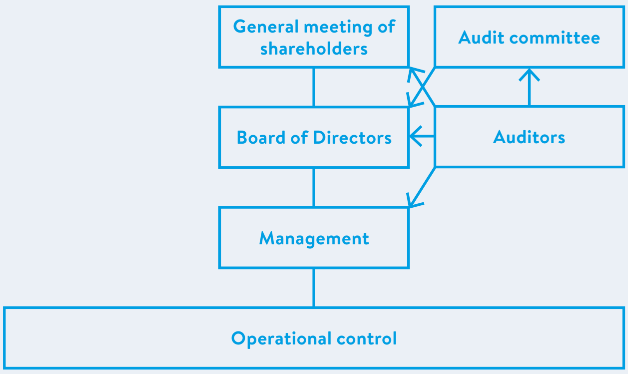
The Board of Directors and the CEO propose that the loss for the year of EUR 4,154,822, together with retained earnings of EUR 97,490,955, amounting to a total of EUR 93,336,133, be carried forward.

No Group contributions or dividends were paid to Polygon Holding AB in 2018 or 2017. Nor did Polygon AB receive any shareholder contributions from Polygon Holding AB in 2018 or 2017.

CORPORATE GOVERNANCE REPORT

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

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



CORPORATE GOVERNANCE STRUCTURE

Polygon AB is a Swedish public limited company domiciled in Stockholm. Through its subsidiaries, the company conducts consulting and service operations in the area of water and fire damage restoration. The company's mission is to prevent, control and alleviate the effects of water, fire and climate damage. Governance and control of the company are regulated by a combination of written rules and standard practice. These rules refer mainly to the Swedish Companies Act and the Swedish Annual Accounts Act, but also 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 83.83% is in turn owned by MuHa No 2 LuxCo S.à.r.l.

GENERAL MEETING OF SHAREHOLDERS

The general meeting of shareholders is the company's highest decision-making body. At a general meeting, the shareholders exercise their voting rights by electing the company's Board of Directors and auditors and passing resolutions on guidelines for remuneration to the company's Board of Directors, management and auditors. When appropriate, the general meeting of shareholders also passes resolutions regarding the Articles of Association, dividends and changes in the share capital. The general meeting of shareholders that is held within six months after the end of the financial year also resolves on the adoption of the income statement and balance sheet, the disposition of earnings and discharge from liability for the Board of Directors and the CEO. There are no restrictions on the number of votes each shareholder may exercise at a general meeting. The general meeting of shareholders has not authorised the Board to issue shares or acquire treasury shares.

BOARD OF DIRECTORS

During the year, the Board of Directors comprised seven members: Luc Hendriks (Chairman), Petter Darin, Lars-Ove Håkansson, Nadia Meier-Kirner, Jonas Samuelson, Ole Skov and Gunilla Andersson. At an extraordinary general meeting in late December 2018, Lars Blecko was elected to the Board and Luc Hendriks, Lars-Ove Håkansson and Ole Skov stepped down from the Board. Nadia Meier-Kirner was elected as Chairman. For further information about the Board members, including experience, education and other assignments, refer to page 60.

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

Name	Position	Elected	Audit committee	Independent in relation to shareholders	Independent in relation to the company and management	Attendance at Board meetings
Luc Hendriks	Chairman*	2015		No	Yes	6/6
Petter Darin	Member	2015	Member	No	Yes	5/6
Lars-Ove Håkansson	Member	2015		Yes	Yes	5/6
Nadia Meier-Kirner	Member/Chairman*	2017		No	Yes	6/6
Jonas Samuelson	Member	2010	Chairman	Yes	Yes	6/6
Ole Skov	Member	2016		Yes	Yes	6/6
Gunilla Andersson	Member	2017		Yes	Yes	5/6

* At an extraordinary general meeting in December 2018, Luc Hendriks stepped down from the Board and Naida Meier-Kirner was elected as the new Chairman of the Board.

members of the Board are continuously provided with the information required to satisfactorily discharge their duties. During the financial year, the Board held six scheduled meetings, one of which was a statutory meeting in conjunction with the Annual General Meeting. In addition to these meetings, a number of meetings were held by circulation.

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

INDEPENDENCE OF THE BOARD

All members of the Board are independent in relation to the company. Furthermore, four 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 seven 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 2018 Annual General Meeting, the registered public auditing firm Ernst & Young AB was re-elected as the company's auditors. Auditor in Charge is Staffan Landén, who is an Authorised Public Accountant and the elected auditor of Vattenfall, Alfa Laval, Semcon and Nederman, among others. In addition, Staffan Landén has been appointed as a stock market auditor by NASDAQ OMX in Stockholm. The auditors' independent status is ensured by the auditing firm's internal guidelines. This independence has been confirmed to the audit committee.

CEO AND GROUP MANAGEMENT

A new CEO, Axel Gränitz, was appointed in September and replaced Erik Jan Janssen on 15 October 2018; for further information, refer to page 61.

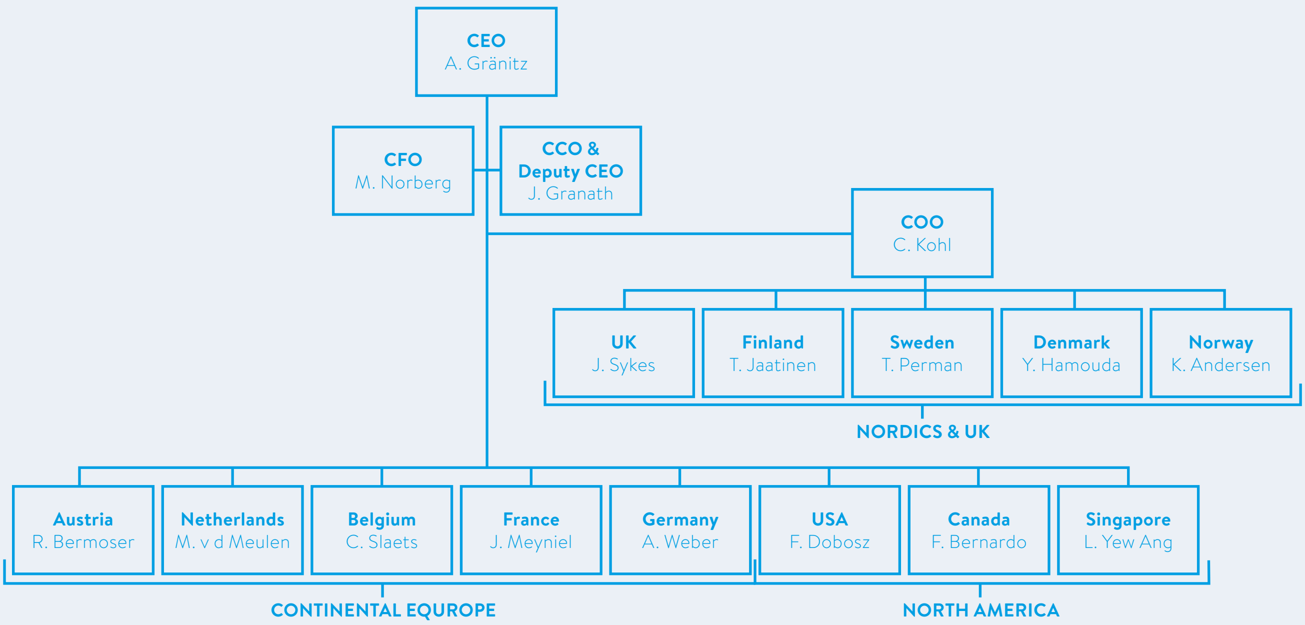
The CEO and Group management formulate and execute Polygon's overarching strategies and address matters related to acquisitions, divestments and major investments. Such matters are prepared by Group management for resolution by the Board of the Parent Company. The President and CEO is responsible for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

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

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. Local



accounts are prepared on a monthly basis for each internal profit centre 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, meetings are held with the subsidiary management teams.

In connection with the monthly closing of the books, meetings are held with the subsidiaries. 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, finance manual, etc.

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

Risk assessment

An annual risk assessment is carried out to identify risks and measures to counteract these risks. The Board has overall responsibility for risk management, while operational responsibility is delegated to the CEO, Group management and the president in each country. Effective risk management begins with identifying the risks as well as their probability and the consequence of each risk. Polygon manages risk through an active risk management process based on risk identification, risk assessment, risk management, monitoring and assessment. The process begins with each country in the Group identifying and assessing their most significant risks every year 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, etc., must adhere to the established decision-making paths and to the signatory and authorisation rights that are stipulated in the internal control documents. In addition to the daily control structure, there are a number of control activities to further detect and correct errors and deviations. Such control activities consist of monitoring at different levels in the organisation, such as the Board's monitoring and reconciliation of Board resolutions passed, 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 presentation 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 for each occasion.

Monitoring

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

Annual internal control self-assessment

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

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

Examples of monitoring activities

- The Board's review and approval policy
- Reporting of risk analysis to the Board once a year
- Reporting of annual internal control self-assessment to the Board
- Monthly/continuous monitoring and analysis of financial reports

BOARD OF DIRECTORS

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

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

LARS BLECKO
Board member
Board member since 2018 (December)
Nationality: Swedish
Background: Former President and CEO of Loomis.

PETTER DARIN
Board member
Board member since 2015
Nationality: Swedish.
Background: Investment advisory professional, Triton Advisers. Formerly M&A and corporate finance advisor at UBS.

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

MANAGEMENT

AXEL GRÄNITZ
President and CEO
Born in 1968
Joined Polygon in 2018
Background: Member of the Executive Board of Dussmann Group, CEO of Dussmann International, senior positions at Arvato AG – Bertelsmann.
Education: Politics at Vanderbilt.

JONAS GRANATH
Chief Commercial Officer & Deputy CEO
Born in 1976
Joined Polygon in 2014
Background: Senior positions at IL Recycling Poland and the Swedish Trade Council
Education: M.Sc. in Economics and Business Administration from Stockholm School of Economics and University of St. Gallen.

MATS NORBERG
Chief Financial Officer
Born in 1959
Joined Polygon in 2013
Background: CFO for the Nordics, Baltics and Switzerland at Dahl International/Saint Gobain, CFO at Aftonbladet
Education: M.Sc. Business Administration from Uppsala University.

CHRISTIAN KOHL
Chief Operating Officer
Born in 1969
Joined Polygon in 2006
Background: Senior positions at 3M in sales and marketing. Country President at Munters/Polygon Austria and Switzerland
Education: Law at University Vienna, Six Sigma Black Belt, IMP Programme at Duke University.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

EUR thousand	Note	2018	2017
Sales revenue	5	619,264	512,429
Cost of services sold	6, 8	–473,277	–385,750
Gross profit		**145,987**	**126,679**
Selling and administrative expenses	6, 7, 8	–112,293	–98,072
Other operating expenses	6	–8,364	–3,169
Operating profit		**25,331**	**25,438**
Financial income	9	91	151
Financial expenses	9	–14,686	–17,097
Profit/loss after net financial items		**10,736**	**8,492**
Tax	10	–4,233	–3,024
Profit/loss for the year		**6,503**	**5,468**
Profit/loss for the year			
Attributable to Parent Company shareholders		6,113	5,590
Attributable to non-controlling interests		390	–122
Total		**6,503**	**5,468**
Number of shares		5,600	5,600
Earnings per share before and after dilution		1.09	1,00

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

EUR thousand	Note	2018	2017
Profit for the year		**6,503**	**5,468**
Other comprehensive income	24		
Items that will not be reclassified to profit or loss			
Actuarial gains and losses		–208	–222
Tax related to items in other comprehensive income		37	18
Items that may subsequently be reclassified to profit or loss			
Translation difference		–1,081	511
Other comprehensive income		**–1,252**	**307**
Comprehensive income for the year		**5,251**	**5,775**
Comprehensive income for the year			
Attributable to Parent Company shareholders		4,861	5,897
Attributable to non-controlling interests		390	–122
Total		**5,251**	**5,775**

CONSOLIDATED BALANCE SHEET

EUR thousand	Note	2018	2017
ASSETS			
Non-current assets			
Goodwill	11, 13	137,126	110,942
Other intangible assets	12	53,329	41,960
Property, plant and equipment	14	46,101	40,200
Deferred tax assets	10	13,375	16,744
Other financial assets		941	2
Total non-current assets		**250,872**	**209,848**
Current assets			
Contract assets	15	44,730	28,246
Accounts receivable	17, 20	88,369	76,570
Receivables from the Parent Company		315	308
Current tax assets	10	1,821	213
Other current receivables		2,303	1,893
Prepaid expenses	16	5,476	5,602
Cash and bank balances	17, 19	33,192	42,541
Total current assets		**176,206**	**155,373**
TOTAL ASSETS		**427,078**	**365,221**
EQUITY AND LIABILITIES			
Equity	24		
Share capital		58	58
Other contributed capital		10,771	10,771
Foreign currency translation reserve		–1,795	–714
Retained earnings including profit for the year		54,761	48,819
Equity attributable to Parent Company shareholders		**63,795**	**58,934**
Non-controlling interests		11,696	820
Total equity		**75,491**	**59,754**
Non-current liabilities			
Pension provisions	25	5,129	4,856
Other provisions		1,485	1,519
Deferred tax liabilities	10	18,471	15,806
Non-current financial liabilities, interest-bearing	18, 28	214,785	183,389
Total non-current liabilities		**239,870**	**205,570**
Current liabilities			
Advance payments from customers		1,482	146
Contract liabilities	15	369	876
Pension provisions	25	59	132
Other provisions		3,062	4,932
Accounts payable	17	45,550	35,647
Interest-bearing current loans	17	–	885
Other liabilities	17, 23	20,308	16,958
Accrued expenses	17, 26	38,680	36,683
Current tax liabilities	10	2,207	3,638
Total current liabilities		**111,717**	**99,897**
TOTAL EQUITY AND LIABILITIES		**427,078**	**365,221**

Pledged assets and contingent liabilities are specified in Notes 20 and 27.

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Note	2018	2017
Operating activities			
Operating profit		25,331	25,438
Non-cash items not included in operating profit	30	23,912	8,972
Income tax paid		–6,313	–2,961
Net cash flow from operating activities before changes in working capital		**42,930**	**31,449**
Cash flow from changes in working capital:			
Change in accounts receivable and other current receivables		–4,062	564
Change in contract assets and liabilities		–11,601	9,855
Change in accounts payable and other current liabilities		3,924	–1,195
Accounts payable		**31,191**	**40,673**
Cash flow from investing activities			
Acquisitions	3	–34,038	–7,108
Investments in property, plant and equipment	14	–16,288	–16,925
Investments in intangible assets	12	–2,239	–2,390
Sale of non-current assets		694	86
Cash flow from investing activities		**–51,871**	**–26,337**
Cash flow before financing activities		**–20,680**	**14,336**
Cash flow from financing activities			
Borrowings		210,000	–
Repayment of loans payable		–181,410	–14
Dividend received		8	4
Dividend to non-controlling interests		–	–163
Financial income received		83	147
Financial expenses paid[1)]		–17,149	–9,293
Cash flow from financing activities		**11,532**	**–9,319**
Cash flow for the year		**–9,148**	**5,017**
Cash and bank balances at the beginning of the year		42,541	36,585
Exchange difference in cash and bank balances		–201	939
Cash and bank balances at the end of the year		**33,192**	**42,541**

1) Whereof interest paid EUR Million 9.1 (9.3).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Parent Company shareholders							
EUR thousand	Share capital	Other contributed capital	Foreign currency translation reserve	Actuarial gains/losses on defined-benefit pension obligations[1)]	Retained earnings including profit for the year[1)]	Total	Non-controlling interests	Total equity
Closing balance, 31 December 2016	**58**	**10,771**	**–1,225**	**–1,603**	**45,036**	**53,037**	**1,105**	**54,142**
Dividend to shareholders	–	–	–	–	–	–	–163	–163
Profit/loss for the year	–	–	–	–	5,590	5,590	–122	5,468
Actuarial gains/losses	–	–	–	–222	–	–222	–	–222
Other comprehensive income	–	–	511	–	–	511	–	511
Tax attributable to items in other comprehensive income	–	–	–	18	–	18	–	18
Opening balance, 31 December 2017	**58**	**10,771**	**–714**	**–1,807**	**50,626**	**58,934**	**820**	**59,754**
New share issue	–	–	–	–	–	–	10,486	10,486
Profit for the year	–	–	–	–	6,113	6,113	390	6,503
Actuarial gains/losses	–	–	–	–208	–	–208	–	–208
Other comprehensive income	–	–	–1,081	–	–	–1,081	–	–1,081
Tax attributable to items in other comprehensive income	–	–	–	37	–	37	–	37
Opening balance, 31 December 2018	**58**	**10,771**	**–1,795**	**–1,978**	**56,739**	**63,795**	**11,696**	**75,491**

1) In equity in the balance sheet, actuarial gains/losses on defined-benefit pension obligations are included in the item retained earnings, which are recognised in two separate columns above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 CORPORATE INFORMATION

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

Polygon AB is a wholly owned subsidiary of Polygon Holding AB, corporate identity number 556809-3511, domiciled in Stockholm, Sweden. Polygon Holding AB is the highest level at which consolidated financial statements are prepared. The ultimate Parent Company of the Group is MuHa LuxCo S.à.r.l., corporate identity number B154023 and domiciled in Luxembourg, which is exempt from the requirement to prepare consolidated financial statements. MuHa LuxCo S.á.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 in connection with the Board meeting on 2 April 2019.

NOTE 2 ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2.1 SIGNIFICANT ACCOUNTING POLICIES

RULES AND REGULATIONS APPLIED

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU for financial years beginning on or after 1 January 2018. 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 (EUR thousand).

The financial statements are presented in 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 2018 to 31 December 2018, and all balance sheet items refer to 31 December 2018. The previous financial year was 1 January 2017 to 31 December 2017 and the balance sheet items for this period refer to 31 December 2017.

BASIS OF PRESENTATION

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

BASIS OF CONSOLIDATION

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

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

Definition of subsidiary

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

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

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

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

	Closing day rate 31 Dec 2018	Average rate 2018	Closing day rate 31 Dec 2017	Average rate 2017
CAD	0.6416	0.6542	0.6664	0.6830
DKK	0.1339	0.1342	0.1343	0.1344
GBP	1.1044	1.1303	1.1274	1.1409
NOK	0.0997	0.1042	0.1016	0.1072
SEK	0.0973	0.0975	0.1015	0.1038
SGD	0.6385	0.6279	0.6250	0.6416
USD	0.8731	0.8475	0.8358	0.8864

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 2018:
A number of new or revised IFRS came into effect as of 1 January 2018. The IFRS that impact the consolidated financial statements are presented below.

IFRS 15 Revenue from Contracts with Customers
This standard combines, enhances and replaces specific guidance on revenue recognition with a single standard.

DESCRIPTION OF POLYGON'S OPERATIONS
Polygon provides services in the area of preventing, controlling and mitigating the effects of water, fire and climate.

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

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

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

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

PERFORMANCE OBLIGATIONS AND REVENUE RECOGNITION
Most of Polygon's performance obligations 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.

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.

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.

KEY ASSESSMENTS AND THE PORTFOLIO APPROACH
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 projects where percentage of invoicing reflects the progress of deliverence in a more accurate way this method is use. These methods together provides a fair presentation of the transfer of goods and services and shows the Group's completion of the promised deliveries to the customer. The percentage of invoicing (for example, when an agreement with the customer concerning invoicing reflects the progress in terms of delivering the performance obligation) in projects where this provides a more accurate reflection of the outcome of the performance obligation. Such a combination provides a fair presentation of the transfer of goods and services and shows the Group's completion of the promised deliveries to the customer.

Note 2.2, cont.

CONSEQUENCES OF IMPLEMENTING THE NEW STANDARD
The Group has chosen to apply the standard retrospectively, utilising the practical expedient to not restate contracts that begin and end within the same annual financial year or are completed at the beginning of the current financial year.

When introducing the new standard, the reallocation of revenue recognition had a positive one-time effect on equity of EUR 0.8 million in 2016. Application of the new standard will not have a significant impact on revenue on an annual basis. Restatement confirms the earlier assumption that the allocation of revenue between months has changed and now reflects the activity level of the business operations during the reporting month. When recognised in accordance with the new IFRS 15, revenue for 2017 was EUR 6.4 million lower than with the application of previous standards.

	Previously recognised amount 2017	Restated amount 2017	Change
Consolidated income statement			
Sales revenue	518,814	512,429	–6,385
Cost of services sold	–391,649	–385,750	5,899
Net profit/loss	**127,165**	**126,679**	**–486**
EBITA	25,924	25,438	–486
Profit/loss before tax	9,100	8,614	–486
Tax	–3,165	–3,024	141
Profit/loss for the year	**5,935**	**5,590**	**–345**

IFRS 9 Financial Instruments
This standard came into effect on 1 January 2018 and replaced IAS 39 Financial Instruments: Recognition and Measurement. The new standard contains rules for classification and measurement of financial assets and liabilities, impairment of financial instruments and hedge accounting.

The new standard introduces a method of classification and measurement of financial assets 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 receiving 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.

For financial liabilities, the rules in IFRS 9 are in principle the same as in IAS 39, with the exception that changes in the value of financial liabilities that are measured according to the fair value option and that are attributable to changes in the credit risk associated with the liability are to be recognised in other comprehensive income.

The new impairment rules entail a transition from an "incurred loss model" to an "expected loss model". The purpose of this change is to make a loss allowance for credit losses at an earlier stage and to reduce volatility in recognised credit losses.

The new model, which encompasses all financial assets measured at amortised cost, is based on a division of assets into three categories depending on the change in credit risk. However, the division into categories presupposes that there are assets of a more long-term character which is not the case for Polygon, whose financial assets primarily consist of accounts receivable and cash and cash equivalents. 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, which is described in greater detail in Note 2.3 Summary of key accounting policies and the section "Impairment of financial assets".

Accounts receivable 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 2018 is presented in Note 20 Accounts receivable.

Financial liabilities mainly comprise accounts payable, and are not affected by the new rules in IFRS 9, with one exception described above ("fair value option"). This rule is not applicable for Polygon.

One of the main objectives of the new rules for hedge accounting is to reflect the effects of a company's risk management activities on the financial reporting.

Polygon does not apply hedge accounting and is therefore not impacted by the changes above.

The main focus for the Group has been the impairment model for expected credit losses since accounts receivables are a material part of the balance sheet. The previous model for the provision for doubtful receivables in the Group has been evaluated with the new standard in mind and the outcome is that the new standard will have a minor, immaterial impact on the loss allowance for credit losses, and that the previous method meets the requirements according to the new standard.

The review carried out prior to the implementation of the new standard confirmed that the new standard would not have a material impact on the financial statements. Polygon has therefore not carried out any remeasurement that impacted the opening equity for 2018.

IFRS ADOPTED BY THE EU THAT WILL COME INTO EFFECT IN 2019:
IFRS 16 Leases
This standard will come into effect on 1 January 2019 and replaces IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. For companies that are a lessee, the current classification into operating and finance leases will disappear and be replaced by a model where assets and liabilities for all leases are to be recognised in the balance sheet. For leases with a term of 12 months or less or where the underlying asset is of a low value (corresponding to approximately USD 5,000 or less), there is a possibility to apply an exemption rule. In the income statement, depreciation is to be recognised separately from interest expenses attributable to the lease liability.

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

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

During 2018, Polygon continued preparing for the transition to the new standard. Leases have been identified and evaluated, system support for managing the leases has been implemented and the organisation has undergone training in the new standard and the new system support. Upon the transition on 1 January 2019, the Group will apply the modified retrospective approach, which entails that the opening balance will be adjusted for the accumulated effect of initial application of the standard on the first application day and comparative years will not be restated.

The lease liability is measured at the present value of the remaining lease payments and the right-of-use asset for all leases amounts to the equivalent of the lease liability adjusted for any prepaid and accrued lease payments recognised as of 31 December 2018. Only marginal reclassifications of prepaid and accrued lease payments have been carried out. An incremental borrowing rate has been established for each country. The transition will have no impact on opening equity.

Polygon has chosen to apply the exemption rules for short-term leases and leases for which the underlying asset is of a low value. These leases are not included in the right-of-use asset or liability. In applying the standard, Polygon has determined that a time horizon other than five years can generally be used for leases for offices and depots with open final dates, although the formal lease term is shorter. Right-of-use assets primarily comprise leases for offices, depots and cars.

When the standard has come into effect, the following preliminary adjustments in Polygon's balance sheet will be recognised as of 1 January 2019.

- Right of use assets EUR 66 million
- Long-term financial lease liabilities EUR 46 million
- Short-term financial leasing liabilities EUR 20 million

The preliminary distribution of the right of use assets per segment is as follows:

- Continental Europe EUR 34 million
- Norden & UK EUR 27 million
- North America EUR 5 million

The preliminary calculation gives an increase in the Group's total balance sheet total by 15.5%.

Polygon expects IFRS 16 to have a positive impact on EBITA and a negative impact of approximately EUR 1 million on financial items, which will have a slightly negative impact of approximately EUR 1 million on the total net profit for the Group.

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 in financial expenses in net financial items. As of 1 January 2018, exchange differences related to inter-company financial assets and liabilities are recognised in other comprehensive income.

INTANGIBLE ASSETS

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

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

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

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

Amortisation is calculated as follows:	Years
Patents, licenses and software	3–8
Customer relationships	10–12

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

BUSINESS COMBINATIONS AND GOODWILL

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

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

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

See Note 11 Goodwill and Note 13 Impairment testing of goodwill and trademarks.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are physical assets that are used in the Group's operations and have an expected useful life exceeding one year. Property, plant and equipment are initially measured at cost and are depreciated on a straight-line basis over their estimated useful lives. When property, plant and equipment are recognised, any residual value is taken into account when the depreciable amount of the asset is determined. Depreciation begins when the asset is ready to be taken into use. Land is not depreciated.

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

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

Customary costs for maintenance and repairs are expensed as incurred. However, costs related to significant renewals and improvements are recognised in the balance sheet and depreciated over the remaining useful life of the underlying asset.

Depreciation is calculated as follows:	Years
Improvements in rented premises	6–9
Dehumidifiers and similar equipment	5–10
Buildings	20–25
Equipment	3–6

IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

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

An impairment loss is to be recognised for an asset or a group of assets (cash-generating units) if the carrying amount is higher than the recoverable amount. The recoverable amount is the higher of value in use and net realisable value. Impairment losses are recognised in profit or loss.

For all assets except goodwill and intangible assets with indefinite useful lives, an assessment is made on each balance sheet date as to whether there is an indication that an earlier impairment loss, in whole or in part, is no longer justified. If the assumptions underlying the calculation of an asset's recoverable amount have changed, the carrying amount of the asset or assets is increased to its recoverable amount. Such a reversal is to not to exceed the amount the company would have recognised after depreciation and amortisation if the impairment had not been recognised. The reversal is recognised in profit or loss unless the asset is recognised in a restated amount in accordance with another standard.

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

FINANCIAL INSTRUMENTS

A financial instrument is any type of contract that gives rise to a financial asset in one company and a financial liability or equity instrument in another company. Financial instruments recognised as assets in the balance sheet include cash and cash equivalents, accounts receivable, other receivables and currency derivatives. Financial instruments recognised as liabilities include trade payables, loans payable and other liabilities. Recognition depends on how the financial instruments have been classified. At year-end, the company had SEK/EUR hedges to cover the head office's costs.

Recognition and measurement

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 have performed and a contractual obligation to pay exists, even if an

Note 2.3, cont.

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 modification 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 18 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.

Comparative year in accordance with IAS 39

In the 2017 comparative year, financial instruments were recognised in accordance with IAS 39. IAS 39 used different classification categories than IFRS 9. Nevertheless, the classification categories in accordance with IAS 39 resulted in a corresponding recognition at amortised cost, fair value through profit or loss or fair value through other comprehensive income.

Moreover, IAS 39 established a different method for recognising provisions for credit losses, whereby the provision was based on an incurred loss model, unlike the method established in IFRS 9, whereby the provision is based on an expected loss model. As far as the Group is concerned, there are no other differences between the standards. The transition from IAS 39 to IFRS 9 has had no material impact on the Group; see Note 20 Accounts receivable.

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 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 recognised 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

Note 2.3, cont.

pay and other relevant factors for individual customers or for the specific market in which the customer operates.

On each balance sheet date, the Polygon Group assesses whether there are any objective circumstances that indicate that a financial asset may need to be impaired. Financial assets are recognised in the balance sheet at amortised cost, meaning the net of their gross value and the loss allowance. Changes in the loss allowance are 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

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 after adjustment for any prior costs that have not yet been allocated to a particular period of time. The net obligation is divided into a current and a non-current portion.

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

TERMINATION BENEFITS

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

LEASES

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

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

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

SEGMENT REPORTING

The Group has three operating segments. The operating segments are 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-making, which is Polygon’s President and CEO, in order to allocate resources and assess results. The Group’s internal reporting and, consequently, the information provided to the chief operating decision-maker, are divided into geographic areas – Nordics & UK, Continental Europe and North America – which constitute the Group’s operating segments.

The segments are responsible for operating profit and the net assets that are used in their operations, while net financial items, tax, net borrowings and equity are not recognised by segment. Operating profit and net assets for the segments are consolidated according 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’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.

2018	Nordic & UK	Continental Europe	North America	Group Total
Point in time for revenue recognition				
Revenue recognised at one point in time	18,502	22,707	25	41,234
Revenue recognised over time	165,461	349,579	4,988	520,028
Revenue recognised according to practical exemption at invoicing	18,727	9,564	29,711	58,002
Total revenue recognised	**202,690**	**381,850**	**34,724**	**619,264**
2017				
Point in time for revenue recognition				
Revenue recognised at one point in time	9,300	15,724	6	25,030
Revenue recognised over time	117,751	311,173	6,705	435,629
Revenue recognised according to practical exemption at invoicing	16,992	8,874	25,904	51,770
Total revenue recognised	**144,043**	**335,771**	**32,615**	**512,429**

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 %age of completion method.

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 accounts 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.

Note 2.3, cont.

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. Revenue from franchisees are not material from a Group perspective and Polygon has therefore decided not to report them as separate items in note 5.

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:

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 13 Impairment testing of goodwill and trademarks. The key assumptions relate primarily to assumptions about future sales and profit growth as well as assumptions about the discount rate.

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

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

DEFERRED TAX ASSETS

Deferred tax is recognised for temporary differences arising between the tax bases and carrying amounts of assets and liabilities as well as for unutilised loss carryforwards. A deferred tax asset is recognised only to the extent that it is probable it can be utilised against future profit. In the event that the actual outcome differs from the applied assumptions, or management adjusts these assumptions in the future, the value of the deferred tax assets could change.

REVENUE RECOGNITION BASED ON INDIVIDUAL ASSESSMENT

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

PROVISIONS FOR EXPECTED CREDIT LOSSES ON ACCOUNTS RECEIVABLE

Accounts receivable are initially recognised at transaction price in accordance with IFRS 15 and thereafter at amortised cost. A loss allowance for expected credit losses is made on every balance sheet date in an amount that corresponds to the expected credit losses for the remaining term. The assessment is based on criteria that show whether the risk has changed since the initial measurement date. Loss allowances for expected credit losses are recognised in profit or loss under other operating expenses. See Note 20 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. The Group has determined that mortgage bonds constitute first-class corporate bonds that can be used as the basis for determining the discount rate.

NOTE 3 BUSINESS COMBINATIONS

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

For acquisitions of service companies, not only is consideration paid 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.

PolygonVatro GmbH acquired Von Der Lieck GmbH & Co (VDL) in October 2017 and the acquisition was closed on 2 January 2018. VDL strengthened Polygon's position in the western region of Germany, close to the Dutch border.

Polygon A/S in Denmark acquired the shares of Dansk Bygning-skontrol A/S (DB) and the acquisition was closed on 4 January 2018. After a directed equity issue in Polygon A/S to the former owners of DB, Polygon's participating interest in the Danish subgroup amounts to 66.4%. The acquisition strengthened Polygon's position in Denmark since DB was three times larger than the existing operations in Denmark on the acquisition date. The acquisition is expected to generate synergies between the two companies in Denmark and result in a significantly more efficient organisation.

In January 2018, Polygon AS in Norway acquired minority shares in four franchise partners, with a call option to increase the ownership to 100%. In early July 2018, this call option was exercised for two of these companies: Buskerud Skadebegrensning AS and Kongsberg AS. Both companies were merged with Polygon AS during the autumn. The acquisition analysis for Skadegruppen AS, which was acquired in 2017 and closed on 1 November 2017, was adjusted in an amount of EUR 658 thousand in 2018 due to requirements concerning project completion prior to closing.

Polygon Sverige AB acquired 100% of the shares in Refix Skadesanering AB and the acquisition was closed on 1 October 2018. The acquisition strengthened Polygon Sverige's position in fire damage restoration.

Polygon UK acquired 100% of the shares in Neways Associates and the acquisition was closed on 3 October 2018. The acquisition has enabled Polygon UK to offer a full-service concept in the area of property damage repair and restoration.

Polygon Sverige conducted two minor acquisitions of assets and liabilities during the financial year (Metodia AB and Caliber Sanering AB).

At the beginning of the financial year, Polygon International AB acquired a minority interest in Caption Data Ltd (CDL) in the UK. The acquisition provided Polygon with an opportunity to influence and participate in digitalisation of the industry, since CDL is a world leader in the development of remote monitoring applications, such as solutions for humidity control.

The amounts and assessments below pertaining to acquisitions in 2017 are final, while the amounts and assessments for 2018 are preliminary.

BUSINESS COMBINATIONS IN 2017 AND 2018

Fair value on acquisition	2018	2017
Customer relationships	13,121	–
Trademarks	790	–
Acquired order value	104	–
Machinery and equipment	1,148	1,079
Other non-current receivables	3,851	31
Inventories	13,928	4,088
Current receivables	71	5,974
Total assets	**33,013**	**11,172**
Non-current liabilities and other liabilities	4,259	–
Operating liabilities	7,168	7,464
Deferred tax liabilities	473	384
Less: Cash and bank balances	–654	–3,219
Total liabilities net of cash	**11,247**	**4,629**
Net assets	**21,767**	**6,543**
Non-controlling interests	–10,523	–
Negative goodwill	–	-3,334
Goodwill	23,773	9,076
Total purchase consideration	**35,017**	**12,285**

	2018	2017
Purchase consideration		
Cash payment	32,408	11,562
Liabilities assumed	156	–
Liability to seller	2,453	723
Total purchase consideration	**35,017**	**12,285**
Analysis of cash-flow effects from acquisitions:		
Acquired cash and cash equivalents	–654	–3,219
Cash payment	32,408	11,562
Exchange differences	–	–
Net cash flow from the acquisition	**31,754**	**8,343**

Company name	Country of establishment	Corp. ID No.	Participating interest	Acquisition date	Sales in EURm	No. of employees
Villaklimat OBM AB	Sweden	556637-3857	100%	31 Mar 2017	2.0	14
Polygon Nord AS	Norway	956 827 264	100%	25 Sep 2017	5.0	47
Skadegruppen AS	Norway	943 578 524	100%	26 Sep 2017	27.0	208
Bretagne Assèchement	France	440 853 547	100%	28 Dec 2017	2.4	21
Bretagne Assèchement Nord	France	503 279 697	100%	28 Dec 2017	2.2	22
Normandie Assistance	France	499 557 478	100%	28 Dec 2017	0.5	4
Von Der Lieck GmbH & Co. KG	Germany	HRA 6565	100%	2 Jan 2018	4.0	25
Dansk Byggningskontrol A/S	Denmark	31 85 98 83	66.4%	4 Jan 2018	29.0	236
Polygon Kongsberg AS	Norway	884 251 192	100%	2 Jul 2018	1.7	17
Buskerud Skadebegrensning AS	Norway	977 073 189	100%	3 Jul 2018	1.8	20
Refix Skadesanering AB	Sweden	556858-0335	100%	1 Oct 2018	3.2	30
Neways Associates Ltd	UK	4 373 558	100%	3 Oct 2018	6.1	54

AQUIRED ASSOCIATED COMPANIES

Company name	Country of establishment	Corp. ID No.	Participating interest	Acquisition date
Polygon Haugesund AS	Norway	979 489 986	49%	3 Jan 2018
Polygon Innlandet AS	Norway	975 843 777	40%	3 Jan 2018
Caption Data Limited	UK	6 557 609	20%	6 Feb 2018

NOTE 4 DIVESTED OPERATIONS

No operations were divested during 2018 or 2017.

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.

2018	Nordics & UK	Continental Europe	North America	Other	Eliminations	Group total
Revenue from external customers	202,690	381,850	34,724	–	–	619,264
Revenue from internal customers	–	867	–	–	–867	–
Total revenue	**202,690**	**382,717**	**34,724**	**–**	**–867**	**619,264**
Operating profit	**1,546**	**17,177**	**3,534**	**3,074**	**–**	**25,331**
Net financial items	–	–	–	–	–	–14,595
Tax	–	–	–	–	–	–4,233
Profit for the year	**–**	**–**	**–**	**–**	**–**	**6,503**
Depreciation and amortisation	**8,047**	**8,521**	**2,450**	**966**	**–**	**19,984**
Assets	145,574	179,610	33,404	153,247	–84,757	427,078
of which goodwill	*68,776*	*49,580*	*18,770*	–	–	*137,126*
Liabilities	85,748	105,671	25,098	219,827	–84,757	351,587
Capital expenditures						
Property, plant and equipment	3,023	9,688	3,658	–81	–	16,288
Intangible assets	663	662	–	914	–	2,239

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

2017	Nordics & UK	Continental Europe	North America	Other	Eliminations	Group total
Revenue from external customers	144,043	335,772	32,615	–	–	512,429
Revenue from internal customers	10	150	4	–	–164	–
Total revenue	**144,053**	**335,922**	**32,618**	**–**	**–164**	**512,429**
Operating profit/loss	**5,966**	**16,943**	**4,054**	**–1,525**	**–**	**25,438**
Net financial items	–	–	–	–	–	–16,946
Tax	–	–	–	–	–	–3,024
Profit for the year	**–**	**–**	**–**	**–**	**–**	**5,468**
Depreciation and amortisation	**2,578**	**7,216**	**1,857**	**3,011**	**–**	**14,662**
Assets	101,243	170,524	31,402	144,665	–82,613	365,221
of which goodwill	*46,742*	*46,014*	*18,186*	–	–	*110,942*
Liabilities	65,187	105,892	23,563	193,438	–82,613	305,467
Capital expenditures						
Property, plant and equipment	2,769	9,625	4,531	–	–	16,925
Intangible assets	–	137	–	2,252	–	2,389

Sales by service	Nordics & UK	Continental Europe	North America	Group total
Water damage restoration	82,288	169,563	9,753	261,604
Fire damage restoration	52,970	157,334	618	210,922
Humidity control	8,785	8,874	22,244	39,903
Total sales	**144,043**	**335,771**	**32,615**	**512,429**

SALES BY COUNTRY

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

Geographical region	2018	2017
Sweden	22,172	19,813
Germany	334,645	293,191
Other	262,447	199,425
Total	**619,264**	**512,429**

NOTE 6 BREAKDOWN OF EXPENSES BY CATEGORY

	2018	2017
Personnel costs	219,327	176,280
Subcontractor costs	220,720	190,091
Other operating costs	97,577	79,564
Depreciation and amortisation/disposals	19,984	14,662
Other operating expenses	33,544	28,516
Capital gains (-)/ losses/impairment	1,239	420
Negative goodwill	658	–3,992
Acquisition-related costs	884	1,450
Total	**593,933**	**486,991**

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

NOTE 7 AUDIT FEES

	2018	2017
Ernst & Young		
Audit assignment	527	527
Audit activities in addition to audit assignment	300	42
Tax consultancy	38	46
Other services	4	5
Other auditing firms		
Audit assignment	18	18
Audit activities in addition to audit assignment	105	5
Tax consultancy	176	175
Other services	74	30
Total audit fees	**1,242**	**848**

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 SALARIES, SOCIAL SECURITY EXPENSES AND EMPLOYEE BENEFITS

	2018		2017	
Average no. of employees per country	**No. of employees**	**Of whom men, %**	**No. of employees**	**Of whom men, %**
Sweden	213	79	166	84
Norway	384	84	454	81
Finland	277	85	277	88
Denmark	331	67	94	69
Belgium	41	90	39	82
Austria	102	86	97	88
Germany	1,710	77	1,455	76
France	85	76	92	75
UK	437	79	371	75
Netherlands	131	85	120	83
Singapore	4	75	4	75
USA	90	83	85	85
Canada	31	65	25	68
Group total	**3,836**	**79**	**3,279**	**79**

SALARIES, SOCIAL SECURITY EXPENSES AND EMPLOYEE BENEFITS

	2018			2017		
	Salaries and other employee benefits	**Social security expenses**	***(of which pension)***	**Salaries and other employee benefits**	**Social security expenses**	***(of which pension)***
Parent Company	2,707	513	*135*	2,082	470	*526*
Subsidiaries	164,412	35,853	*6,596*	133,120	30,051	*5,288*
Group total	**167,119**	**36,366**	***6,731***	**135,202**	**30,521**	***5,814***

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

	2018			2017		
	Salaries and other employee benefits	***(of which bonuses, etc.)***	**Social security expenses**	**Salaries and other employee benefits**	***(of which bonuses, etc.)***	**Social security expenses**
Board of Directors	262	–	47	231	–	37
CEO	1,343	*410*	8	916	*499*	–
Other employees	165,514	*7,623*	36,311	134,055	*5,741*	*30,484*
Group total	**167,119**	***8,033***	**36,366**	**135,202**	**6,240**	**30,521**

REMUNERATION TO BOARD MEMBERS

		2018		2017	
Board member		**Remuneration**	**Social security expenses**	**Remuneration**	**Social security expenses**
Luc Hendriks	Chairman	60	–	60	–
Ole Skov	Board member	30	9	30	9
Jonas Samuelson	Board member, Chairman of audit committee	45	15	45	14
Petter Darin	Board member, audit committee member	37	12	38	12
Lars-Ove Håkansson	Board member	30	2	30	2
Nadia Meier-Kirner	Board member	30	–	28	–
Gunilla Andersson	Board member, elected in December 2017	30	9	–	–
Lars Blecko	Board member, elected in December 2018	–	–	–	–
Total		**262**	**47**	**231**	**37**

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.

Note 8, cont.

GENDER DISTRIBUTION ON THE BOARD AND AMONG SENIOR EXECUTIVES

	2018	2017
Distribution of men and women on the Board		
Women	2	2
Men	5	5
Distribution of men and women among the CEO and other senior executives in the Group[1)]		
Women	–	–
Men	7	7

[1)] In 2018, senior executives in the Group comprised the CEO, COO, CCO and CFO as well as three country managers.

	2018	2017
Remuneration to Group management		
Salaries and other benefits	3,738	3,248
Pension and remuneration for medical care	151	423
Total	**3,889**	**3,671**

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 premium-based 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.

The outgoing CEO received severance pay corresponding to six months, a bonus corresponding to 50% of annual salary and a lump sum of EUR 130 thousand in accordance with the termination agreement.

NOTE 9 FINANCIAL INCOME AND EXPENSES

Financial income	2018	2017
Interest income	91	151
Total financial income	**91**	**151**
Financial expenses	**2017**	**2016**
Interest expenses	–9,696	–9,798
Financial exchange differences	–112	–5,397
Other financial expenses	–4,879	–1,902
Total financial expenses	**–14,686**	**–17,097**
Net financial items	**–14,595**	**–16,946**

NOTE 10 TAX

The main components of the tax expense are as follows:

	2018	2017
Consolidated income statement		
Current tax on profit for the year	–3,896	–3,219
Tax on capital gains not recognised in profit or loss	–434	–323
Adjustments for prior years	1,704	327
	–2,626	–3,215
Change in deferred tax on temporary differences	–1,731	–34
Other	124	225
Tax expense recognised in profit or loss	**–4,233**	**–3,024**

	2018	2017
Reconciliation of effective tax rate		
Profit before tax	**10,736**	**8,492**
Tax according to the applicable tax rate for the Parent Company, 22%	–2,362	–1,868
Tax attributable to foreign tax rates	–1,027	–973
Non-deductible expenses	–1,057	–812
Change in non-capitalised loss carryforwards	–3,676	–1,369
Non-taxable revenue	1,284	386
Taxable revenue not recognised in profit or loss	–434	–323
Tax attributable to prior years	1,704	327
Other	1,335	1,608
Total tax expense	**–4,233**	**–3,024**

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

The recognised effective tax rate is 39.4% (35.6). The average tax rates in the countries where the Group operates is approximately 22%.

Note 10, cont.

DEFERRED TAX ASSET/TAX LIABILITY

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

	2018			2017		
	Deferred tax asset	Deferred tax liability	Net	Deferred tax asset	Deferred tax liability	Net
Intangible assets	–	14,060	–14,060	–	11,871	–11,871
Machinery and equipment	217	924	–707	355	2,104	–1,749
Contract assets and liabilities	847	732	115	2,723	603	2,120
Accounts receivable	320	2,566	–2,246	228	3,135	–2,907
Provisions	258	–	258	726	34	692
Other liabilities	116	–	116	267	1	266
Loss carryforwards	10,524	–	10,524	12,363	–	12,363
Provision for pensions	1,161	–	1,161	1,125	–	1,125
Other	5	262	–257	945	46	899
Total	**13,448**	**18,544**	**–5,096**	**18,732**	**17,794**	**938**
Offsetting in companies	–73	–73	–	–1,988	–1,988	–
Opening balance	**13,375**	**18,471**	**–5,096**	**16,744**	**15,806**	**938**

FÖRÄNDRING AV UPPSKJUTEN SKATT I TEMPORÄRA SKILLNADER OCH UNDERSKOTTSAVDRAG

2018	Opening balance	Acquisions	Disclosed in income statement	Disclosed in other comprehensive income	Exchange differences	Closing balance
Intangible assets	–11,871	–3,408	1,219	–	–	–14,060
Plant and machinery	–1,749	–37	1,079	–	–	–707
Contract assets and liabilities	2,120	–450	–1,555	–	–	115
Accounts receivables	–2,907	–	661	–	–	–2,246
Provisions	692	41	–475	–	–	258
Non-current liablities	266	–	–150	–	–	116
Loss carry-forward	12,363	–	–1,839	–	–	10,524
Provisions for pensions	1,125	–	–	36	–	1,161
Other	899	–	–859	–	–297	–257
Total	**938**	**–3,854**	**–1,919**	**36**	**–297**	**–5,096**

2017	Opening balance	Acquisions	Disclosed in income statement	Disclosed in other comprehensive income	Exchange differences	Closing balance
Intangible assets	–11,807	–889	825	–	–	–11,871
Plant and machinery	573	203	–2,525	–	–	–1,749
Contract assets and liabilities	–8,159	–267	10,549	–	–3	2,120
Accounts receivables	5,873	59	–8,839	–	–	–2,907
Provisions	8	–	684	–	–	692
Non-Ccurrent liabilities	–106	–	372	–	–	266
Loss carry-forward	14,530	493	–2,660	–	–	12,363
Provisons for pensions	1,107	–	–	18	–	1,125
Other	–713	–	1,703	–	–91	899
Total	**1,306**	**–401**	**109**	**18**	**–94**	**938**

Uppskjutna skattefordringar avseende underskottsavdrag redovisas i den omfattning det bedömts sannolikt att de framöver kommer att kunna utnyttjas mot skattepliktiga överskott.

	2018	2017
Loss carryforwards		
Maturity date		
0–1 year	–	–
1–2 years	–	–
2–3 years	37	–
3–4 years	–	–
4–5 years	349	–
>5 years	22,980	19,719
No maturity date	49,024	50,483
Total loss carryforwards	**72,040**	**70,202**

Loss carryforwards at year-end totalled EUR 72.0 million (70.2), corresponding to a tax amount of EUR 18.7 million (21.3). Loss carryforwards for which a deferred tax asset has not been recognised amounted to EUR 31.5 million (34.7). Accordingly, loss carryforwards of EUR 40.5 million (35.5) are subject to recognition of deferred tax assets.

NOTE 11 GOODWILL

	2018	2017
Opening balance cost	119,338	112,953
Acquisitions	26,647	8,315
Exchange differences	–307	–1,930
Closing balance cost	**145,678**	**119,338**
Opening balance impairment	–8,396	–8,771
Exchange differences	–156	375
Closing balance accumulated impairment	**–8,552**	**–8,396**
Net carrying amount	**137,126**	**110,942**

NOTE 12 OTHER INTANGIBLE ASSETS

2018	Trademarks	Order backlog	Customer relationships	Other	Total
Opening cost	25,821	8,914	40,157	18,132	93,024
Acquired companies	930	123	15,806	3,357	20,217
Acquisitions	–	–	–	2,239	2,239
Divestments/disposals	–	–	–	–395	–395
Exchange differences	–202	–3	–178	–4	–387
Closing balance cost	**26,549**	**9,034**	**55,785**	**23,329**	**114,697**
Opening amortisation	–159	–8,914	–29,997	–7,220	–46,290
Amortisation	–93	–123	–5,859	–2,650	–8,725
Divestments/disposals	–	–	–	287	287
Exchange differences	–7	3	82	–1	77
Closing balance accumulated amortisation	**–259**	**–9,034**	**–35,774**	**–9,584**	**–54,651**
Opening impairment	–	–	–	–4,774	–4,774
Impairment	–	–	–	–1,943	–1,943
Closing balance accumulated impairment	**–**	**–**	**–**	**–6,717**	**–6,717**
Net carrying amount	**26,290**	**–**	**20,011**	**7,028**	**53,329**

2017	Trademarks	Order backlog	Customer relationships	Other	Total
Opening cost	25,885	9,018	40,327	15,910	91,140
Acquired companies	–	–	–	53	53
Acquisitions	–	–	–	2,389	2,389
Divestments/disposals	–	–	–	–179	–179
Exchange differences	–64	–104	–170	–41	–379
Closing balance cost	**25,821**	**8,914**	**40,157**	**18,132**	**93,024**
Opening amortisation	–181	–9,018	–25,629	–6,479	–41,307
Amortisation	–	–	–4,414	–954	–5,368
Divestments/disposals	–	–	–	179	179
Exchange differences	22	104	46	34	206
Closing balance accumulated amortisation	**–159**	**–8,914**	**–29,997**	**–7,220**	**–46,290**
Opening impairment	–	–	–	–4,274	–4,274
Impairment	–	–	–	–500	–500
Closing balance accumulated impairment	**–**	**–**	**–**	**–4,774**	**–4,774**
Net carrying amount	**25,662**	**–**	**10,160**	**6,138**	**41,960**

In the income statement, amortisation of EUR 1.3 million (0.0) is included in the cost of services sold, EUR 7.2 million (5.3) in selling and administrative expenses and EUR 0.2 million (0.1) 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 1.9 million (0.5).

NOTE 13 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.

	2018		2017	
	Goodwill	Trademarks	Goodwill	Trademarks
Nordics & UK	68,776	5,517	46,742	5,830
Continental Europe	49,580	20,668	46,014	19,831
North America	18,770	105	18,186	1
Total	**137,126**	**26,290**	**110,942**	**25,662**

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 rate, growth rate, and salary and overhead levels. Changes in these assumptions and estimates could affect the carrying amount of goodwill. Value in use is determined through cash flow calculations, where the first five years are based on the five-year business forecast established by management. This assessment is based on country-specific market assessments, competition analyses and product mix development. The cash flows estimated after the first five years are based on an annual growth rate of 2% (2), which is assessed to correspond to the long-term growth in the unit's markets.

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

The estimated cash flows have been discounted to present value using a discount rate (WACC) of 11.8% (11.4) before tax. The conclusion of the impairment test is that there is no indication of impairment, since value in use exceeds the carrying amount including goodwill and other intangible assets.

Should the company be unable to achieve the business plan on which the cash flow calculations are based, this could lead to impairment.

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

Land and buildings	2018	2017
Opening balance cost	2,795	2,810
Exchange differences	–11	–15
Closing balance cost	**2,784**	**2,795**
Opening balance depreciation	–1,392	–1,341
Depreciation for the current year	–317	–57
Exchange differences	6	6
Closing balance accumulated amortisation	**–1,703**	**–1,392**
Net carrying amount	**1,081**	**1,403**

Plant and machinery	2018	2017
Opening balance cost	147,475	136,307
Acquired companies	1,301	994
Acquisitions	16,288	16,925
Divestments/disposals	–3,362	–2,583
Reclassification	–	7
Exchange differences	131	–4,175
Closing balance cost	**161,834**	**147,475**
Opening balance depreciation	–108,009	–103,909
Amortisation	–10,756	–9,236
Divestments/disposals	2,460	2,529
Exchange differences	241	2,607
Closing balance accumulated amortisation	**–116,064**	**–108,009**
Opening balance impairment	–669	–615
Impairment	–85	–58
Exchange differences	4	4
Closing balance accumulated impairment	**–750**	**–669**
Net carrying amount	**45,020**	**38,797**

In the income statement, depreciation of EUR 8.9 million (7.8) is included in the cost of services sold, EUR 1.9 million (1.4) in selling and administrative expenses and EUR 0.5 million (0.2) in other operating expenses.

NOTE 15 CONTRACT ASSETS AND LIABILITIES

Contract assets and liabilities	2018	2017
Contract assets		
Opening balance	28,246	34,012
Transfers from contract assets recognised in opening balance to receivables	–26,995	–32,524
Increases as a result of changes in the measure of progress in projects	514,855	444,007
Transfers from contract assets recognised during the year to receivables	–478,325	–421,369
Business combination	7,269	4,468
Revaluation	–118	–65
Translation difference	–202	–283
Closing balance	**44,730**	**28,246**
Contract liabilities		
Opening balance	876	1,005
Revenue recognised that was included in the liability balance at the beginning of the period	–	–5
Increases due to cash received, excluding amounts recognised as revenue during the period	369	–124
Transfers from contract liabilies recognised during the year to revenue	–876	–
Closing balance	**369**	**876**

Most of the assignments Polygon receives are carried out over a short period of between one and four 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 portion 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 %age of completion method. These projects accounted for 11% (12) of total sales for the year.

NOTE 16 PREPAID EXPENSES AND ACCRUED INCOME

	2018	2017
Prepaid insurance	637	512
Prepaid rent	832	641
Prepaid service	1,557	1,172
Leases	753	628
Employee-related costs	212	963
Other prepaid expenses	1,485	1,686
Total	**5,476**	**5,602**

NOTE 17 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.

	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Accounts receivable	88,369	88,369	76,570	76,570
Other current receivables	2,963	2,963	2,522	2,522
Receivables from Parent Company	315	315	308	308
Cash and bank balances	33,192	33,192	42,541	42,541
Hedging	93	93	–	–
Total	**124,932**	**124,932**	**121,941**	**121,941**
Financial liabilities				
Interest-bearing non-current liabilities	208,632	212,778	177,796	180,000
Other non-current liabilities	6,153	6,153	5,593	5,593
Interest-bearing current liabilities	–	–	819	819
Bank overdraft facility	–	–	885	885
Accounts payable	45,550	45,550	35,647	35,647
Other liabilities	20,308	20,308	16,756	16,756
Accrued expenses	1,866	1,866	1,900	1,900
Hedging	–	–	202	202
Total	**282,509**	**286,655**	**239,598**	**241,802**

CURRENCY RISK

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

BREAKDOWN OF GROUP LOANS BY CURRENCY

	2018	2017
EUR	212,006	184,275
DKK	2,779	–
Total	**214,785**	**184,275**

BREAKDOWN OF ACCOUNTS RECEIVABLE BY CURRENCY

	2018	2017
EUR	56,250	54,387
SEK	3,363	2,834
USD	6,346	4,732
NOK	7,924	7,369
GBP	7,035	4,541
Other currencies	7,451	2,707
Total	**88,369**	**76,570**

BREAKDOWN OF OTHER CURRENT RECEIVABLES BY CURRENCY

	2018	2017
EUR	1,940	1,540
SEK	481	324
USD	60	84
NOK	122	85
GBP	353	395
Other currencies	7	94
Total	**2,963**	**2,522**

BREAKDOWN OF CASH AND BANK BALANCES BY CURRENCY

	2018	2017
EUR	16,906	20,924
SEK	1,359	1,612
USD	4,781	4,850
NOK	5,878	6,051
DKK	–128	601
GBP	3,446	7,957
Other currencies	950	546
Total	**33,192**	**42,541**

The amounts above pertain to receivables from banks.

BREAKDOWN OF ACCOUNTS PAYABLES BY CURRENCY

	2018	2017
EUR	28,373	24,096
SEK	2,512	1,934
USD	2,014	2,043
NOK	5,051	3,624
GBP	6,068	3,073
Other currencies	1,532	877
Total	**45,550**	**35,647**

BREAKDOWN OF CURRENT LIABILITIES BY CURRENCY

	2018	2017
EUR	11,047	12,073
SEK	880	529
NOK	2,814	3,222
GBP	3,679	883
Other currencies	1,888	251
Total	**20,308**	**16,958**

Note 17, cont.

BREAKDOWN OF DEFERRED INTEREST EXPENSES BY CURRENCY

	2018	2017
EUR	1,866	1,900
Total	**1,866**	**1,900**

TRANSACTION EXPOSURE

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

The main transaction exposures arise in EUR against local currencies.

CURRENCY EXPOSURE

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

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

	2018	2017
Change in USD exchange rate		
+10/-10%	480	611
Change in NOK exchange rate		
+10/-10%	361	509
Change in GBP exchange rate		
+10/-10%	614	626
Change in SEK exchange rate		
+10/-10%	665	570

TRANSACTION RISK AND HEDGES IN THE MAIN CURRENCIES

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

INTEREST RATE RISK

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

At 31 December 2018, a simultaneous change in interest rates of +/-1 % age point, excluding interest rate hedges, would have impacted annual net interest expenses by EUR 2.1 million (1.8), assuming that the Group's duration and funding structure remain constant during the year.

The variable rate interest-bearing net liability position for the Group as a whole, including cash and bank balances, was EUR 181.6 million (142.6).

CUSTOMER CREDIT RISK

Management's assessment is that there is no significant concentration of credit risk with any individual customer, counterparty or geographical region for Polygon. An age analysis of accounts receivable is presented in Note 20 Accounts receivable.

LIQUIDITY AND REFINANCING RISK

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

Polygon is also subject to covenants that are specified in the terms and conditions of the bond and in the terms and conditions of the bank overdraft facility, such as key ratios and performance measures linked to the consolidated income statement and balance sheet. These covenants were fulfilled for 2018 and 2017.

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	2018	2017
Interest-bearing net debt (A)	175,441	136,958
Total equity (B)	75,491	59,754
Debt/equity ratio (A/B)	2.3	2.3

EUR thousand	2018	2017
Interest-bearing net debt, incl. loans from shareholders (A)	181,594	142,551
Total equity (B)	75,491	59,754
Debt/equity ratio (A/B)	2.4	2.4

NOTE 18 INTEREST-BEARING LOANS AND BORROWINGS

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

	2018	2017
Non-current:		
Bond (fixed rate)	210,000	–
Bond and other (variable rate)	2,778	180,000
Financing costs[1)]	–4,146	–2,204
Shareholder loans	6,153	5,593
Total interest-bearing non-current loans and borrowings	**214,785**	**183,389**
Current:		
Other bank loans	–	885
Total interest-bearing current loans and borrowings	**–**	**885**
Loan amount	**214,785**	**184,274**

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

MATURITY DATES FOR FINANCIAL LIABILITIES ARE AS FOLLOWS:

	Carrying amount		Undiscounted cash flows	
	2018	2017	2018	2017
Within 1 year	67,731	53,483	69,802	55,476
Between 2 and 5 years	208,626	180,323	210,026	181,596
After 5 years	6,153	5,593	12,455	11,323
Total	**282,510**	**239,399**	**292,283**	**248,395**

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% (5.00).

Note 18, cont.

BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES RECOGNISED AT FAIR VALUE:

2018	Derivative instruments	Additional purchase price	Total carrying amount	Fair value
Measurement classification	***Level 2***	***Level 3***		
ASSETS				
Current receivables				
Other current assets	93	–	93	93
Total financial assets	**93**	**–**	**93**	**93**
LIABILITIES				
Current liabilities				
Other current liabilities	–	3,085	3,085	3,085
Total financial liabilities	**–**	**3,085**	**3,085**	**3,085**

2017	Derivative instruments	Additional purchase price	Total carrying amount	Fair value
Measurement classification	***Level 2***	***Level 3***		
LIABILITIES				
Non-current liabilities				
Other non-current liabilities	–	692	692	692
Current liabilities	–	–	–	–
Other current liabilities	202	615	817	817
Total financial liabilities	**202**	**1,307**	**1,509**	**1,509**

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.

Specification of financial assets and liabilities	2018	2017
Financial assets		
Opening balance	–	113
Change in market value of hedges during the year	93	–113
Opening balance	**93**	**–**
Financial liabilities		
Opening balance	1,509	–
Change in additional purchase prices	1,778	1,307
Change in market value of interest rate hedges during the year	–202	202
Opening balance	**3,085**	**1,509**

The average maturity of the currency hedges is six months.

NOTE 19 CASH AND BANK BALANCES

	2018	2017
Bank balances and cash funds	33,192	42,541
Total	**33,192**	**42,541**

At year-end, the Group had EUR 69.1 million (60.9) available in unutilised loan commitments, for which all covenants have been met.

NOTE 20 ACCOUNTS RECEIVABLE

	2018	2017
Accounts receivable	93,934	81,387
Provision for bad debts	–5,565	–4,817
Total	**88,369**	**76,570**

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

AGE ANALYSIS OF ACCOUNTS RECEIVABLE

2018	Accounts receivable gross	Provision for doubtful accounts	Accounts receivable net
<30 days past due	22,922	–	22,922
31–60 days past due	10,100	–	10,100
61–90 days past due	4,615	–	4,615
91–180 days past due	6,520	–	6,520
>181 days past due	6,143	–5,565	578
Total past due receivables	**50,300**	**–5,565**	**44,735**
Receivables not past due	43,634	–	43,634
Total	**93,934**	**–5,565**	**88,369**

2017	Accounts receivable gross	Provision for doubtful accounts	Accounts receivable net
<30 days past due	19,258	–	19,258
31–60 days past due	7,418	–	7,418
61–90 days past due	3,791	–	3,791
91–180 days past due	4,519	–	4,519
>181 days past due	5,974	–4,817	1,157
Total past due receivables	**40,960**	**–4,817**	**36,143**
Receivables not past due	40,427	–	40,427
Total	**81,387**	**–4,817**	**76,570**

PROVISION FOR EXPECTED BAD DEBT LOSSES

	2018	2017
Opening balance	4,817	4,031
Acquired companies	196	324
Change in provision during the year	1,153	702
Reversal of previous provisions	–283	–144
Realised loss on previously reserved accounts receivable	–309	–77
Exchange differences	–9	–19
Opening balance	**5,565**	**4,817**

The review carried out prior to the implementation of the new standard confirmed that the new standard would not have a material impact on the financial statements. Polygon has therefore not carried out any remeasurement that impacted the opening equity for 2018.

NOTE 21 PLEDGED ASSETS FOR OWN LIABILITIES AND PROVISIONS

	2018	2017
Shares in subsidiaries	459,638	399,181
Pledged assets for own liabilities and provisions	**459,638**	**399,181**

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

NOTE 22 FINANCE AND OPERATING LEASES

FINANCE LEASE OBLIGATIONS

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

	2018	2017
Less than 1 year	1,007	–
1–2 years	672	–
2–3 years	482	–
3–4 years	345	–
4–5 years	278	–
More than 5 years	–	–
Future lease payments	**2,784**	**–**

PRESENT VALUE OF FUTURE LEASE PAYMENTS

	2018	2017
Less than 1 year	967	–
1–2 years	619	–
2–3 years	426	–
3–4 years	293	–
4–5 years	227	–
More than 5 years	–	–
Total	**2,532**	**–**

OPERATING LEASE OBLIGATIONS

The operating lease obligations primarily pertain to premises, service vehicles, computers and office equipment. These obligations have an average term of one to five years and do not include an option to acquire the object. The Group is not currently subject to any restrictions as a result of these obligations. During the year, the lease cost amounted to EUR 29.9 million (25.6).

	2018	2017
Rent for premises	13,132	11,269
Car leases	13,791	12,740
Other operating leases	3,005	1,609
Total	**29,928**	**25,618**

MINIMUM LEASE PAYMENTS

	2018	2017
Less than 1 year	29,222	24,462
1–2 years	20,762	18,454
2–3 years	15,360	12,724
3–4 years	10,365	8,563
4–5 years	7,255	5,964
More than 5 years	5,491	6,762
Future lease payments	**88,455**	**76,929**

NOTE 23 OTHER LIABILITIES

	2018	2017
VAT	13,015	11,551
Employee withholding tax	3,206	2,819
Other liabilities	4,087	2,587
Total	**20,308**	**16,958**

NOTE 24 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

Other contributed capital pertains to equity contributed by the owners and 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 2.7 million (4.0) at 31 December 2018. 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 25 Pensions.

NOTE 25 PENSION PROVISIONS

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

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

The defined-benefit pension plans mainly encompass employees in Sweden, but also employees in France. In the other countries, the defined-benefit plans are closed and no new vesting is made. All pension plans are based on final salary, and provide benefits in the form of a guaranteed level of pension payments, usually as a %age of final salary, to the plan participants during their entire lifetimes or parts thereof.

The total pension cost for 2018 amounted to EUR 7,061 thousand (6,076), of which EUR 462 thousand (279) pertained to defined-benefit pensions. The pension cost for defined-contribution pensions amounted to EUR 6,392 thousand (5,576), with the increase for 2018 primarily attributable to acquired companies. Expected pension costs for defined-benefit pensions for 2018 amounted to EUR 282 thousand (240). The higher pension cost for defined benefit pension plansfor 2018 is mainly

Note 25, cont.

due to a ruling in the UK regarding equalization of minimum pensions (see more information below) with a one-time cost in the income statement of TGBP 156. The total IAS19 net debt has increased with 200 TEUR in 2018. The increase includes the acquisition of three companies in France end of 2017 which provided EUR 95 in debt for defined benefit pension plans.

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 26th of October concerning equalisation of guaranteed minimum pensions (GMP) impacted essentially all companies in the UK and resulted in the recognition of a non-recurring cost in profit or loss. In Polygon's case, an overall assessment indicated a cost of GBP 156 thousand with respect to the recognition of GMP equalisation, corresponding to an estimated increase in defined-benefit pension plans of 5 %, which was recognised in profit or loss for 2018 as a previous service cost under items affecting comparability. As in earlier years, annuities were purchased in small amounts and payments were made to external pension plans. The purchase of annuities is recognised as a settlement in the IAS 19 summary, with a non-recurring cost recognised in profit or loss for 2018, and the others as payments from the plan.

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

In 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. During the year, companies acquired by Polygon France at the end of the preceding year were incorporated in the IAS 19 calculation for defined-benefit pension plans.

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.

	2018	2017
Summary of provisions in the Group		
Defined-benefit pension obligations	5,188	4,988
Defined-benefit liability	**5,188**	**4,988**

Pension costs	2018	2017
Amount recognised in profit or loss		
Cost for service in the current year	327	144
Interest expenses	223	221
Interest income on plan assets	–88	–86
Net cost for defined-benefit pensions	**462**	**279**
Cost for defined-contribution pensions	**6,392**	**5,576**
Amount recognised in other comprehensive income		
Remeasurement of pension obligations	48	329
Remeasurement of plan assets	159	–108
Cost/(revenue) of defined-benefit pensions	**207**	**221**
Total pension costs	**7,061**	**6,076**

Amount recognised in the balance sheet	2018	2017
Present value of pension obligations, funded plans	3,733	4,189
Fair value of plan assets	–3,292	–3,498
Net liability for funded plans	441	691
Present value of pension obligations, unfunded plans	4,747	4,297
Net liability recognised in the balance sheet	**5,188**	**4,988**

Change in amount recognised in the balance sheet	2018	2017
Opening balance, net debt	**4,988**	**5,034**
Cost for pensions vested during the year	327	144
Net interest expense	135	135
Remeasurement	207	221
Pension payments direct from the employer	–164	–170
Payments to plan assets from the employer	–231	–233
Acquisitions/divestments	95	–
Exchange differences	–169	–143
Closing balance, net debt	**5,188**	**4,988**

Change in present value of pension obligations	2018	2017
Closing balance, pension obligations	**8,486**	**8,580**
Cost for service in the current year	149	104
Net interest expense	223	221
Settlement	–72	–269
Remeasurement of pensions		
– adjustment of pension plans	176	–
– demographic assumptions	–130	–
– financial assumptions	171	340
– experience-based adjustments	8	–10
Pension payments	–387	–209
Acquisitions/divestments	95	–
Exchange differences	–239	–271
Closing balance, pension obligations	**8,480**	**8,486**

Change in plan assets measured at fair value	2018	2017
Closing balance, plan assets	**3,498**	**3,546**
Interest income	88	86
Return in addition to interest income	–159	108
Payments from the employer	395	402
Pension payments from plan assets	–387	–209
Settlement	–74	–310
Exchange differences	–69	–125
Closing balance, plan assets	**3,292**	**3,498**

Plan assets measured at fair value	2018	2017
Shares	48%	52%
Bonds	21%	29%
Other, including cash and cash equivalents	31%	19%
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.

2018	Pension obligations	Plan assets	Net debt
Breakdown by country			
UK, funded plan	3,733	3,292	441
Sweden, unfunded plan	4,253	–	4,253
Other countries, unfunded plans [1]	494	–	494
Total	**8,480**	**3,292**	**5,188**

[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:

Material actuarial assumptions	2018	2017
UK		
Discount rate	2.80%	2.50%
Inflation	2.50%	2.40%
Future salary increases	N/A	N/A
Future pension increases	N/A	N/A
Sweden		
Discount rate	2.40%	2.75%
Inflation	2.00%	2.00%
Future salary increases	3.00%	3.00%
Future pension increases	2.00%	2.00%

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

An increase in the discount rate of 0.5 %age points would reduce the pension obligation by EUR 751 thousand, corresponding to a debt reduction of 8.9%. A decrease in the discount rate of 0.5 %age points would increase the pension obligation by EUR 857 thousand, corresponding to a debt increase of 10.1%.

An increase in inflation of 0.5 %age points would increase the pension obligation by EUR 549 thousand, corresponding to a debt increase of 6.7%. An decrease in inflation of 0.5 %age points would reduce the pension obligation by EUR 484 thousand, corresponding to a debt reduction of 5.9%.

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

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

The Group's expected contributions to the defined-benefit pension plans as well as pension payments directly from the employer for the next annual reporting period amount to EUR 331 thousand.

NOTE 26 ACCRUED EXPENSES AND DEFERRED INCOME

	2018	2017
Accrued salary-related expenses	12,110	10,305
Accrued holiday pay	9,846	8,811
Accrued invoices not paid	4,542	4,797
Accrued interest expenses	1,866	1,900
Accrued expenses for customer contracts	5,243	6,414
Other accrued expenses and deferred income	5,073	4,456
Total	**38,680**	**36,683**

NOTE 27 CONTINGENT LIABILITIES

The Group has no contingent liabilities.

NOTE 28 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:

	1 January 2018	Cash flow	Changes in fair value	Acquisitions	Other changes	31 December 2018
Interest-bearing non-current liabilities	183,389	30,000	–1,942	2,779	559	214,785
Interest-bearing current liabilities	885	–	–	–885	–	–
Accrued expenses	1,900	–1,900	–	–	1,866	1,866
Hedging (–asset/+liability)	202	–	–202	–	–	–
Total	**186,376**	**28,100**	**–2,144**	**1,895**	**2,425**	**216,651**

	1 January 2017	Cash flow	Changes in fair value	Acquisitions	Other changes	31 December 2017
Interest-bearing non-current liabilities	181,282	–14	1,614	–	507	183,389
Interest-bearing current liabilities	–	–	–	885	–	885
Accrued expenses	1,742	–1,742	–	–	1,900	1,900
Hedging (–asset/+liability)	–113	–	315	–	–	202
Total	**182,911**	**–1,756**	**1,929**	**885**	**2,407**	**186,376**

Other changes include: capitalisation of interest on shareholder loans of EUR 559 (507) thousand and accrued interest on bonds of EUR 1,866 (1,900) thousand.

NOTE 29 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, 83.83 % 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. 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.á.r.l is under the controlling influence of Triton Fund III, which, under the regulations in Luxembourg, is not required to prepare consolidated financial statements. As shown in Note 18 Interest-bearing loans and borrowings, the Group has loans from Triton of EUR 6.2 million (5.6). During the year, EUR 633 thousand (263) 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 2018 and 2017.

For information concerning remuneration to senior executives and the Board of Directors, see Note 8.

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).

GROUP SUBSIDIARIES

Subsidiary	Country of establishment	Corp. ID No.	No. of shares	Participating interest, %	Carrying amount
Company name					
Polygon International AB	Sweden	556807-6417	50,100	100.0	183,859
Polygon A/S	Denmark	42 93 83 19	470,000	66.4	20,755
Dansk Bygningskontroll A/S	Denmark	31859883	27	100.0	30,783
Polygon Norway Holding AS	Norway	996019381	335,500	100.0	6,832
Polygon AS	Norway	915229115	3,450	100.0	12,576
Skadegruppen AS	Norway	943578524	31,000	100.0	–1,847
Polygon Nederland Holding BV	Netherlands	51345706	40	100.0	5,222
Polygon Nederland BV	Netherlands	28030503	40	100.0	16,100
Polygon Belgium NV	Belgium	440188077	1,250	100.0	485
Polygon Sverige AB	Sweden	556034-6164	2,100	100.0	89,121
AK-Konsult Indoor Air AB	Sweden	556394-3249	4,000	100.0	1,698
Refix Skadesanering AB	Sweden	556858-0335	27,000	100.0	921
PolygonVatro GmbH	Germany	HRB 10 713	1	100.0	81,279
VDL Verwaltungs GmbH	Germany	HRB 21685	1	100.0	5,587
Polygon Austria Service GmbH	Austria	FN 115034v	75,000	100.0	111
Polygon Restoration Inc	Canada	103804811	81	100.0	2,415
Lora Construction Inc	Canada	863300307	20,000	100.0	207
9237-2556 Quebec Inc	Canada	815014006	200	100.0	8
Polygon France SAS	France	341 019 180	100	100.0	2,766
Polygon Service Pte Ltd	Singapore	201012990Z	1,317	100.0	1,788
Polygon UK Holding Ltd	UK	7452971	2	100.0	1,632
R3 Polygon UK Ltd	UK	00402652	250,000	100.0	7,531
Harwell Technical Services Ltd	UK	3064821	10,000	100.0	2,611
Neways Associates Ltd	UK	4373558	90	100.0	5,121
Polygon US Corporation	USA	27-2892115	1,000	100.0	–
Polygon Finland Holding Oy	Finland	2354769-0	2,500	100.0	2,043
Polygon Finland Oy	Finland	0892371-5	50,000	100.0	18,895

NOTE 30 RECONCILING ITEMS BETWEEN PROFIT BEFORE TAX AND NET CASH FLOW

	2018	2017
Non-cash items:		
Amortisation and impairment of intangible assets	8,725	5,368
Depreciation of property, plant and equipment	11,259	9,294
Negative goodwill	658	–3,992
Divestments/disposals of non-current assets	1,239	420
Change in provisions and other	2,031	–2,118
Total	**23,912**	**8,972**

NOTE 31 SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

ACQUISITIONS 2019

In January 2019, Polygon Nederland BV acquired the companies Tiedema Lekdetectie BV and Teidema Droogtechniek BV and the acquisitions were closed immediately. The acquisitions strengthened Polygon's position in leak detection and temporary climate solutions in the Netherlands. The companies have sales of EUR 1.3 million and 12 employees.

On 1 March 2019, Polygon International AB acquired the Alvisa 24 Group in Switzerland and the acquisition was closed immediately. The acquisition enabled Polygon to expand its operations to include an additional country in Europe, creating new opportunities for cooperation and efficiency enhancement. The group has sales of EUR 11 million and 67 employees.

The table below shows the aforementioned acquisitions and all information is preliminary.

Fair value recognised on acquisition	2019
Customer relationships	1,574
Trademarks	394
Acquired order backlog	52
Equipment	1,072
Other non-current receivables	100
Inventory	1,632
Current receivables	991
Total identifiable assets at fair value	**5,815**
Long-term loans and other liabilities	1,223
Current liabilities	596
Less: Cash and cash equivalents	–527
Total identifiable liabilites less cash at fair value	**1,292**

Fair value recognised on acquisition	2019
Total identifiable net assets at fair value	**4,523**
Goodwill	2,477
Purchase consideration transferred	**7,000**
Purchase consideration	
Cash paid	7,000
Total consideration	**7,000**
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary	–527
Cash paid	7,000
Closing balance	**6,473**

NOTE 32 FIVE-YEAR OVERVIEW

	2014	2015	2016	2017	2018
Sales revenue and profit/loss					
Sales revenue	419,106	438,740	485,282	512,429	619,264
Operating profit/loss	–1,097	6,975	25,102	25,438	25,331
Net financial items	–11,525	–6,812	–12,385	–16,946	–14,595
Profit/loss after financial items	–12,622	163	12,717	8,492	10,736
Tax expense	2,100	41	–2,274	–3,024	–4,233
Profit/loss for the year	**–10,522**	**204**	**10,443**	**5,468**	**6,503**
Financial position					
Goodwill	102,588	104,865	104,181	110,942	137,126
Other intangible assets	53,772	47,523	45,561	41,960	53,329
Property, plant and equipment	27,103	27,233	33,251	40,200	46,101
Financial assets	22,777	22,282	23,424	16,744	14,316
Contract assets	16,498	17,508	29,613	28,246	44,730
Current receivables	74,530	71,288	78,425	84,588	98,284
Cash	21,509	26,529	36,585	42,541	33,192
Total assets	**318,777**	**317,228**	**351,040**	**365,221**	**427,078**
Equity	42,445	42,257	53,373	59,754	75,491
Provisions	29,774	26,719	27,009	21,362	25,085
Non-current liabilities	175,397	175,812	181,282	184,208	214,785
Current liabilities	71,161	72,440	89,376	99,897	111,717
Total equity and liabilities	**318,777**	**317,228**	**351,040**	**365,221**	**427,078**
Performance measures					
EBITDA	13,442	21,843	39,639	40,100	45,316
EBITA	4,651	12,478	30,291	30,114	31,910
Adjusted EBITA	11,781	20,028	32,052	33,022	39,630
Adjusted EBITA, %	2.8	4.6	6.6	6.4	6.4
Net debt	101,761	96,248	144,647	141,946	180,629
Full-time employees as of the balance sheet date	2,840	2,765	2,909	3,279	3,810

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.

NOTE 33 ALTERNATIVE PERFORMANCE MEASURES

EUR thousand	2018	2017
Adjusted EBITDA		
Operating profit (EBIT)	**25,331**	**25,438**
Reversal of amortisation of surplus value of intangible assets in connection with acquisitions	6,579	4,676
EBITA	31,910	30,114
Reversal of depreciation of property, plant and equipment and amortisation of intangible assets	13,406	9,986
EBITDA	45,316	40,100
Reversal of items affecting comparability	7,720	2,908
Adjusted EBITDA	**53,036**	**43,008**
Adjusted EBITA		
Operating profit (EBIT)	**25,331**	**25,438**
Reversal of amortisation of surplus value of intangible assets in connection with acquisitions	6,579	4,676
EBITA	31,910	30,114
Reversal of items affecting comparability	7,720	2,908
Adjusted EBITA	**39,630**	**33,022**
Net debt		
Provision for pensions and similar obligations	5,188	4,988
Non-current financial liabilities, interest-bearing	205,854	178,614
Finance leases and non-current loans, interest-bearing	2,779	885
Cash and bank balances	–33,192	–42,541
Net debt	**180,629**	**141,946**

NOTE 34 DEFINITIONS

Sales revenue	Sales revenue excluding VAT and discounts
Gross profit	Sales revenue less cost of services sold
EBITDA	Earnings before interest, tax, depreciation of property, plant and equipment and amortisation of intangible assets
Adjusted EBITDA	Earnings before interest, tax, depreciation of property, plant and equipment, amortisation of intangible assets and items affecting comparability
EBITA	Earnings before interest, tax, depreciation of the surplus value of property, plant and equipment and amortisation of the surplus value of intangible assets in connection with acquisitions
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
EBIT margin	Earnings before interest and tax as a %age of sales revenue
EBITDA margin, Adjusted EBITDA margin, EBITA margin and adjusted EBITA margin	EBITDA, Adjusted EBITDA, EBITA and Adjusted EBITA as a %age of sales revenue
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
Organic growth	Growth generated by existing operations excluding the impact of foreign exchange
Adjusted organic growth	Growth generated by existing operations excluding the impact of foreign exchange and adjusted for comparable operations
Rolling 12 months	The last 12 months

Polygon presents certain financial performance measures that are not defined in accordance with IFRS. Polygon believes that these performance measures provide useful supplementary information for investors and company management to enable an assessment of trends and the company's performance. Since not all companies calculate financial performance measures in the same manner, these performance measures are not always comparable with those used by other companies. The performance measures used are not to be seen as a replacement for the performance measures defined in accordance with IFRS but rather as a complement.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

EUR thousand	Note	2018	2017
Net sales	2	3,752	3,533
Total sales		**3,752**	**3,533**
Selling and administrative expenses	3, 4	–3,561	–3,280
Other operating expenses	5	–911	–176
Operating profit/loss		**–720**	**77**
Interest income and similar profit/loss items	6	2,964	3,573
Interest expenses and similar profit/loss items	6	–14,004	–11,775
Loss after financial items		**–11,760**	**–8,125**
Appropriations	7	7,070	680
Loss before tax		**–4,690**	**–7,445**
Tax expense	8	536	478
Loss for the year		**–4,154**	**–6,967**

PARENT COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME

EUR thousand	Note	2018	2017
Loss for the year		–4,154	–6,967
Comprehensive income for the year		**–4,154**	**–6,967**

PARENT COMPANY BALANCE SHEET

EUR thousand	Note	2018	2017
ASSETS			
Non-current assets			
Financial assets			
Participations in Group companies	9, 13	185,902	185,902
Deferred tax receivables	8	1,782	812
Receivables from subsidiaries, interest-bearing	10	64,603	64,283
Total non-current assets		**252,287**	**250,997**
Current assets			
Current receivables			
Receivables from Group companies		604	308
Other current receivables		245	87
Prepaid expenses		15	14
Receivables from subsidiaries		52,114	28,007
Total current receivables		**52,978**	**28,416**
Total current assets		**52,978**	**28,416**
TOTAL ASSETS		**305,265**	**279,413**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (5,600 shares with a quotient value of EUR 10.27)		58	58
Non-restricted equity			
Share premium reserve		6,771	6,771
Retained earnings		86,565	90,719
Total non-restricted equity		93,336	97,490
Total equity		**93,394**	**97,548**
Non-current liabilities			
Other provisions		150	–
Deferred tax liabilities		936	502
Non-current financial liabilities, interest-bearing	11	206,378	177,796
Total non-current liabilities		**207,464**	**178,298**
Current liabilities			
Accounts payables		889	53
Liabilities to subsidiaries		53	–
Other current liabilities		569	290
Accrued expenses	12	2,896	3,224
Total current liabilities		**4,407**	**3,567**
TOTAL EQUITY AND LIABILITIES		**305,265**	**279,413**

PARENT COMPANY STATEMENT OF CASH FLOWS

EUR thousand	Note	2018	2017
Operating activities			
Operating profit/loss		–720	77
Non-cash items not included in operating profit	14	6,442	–260
Income tax paid		–	–42
Net cash flow from operating activities before changes in working capital		**5,722**	**–225**
Changes in working capital			
Change in current receivables and liabilities to Group companies		–6,866	–188
Change in other receivables		–159	128
Change in other liabilities		787	–57
Net cash flow from operating activities		**–516**	**–342**
Cash flow from financing activities			
Borrowings		210,000	1,589
Repayment of borrowings		–181,418	–
Change in receivables from Group companies		–320	179
Group contributions		680	3,300
Financial income received		2,964	3,573
Financial expenses paid		–13,226	–10,835
Cash flow from financing activities		**18,680**	**–2,194**
Cash flow for the year		**18,164**	**–2,536**
Cash and bank balances at the beginning of the year		26,182	28,718
Cash and bank balances at the end of the year		**44,346**	**26,182**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

EUR thousand	Share capital	Share premium reserve	Retained earnings	Total equity
Closing balance, 31 December 2016	**58**	**6,771**	**97,686**	**104,515**
Profit/loss for the year	–	–	–6,967	–6,967
Closing balance, 31 December 2017	**58**	**6,771**	**90,719**	**97,548**
Profit/loss for the year	–	–	–4,154	–4,154
Closing balance, 31 December 2018	**58**	**6,771**	**86,565**	**93,394**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

NOTE 1 BASIS OF PRESENTATION

RULES AND REGULATIONS APPLIED

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

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

IFRS 9

Due to the relationship between accounting and taxation, the rules concerning financial instruments under IFRS 9 are not applied in the Parent Company as a legal entity. Instead, the Parent Company applies the acquisition method in accordance with the Swedish Annual Accounts Act. Accordingly, the Parent Company measures non-current financial assets at cost and current financial assets at the lower of cost or net realisable value, applying the rules for impairment of expected credit losses in accordance with IFRS 9 with respect to assets that are debt instruments. For other financial assets, impairment is based on market value.

The Parent Company applies the exemption option not to measure financial guarantee contracts that benefit subsidiaries, associated companies and joint ventures in accordance with the rules of IFRS 9, but rather applies the measurement principles in IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

PARTICIPATING INTERESTS IN SUBSIDIARIES

In the Parent Company, participating interests in subsidiaries are recognised in accordance with the cost method. All dividends are recognised in the Parent Company's profit or loss.

GROUP CONTRIBUTIONS AND SHAREHOLDER CONTRIBUTIONS

Shareholder contributions are recognised directly in equity by the recipient and are capitalised in shares and participations by the renderer insofar as impairment is not required. Group contributions received and paid are recognised in profit or loss as appropriations in accordance with RFR 2.

NOTE 2 BREAKDOWN OF SALES

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

NOTE 3 SALARIES, EMPLOYEE BENEFITS 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 (three).

Remuneration to these individuals (including salaries, social security expenses, pensions and similar) and significant terms of employment are described in Note 8 Salaries, social security expenses and employee benefits (notes to the consolidated financial statements).

NOTE 4 AUDIT FEES

	2018	2017
Audit assignment (EY)	37	50
Other assignments (EY)	17	12
Total	**54**	**62**

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

	2018	2017
Transaction costs in connection with acquisitions	–	7
Exchange gains/losses	43	9
Compensation to former CEO	868	–
Other expenses	–	160
Total	**911**	**176**

NOTE 6 INTEREST INCOME AND INTEREST EXPENSES

	2018	2017
Interest income and similar items		
Interest income, internal	2,964	3,573
Total	**2,964**	**3,573**
Interest expenses and similar items		
Interest expenses, external	–8,765	–9,123
Exchange differences on loans	–932	–944
Other financial expenses	–4,307	–1,708
Total	**–14,004**	**–11,775**
Net financial items	**–11,040**	**–8,202**

NOTE 7 APPROPRIATIONS

	2018	2017
Group contributions received	7,070	680
Total	**7,070**	**680**

NOTE 8 TAX

	2018	2017
Loss before tax	**–4,690**	**–7,445**
Tax according to the applicable tax rate for the Parent Company, 22%	1,032	1,638
Tax pertaining to preceding year		
Non-deductible expenses	–13	–14
Capitalisation of loss carryforwards	–	–812
Effect of changed tax rate	–35	–
Deferred tax on temporary differences not reflected in profit or loss	–448	–323
Other	–	–11
Total tax expense	**536**	**478**

Polygon AB has accumulated tax losses of 14 108 (7 382) TEUR 31 december 2018 with no expiry date. 8 324 (3 691) TEUR has been booked as a deferred tax asset 31 December 2018 with a book value of 1 782 (812) TEUR.

NOTE 9 PARTICIPATIONS IN GROUP COMPANIES

Participations in Group companies	Country of establishment	Corp. ID No.	No. of shares	Participating interest	2018	2017
Polygon International AB	Sweden	556807-6417	50,100	100.0%	183,859	183,859
Polygon Finland Holding Oy	Finland	2354769-0	2,500	100.0%	2,043	2,043
Opening balance					**185,902**	**185,902**

	2018	2017
Opening balance	185,902	185,902
Opening balance	**185,902**	**185,902**

Indirect holdings and the Group structure are described in Note 29 Related party transactions (notes to the consolidated financial statements).

NOTE 10 NON-CURRENT RECEIVABLES FROM GROUP COMPANIES

	2018	2017
Polygon AS	–	419
Polygon Holding Finland OY	15,619	14,967
Polygon Nederland Holding BV	5,502	5,502
Polygon Norway Holding AS	9,937	10,130
Polygon Restoration Inc	802	933
PolygonVatro GmbH	32,332	32,332
Polygon International AB	411	–
Total	**64,603**	**64,283**

NOTE 11 NON-CURRENT FINANCIAL LIABILITIES

	2018	2017
Bond	210,000	180,000
Financing costs[1)]	–3,622	–2,204
Total	**206,378**	**177,796**

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

NOTE 12 ACCRUED EXPENSES AND DEFERRED INCOME

	2018	2017
Accrued interest expenses	1,866	1,900
Employee-related costs	757	1,233
Other accrued expenses	273	91
Total	**2,896**	**3,224**

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 21 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.

	2018	2017
Pledged assets		
Shares in subsidiaries	185,902	185,902
Total pledged assets	**185,902**	**185,902**
Contingent liabilities	**None**	**None**

NOTE 14 RECONCILING ITEMS BETWEEN PROFIT BEFORE TAX AND NET CASH FLOW

	2018	2017
Non-cash items:		
Group contributions, not paid	7,070	680
Exchange differences, unrealised	–778	–940
Changes in provisions	150	–
Total	**6,442**	**–260**

NOTE 15 RELATED PARTY TRANSACTIONS

The company is under the controlling influence of Polygon Holding AB, the Parent Company of Polygon AB. As of 31 December 2018, 83.83% 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 633 thousand (263) was paid to West Park Management Services Ltd and Triton Partners Ltd as compensation for services rendered and outlays.

Group contributions of EUR 7.1 million (0.7) were received from the subsidiary Polygon International AB.

As in the preceding year, no Group contributions or shareholder contributions were received from Polygon Holding AB during the current year.

NOTE 16 PROPOSED APPROPRIATION OF EARNINGS

PROPOSED APPROPRIATION OF EARNINGS

Proposed appropriation of the Parent Company's earnings:
The Board of Directors and the CEO propose that the loss for the year of EUR 4,154,822, together with retained earnings of EUR 97,490,955, amounting to a total of EUR 93,336,133, be carried forward.

NOTE 17 SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

On 1 March 2019, Polygon International AB acquired the Alvisa 24 Group in Switzerland and the acquisition was closed immediately. The acquisition enabled Polygon to expand its operations to include an additional country in Europe, creating new opportunities for cooperation and efficiency enhancement. The group has sales of EUR 11 million and 67 employees.

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, 2 April 2019

Nadia Meier-Kirner
Board Chairman

Petter Darin
Board member

Gunilla Andersson
Board member

Jonas Samuelson
Board member

Lars Blecko
Board member

Axel Gränitz
President & CEO

Our audit report concerning this annual report was submitted on 4 April 2019
Ernst & Young AB

Staffan Landén
Authorised Public Accountant

AUDITOR'S REPORT

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Polygon AB (publ) except for the corporate governance statement on pages 57–61 for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 54–95 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 2018 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 2018 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 57–61. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU with the exception of a very limited service reported to the Audit Committee.

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

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

VALUATION OF GOODWILL AND TRADEMARK

Description	How our audit addressed this key audit matter
In the Group's balance sheet as per December 31, 2018 the reported value of Goodwill and Trademarks amounts to EUR 163.4 million, which equals 38 % 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 13 it is stated that the assessment of the value in use is based on the group's five-year business plan and an assessed 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 2018 no need for impairment has been identified. Based on the assumptions used in the calculation of the value in use we have assessed the valuation of goodwill and trademark as a key audit matter in the audit.	In our audit we have evaluated the Company's process to develop and perform impairment tests. We have examined how cash-generating units, based on established criteria's, are identified and compared to how the Company internally monitors its business. We have assessed the valuation and calculation methods used by the company and made comparisons with historical results and the accuracy in previous forecasts. We have also involved valuation specialists to assist us in the assessment of reasonableness in used assumptions, sensitivity analysis of changed assumptions, and the reasonableness of the discount rate and the long them growth rate. We have also assessed whether the information disclosed in the annual report is appropriate.

REVENUE RECOGNITION

Description	How our audit addressed this key audit matter
Sales of services for 2018 amounts to EUR 619.3 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.	In our audit we have, among other things, performed analytical review, audit of agreements and tested samples of the revenue allocation at the year end closing to assess the correctness of the revenue recognition. We have specifically focused on auditing larger and complex agreements. We have audited the process for collection of accounts receivable and assessment of doubtful receivables. We have also performed audit procedures on the company's assessment of contracts with low or negative income and assessed whether the information disclosed in the annual report is appropriate.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–51. 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 2018 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 57–61 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, Jakobsbergsgatan 24, 111 44 Stockholm, was appointed auditor of Polygon AB (publ) by the general meeting of the shareholders on the 30 April 2018 and has been the company's auditor since the 7 February 2011.

Stockholm, 4 April 2019
Ernst & Young AB

Staffan Landén
Authorized Public Accountant

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