

Transcom

Annual Report 2017



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Administration report

The Board of Directors and the CEO of Transcom Holding AB (publ), corporate registration number 556962-4108, hereby submit the Annual Report and Consolidated Financial Statements for the 2017 financial year.

On 13 March, 2017 Altor funds announced that they will complete the public takeover offer to the shareholders of Transcom Worldwide AB (publ). After completion of the offer, Altor held more than 90 percent of the shares and votes in Transcom through Transcom Holding AB (publ). Altor resolved to call for compulsory redemption of the remaining shares in the Company. Transcom Worldwide AB Group has been included in the consolidated figures and therefore in the Income statement of the Group from April 1, 2017. In light of the above transaction, Transcom Worldwide AB's board of directors did no longer find it motivated for the Company to remain listed and therefore delisted the Company's shares from Nasdaq Stockholm and the last day of trading in the Transcom share was April 10, 2017.

In June 2017 the Company acquired GVP Communication AB, Parent company of Xzakt Group. As a result of this transaction, Xzakt Group has been included in the consolidated figures and therefore in the Income statement of Transcom Group from July 1, 2017.

Transcom is a global customer experience specialist, providing customer care, sales, technical support and collections services through an extensive network of contact centers and work-at-home agents. Transcom's principal role is to positively impact customer loyalty and, thus, revenue through making service and support interactions as effortless and enjoyable as possible for our clients' customers. Transcom's customer experience specialists engage with customers in multiple channels, including phone, e-mail, chat and social media networks.

Transcom serves clients across the globe in virtually every industry and area of public service. Many of our clients compete in fast-moving, mass consumer markets that demand extreme levels of responsiveness to shifting consumer needs and preferences.

Transcom has deep know-how in a wide range of industries, including telecommunications & media, financial services, retail, and travel. Customer experience is a significant differentiator in all these sectors, and the quality of customer care service delivery continues to play a major role in influencing customer choice when deciding which brands to do business with.

Transcom's operations add value to clients' businesses by supporting the creation of outstanding customer experiences, while reducing cost and helping to drive growth. Transcom does this directly, by delivering multi-channel customer service and support

Market definition – what business are we in?

Customer management comprises the processes linking an organization with its existing and potential customers, and includes four sub segments: customer selection, customer acquisition, customer retention and customer extension. Services are delivered via four primary channels:

- Telephony, including voice and interactive voice response (IVR) self-service
- Email response management
- Web chat
- Knowledge management for web-based self-service

Help Desk outsourcing involves first- and second-level help desk support for information technology services, both for internal stakeholders in an organization and external customers.

in a cost-effective way. But Transcom's goal is also that the Company's activities benefit other parts of clients' businesses.

For example, Transcom's analytic capabilities can generate insights that ultimately contribute to the creation of a differentiated customer experience, setting Transcom's clients apart in an increasingly competitive marketplace.

As a global specialist of outsourced customer care solutions, Transcom has an important role in helping to make sure that end customers form positive perceptions of their interactions with the companies that Transcom supports. To many of the Company's clients, the quality of their customer care operations is fundamental to their ability to execute their service-based strategies to increase loyalty, retention and customer sales. This is why they partner with Transcom, whose core business is to deliver excellent multi-channel customer service and support.

The Company's services are delivered through a structured and proven process with rigorous quality controls. Continuous improvement practices, focused on strengthening service quality and enhancing operational efficiency, are embedded into daily operations.

The impact of the Company's service delivery on customer experience is constantly validated, e.g. through Customer Satisfaction, Customer Effort and Net Promoter indices.

At the end of 2017, Transcom had approximately 26,500 customer experience specialists at 50 onshore, offshore and near

shore contact centers across 20 countries, delivering services in 33 languages to customers in various industry verticals.

FINANCIAL OVERVIEW

Income statement

Consolidated figures include Transcom Worldwide AB and its subsidiaries with beginning of April 1, 2017 and GVP Communication AB and its subsidiaries with beginning of July 1, 2017. Revenue for 2017 amounted to EUR 428.7 million. Gross profit amounted to EUR 75.0 million and Operating result EUR -1.4 million. Operating result excluding non-recurring items amounted to EUR 16.3 million. Non-recurring items items amounted to EUR 17.6 million and mainly consisted of EUR 10.3 million in operational related costs (restructuring and re-organization) and EUR 7.3 million in other non-recurring operational costs mostly connected to the acquisitions of Transcom WorldWide AB and GVP Communication AB.

Cash flow

Cash flow for the year amounted to EUR 20.1 million. Cash flow from investments amounted to EUR -184.6 million, as a result from acquisitions of Transcom Worldwide Group and Xzakt Group. Cash flow from financing activities amounted to EUR 191.4 million and included the positive effect from the signing of a new credit facility before the acquisitions.

Debt & Financing

Given the change of ownership of the Company, Transcom Holding AB signed a new credit facility with Danske Bank. The new agreement was for EUR 85,000,000 and SEK 1,708,157,500 and has a 6 year tenor and includes term loans as well as a revolving credit facility.

RESEARCH & DEVELOPMENT

Transcom, being a service company, does not carry out any research activities as defined in IAS 38 Intangible assets. Development activities mainly consist of the development of IT solutions. The Company's service offering and solutions are continuously developed and refined in order to ensure that Transcom has the right capabilities to keep up with the rapid pace of change in its

industry, bringing new and innovative service solutions to market quickly.

PARENT COMPANY

The Parent Company, Transcom Holding AB, does not perform CRM services, but employs part of the corporate management team. The Parent Company is a registered company domiciled in Stockholm, Sweden. The address of the Company's headquarter is Gjörwellsgatan 30, SE-112 60 Stockholm. Operating result amounted to negative EUR 0.5 million. Financial net amounted to negative 5.2 million. The main reason for increase of financial expenses refers to the new credit facility that was signed in beginning of the year, which is also the main explanation to why the cash flow from financing activities amounting to EUR 208.1 million. Cash flow from investments amounted to EUR -206.6 million, as a result from acquisitions of Transcom Worldwide Group and Xzakt Group.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On March 16, 2018 Transcom announced that Transcom Holding AB (publ), has successfully placed EUR 180 million senior secured notes (ISIN SE0010832071) with a possibility to issue subsequent notes (the "Notes"). The Notes, maturing in March 2023, will bear a fixed rate coupon at 6.5 per cent per annum, with interest paid semi-annually. The Notes will be governed by Swedish law and Transcom has undertaken to list the Notes on the regulated market of Nasdaq Stockholm or any other regulated market within twelve months of the first issue date. The proceeds from the Notes issue will be used to refinance existing financial indebtedness and for general corporate purposes including acquisitions.

OUTLOOK

Transcom has a solid foundation from which to take the next steps in its development. The Company's objective is to increase revenue organically, while continuing to improve operational efficiency in order to strengthen margins.

RISKS AND UNCERTAINTIES

There are a number of risk factors that may affect Transcom's operations which, to varying degrees, have an impact on Transcom's revenue, operations, profitability and financial position. These risks are monitored and to the extent possible, managed by Transcom. The Group's risk management and control framework is designed to support the identification, assessment, monitoring, management and control of risks that are significant to the achievement of the Group's business objectives and to provide reliable financial information. Key risks specific to Transcom's operations are:

- The risk of overcapacity situations in the case of volume reductions or termination of client contracts.
- The risk of significant volume reduction in relation to key clients, since a significant portion of Transcom's revenue is generated from a limited number of clients. Furthermore, since Transcom is highly dependent on the Communications and Financial services industries, any future prolonged downturn in these industry verticals may lead to volume reductions.
- The risk of failure to achieve the desired flexibility in staffing in each local market. Transcom is also exposed to the risk of adverse movements in labor costs, legislation or other conditions related to staffing.
- The risks of Transcom's clients terminating contracts before their scheduled expiration dates, or reduce business volumes, since some of these contracts do not require any termination fees or the possibility by Transcom to invoice any costs to recover client-specific investments. In addition, many client contracts have performance-related bonus and/or penalty provisions which are driven by Transcom's performance vis-à-vis agreed-upon performance metrics. In the event that Transcom is unable to deliver on the agreed-upon performance metrics, the Group could face penalties.
- The risk of high staff attrition in some of Transcom's markets or the inability to attract and retain personnel, since Transcom's long-term success largely depends on the ability to attract and develop the right people.
- The risk of disruption in technological infrastructure due to host of reasons including natural disaster, lapses from vendors, operating malfunction, lapses in change management procedures, cyber attacks, sabotage, etc. Furthermore, continuity in Transcom's operations may be affected by natural events, wars,

terrorist attacks, other civil disturbances, epidemics, technical failures, etc.

- The risk of adverse foreign exchange movements, involving transaction exposure where Transcom invoices clients in one currency and incurs costs in another currency. Transcom is also exposed to translation exposure due to conversion of assets, liabilities, revenues and costs denominated in non-reporting currencies, into Transcom's reporting currency, which is the Euro.

The main risks arising from the Group's financial instruments are liquidity risk, credit/counterparty risk, foreign currency risk, and interest rate risk. The Board of Directors reviews and agrees policies for managing each of these risks. Further information on financial risks is summarized in note 20.

PERSONNEL AND SUSTAINABILITY

In accordance with Annual Accounts Act 6 Chapter 11§, Transcom Holding AB has chosen to establish the statutory sustainability report as a report separated from the annual report. The sustainability report has been submitted to the auditor at the same time as the annual report. The sustainability report is available at <http://www.transcom.com/en/About-Transcom/Corporate-Responsibility-2017>.

PROPOSED ALLOCATION OF EARNINGS

The statements of income and the balance sheets of the Parent Company and the Group are subject to adoption by the Annual General Meeting.

The following amounts in EUR are at the disposal of the Parent Company's Annual General Meeting:

Share premium reserve	20,501,046
Retained earnings	111,106,039
Profit/loss for the year	-5,180,009
Total	126,427,076

The Board and the CEO propose that the unappropriated earnings at the disposal of the Annual General Meeting be disposed of as follows:

Carried forward:	
Share premium reserve	20,501,046
Retained earnings	105,926,030
Total	126,427,076

Consolidated financial overview

	2017
Revenue (EUR million)	429
EBIT (EUR million)	-1,4
EBIT margin	-0.3%
EBIT excluding non-recurring items (EUR milion)	16.3
EBIT margin excluding non-recurring items (EUR milion)	3.8%
EBITDA (EUR million)	10.6
EBITDA margin	2.5%
EBITDA excluding non-recurring items (EUR milion)	28.3
EBITDA margin excluding non-recurring items	6.6%
Profit/loss before tax (EUR million)	2.6
Profit/loss for the year (EUR million)	-0.3
Net cash flow from operating activities (EUR million)	13.3
Return on Equity	-0.2%
Equity ratio	30.2%
Net debt/EBITDA	15.0

Consolidated income statement

January to December

EUR thousand	Note	2017	2016
Revenue		428,729	-
Cost of sales	3, 4, 6, 22	-352,790	-
Gross profit		75,939	-
Marketing expenses	3, 22	-2,452	-
Administrative expenses	3, 4, 5, 22	-74,935	-
Net loss on disposal of business	22	-43	-
Other operating income/expenses		118	-21
Operating profit/loss		-1,373	-21
Financial income	7	14,043	1,643
Financial expenses	7	-10,058	-594
Profit/loss before tax		2,612	1,028
Income tax expense	8	-2,877	-
Profit/loss for the year		-265	1,028
Attributable to:			
- equity holders of the parent		-265	1,028
- non-controlling interests		-	-

Consolidated statement of comprehensive income

January to December

EUR thousand	Note	2017	2016
Profit/loss for the year		-265	1,028
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		-4,546	-
Net gain on cash flow hedge		1,178	-
		-3,368	-
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial profit/loss on post employment benefit obligations	15	27	-
Income tax effect		-4	-
		23	-
Other comprehensive income for the year, net of tax		-3,345	-
Total comprehensive income for the year, net of tax		-3,610	1,028
Attributable to:			
- equity holders of the parent		-3,610	1,028
- non-controlling interests		-	-

Consolidated statement of financial position

EUR thousand	Note	December 31, 2017	December 31, 2016	January 1, 2016
ASSETS				
Non-current assets				
Goodwill	9	174,085	-	-
Other intangible assets	9	96,548	-	-
Shares in associated companies		-	45,161	45,161
Tangible assets	10	14,329	-	-
Deferred tax assets	8	704	-	-
Receivables from Group companies		-	-	14,046
Other receivables		2,934	752	-
		288,600	45,913	59,207
Current assets				
Trade receivables	11	62,502	-	-
Income tax receivables		5,460	-	-
Other receivables	12	8,749	-	-
Prepaid expenses and accrued income	12	40,943	-	-
Cash and cash equivalents		17,249	9	1,440
		134,903	9	1,440
TOTAL ASSETS		423,503	45,922	60,647
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital	13	8	7	7
Share premium reserve		20,501	-	-
Reserves		-3,345	-	-
Retained earnings including net profit/loss for the year		110,841	33,865	46,360
Total equity		128,004	33,872	46,367
Non-current liabilities				
Interest-bearing liabilities	14	113,535	11,931	14,155
Employee benefit obligations	15	2,584	-	-
Provisions	16	158	-	-
Deferred tax liabilities	8	24,042	-	-
Other liabilities		1	-	-
		140,320	11,931	14,155
Current liabilities				
Interest-bearing liabilities	14	62,916	-	-
Provisions	16	3,916	-	-
Trade payables		21,593	-	-
Income tax payables		3,642	-	-
Other liabilities	17	23,186	-	-
Accrued expenses and prepaid income	18	39,927	119	125
		155,179	119	125
Total liabilities	20	295,499	12,050	14,280
TOTAL EQUITY AND LIABILITIES		423,503	45,922	60,647

Consolidated statement of changes in equity

EUR thousand	Note	Equity attributable to equity holders of the parent					Total
		Share capital	Share premium reserve	Fair value reserve	Foreign translation reserve	Retained earnings	
As at January 1, 2016		7	-	-	-	46,360	46,367
Profit/loss for the year		-	-	-	-	1,028	1,028
Total comprehensive income for the year, net of tax		-	-	-	-	1,028	1,028
Dividends		-	-	-	-	-13,523	-13,523
As at December 31, 2016		7	-	-	-	33,865	33,872
As at January 1, 2017		7	-	-	-	33,865	33,872
Profit/loss for the year		-	-	-	-	-265	-265
Other comprehensive income for the year, net of tax		-	-	1,201	-4,546	-	-3,345
Total comprehensive income for the year, net of tax		-	-	1,201	-4,546	-265	-3,610
New issue of shares	13	1	20,501	-	-	-	20,502
Shareholder contribution		-	-	-	-	77,241	77,241
As at December 31, 2017		8	20,501	1,201	-4,546	110,841	128,004

Consolidated statement of cash flows

January to December

EUR thousand	Note	2017	2016
Cash flows from operating activities			
Profit/loss before tax		2,612	1,028
Adjustments to reconcile profit before tax to net cash:			
Depreciation and amortization	6	11,967	-
Change in provisions including employee benefit obligations		1,772	-
Other non-cash adjustments		860	-
Net financial items		-3,985	-1,049
Income taxes paid		-4,577	-
Cash flows from operating activities before changes in working capital		8,649	-21
Changes in working capital			
Change in operating receivables		13,226	-
Change in operating liabilities		-8,475	14
Changes in working capital		4,750	14
Net cash flow from operating activities		13,399	-7
Cash flows from investing activities			
Investments in tangible assets	10	-3,830	-
Investments in intangible assets	9	-529	-
Disposals of tangible assets		23	-
Acquisition of subsidiaries, net of cash acquired	21	-180,994	-
Disposal of business, net of cash	22	-469	-
Changes in other non-current assets		937	-770
Dividends received		-	1,200
Interest received		199	258
Net cash flow from investing activities		-184,662	688
Cash flows from financing activities			
Proceeds from borrowings	14, 23	143,335	-
Repayment of borrowings	23	-23,366	-2,224
Proceeds from long term receivables		-	14,046
Payment of finance lease liabilities		-5	-
Shareholder contribution		77,241	-
Dividend		-	-13,523
Interest paid		-5,800	-411
Net cash flow from financing activities		191,405	-2,112
Net cash flow for the year		20,142	-1,431
Cash and cash equivalents at beginning of the year		9	1,440
Net cash flow for the year		20,142	-1,431
Exchange rate differences in cash and cash equivalents		-2,902	-
Cash and cash equivalents at end of the year		17,249	9

Notes to the consolidated financial statements

Note 1 Summary of significant accounting and valuation policies

1.1 General

Transcom Holding AB (publ) (the "Company" or the "Parent Company") and its Group companies (together, "Transcom" or the "Group") is a global customer experience specialist, providing customer care, sales, technical support and credit management services through our extensive network of contact centers and work-at-home agents. We are 26,500 customer experience specialists at 50 contact centers across 20 countries, delivering services in 33 languages to international brands in various industry verticals. Transcom Holding AB is a privately held company.

The Company is a registered company domiciled in Stockholm, Sweden. The address of the Company's headquarter is Gjörwellsgatan 30, SE-112 60 Stockholm.

The consolidated financial statements were authorized for issue by the Board of Directors on April 17, 2018.

These consolidated financial statements will be submitted for approval at the Annual General Meeting on April 20, 2018.

1.2 Basis of preparation

Transcom Holding AB (publ) prepares its consolidated financial statements in accordance with IFRS issued by the International Accounting Standards Board (IASB) and interpretations of the IFRS Interpretations Committee (IFRIC) as adopted by the European Union (EU). The consolidated financial statements pertain to January 1–December 31 for income statement items and December 31 for balance sheet items. 2017 is the Group's first annual report in accordance with IFRS and the Group has applied IFRS 1 *First-time Adoption of International Financial Reporting Standards* when preparing these financial statements.

Previously prepared annual reports have been in accordance with the Annual Accounts Act and BFNAR 2016: 10 Annual Report in smaller companies. The transition to IFRS has not had any effect on the Group's previously established income statement, statement of comprehensive income and statement of financial position.

The comparison figures for 2016 corresponds to the parent company figures since 2017 is the Groups first year. Transcom WorldWide Group is consolidated since April 1, 2017 and Xzakt Group since July 1, 2017.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.

1.2.1 Changes in accounting policies and disclosures

New and amended standards that are effective for the first time for the financial year 2017 and adopted by the Group.

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative. The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative period in Note 23.
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. These amendments to the standard have not had any material impact on the Group.
- Annual Improvements Cycle 2014-2016, amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12. The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments to the standards have not had any material impact on the Group.

Other new and amended standards effective for the first year are considered to not have an effect on the Group.

Standards in issue but not yet effective, up to date of issuance of the Group's financial statements, are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- IFRS 9 *Financial Instruments* replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. The standard is effective on or after 1 January 2018. The Group plan to adopt the new standard on the required effective date. An assessment shows that no significant impact on the Group's balance sheet and equity is expected. Loans and trade receivables are expected to still be measured at amortized cost under IFRS 9. Credit losses in the Group has historically been very low and are expected to be continued at a low level why a preliminary assessment give no expectations that this could have a material impact on the Group's equity. The Group's hedge relationship is expected to still qualify for hedge accounting under IFRS 9.
- IFRS 15 *Revenue from Contracts with Customers* outlines the principles to measure and recognize revenue. The standard is effective from 1 January 2018, with a full retrospective application. The Group plan to adopt the new standard on the required effective date. The Group has performed an assessment by performing a high-level review of a few of the largest client contracts. The assessment shows that the contractual term are normally 1-3 years, however the contractual period according to IFRS 15 might be shorter and correspond to the period covered in the specific volume request from the respective client, which is stipulated in each contract and is normally a shorter period, e.g. between 1-6 months. No transition effect is identified. The assessment shows no material impact is expected regarding revenue recognition but more disclosures and more detailed information in existing disclosures in the Group's financial statements will be required.
- IFRS 16 *Leases* sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of "low-value" assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). A lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The standard will require more extensive disclosures than under IAS 17. The standard is effective from 1 January 2019 and the Group expect the new standard to have an impact both on the Group's balance sheet and disclosures in the Group's financial statements. The Group will quantify the effect before the effective date.
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* address the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction, the classification of a share-based payment transaction with net settlement features for withholding tax obligations and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. The amendments are effective for annual periods beginning on or after 1 January 2018 and is not expected to have a material impact on the Group's financial statements.

Other standards in issue but not yet effective are considered not material for the Group.

1.3 Consolidation

The consolidated financial statements include the Group companies of which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. There is a presumption that a majority of voting rights result in control. Group companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The consolidated accounts are prepared according to the acquisition method, which entails acquisitions of subsidiaries being viewed as transactions through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The Group's equity therefore includes only the portion of the subsidiary's equity added since acquisition. The Group's cost is determined through an acquisition analysis in connection with the acquisition. This analysis determines,

in part, the cost of the holdings or operations and, in part, the fair value of the identifiable assets, liabilities and contingent liabilities assumed on the date of acquisition. The cost of the subsidiary's shares or operations consists of the fair value of the compensation on the transfer date. The cost includes conditional purchase considerations recognized as liabilities at fair value per the acquisition date.

In acquisitions where there is a positive difference between the cost of the acquisition and the net value of acquired assets and assumed liabilities and contingent liabilities, the difference is reported as goodwill. When the difference is negative, it is recognized in the Income statement.

Intra-Group receivables and liabilities, revenue and expenses, and unrealized gains and losses that arise from transactions between Group companies are eliminated in the consolidated accounts.

1.4 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'EUR (EUR)', which is the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

The results and financial position of all the Group companies (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the Group's presentation currency are translated as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recognized directly in other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in Other comprehensive income are recycled in Other comprehensive income and further recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized directly in other comprehensive income as the year's change in the foreign translation reserve.

1.5 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

- | | |
|-------------------------------------|-----------|
| • Telephone switch | 5 years |
| • Equipments, fixtures and fittings | 3–5 years |
| • Computer, hardware and software | 3–7 years |
| • Office improvements and others | 3–5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of Group companies is included in 'intangible assets'. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposals of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Customer relationships

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization and are assessed for impairment whenever there is an indication that the asset is impaired. Amortization is calculated using the straight-line method over the expected life of the customer relationship which is 9 to 10 years.

(c) Brand

Brand has been identified with business acquisitions, and valued based on discounted hypothetical royalty payments which the Company should save when being the owner. Brand is included in "intangible assets" and is carried at cost less accumulated impairment losses.

(d) Development costs

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product, include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives, which is between 3 to 5 years.

1.7 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill, brand or intangible assets not ready to use – are not subject to amortization and are tested annually for impairment, or if events or circumstances change which may indicate that there may be need for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Transcom's operations in each segmental region are considered the Group's cash-generating units in this regard. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is recognized for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount.

Impairment losses are recognized in the income statement. Impairment losses attributable to a cash-generating unit are mainly allocated to goodwill after which they are divided proportionately among other assets in the unit. The recoverable amount of cash-generating units is the higher of their fair value less costs to sell and value in use. Value in use is measured by discounting future cash flows using a dis-

Notes to the Consolidated financial statements

counting factor that takes into account the risk-free rate of interest and the risk associated with the specific asset.

Impairment of goodwill is not reversed. Impairment of other assets is reversed if a change has been made in the assumptions that served as the basis for determining the recoverable amount. Impairment is reversed only to the extent the carrying value of the assets following the reversal does not exceed the carrying value that the asset would have had if the impairment had not been recognized.

1.8 Financial assets and liabilities

A financial instrument is defined as any form of agreement giving rise to a financial asset in a company and a financial liability or equity instrument in a counterparty. Financial instruments recognized in the balance sheet include, on the asset side, cash and bank balances, accounts receivable and other equity instruments, loans receivable. Included among liabilities and equity are accounts payable, debt and equity instruments in issue and loan liabilities.

Financial instruments are recognized at amortized cost including transaction expenses. An exception is made for financial instruments in the category financial assets or liabilities recognized at fair value through profit and loss, that are recognized at fair value excluding transaction costs. Measurement depends on how they are classified, as indicated below.

A financial asset or financial liability is recognized in the balance sheet when the Company becomes party to the instrument's contractual terms. Receivables are recognized when the Company has performed and there is a contractual obligation on the counterparty to pay. Trade receivables are recognized in the balance sheet when an invoice has been sent. Liabilities are recognized when the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Trade payables are recognized when an invoice is received.

A financial asset is removed from the balance sheet when the rights in the agreement are realized, expire or the Company loses control over them. A financial liability is removed from the balance sheet when the obligation in the agreement has been discharged or otherwise extinguished.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis.

1.9 Non-current receivables and other receivables

These receivables fall into the category Loans and receivables and are assessed at their discounted current value if their expected maturity exceeds 12 months. If their maturities are shorter, they are assessed at accrued cost.

1.10 Trade receivables

Trade receivables are classified in the category loans and receivables. Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. The anticipated receivable is short, so they are carried at accrued cost without discounting.

Impairment are determined individually. Impairment needs are addressed when receivables have fallen overdue for payment by a certain number of days, or if Transcom becomes aware that the counterparty has become insolvent. Provisions for impaired receivables are recognized as administrative expenses in the Consolidated Income Statement.

1.11 Cash and cash equivalents

Cash and cash equivalents includes cash and cash equivalents and immediately available balances with banks and similar institutions as well as other short-term liquid investments with original maturities of three months or less. In the consolidated statement of financial position, bank overdrafts are shown within interest-bearing liabilities in current liabilities.

1.12 Interest-bearing liabilities

Interest-bearing liabilities are classified as financial liabilities at amortized cost. Amortized cost is determined based on the effective interest rate calculated when the liability was assumed. This means that surplus and deficit values as well as direct costs in conjunction with assuming of loans are distributed over the term of the liability.

Non-current interest-bearing liabilities have an anticipated maturity of more than one year, while current interest-bearing liabilities have a maturity of less than one year.

1.13 Trade Payables

Trade payables are classified in the category financial liabilities at amortized cost.

Trade payables have short expected term and are valued at nominal value.

1.14 Derivatives for cashflow hedges

The derivative instrument for cashflow is classified in the category derivatives for cashflow hedges. The hedging derivative instrument refers to sale and purchasing of forward contracts for a period of normally 6 to 12 months.

The hedging derivative instrument is measured at fair value each period where the effective portion of the change in fair value is deferred in Other Comprehensive Income and presented within equity. The difference between the effective portion of the change in the fair value of the derivative hedging instrument and the full change in the fair value (the ineffective portion) is recognized in the Income statement. The change in fair value of the hedging instrument that is deferred in OCI is reclassified to Income statement in the same period as when the hedged item affects Income statement, and is recorded within Revenue.

1.15 Other payables, other liabilities, accrued expenses and prepaid income

Other payables, other liabilities, accrued expenses and prepaid income are recognized at amortized cost.

1.16 Leasing The Group leases certain property, plant and equipment. Leasing is classified in the consolidated accounts as either finance or operating leasing.

When the Group, as lessee, essentially enjoys the economic benefits and bears the economic risks attributable to the leased asset, it is classified as a finance lease. The leased asset is recognized in the balance sheet as a fixed asset, while the estimated present value of future lease payments is recognized as a liability. The portion of the lease fee that falls due for payment within one year is recognized as a current liability, while the remainder is recognized as a long-term liability. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Minimum lease fees for finance leases are divided between interest expense and amortization of the outstanding liability. Interest expense is divided over the lease term so that each reporting period is charged with an amount corresponding to a fixed interest rate for the liability recognized in each period. Variable fees are expensed in the period in which they arise.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its Group companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are

not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets and liabilities have been measured at the tax rate that are expected to apply during the period when the asset is realized or the liability is settled, according to the tax rates and tax regulations that have been resolved or enacted at the balance-sheet date.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in Group companies and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.18 Employee benefits

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit is typically defined by the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The Group's main defined benefit plans are a termination indemnity plan in Italy and a pension plan in Philippines.

1.19 Share capital and treasury shares

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.20 Dividend

Dividend is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Annual General Meeting.

1.21 Provisions

Provisions for restructuring costs, legal claims and other obligations are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

1.22 Contingent liabilities

A contingent liability is recognized when there is a possible obligation that arises from past events whose existence will be confirmed only by one or more uncertain future events or when there is an obligation that is not recognized as a liability or provision because it is not probable that an outflow of resources will be required.

1.23 Revenue recognition

Revenue comprises the fair value of the compensation received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

In relation to its CRM business (Customer Relationship Management), revenue mainly arise from call services operations. The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

- Revenues related to inbound teleservices are recognized at the time services are provided on a per-call basis.
- Revenues on outbound teleservices and debt collection are recognized at the time services are provided on either a per-call, per-sale or per-collection basis under a fully executed contractual agreement and record reductions to revenues for contractual penalties and holdbacks for failure to meet specified minimum service levels and other performance based contingencies.
- Revenues from other CRM services are recognized as services are provided. Generally service revenues are billed in the month following provision of related services. Contracts to provide call center services typically do not involve fees related to customer set-up, initiation or activation.

CMS revenue mainly arise from fees and commissions generated from the collection of receivables on behalf of customers.

Accrued income on CMS activities is recognized on incomplete activities where a fair assessment of the work achieved to date and the future cash inflows associated with it can be measured with reasonable accuracy. The Company calculates accrued income based on the number of collection cases expected to be solved ("success rates") in the future multiplied by the estimated cost incurred per case.

1.24 Financial income and expenses

Financial income and expenses consist of interest income on bank balances and receivables and interest-bearing securities, bank fees, interest expenses on loans, dividend income, exchange rate differences, realized and unrealized gains on financial investments, and derivatives used in financial operations.

1.25 Fair value measurement

The Group measures financial instruments, such as, derivatives, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost are disclosed in note 20.

Notes to the Consolidated financial statements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability,
- or in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement into account a market participant's ability to generate economic benefits by using the asset in its highest and best use by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

1.26 Cash flow statement

The cash flow statement includes changes in the balance of liquid assets. The Group's liquid assets consist of cash and bank balances with original maturities of three months or less.

Cash flow is presented according to the indirect method, and divided into cash flows from operating activities, investing activities and financing activities. Cash flow from investing activities includes only actual disbursements for investments during the year.

Foreign Group companies' transactions are translated in the cash flow statement at the average exchange rate for the period. Acquired and divested Group companies are recognized as cash flow from investing activities, net, after deducting liquid assets in the acquired or divested company.

Note 2 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are described below.

(a) Valuation of business acquisition

The valuation of identifiable assets and liabilities in connection with the acquisitions of Transcom WorldWide AB and GVP Communication AB is performed by revaluing items already recorded in the balance sheet, as well as items which have not previously been recorded in the balance sheet, such as brand and customer relationships, to fair value. Customer relationships have been valued based on the expected future cash flows from the acquired business' present customer portfolio. Brand has been valued based on discounted hypothetical royalty payments which the Company should save when being the owner. In these valuations, significant management judgment is required to determine the amount that can be recognized.

(b) Impairment of goodwill and intangible assets

The Group annually evaluates the carrying value of goodwill for potential impairment by comparing projected discounted cash flows (using a suitable discount rate) associated with such assets to the related carrying value. An impairment test is also carried out should events or circumstances change which may indicate that there may be need for impairment. An impairment loss would be recognized when the estimated future discounted cash flow generated by the asset is less than the carrying amount of the asset. An impairment loss would be measured as the amount by which the carrying value of the asset exceeds the recoverable amount. The Group performed its

annual impairment test of goodwill during the 4th quarter of 2017. Changes in the assumptions and estimates used may have a significant effect on the income statement and statement of financial position. Please see note 9 for further details including a sensitivity analysis of some of the assumptions made.

(c) Provisions

The Group recognizes a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. The Group reviews outstanding legal cases, including tax audits, following developments in the legal proceedings, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation or claim.

(d) Contingent liabilities

The Group has contingent liabilities related to litigations and legal claims arising in the ordinary course of business. The integrated worldwide nature of Transcom's operations can give rise to complexity and delays in assessing the Group's tax position and can lead to the Group occasionally facing tax audits which in some cases result in disputes with tax authorities. During these tax audits, local tax authorities may question or challenge the Group's tax positions. Disputes with tax authorities can lead to litigations in front of several courts resulting in lengthy legal proceedings.

Note 3 Employees

Salaries, other remuneration and social security charges

EUR thousand	2017	2016
Salaries and other remunerations	-282,352	-
Social security charges	-49,009	-
Pension expenses	-8,592	-
Total	-339,953	-

Salaries, other remuneration and social security charges are recognized in the following line items in the income statement

EUR thousand	2017	2016
Cost of sales	-312,647	-
Marketing expenses	-1,946	-
Administrative expenses	-25,360	-
Total	-339,953	-

Average number of employees

EUR thousand	2017			2016		
	Women	Men	Total	Women	Men	Total
Chile	254	189	443	-	-	-
Estonia	173	97	270	-	-	-
Philippines	3,523	3,392	6,915	-	-	-
Italy	387	143	521	-	-	-
Canada	363	265	628	-	-	-
Croatia	438	203	641	-	-	-
Latvia	187	125	312	-	-	-
Lithuania	462	214	676	-	-	-
The Netherlands	109	167	276	-	-	-
Norway	68	82	150	-	-	-
Poland	321	166	487	-	-	-
Portugal	233	89	322	-	-	-
Serbia	203	75	278	-	-	-
Spain	2,722	859	3,581	-	-	-
United Kingdom	14	22	36	-	-	-
Sweden	742	1,055	1,797	-	-	-
Tunisia	350	236	586	-	-	-
Germany	293	287	580	-	-	-
Hungary	117	92	209	-	-	-
United States	551	252	803	-	-	-
Total*	11,506	8,010	19,516	-	-	-

* Total average number of employees excludes agency staff.

Women in Board and Executive management, %

	2017	2016
Board of Directors	- %	- %
Executive management	13%	- %

The Board has not received any remuneration for 2017

Remuneration and other benefits to Executive management

EUR	2017				Total
	Base salary	Variable compensation	Other benefits*	Pension fees	
President and CEO:					
Michel Weinreich	-166,667	-133,333	-38,533	-	-338,533
Johan Eriksson	-230,631	-21,895	-11,045	-69,189	-332,760
Other members of Executive management:					
7 positions	-1,033,190	-286,839	-68,723	-228,754	-1,617,506
Total	-1,430,488	-442,067	-118,301	-297,943	-2,288,799

* Refers to allowances, company car, medical insurance etc.

During 2017, the executive management consisted of the following persons: Michael Weinreich (from September 2017), Johan Eriksson (until August 2017), Ulrik Englund (until September 2017), Leif Mårtensson (from August 2017), Christian Hultén, Philip Sköld, Siva Subramaniam (until June 2017), Mark Lyndsell (from June 2017), Chris Hollamby (from June 2017), Rosana Garcia (until September 2017), Juan Brun, Gianluca Gemma and Cecilia Forzelius (from October 2017).

The following guidelines were applied on remuneration for senior executives within the Group which currently include nine members of the Executive manage

Notes to the Consolidated financial statements

Note 3 Employees cont.

ment of Transcom ("Executive Managers"), as well as members of the Board of Directors to the extent they are remunerated outside their directorship. The remuneration to the Executive Managers consists of fixed salary and variable salary. The fixed salary and the bonus percentage may vary amongst Executive Managers according to their level of responsibility or seniority. The level of variable salary is in accordance with market practice and depend on the level of responsibility and seniority and calculated according to a combination of results achieved and individual performances. Other benefits constitute a limited amount in respect of employment relationship. In the event of notice of termination of employment given by Transcom, the Executive Manager is entitlement to salary during such notice period according to local lawpractice.

In the event of notice of termination of employment being served by the Company, Executive Managers are entitled to salary during a period in a range of maximum 12 months. The Executive Managers are entitled to pension commitments based on those that are customary in the country in which they are employed. The Executive Managers are offered defined contribution pension plans, with premiums amounting in a range to a maximum of 30 percent of the fixed salary that are paid to insurance companies. Members of the Board of Directors, may in certain cases receive a fee for services performed within their respective areas of expertise, outside of their duties on the Board of Directors. Compensation for these services shall be paid at market terms and be approved by the Board of Directors. In special circumstances, the Board of Directors may deviate from the above guidelines. In such case, the Board of Directors is obligated to give account for the reason for the deviation on the following annual general meeting of shareholders. The Board of Directors' view is that the remuneration to the CEO and the other members in the Executive management strikes an appropriate balance between motivating the members of the Executive management and achieving a well-balanced competitive compensation that aligns the members' incentives with the interests of Transcom and the owners.

Note 4 Leases

Operating leasing costs as lessee

EUR thousand	2017	2016
Premises	-13,948	-
IT Equipment	-108	-
Office equipment	-203	-
Cars	-617	-
Others	-95	-
Total	-14,971	-

Generally, the Group's lease contracts require deposits and certain provisions for inflation-indexed rental increases.

Future payments for non cancellable leases as at December 31, 2017

EUR thousand	Less than one year	Between one and five years	Total
Premises	-14,347	-20,708	-35,055
IT Equipment	-917	-1,120	-2,037
Office equipment	-242	-221	-463
Cars	-510	-543	-1,053
Total	-16,016	-22,592	-38,608

Assets utilized under finance leases as a lessee

EUR thousand	2017	2016
Cost	30	-
Accumulated depreciation	-28	-
Carrying value	2	-

Gross finance lease liabilities – minimum lease payments

EUR thousand	2017	2016
Less than one year	3	-
Between one and five years	-	-
	3	-
Future finance charges on finance leases	1	-
Present value of finance lease liabilities	4	-

Present value of finance lease liabilities

EUR thousand	2017	2016
Less than one year	3	-
Between one and five years	-	-
Present value of finance lease liabilities	3	-

There are no uncancellable leasing contract that has a duration further than 5 years.

Note 5 Remuneration to auditors

EUR thousand	2017	2016
Ernst & Young		
Audit services	-679	-
Audit services outside the assignment	-6	-
Tax advice	-6	-
Other audit firms		
Audit services	-75	-4
Total*	-766	-4

* Remuneration for the period Jan-Dec 2017.

Audit services refer to the statutory audit, i.e. the reviewing of the annual report, the accounts and the administration by the Board of Directors and Managing Director. Audit services also include any other tasks that the company's auditor is required to perform.

Audit services outside the assignment involve quality assurance measures, that is to say, in part, any review of management, the Articles of Association, statutes or agreements intended to result in a report, certificate or other document addressed to a party other than the principal and, in part, advice or other assistance occasioned by observations made during an audit. Reviews of interim financial reports are included in the audit activities outside the assignment. Tax advice includes advice on income taxes and VAT.

Note 6 Amortization, depreciation and impairment

Amortization and depreciation

EUR thousand	2017	2016
Customer relationships	-5,933	-
Development costs	-702	-
Other intangibles	-24	-
Telephone switch	-299	-
Fixture and fittings	-755	-
Computer hardware and software	-2,376	-
Office improvements	-1,878	-
Total	-11,967	-

Amortization, depreciation and impairment are recognized in the following line items in the income statement:

EUR thousand	2017	2016
Cost of sales	-11,967	-
Total	-11,967	-

Note 7 Financial income and expenses**Financial income**

EUR thousand	2017	2016
Interest income on bank deposits	199	-
Interest income Group companies	-	259
Dividends received	-	1,200
Fair value revaluation of shares *	13,624	-
Other financial income	220	-
Foreign exchange gain	-	184
Total	14,043	1,643

* According to IFRS 3, when a business combination is achieved in stages (step acquisition), the acquirer must remeasure previously held interest at fair value. The resultant gain is recognized in the financial income.

Financial expenses

EUR thousand	2017	2016
Interest expense on bank borrowings	-5,984	-594
Other financing costs	-2,915	-
Bank fees	-360	-
Foreign exchange loss	-799	-
Total	-10,058	-594

Note 8 Taxes**Income tax expense**

EUR thousand	2017	2016
Current income tax on profit/loss for the year	-3,890	-
Adjustments in respect of prior years	-581	-
Current taxes	-4,471	-
Current year origination and reversal of temporary differences	1,595	-
Deferred taxes	1,595	-
Income tax expense	-2,877	-

Current income tax on profit/loss for the year includes corporate income tax of EUR 3,294 thousand (2016: nil) and withholding tax of EUR 300 thousand (2016: nil).

Adjustments in respect of prior years mainly represent provisions or reversal thereof, with respect to claims brought against the Group by tax authorities in various jurisdictions.

As at December 31, 2017 five Group entities were subject to tax audits. Some of these tax inquiries have resulted in reassessments, while others are still at an early stage and no reassessments have yet been raised. As at December 31, 2017 the provision related to tax audits amounts to EUR 1,123 thousand (2016: nil).

Effective tax rate

A reconciliation of the statutory tax rate to the Company's effective tax rate applicable to income from continuous operations was:

EUR thousand	2017	%	2016	%
Profit/loss before tax	2,612		1,028	
Calculated tax based on tax rate in Sweden 22.00 %	-575	-22,0	-226	-22,0
Foreign tax rate differential	505	19.3	-	-
Tax exempt income	2,442	93.5	-	-
Non-deductible expenses	-31	-1.2	-	-
Losses previously recognized impaired current year	-64	-2.5	-	-
Losses for which no tax benefit is recognized	-3,785	-144.9	-	-
Losses utilized for which no deferred tax assets were previously recognized	-	-	226	22,0
Adjustments in respect of prior years	-581	-22.2	-	-
Change in tax rates	-500	-19.1	-	-
Withholding tax	-300	-11.5	-	-
Other tax not at standard rate*	12	0.5	-	-
Income tax expense	-2,877	-110.1	-	-

Notes to the Consolidated financial statements

Note 8 Taxes cont.

Deferred tax assets

EUR thousand	Tangible assets	Tax losses	Other	Netting	Total
As at January 1, 2017	-	-	-	-	-
Acquisition of subsidiary	582	112	655	-995	354
Income statement movement	39	-4	115	-	150
Additions	-	-	51	-	51
Translation differences	-	-	-7	-	-7
Netting of assets/liabilities	-	-	-	156	156
As at December 31, 2017	621	108	814	-838	704

No comparison figures for 2016 to report.

Deferred tax liabilities

EUR thousand	Tangible assets	Tax losses	Other	Netting	Total
As at January 1, 2017	-	-	-	-	-
Acquisition of subsidiary	25	24,091	783	-995	23,905
Income statement movement	-25	327	-308	-	7
Translation differences	-	-	-13	-	-13
Netting of assets/liabilities	-	-	-	156	156
As at December 31, 2017	-	24,418	462	-838	24,042

No comparison figures for 2016 to report.

Deferred tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profit is probable. The Group did not recognize deferred tax assets for losses amounting to EUR 55,077 thousand (2016: EUR 224 thousand). 19,200 thousand (2016: EUR 224 thousand) of these losses have no expiration date. The corresponding deferred tax assets for the losses would have been 13,117 EUR thousand (2016: EUR 49 thousand) based on each country expected tax rate.

Note 9 Goodwill and other intangible assets

Cost

EUR thousand	Goodwill	Customer relationships	Brand	Development cost	Others	Total
As at January 1, 2017	-	-	-	-	-	-
Acquisition of a subsidiary*	180,974	75,930	23,399	15,279	2,722	298,304
Investments	-	-	-	137	392	529
Translation differences	-6,889	-1,009	-	-	-21	-7,919
As at December 31, 2017	174,085	74,921	23,399	15,416	3,093	290,914
Accumulated amortization and impairment						
As at January 1, 2017	-	-	-	-	-	-
Acquisition of a subsidiary	-	-	-	-11,644	-2,665	-14,309
Amortization for the year	-	-5,933	-	-702	-24	-6,660
Translation differences	-	671	-	-	17	688
As at December 31, 2017	-	-5,262	-	-12,347	-2,671	-20,280
Carrying value as at December 31, 2017	174,085	69,659	23,399	3,069	422	270,634

* Goodwill, Customer relationships and Brand refer to surplus values added from the acquisitions in 2017 of Transcom Worldwide AB and GVP Communication AB.

No comparison figures for 2016 to report.

Goodwill

Impairment testing for cash generating units containing goodwill

The impairment test gave no indication of a need for goodwill impairment.

The Group treats the geographical regions as cash-generating units in the sense referred to in IAS 36 Impairment of assets. The carrying amounts of goodwill allocated to each region are:

EUR thousand	2017	2016
North Europe	88,455	-
Central & South Europe	27,790	-
Iberia	37,828	-
English-speaking markets & APAC	19,244	-
Latin America	767	-
Total	174,085	-

The calculation of the value in use was based on the following main assumptions:

Cash flows were projected based on past experience, actual operating results and the 3-year financial plans approved by the Board of Directors. Beyond the specifically forecasted period of three years, the Company extrapolates cash flows based on estimated constant growth rates of 2.1 percent depending on executive management's understanding of the market. The anticipated annual revenue growth included in the cash-flow projections has been based on historical experience and expectations of future changes in the market conditions. Market conditions take into account the nature of risk and executive management's estimations of change within this market. These rates do not exceed the average long-term growth rates for the relevant markets.

Pre-tax discount rates 9.0 percent to 20.3 percent; North Europe region 10.8 percent, Central & South region 20.3 percent, Iberia region 13.5 percent, English-speaking markets & APAC 15.0 percent, Latam 17.5 percent and Xzakt 9.9 percent were applied in determining the recoverable amounts of the units. The discount rates is estimated based on past experience, industry average weighted cost of capital and Group's industry related beta adjusted to reflect executive management's assessment of specific risks related to the unit.

Note 9 Goodwill and other intangible asset cont.

Reasonably possible changes in key assumptions (such as discount rates, revenue/operating margin and terminal growth rate) would not trigger any impairment loss to be recognized.

Customer relationships and development costs

Customer relationships mainly consist of intangible assets that were identified during the past acquisitions based on the discounted cash flows expected to be derived from the use and eventual sale of the asset, determined at the date of acquisition. During the fourth quarter 2017 these assets were tested for impairment. The impairment test gave no indication of need of impairment.

Development costs consist of amounts identified by executive management's where it is considered that technological and economical feasibility exists, usually determined by reference to the achievement of defined milestones according to an established project management model. These costs relate to development of assets for the use in the Group. As at December 31, 2017 these assets were tested for impairment. The impairment test gave no indication of need of impairment.

Brand

EUR thousand	2017	2016
North Europe	11,681	-
Central & South Europe	3,973	-
Iberia	3,484	-
English-speaking markets & APAC	4,260	-
Total	23,399	-

Note 10 Tangible assets**Cost**

EUR thousand	Telephone switch	Equipments, fixtures and fittings	Computer hardware and software	Office improvements	Total
As at January 1, 2017	-	-	-	-	-
Acquisition of a subsidiary	26,578	25,634	47,608	25,091	124,911
Investments	211	594	2,224	801	3,830
Disposals	-279	-17	-121	-66	-482
Disposal of business*	-	-	-	-9	-9
Translation differences	-1,335	-615	-2,192	-1,771	-5,914
As at December 31, 2017	25,175	25,596	47,520	24,046	122,337
Accumulated amortization and impairment					
As at January 1, 2017	-	-	-	-	-
Acquisition of a subsidiary	-25,374	-23,411	-41,066	-18,360	-108,211
Depreciation for the year	-299	-755	-2,376	-1,878	-5,308
Disposals	276	17	107	78	478
Disposal of business*	-	-	-	9	9
Translation differences	1,305	593	1,792	1,333	5,024
As at December 31, 2017	-24,092	-23,556	-41,542	-18,817	-108,008
Carrying value as at December 31, 2017	1,082	2,040	5,978	5,228	14,329

*For further information see note 22.

No comparison figures for 2016 to report.

Note 11 Trade receivables

EUR thousand	2017	2016
Trade receivables gross	62,691	-
Provision for impairment of trade receivables	-189	-
Trade receivables net	62,502	-

The carrying value less impairment of trade receivables is assumed to approximate the fair value.

The two largest trade receivable balances represent 20 percent of the total balance. The credit risk related to those balances is considered to be low and the amounts are not due on the balance sheet day.

Provisions of trade receivables

EUR thousand	2017	2016
As at January 1	-	-
Acquisition of a subsidiary	-399	-
Provisions made	-29	-
Provisions used	237	-
Translation differences	3	-
As at December 31	-189	-

Overview of the ageing of trade receivables

EUR thousand	2017	2016
<30 days	9,177	-
30-60 days	831	-
60-90 days	215	-
90-120 days	170	-
>120 days	1,451	-
Total	11,844	-

The Group operates in several jurisdictions and payment terms vary upon this, as well as on a client by client basis. Therefore, based upon the maximum payment terms, trade receivables of EUR 2,667 thousand are past due more than 30 days but not provided for (2016: nil). These relates to customers for whom there is no recent history of default. Details of credit risk are included in note 20.

Notes to the Consolidated financial statements

Note 12 Other receivables and prepaid expenses and accrued income

Other receivables

EUR thousand	2017	2016
VAT recoverable	4,353	-
Amount due from public authorities	1,827	-
Client deposit related assets	376	-
Other receivables*	2,193	-
Total	8,749	-

* Other receivables mainly relates to advances to suppliers and employees.

Prepaid expenses and accrued income

EUR thousand	2017	2016
Prepaid expenses	3,106	-
Accrued income	37,837	-
Total	40,943	-

Note 13 Equity

Share capital

Transcom's share capital as of 31 December 2017 was distributed among 11,937,773 shares with a nominal value of EUR cent 0.0065 per share. All shares entitle to one vote each.

During 2017 the shares was consolidated to one (1) share. After the consolidation, a share split was registered whereby each existing share was replaced by 10,000,000 new shares (split 1:10,000,000). Following the split of shares, the total number of shares in the Company amounted to 10,000,000.

New shares were issued by contribution in kind, EUR 20,501 thousand was recorded to Share premium reserve. Total shares after the new share issue amounted to 11,937,773 shares.

Note 14 Interest-bearing liabilities

EUR thousand	2017	2016
EUR revolving credit facility	156,349	-
USD revolving credit facility	5,003	-
SEK revolving credit facility	19,832	-
Amortized costs	-4,808	-
Other loans	71	11,931
Total	176,447	11,931
Finance leases	4	-
Total	176,451	11,931
Non-current interest-bearing liabilities	113,535	-
Current interest-bearing liabilities	62,916	11,931
Total	176,451	11,931

On March 14, 2017, the syndicated credit agreement with ING, Nordea and SEB signed by Transcom Worldwide AB was replaced by a facilities agreement with Danske Bank which was signed by Transcom Holding AB. The new agreement was for EUR 85,000,000 and SEK 1,708,157,500 and has a 6 year tenor and include term loans as well as a revolving credit facility. Interest rates in the facility are based on IBOR and EURIBOR plus margins. The Company is also committed under this agreement to maintain certain financial ratios within agreed limits. The loan is secured and there will be pledges of shares in material companies made. There was no breach of covenants in 2017. In the event of change of control the facility will need to be cancelled and needed to be replaced by a new credit facility. The Group has a new financing from March 2018, see note 25.

As of December 31, 2017, an amount of EUR 156,350 thousand, SEK 195,218 thousand and USD 6,000 thousand was drawn (December 31, 2016 equivalent of EUR 11,931 thousand). In addition, an equivalent of EUR 18,128 thousand (December 31, 2016: nil) of the facility is utilized to cover the issuance of bank guarantees. Net proceeds from borrowing during 2017 was SEK 195,218 thousand and EUR 126,849 thousand.

Excluding the tranches to be used to replace the Bridge facility an unused amount of EUR 13,596 thousand on the facility exists on December 31, 2017 (December 31, 2016: nil). In addition to the credit facility, local short-term loan was zero as of December 31, 2017 (December 31, 2016: nil).

The table below shows the maturity profile of the Groups's interest bearing liabilities including interests:

EUR thousand	2017	2016
Less than six months	60,113	-
Between six and twelve months	3,610	12,524
Between one and two years	7,372	-
Between two and seven years*	134,023	-
Total	205,118	12,524

* Syndicated credit facility expires per March 2024.

Note 15 Employee benefit obligations

The Group has employee benefit schemes in Italy and Philippines in relation to termination indemnity and defined benefit pensions. A full actuarial valuation was carried out to December 31, 2017 by a qualified, independent actuary. There are no plan assets in connection with the pension plans in Italy and Philippines.

Reconciliation to the statement of financial position

EUR thousand	2017	2016
Italy	2,354	-
Philippines	230	-
Present value of scheme liabilities	2,584	-

Analysis of the amount charged to operating profit

EUR thousand	2017			2016		
	Italy	Philippines	Total	Italy	Philippines	Total
Current service cost	-	294	294	-	-	-
Past service cost	-	-533	-533	-	-	-
Total operating charge	-	-239	-239	-	-	-

Analysis of the amount credited to other finance costs

EUR thousand	2017			2016		
	Italy	Philippines	Total	Italy	Philippines	Total
Interest on pension scheme liabilities	16	14	30	-	-	-
Total finance cost	16	14	30	-	-	-

Major assumptions used by the actuary for the calculation of the defined benefit pension scheme

%	2017		2016	
	Italy	Philippines	Italy	Philippines
Rate of increase in salaries	2.0	2.0	-	-
Discount rate	1.5	5.6	-	-

Assumptions regarding future mortality experience are set in accordance with published statistics and experience in each territory.

Amount recognized in the statement of financial position – movement in deficit during the year

EUR thousand	2017			2016		
	Italy	Philippines	Total	Italy	Philippines	Total
As at January 1	-	-	-	-	-	-
Movement in the year						
Acquired employee benefit obligations	2,212	325	2,537	-	-	-
Transfer payments	1	-	1	-	-	-
Current service cost and settlements	-	294	294	-	-	-
Interest cost	16	14	30	-	-	-
Past service cost	124	-553	-429	-	-	-
Contributions	-	175	175	-	-	-
Actuarial gains/losses	92	-65	27	-	-	-
Benefits paid	-91	-	-91	-	-	-
Translation difference	-	41	41	-	-	-
As at December 31	2,354	231	2,584	-	-	-

The Italian liability would increase with EUR 14 thousand if the discount rate would be lowered by 5 percent. An increase with the same percentage would lower the liability with EUR 13 thousand.

The liability in the Philippines would increase with EUR 115 thousand if the discount rate would be lowered by 1 percentage point. An increase with the same percentage would lower the liability with EUR 97 thousand. If the inflation rate assumption in the Philippines would increase with 1 percentage point the liability would be EUR 108 thousand higher, the corresponding decrease would lower the liability with EUR 93 thousand.

Notes to the Consolidated financial statements

Note 16 Provisions

EUR thousand	Legal and tax			Total
	claims	Restructuring	Others **	
As at January 1, 2017	-	-	-	-
Acquisition of a subsidiary	886	902	1,000	2,788
Provisions made	227	5,019	1,347	6,593
Provisions used	-12	-1,909	-427	-2,348
Provisions reversed	-	-3,157	65	-3,092
Translation differences	146	-13	-	133
As at December 31, 2017*	1,247	842	1,985	4,074
Non-current provisions	-	-	158	158
Current provisions	1,247	842	1,828	3,916
Total	1,247	842	1,985	4,074

* The Group has as at December 31, 2017 a provision of 1,123 EUR thousand relating to a tax audit.

For further information, see note 19.

** Other provisions are mainly related to provisions to subcontractors.

No comparison figures for 2016 to report.

Provision which are not expected to be paid within the next 12 months have been classified as non-current provisions.

Note 17 Other liabilities

EUR thousand	2017	2016
VAT payable	4,949	-
Liabilities to public authorities	11,929	-
Client funds	265	-
Advances received from customers	48	-
Liabilities to subcontractors	1,821	-
Other current liabilities	4,174	-
Total	23,186	-

Note 18 Accrued expenses and prepaid income

EUR thousand	2017	2016
Accrued staff related expenses	24,058	-
Other accrued expenses*	15,706	119
Deferred income	163	-
Total	39,927	119

* Other accrued expenses are mainly related to temporary agents, subcontractors and rents.

Note 19 Commitments and contingencies

The Group has contingent liabilities related to litigations and legal claims arising in the ordinary course of business. The integrated worldwide nature of the Group's operations can give rise to complexity and delays in assessing the Group's tax position and can lead to the Group occasionally facing tax audits which in some cases result in disputes with tax authorities. During these tax audits, local tax authorities may question or challenge the Group's tax positions. Disputes with tax authorities can lead to litigations in front of several courts resulting in lengthy legal proceedings.

As at December 31, 2017, five Group entities are subject to tax audits. Some of these tax inquiries have resulted in reassessments, while others are still at an early stage and no reassessments have yet been raised. As at December 31, 2017 the provision amounts to EUR 1,123 thousand related to tax audits (December 31, 2016: nil). See also note 16.

The group has no contingent liabilities as at December 31, 2017. In addition to the above tax risks, the Group may be subject to other tax claims for which the risk of future economic outflows is currently evaluated to be remote.

Guarantees

At December 31, 2017 the Group had outstanding bank guarantees for an amount of EUR 20,513 thousand (2016: nil). The majority of the guarantees are under the credit facility in cover of the credit lines related to cash pools, a squeeze-out guarantee for the acquisition of Transcom WorldWide AB shares of SEK 11,482 thousand is also included. The Company is also supporting its Group companies through guarantees issued in the normal course of business.

Note 20 Financial instrument risk management objectives and policies

The main risks arising from the Group's financial instruments are liquidity risk, credit / counterparty risk, foreign currency risk, and interest rate risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

Management controls and procedures

The Board has overall responsibility for the determination of the Group's risk management objectives and policies with the objective to set policies that seek to reduce risk as far as possible, without unduly affecting the Group's competitiveness and flexibility. It has delegated the authority for designing and operating the associated processes to the Group's treasury department.

Risk exposures are monitored and reported to management on a quarterly basis, together with required actions when tolerance limits are exceeded.

For the presentation of market risks, IFRS 13 requires sensitivity analysis that shows the effects of hypothetical changes of relevant risk variables on the income statement and shareholders' equity.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's revolving credit facility. The interest on each loan under the facility agreement for each term is calculated as the aggregate of the Interbank offered rate (IBOR) plus a margin based on the basis of the consolidated total net debt to consolidated EBITDA. Interest rate risk is not hedged today, neither through derivative financial instruments or otherwise. If the EUR interest rates increase by 10 percent it will have an effect on the profit before tax by EUR 581 thousand, if the USD interest rates increase by 10 percent it will have an effect on the profit before tax by EUR 111 thousand and if the SEK interest rates increase by 10 percent it will have an effect on the profit before tax by EUR 64 thousand. This with all other variables held constant of the Group's profit before tax (through the impact on floating rate borrowings). There is no material impact on the Group's equity.

In 2017 Transcom entered into an interest rate option with a cap maturing in April 2020 to reduce the risk.

Foreign exchange risk

The following main exchange rates have been used to translate the transactions in foreign currency to Euro in the financial statements.

Foreign exchange rates

Currency	2017	
	Average rate	Closing rate
US Dollar, USD	1.13	1.20
Swedish Krona, SEK	9.64	9.84

As an international company, the Group is subject to foreign exchange risks of two different types:

Transactional risk, which may occur when the Group invoices clients in one currency and must pay its costs in another currency. The Group seeks to minimise these movements by matching the currency of revenue with the currency of costs, by nego-

tiating pricing adjustments and/or indexation of contracts to foreign exchange rates, and by implementing hedging instruments on a case-by-case basis, under close supervision of the Board and Audit Committee. Main exposure for the Group is in the Philippines with exposures in PHP vs USD. In 2017, 40-50 percent of the anticipated net flow of sales and costs has been hedged by purchasing of forward contracts for a period of 6 to 12 months.

Translation risk, results from the conversion of assets, liabilities, revenues and costs denominated in non-Euro reporting currencies, into the Group reporting currency, which is the Euro. In 2017, 49.7 percent of the Group's sales were denominated in currencies other than the reporting currency of the Group. The Board has decided not to hedge these exposures as they do not constitute a direct cash flow exposure.

In terms of shareholders' equity in the Group, a 10 percent change per December 31, 2017 of the exchange rate for the USD vs EUR would have affected shareholders' equity in the Group with EUR +/-6,617 thousand and EUR +/-11,663 thousand against SEK. Exposures in other currencies would have had an immaterial impact for the Group.

On the net income for the group, a 10 percent change per 2017 average exchange rate for the USD vs EUR would have the Group's net income of EUR +/-454 thousand and EUR +/-523 thousand against SEK. Exposures in other currencies have an immaterial impact for the Group.

Credit/counterparty risk

With respect to credit risk arising from the financial assets of the Group, which comprise balances from credit sales and cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these instruments.

Prior to accepting new accounts and wherever practicable, credit checks are performed using a reputable external source. Credit risk is reviewed monthly by Executive management, and corrective action is taken if pre-agreed limits are exceeded. Bank counterparty risk is mitigated by concentrating the Group's cash management activity with a limited number of top tier banks in each of the Group's regions.

Further analysis on gross trade debtors, provisions and ageing of net trade debtors are provided in note 11. The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the statement of financial position.

Liquidity risk

Liquidity risk entails the risk that there is insufficient cash and cash equivalents and marketable securities or agreed credit opportunities to close the market positions.

Liquidity risk arises from the Group's management of its working capital as well as the finance charges and principal repayments on its debt instruments.

The Group monitors this risk using a consolidated cash flow model in order to identify peaks and needs in liquidity and identify benefits which can be attained by controlled placement and utilization of available funds.

A significant mitigating factor of the Group's liquidity risk is the unused proportion of the Revolving Credit facility agreement as disclosed in note 14, as well as other financing sources which may be implemented from time to time by the Group. The unused proportion of the new Credit Facility at December 31, 2017 was EUR 13,596 thousand (December 31, 2016: nil).

The liquidity risk is deemed stable and the Board of Directors believes that the capital required to meet the company's commitments will be available during the 2018 fiscal year.

Notes to the Consolidated financial statements

Note 20 Financial instrument risk management objectives and policies cont.

Classification of the Group's financial assets and liabilities

EUR thousand	2017					2016				
	Loans and receivables	Financial liabilities at amortized cost	Derivatives for cashflow hedges	Total carrying amount	Fair value *	Loans and receivables	Financial liabilities at amortized cost	Total carrying amount	Fair value *	
Financial assets										
Other receivables	2,887	-	-	2,887	2,887	-	-	-	-	
Total non-current financial assets	2,887	-	-	2,887	2,887	-	-	-	-	
Trade receivables	62,502	-	-	62,502	62,502	-	-	-	-	
Other receivables incl. accrued income	46,217	-	361	46,578	46,578	-	-	-	-	
Cash and cash equivalents	17,249	-	-	17,249	17,249	9	-	9	9	
Total current financial assets	125,968	-	361	126,329	126,329	9	-	9	9	
Total financial assets	128,855	-	361	129,216	129,216	9	-	9	9	
Financial liabilities										
Interest-bearing liabilities	-	113,535	-	113,535	141,395	-	11,931	11,931	12,524	
Total non-current financial liabilities	-	113,535	-	113,535	141,395	-	11,931	11,931	12,524	
Interest-bearing liabilities	-	62,916	-	62,916	63,723	-	-	-	-	
Trade payables	-	21,593	-	21,593	21,593	-	-	-	-	
Other liabilities incl. accrued expenses	-	46,022	-	46,022	46,022	-	119	119	119	
Total current financial liabilities	-	130,531	-	130,531	131,338	-	119	119	119	
Total financial liabilities	-	244,066	-	244,066	272,733	-	12,050	12,050	12,644	

* The fair values of the interest bearing liabilities have been estimated using a DCF model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these interest bearing liabilities. The fair values of the derivatives for cashflow hedges are derived from quoted market prices in active markets.

Maturity profile of the Group's financial assets and liabilities based on contractual undiscounted payments

EUR thousand	2017				2016			
	<1 year	1-5 years	>5 years	Carrying amount	<1 year	1-5 years	>5 years	Carrying amount
Financial assets								
Other receivables	-	2,887	-	2,887	-	-	-	-
Total non-current financial assets	-	2,887	-	2,887	-	-	-	-
Trade receivables	62,502	-	-	62,502	-	-	-	-
Other receivables incl. accrued income	46,578	-	-	46,578	-	-	-	-
Cash and cash equivalents	17,249	-	-	17,249	9	-	-	9
Total current financial assets	126,329	-	-	126,329	9	-	-	9
Total financial assets	126,329	2,887	-	129,216	9	-	-	9
Financial liabilities								
Interest-bearing liabilities	-	141,395	-	141,395	-	12,524	-	12,524
Total non-current financial liabilities	-	141,395	-	141,395	-	12,524	-	12,524
Interest-bearing liabilities	63,723	-	-	63,723	-	-	-	-
Trade payables	21,593	-	-	21,593	-	-	-	-
Other liabilities incl. accrued expenses	46,022	-	-	46,022	119	-	-	119
Total current financial liabilities	131,338	-	-	131,338	119	-	-	119
Total financial liabilities	131,338	141,395	-	272,733	119	12,524	-	12,644

Note 21 Acquisition of subsidiaries

EUR thousand	2017
Consideration paid in cash	201,847
Cash acquired	-20,853
Cash flow from acquisition of subsidiaries, net of cash acquired	180,994
Value of the shares*	281,206
Purchase price allocation:	
Acquired net assets**	31,878
Goodwill	174,811
Customer relationship	75,847
Brand	23,500
Deferred tax liability	-24,830
Total	281,206

* Includes consideration paid in cash and in shares as well as the revaluation of previously owned shares.

** Excluding goodwill and customer relationship from previous acquisitions.

Acquired goodwill refers to underlying stable earnings trend the companies have had the last years, the deemed potential earning development connected to future customers and synergies and the workforce in the acquired companies.

If the acquired companies would have been consolidated from January 1, 2017 the revenue would amount to EUR 584 million and profit before tax EUR 5.3 million.

Note 22 Significant disposals and non-recurring items**Disposal of business**

EUR thousand	2017
	CMS Denmark
Provision	457
Transaction costs	12
Post-settlement adjustment	-469
Net capital gain/loss	-
Net cash flow from disposal of subsidiary	-469

The post-settlement adjustment is attributable to a subsequent settlement for the disposal of Denmark in 2016. During 2017 the Group has liquidated dormant legal entities in Austria, Finland and Colombia. The net capital loss of the liquidations was EUR 43 thousand without any cash flow effect.

Non-recurring items

EUR thousand	2017	2016
Operational non-recurring items	-10,339	-
Transaction related non-recurring items	-7,305	-
Total	-17,644	-

Operational non-recurring items

Operational non-recurring items are related to restructuring costs due to a number of changes in the Group's regional and management structure.

EUR thousand	2017	2016
Cost of sales	-5,671	-
Marketing expenses	-194	-
Administrative expenses	-4,473	-
Total	-10,339	-

Transaction related non-recurring items

Transaction related non-recurring items are mainly related to the acquisition of Transcom WorldWide AB and GVP Communication AB and are mainly recorded in the administrative expenses.

Note 23 Changes in liabilities arising from financing activities

2017, EUR thousand	Opening balance	Balance in acquired subsidiaries	Net cash flows	Foreign exchange movement	Other non cash flow changes	Closing balance
Borrowings	11,931	40,714	119,969	-1,046	4,808	176,376
Other loans	-	-	-	-	71	71
Financial Leases	-	13	-5	-	-4	4
Total	11,931	40,727	119,964	-1,046	4,875	176,451

2016, EUR thousand	Opening balance	Balance in acquired subsidiaries	Net cash flows	Foreign exchange movement	Other non cash flow changes	Closing balance
Borrowings	14,155	-	-2,224	-	-	11,931
Total	14,155	-	-2,224	-	-	11,931

Note 24 Related party transactions

For January to December 2017 no material related party transactions are to be reported.

Note 25 Events after the reporting period

On March 16, 2018 Transcom announced that Transcom Holding AB (publ), has successfully placed EUR 180 million senior secured notes (ISIN SE0010832071) with a possibility to issue subsequent notes (the "Notes"). The Notes, maturing in March 2023, will bear a fixed rate coupon at 6.5 percent per annum, with interest paid semi-annually. The Notes will be governed by Swedish law and Transcom has undertaken to list the Notes on the regulated market of Nasdaq Stockholm or any other regulated market within twelve months of the first issue date. The proceeds from the Notes issue will be used to refinance existing financial indebtedness and for general corporate purposes including acquisitions.

Parent Company – Income statement

January to December

EUR thousand	Note	2017	2016
Revenue	A4	-	-
Cost of sales	A4	-	-
Gross profit		-	-
Administrative expenses	A3, A4	-400	-
Other operating income		-	-
Other operating expenses		-55	-21
Operating profit/loss		-455	-21
Interest income and similar items	A5	1,053	1,643
Interest expenses and similar items	A5	-5,778	-594
Profit/loss before appropriations		-5,180	1,028
Income tax expense	A6	-	-
Profit/loss for the year*		-5,180	1,028

*Net profit corresponds with total comprehensive income

Parent Company – Balance sheet

EUR thousand	Note	December 31, 2017	December 31, 2016	January 1, 2016
ASSETS				
Non-current assets				
Financial assets				
Shares in Group companies	A7	270,338	45,161	45,161
Receivables from Group companies		4,696	-	14,046
Other receivables		-	752	-
Total financial assets	A10	275,034	45,913	59,207
Total non-current assets		275,034	45,913	59,207
Current assets				
Receivables from Group companies		632	-	-
Other receivables		581	-	-
Prepaid expenses and accrued income		20	-	-
Total receivables		1,233	-	-
Cash and cash equivalents		280	9	1,440
Total current assets	A10	1,513	9	1,440
TOTAL ASSETS		276,547	45,922	60,647
EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Share capital (11,937,773 shares, quota value EUR 0.00065 per share)	A8	8	7	7
Total restricted equity		8	7	7
Unrestricted equity				
Share premium reserve		20,501	-	-
Retained earnings		111,106	32,836	47,619
Net result		-5,180	1,029	-1,259
Total unrestricted equity		126,427	33,865	46,360
Total equity	A8	126,435	33,872	46,367
Non-current liabilities				
Interest-bearing liabilities	A9	86,567	11,931	14,155
Total non-current liabilities	A10	86,567	11,931	14,155
Current liabilities				
Interest-bearing liabilities	A9	62,913	-	-
Other liabilities		202	-	-
Accrued expenses and prepaid income		430	119	125
Total current liabilities	A10	63,545	119	125
Total liabilities		150,112	12,050	14,280
TOTAL EQUITY AND LIABILITIES		276,547	45,922	60,647

Parent Company – Statement of changes in equity

EUR thousand	Note	Total number of shares (thousand)	Share capital	Share premium reserve	Retained earnings incl. Profit/loss for the year	Total equity
As at January 1, 2016		7	7	-	46,360	46,367
Profit/loss for the year		-	-	-	1,028	1,028
Dividends		-	-	-	-13,523	-13,523
As at December 31, 2016		7	7	-	33,865	33,872
As at January 1, 2017		7	7		33,865	33,872
Profit/loss for the year		-	-	-	-5,180	-5,180
Share split	A8	9,994	-	-	-	-
New issue of shares	A8	1,938	1	20,501	-	20,502
Shareholder contribution		-	-	-	77,241	77,241
As at December 31, 2017		11,938	8	20,501	105,926	126,435

Parent Company – Statement of cash flows

January to December

EUR thousand	Note	2017	2016
Cash flows from operating activities			
Profit/loss before appropriations		-5,180	1,028
Adjustments to reconcile profit before appropriations to net cash:			
Net financial items		4,725	-1,049
Other non-cash adjustments		-41	-
Income taxes paid		-	-
Cash flows from operating activities before changes in working capital		-496	-21
Changes in working capital			
Change in operating receivables		-1,232	-
Change in operating liabilities		513	14
Changes in working capital		-719	14
Net cash flow from operating activities		-1,233	-7
Cash flows from investing activities			
Investment in Group companies	A7	-204,675	-
Changes in other non-current assets		-	-770
Dividends received		-	1,200
Interest received		-	258
Change in long-term receivables		752	-
Change in long-term receivables to Group companies		-4,696	-
Net cash flow from investing activities		-208,619	688
Cash flows from financing activities			
Payment of dividend to shareholders		-	-13,523
Proceeds from borrowings	A9	149,541	-
Repayment of borrowings	A9	-12,234	-2,224
Proceeds from long-term receivables		-	14,046
Interest paid		-4,464	-411
Shareholder contribution		77,241	-
Net cash flow from financing activities		210,105	-2,112
Net cash flow for the year		271	-1,431
Cash and cash equivalents at beginning of the year		9	1,440
Net cash flow for the year		271	-1,431
Cash and cash equivalents at end of the year*		280	9

* Cash and cash equivalents at the end of the year consists in total of cash.

Parent Company

Notes to the financial statements

Note A1 Parent Company's accounting and valuation policies

Transcom Holding AB ("Parent Company") corporate id number 556962-4108 is a registered company domiciled in Stockholm, Sweden. The address of the Company's headquarter is Gjörwellsgatan 30, SE-100 26 Stockholm.

The Parent Company has prepared and presented the annual report according to the Annual Accounts Act (1995:1554) and recommendation RFR 2 Accounting for legal entities from the Swedish Financial Reporting Board. RFR 2 means that the Parent Company, in the annual report for the legal entity, must apply all EU-approved IFRS and statements as far as possible within the framework of the Annual Accounts Act and taking into account the connection between reporting and taxation. The recommendation specifies exemptions and additions relative to IFRS.

This is the company's first year to report in accordance with RFR. Previous annual reports have been prepared in accordance with the Annual Accounts Act and BFNAR 2016: 10 annual accounts in smaller companies. The transition to RFR has not had any effect on the company's previously established financial statements.

The financial statements pertain January 1–December 31 for income statement items and December 31 for balance sheet items.

The financial statements are presented in Euros which is the Company's presentation currency, rounded in thousand of Euro.

The Parent Company applies the same accounting principles as the Group except in the cases stated below.

Group companies

Shares in Group companies are recognized by the Parent Company at cost, including transaction costs less any impairment.

Note A2 Intra-group revenues and cost of sales

During 2016 and 2017 no intra-group transactions classified as Revenue and Cost of sales are to be reported.

Note A3 Employees

Salaries, other remuneration and social security charges

EUR thousand	2017		
	Board of Directors and Executive management	Other employees	Total
Salaries	-167	-	-167
Other remunerations	-172	-	-172
Pension expenses	-	-	-
Social security charges	-70	-	-70
Total	-409	-	-409

No comparison figures for 2016 to report.

Salaries including other remunerations and social charges are fully recharged to Transcom WorldWide AB and are netted on the same row in the income statement. For salaries, other remunerations and other entitlements to the Board, CEO and other Senior Executives, see note 3 for the Group.

Average number of employees

	2017		
	Women	Men	Total
Sweden	-	1	1
Total	-	1	1

No comparison figures for 2016 to report.

Note A4 Remuneration to auditors

EUR thousand	2017	2016
Ernst & Young		
Audit services	-4	-
Other audit firms		
Audit services	-	-4
Total	-4	-4

Note A5 Interest income/expense and similar items

Interest income and similar items

EUR thousand	2017	2016
Interest income Group companies	51	259
Dividends received	-	1,200
Other financial income	4	-
Foreign exchange loss, net	998	184
Total	1,053	1,643

Interest expenses and similar items

EUR thousand	2017	2016
Interest expense on bank borrowings	-4,709	-594
Other financing costs	-1,068	-
Bank fees	-1	-
Total	-5,778	-594

Note A6 Taxes

Income tax expense

During 2016 and 2017 no income tax expense has been recorded.

Effective tax rate

A reconciliation of the statutory tax rate to the Company's effective tax rate applicable to income from continuous operations was:

EUR thousand	2017	2016
Profit/Loss before tax	-5,180	1,029
Calculated tax based on tax rate in Sweden 22.00 %	1,140	-226
Prior year adjustment	-	226
Losses for which no tax benefit is recognized	-1,140	-
Income tax expense	-	-

Note A7 Investments in Group companies

Group Company	Country of incorporation	Domicile	Corporate identity number	2017	
				Booked value EUR thousand	Capital/voting interest (%)
Transcom WorldWide AB	Sweden	Stockholm	556880-1277	230,558	100
Transcom WorldWide Belgium S.A.	Belgium	Milmort			
Transcom WorldWide (North America) Inc.	Canada	St. Catharine's			
Transcom Insurance Agency Inc.	Canada	St. Catharine's			
Transcom WorldWide Chile Limitada	Chile	Santiago de Chile			
Transcom WorldWide d.o.o.	Croatia	Osijek			
IK Transcom Europe GmbH	Germany	Düsseldorf			
Transcom WorldWide GmbH	Germany	Rostock			
Transcom Halle GmbH	Germany	Halle			
Transcom Rostock GmbH	Germany	Rostock			
Transcom Services GmbH	Germany	Rostock			
Transcom Hungary Kft.	Hungary	Budapest			
Transcom WorldWide SpA	Italy	Milan			
Transcom Worldwide Italy Holding Srl	Italy	Milan			
Transcom Worldwide Italy Srl	Italy	Milan			
SIA Transcom WorldWide Latvia	Latvia	Riga			
Transcom WorldWide Vilnius UAB	Lithuania	Vilnius			
Transcom WorldWide Luxembourg S.a.r.l.	Luxembourg	Howald			
Transcom Europe Holding B.V.	The Netherlands	Amsterdam			
Transcom AB	Sweden	Karlskoga	556201-3234		
Transcom Denmark A/S	Denmark	Vordingborg			
Transcom Eesti OÜ	Estonia	Tallinn			
Transcom Norge AS	Norway	Rolvsoy			
Transcom Collection AS	Norway	Oslo			
Transcom WorldWide B.V.	The Netherlands	Groningen			
Transcom WorldWide (Australia) Pty Ltd	Australia	Sydney			
Transcom WorldWide (Philippines) Holding, Inc.	Philippines	Pasig City			
Transcom WorldWide (Philippines), Inc.	Philippines	Pasig City			
Transcom WorldWide Poland Sp. z o.o.	Poland	Olsztyn			
TWW Serviços de Helpline e de Atendimento Telefónico Lda Famacião	Portugal	Vila Nova de Famacião			
Transcom Worldwide D.O.O. Beograd	Serbia	Beograd			
Transcom WorldWide Spain S.L.U.	Spain	Madrid			
Transcom Worldwide Global S.L.	Spain	Madrid			
Transvoice Sweden AB	Sweden	Karlskoga	556653-6370		
Stockholms Tolkförmedling AB	Sweden	Stockholm	556482-8654		
Tolk- och språktjänst i Östergötland AB	Sweden	Norrköping	556658-1368		
Transcom WorldWide AG	Switzerland	Zurich			
Transcom WorldWideTunisie Sarl	Tunisia	Tunis			
Transcom WorldWide (UK) Limited*	United Kingdom	St Albans, Herts			
Top Up Mortgages Limited*	United Kingdom	St Albans, Herts			
Newman & Company Limited	United Kingdom	Leeds			
Cloud 10 Corp	United States	Denver			
Transcom WorldWide (US) Inc.	United States	Delaware			
GVP Communication AB	Sweden	Stockholm	556943-3294	39,780	100
Xzakt Kundrelation AB	Sweden	Stockholm	556588-8913		
LEG Communication AB	Sweden	Stockholm	556748-8951		
AGF Communication AB	Sweden	Stockholm	556888-0586		
Total				270,338	

* The Group companies Transcom WorldWide (UK) Limited (registration number 02785250) and Top Up Mortgages Limited (registration number 02203000) in United Kingdom take advantage of the audit exemption under the section 479a of the Companies Act 2006.

Notes to the Parent Company financial statements

Note A7 Investments in Group companies cont.

Cost		
EUR thousand	2017	2016
As at January 1	45,161	45,161
Investments in Group companies	225,177	-
As at December 31	270,338	45,161

In 2017 the company has acquired the remaining shares of Transcom WorldWide AB to reach 100 percent of the capital. In June 2017 the company acquired 100 percent of GVP Communication AB.

Note A8 Equity

Transcom's share capital as of 31 December 2017 was distributed among 11,937,773 shares with a nominal value of EUR cent 0.0065 per share. All shares entitle to one vote each.

During 2017 the shares was consolidated to one (1) share. After the consolidation, a share split was registered whereby each existing share was replaced by 10,000,000 new shares (split 1:10,000,000). Following the split of shares, the total number of shares in the Company amounted to 10,000,000.

New shares were issued by contribution in kind, EUR 20,501 thousand was recorded to Share premium reserve. Total shares after the new share issue amounted to 11,937,773 shares.

Note A9 Interest-bearing liabilities

EUR thousand	2017	2016
EUR revolving credit facility	132,679	-
SEK revolving credit facility	19,382	-
Amortized costs	-3,031	-
Other loans	-	11,931
Total	149,480	11,931
Non-current interest-bearing liabilities	86,567	11,931
Current interest-bearing liabilities	62,913	-
Total	149,480	11,931

On March 14, 2017, the syndicated credit agreement with ING, Nordea and SEB signed by Transcom Worldwide AB was replaced by a facilities agreement with Danske Bank which was signed by Transcom Holding AB. The new agreement was for EUR 85,000,000 and SEK 1,708,157,500 and has a 6 year tenor and include term loans as well as a revolving credit facility.

As of December 31, 2017, an amount of EUR 131,929 thousand and SEK 195,218 thousand was drawn. In addition, an equivalent of EUR 18,128 thousand of the facility is utilized to cover the issuance of bank guarantees (December 31, 2016: nil).

Excluding the tranches to be used to replace the Bridge facility an unused amount of EUR 13,596 thousand on the facility exists on December 31, 2017 (December 31, 2016: nil). In addition to the credit facility, local short-term loan was zero as of December 31, 2017 (December 31, 2016: nil).

The table below shows the maturity profile of the Company's interest-bearing liabilities including interests.

	2017	2016
EUR thousand	Carrying amount	Carrying amount
Less than six months	60,113	-
Between six and twelve months	3,607	12,524
Between one and two years	7,372	-
Between two and seven years	99,474	-
Total	170,566	12,524

Note A10 Financial instrument risk management objectives and policies

Financial risks are mainly market risks (incl. currency risk and interest rate risk), credit risk and liquidity risk. The risk management policy, adopted by the Board of Directors, aims to minimize the adverse impact on financial results and positions.

Interest rate risk

Interest rate risk pertains to changes to the market rate of interest impact the company's net interest. The company has mainly financial liabilities that are interest-bearing and very little interest-bearing assets. Calculated on the financial interest-bearing liabilities at December 31, 2017, a 10 percent change in the market interest rate would impact the company's earnings by EUR 54 thousand.

In 2017 Transcom entered into an interest rate option with a cap maturing in April 2020 to reduce the risk.

Currency risk

Sales occur mainly in the accounting currency EUR while the purchases mainly are in SEK and EUR. At the end of the year, the company was exposed to exchange-rate risk

pertaining primarily to receivables and liabilities to Group companies. Should exchange rates for all currencies be 5 percent higher/lower, the impact on earnings would be +/- EUR 21 thousand based on exposure on the balance-sheet date.

Credit risk

The company strives for the best possible credit rating for the company's counterparties. The vast proportion of financial receivables were against Group companies.

Liquidity risk

Liquidity risk entails the risk that there is insufficient cash and cash equivalents and marketable securities or agreed credit opportunities to close the market positions. The liquidity risk is deemed stable and the Board of Directors believes that the capital required to meet the company's commitments will be available during the 2018 fiscal year.

Classification of the financial assets and liabilities

EUR thousand	2017			2016		
	Loans and receivables	Financial liabilities at amortized cost	Total carrying amount	Loans and receivables	Financial liabilities at amortized cost	Total carrying amount
Financial assets						
Other receivables	-	-	-	-	-	-
Total non-current financial assets	-	-	-	-	-	-
Other receivables incl. accrued income	580	-	580	-	-	-
Cash and cash equivalents	280	-	280	9	-	9
Total current financial assets	860	-	860	9	-	9
Total financial assets	860	-	860	9	-	9
Financial liabilities						
Interest-bearing liabilities	-	86,567	86,567	-	11,931	11,931
Total non-current financial liabilities	-	86,567	86,567	-	11,931	11,931
Interest-bearing liabilities	-	62,913	62,913	-	-	-
Other liabilities incl. accrued expenses	-	534	534	-	119	119
Total current financial liabilities	-	63,447	63,447	-	119	119
Total financial liabilities	-	150,014	150,014	-	12,050	12,050

Maturity profile of the financial assets and liabilities based on contractual undiscounted payments

EUR thousand	2017			2016		
	<1 year	1-5 years	Carrying amount	<1 year	1-5 years	Carrying amount
Financial assets						
Other receivables	-	-	-	-	-	-
Total non-current financial assets	-	-	-	-	-	-
Other receivables incl. accrued income	580	-	580	-	-	-
Cash and cash equivalents	280	-	280	9	-	9
Total current financial assets	860	-	860	9	-	9
Total financial assets	860	-	860	9	-	9
Financial liabilities						
Interest-bearing liabilities	-	86,567	86,567	-	11,931	11,931
Total non-current financial liabilities	-	86,567	86,567	-	11,931	11,931
Interest-bearing liabilities	62,913	-	62,913	-	-	-
Other liabilities incl. accrued expenses	534	-	534	119	-	119
Total current financial liabilities	63,447	-	63,447	119	-	119
Total financial liabilities	63,447	86,567	150,014	119	11,931	12,050

Notes to the Parent Company financial statements

Note A11 Guarantees

At December 31, 2017 the company had a squeeze-out guarantee of SEK 11,482 thousand.

Note A12 Related party transactions

For January to December 2017 no material related party transactions are to be reported.

Not A13 Proposed allocation of earnings

The statements of income and the balance sheets of the Parent Company and the Group are subject to adoption by the Annual General Meeting.

The following amounts in EUR are at the disposal of the Parent Company's Annual General Meeting:

Share premium reserve	20,501,046
Retained earnings	111,106,039
Profit/loss for the year	-5,180,009
Total	126,427,076

The Board and the CEO propose that the unappropriated earnings at the disposal of the Annual General Meeting be disposed of as follows:

Carried forward:

Share premium reserve	20,501,046
Retained earnings	105,926,030
Total	126,427,076

The undersigned certify that the consolidated accounts and the annual report have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted for use in the European Union, for the Group and the Annual Accounts Act and RFR2 for the Parent Company, and generally accepted accounting principles respectively, and give a true and fair view of

the financial positions and results of the Group and the Parent Company, and that the Administration Report gives a fair review of the development of the operations, financial positions and results of the Group and the Parent Company and describes substantial risks and uncertainties that the Group companies face.

Stockholm, April 17, 2018

Fredrik Cappelen
Chairman of the Board

Klas Johansson
Member of the Board

Mattias Holmström
Member of the Board

Alfred Von Platen
Member of the Board

Fredrik Nylander
Member of the Board

Michel Weinreich
President & CEO

Our audit report has been submitted on April 20 2018

Ernst & Young AB
Erik Sandström
Authorized Public Accountant

Auditor's report

Translation from the Swedish original.

To the general meeting of the shareholders of Transcom Holding AB (publ), corporate identity number 556962-4108

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Transcom Holding AB (publ.) for the year 2017.

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 2017 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 2017 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. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Basis for Opinions

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

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

Other matters

The audit of the annual accounts for 2016 was performed by another auditor who submitted an auditor's report dated 20 April 2017, with unmodified opinions in the Report on the annual accounts.

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 intend 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 scepticism 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.

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 Transcom Holding AB (publ.) for the year 2017 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 scepticism 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.

Stockholm April 20 2018
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

Alternative performance measures

The purpose of Transcom's alternative performance measurements is to disclose additional information to support a more comprehensive year-on-year comparison and provide an indication of the Group's performance and financial position. These alternative performance measurements defined below are considered to be widely accepted.

Organic growth: change in revenue for comparable units, excluding currency effects with purpose to provide a more transparent year-on-year comparison for Transcom's business.

EBIT: corresponds to the Operating profit/loss presented in the Condensed Consolidated Income Statement.

Non-recurring items: are defined as rare events or activities that are not part of normal business operations, mainly restructuring activities.

EBIT excluding non-recurring items: is calculated by excluding the non-recurring items from Transcom's Operating profit/loss. The purpose of disclosing Transcom's EBIT excluding non-recurring items is to provide more transparent year-on-year comparison excluding events that are not considered part of Transcom's

normal business, such as restructuring cost and net gain or loss from disposed business.

EBITDA: is defined as Operating profit/loss, adding back the recorded depreciation on fixed assets and amortization.

EBITDA excluding non-recurring items: is defined as EBITDA excluding the non-recurring items as defined above.

Net debt: is defined as interest-bearing liabilities and employee benefit obligations less cash and cash equivalents per balance sheet day.

Net debt/EBITDA: is defined as interest-bearing liabilities and pension provisions less cash and cash equivalents divided by rolling 12 months EBITDA.

Return on Equity: net income (rolling 12 months) divided by average equity (average calculation based on equity per balance sheet day the last five quarters).

Equity ratio: total shareholders' equity divided by total assets per balance sheet day.

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