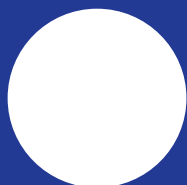
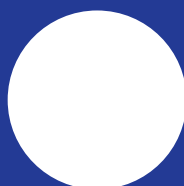
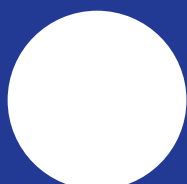


Annual Report 2019



Transcom

Contents

Administration report	1
Financial overview	4
Consolidated financial statements and notes	5
Parent Company financial statements and notes	29
Signatures of the Board of Directors	39
Auditor's report	40
Definitions	44

The formal annual accounts and the consolidated accounts comprise pages 1–43.

This is a translation of the original Swedish Annual Report. In the event of differences between the English translation and the Swedish original, the Swedish Annual Report shall prevail.

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 2019 financial year.

Transcom is a global customer experience specialist, providing customer care, sales and technical support 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, messaging services, 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, consumer tech, financial services, e-commerce, retail, utilities, and logistics. 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 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.

Market definition – what business are we in?

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

- Telephony, including voice and interactive voice response (IVR) self-service
- Email response management
- Web chat
- Digital channels (social media, messaging apps)
- 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. involves first- and second-level help desk support for information technology services, both for internal stakeholders in an organization and external customers.

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.

2019, Transcom had 26,000 customer experience specialists at 50 contact centers across 20 countries, delivering services in 33 languages to international brands in various industry verticals.

On July 27, 2018, the Group acquired Awesome OS, which have been consolidated from July 28, 2018.

Financial overview

Income statement

Revenue for 2019 amounted to EUR 541.5 million (543.6). Gross profit amounted to EUR 116.3 million (91.1) and Operating result EUR 19.7 million (-12.6). Operating result excluding non-recurring items amounted to EUR 28.1 million (22.0). Non-recurring items amounted to EUR 8.4 million (34.6) and consisted of operational non-recurring

items of EUR –8.5 million, mainly restructuring costs related to the People, Passion, and Performance program (PPP) and exiting from unprofitable contracts. Transaction related non-recurring items was EUR 0.1 million, including net results of the divestments in Spain.

Cash flow

Operating cash flow improved and amounted to positive EUR 51.4 million (2.5). This is mainly a result of higher profit and improved working capital compared to last year. Cash flow from investing activities amounted to EUR –18.2 million (–41.8) and is mainly explained by earnout-payment for the Awesome acquisition and investments in new sites in Philippines and Tunisia, countereffected by the positive cash effect of EUR 6.5 million from the divestment of part of the Spanish business. Cash flow from financing activities amounted to EUR –32.1 million (34.1), as this year was affected by payments of leases being presented within financing activities, as a result of IFRS 16. Net impact of repayment of loans and credit facilities amounted to EUR –3.5 million (37.6). Cash flow totaled EUR 1.1 million (–5.2).

Debt & Financing

Net debt/EBITDA amounted to 4.2 (5.3). Net debt was lower than last year and amounted to EUR 203.7 million (207.8). Financing in the Group includes five-year EUR 180 million Senior Secured Fixed Rate Notes, EUR 10 million Senior Secured Fixed Rate Notes, as well as a EUR 45 million Super Senior Revolving Credit Facility Agreement (SSRCF). As per December 31, 2019, EUR 19.2 million of the SSRCF was utilized in loans, excluding guarantees and credit facility usage. Unused credit facilities totaled EUR 20.0 million.

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 Hålsingegatan 40, 15th floor, SE-113 43 Stockholm.

Operating result amounted to negative EUR 0.3 million. Profit before appropriations amounted to negative EUR 7.6 million. Cash flow for the year amounted to EUR 0.2 million.

Significant events after the reporting period

As of January 1, 2020 Jonas Dahlberg was promoted from CFO to CEO and President of Transcom.

On February 5, 2020 Transcom extended the unsecured note of EUR 10 million with twelve months. The new maturity date is July 2021. On March 31, 2020 Transcom signed a new senior secured term loan facility agreement of EUR 20 million. The maturity date is March 2023.

Transcom is actively monitoring the impacts of the coronavirus/COVID-19 on its employees, customers and service offering. During February, 2020, Transcom implemented preventive measures at all sites to actively ensure the safety of employees and prevent further spread of the coronavirus. Transcom also engaged in proactive discussions with key clients on business continuity measures, should a significant business interruption arise. Transcom deliver customer services at distance, through 26,000 employees from about 50 contact centers and through Work-At-Home (WAH) agents on three continents. Our client portfolio predominantly consists of companies who deliver their services without physical interactions. We currently experience an increase in overall demand due to the COVID-19 pandemic, primarily in E-commerce, but also in the Telecom and Financial Services sectors. Transcom has a very limited exposure to the Travel and Hospitality sectors. Short term, we expect neutral or positive impact on the aggregated demand of our services.

Transcom's main risk in this pandemic are government regulations, impacting workforce attendance and production capacity at our contact centers. We are currently running somewhat below normal production, due to disturbances in the Philippines, Italy and Spain. We are currently shifting volumes from contact centers to WAH delivery, to increase our resilience. The possibility to shift to WAH depends upon type of services delivered, technical environment and broadband capacity.

The above general update is based on the current situation and subject to change as the situation evolves. At this point, it is too early to assess the long term impact on Transcom.

Outlook

Transcom has built a foundation with improved EBITDA margin from 5% to 9% between years 2015 and 2019.

Now Company's objective is double digit margin and solid organic growth through client focus and operational excellence, supported by strong leadership.

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 23.

Corporate governance report

Corporate governance report has been reported separately and is available at <http://www.transcom.com/en/corporate-governance-report-2019>.

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 is available at <http://www.transcom.com/en/sustainability-2019>

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	20,501,042
Retained earnings	155,569,060
Profit/loss for the year	-7,564,918
Total	168,505,184

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	20,501,042
Retained earnings	148,004,142
Total	168,505,184

Consolidated financial overview

	2019	2018
Revenue (EUR million)	541	544
EBIT (EUR million)	19.7	-12.6
EBIT margin	3.6%	-2.3%
EBITA excluding non-recurring items (EUR million)	39.0	31.6
EBITA margin excluding non-recurring items	7.2%	5.8%
EBITDA (EUR million)	40.4	4.8
EBITDA margin	7.5%	0.9%
EBITDA excluding non-recurring items (EUR million)	48.8	39.4
EBITDA margin excluding non-recurring items (EUR million)	9.0%	7.2%
Profit/loss before tax (EUR million)	2.1	-32.2
Profit/loss for the year (EUR million)	-0.4	-31.0
Net cash flow from operating activities (EUR million)	51.4	2.5
Return on Equity	-0.4%	-28.7%
Equity ratio	21.4%	21.9%
Net debt/EBITDA excl non-recurring items	4.2	5.3

(Alternative performance measures see page 44)

Consolidated income statement

January to December

EUR thousand	Note	2019	2018
Revenue	3, 4	541,459	543,633
Cost of sales	5, 6, 7, 9, 25	-425,114	-452,488
Gross profit		116,346	91,145
Marketing expenses	5, 6, 25	-2,465	-3,066
Administrative expenses	6, 7, 8, 9, 25	-94,277	-99,032
Net loss on disposal of business		-	95
Other operating income/expenses	25	105	-1,693
Operating profit/loss		19,709	-12,551
Financial income	10	744	1,094
Financial expenses	7, 10	-18,309	-20,768
Profit/loss before tax		2,143	-32,226
Income tax expense	11	-2,504	1,268
Profit/loss for the year		-361	-30,957
Attributable to:			
– equity holders of the parent		-361	-30,957
– non-controlling interests		-	-

Consolidated statement of comprehensive income

January to December

EUR thousand	Note	2019	2018
Profit/loss for the year		-361	-30,957
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		121	183
Net gain on cash flow hedge		363	1
		484	184
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial profit/loss on post employment benefit obligations	18	-730	-40
		-730	-40
Other comprehensive income for the year, net of tax		-246	144
Total comprehensive income for the year, net of tax		-607	-30,813
Attributable to:			
– equity holders of the parent		-607	-30,813
– non-controlling interests		–	–

Consolidated statement of financial position

EUR thousand	Note	December 31, 2019	December 31, 2018
ASSETS			
Non-current assets			
Goodwill	12	205,226	210,352
Other intangible assets	12	104,564	112,115
Tangible assets	13	21,493	17,923
Right of use assets	7	25,916	–
Deferred tax assets	11	1,305	2,416
Other receivables		3,000	2,163
		361,504	344,968
Current assets			
Trade receivables	14	59,075	71,123
Income tax receivables		6,252	4,450
Other receivables	15	13,303	10,839
Prepaid expenses and accrued income	15	36,006	37,845
Cash and cash equivalents		14,295	12,884
		128,931	137,141
TOTAL ASSETS		490,435	482,109
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	16	55	55
Share premium reserve		20,501	20,501
Reserves		–3,447	–3,201
Retained earnings including net profit/loss for the year		88,011	88,372
Total equity		105,120	105,726
Non-current liabilities			
Interest-bearing liabilities	17, 23	201,034	216,725
Employee benefit obligations	18	3,318	2,632
Lease liability	7, 23	16,018	–
Provisions	19	13,659	18,074
Deferred tax liabilities	11	20,989	27,269
		255,018	264,700
Current liabilities			
Interest-bearing liabilities	17	13,687	1,285
Lease liability	7, 23	11,448	–
Provisions	19	20,746	22,514
Trade payables		18,798	23,761
Income tax payables		6,332	2,344
Other liabilities	20	18,613	21,100
Accrued expenses and prepaid income	21	40,674	40,678
		130,297	111,683
Total liabilities	23	385,315	376,382
TOTAL EQUITY AND LIABILITIES		490,435	482,109

Pledged Assets 27

Consolidated statement of changes in equity

EUR thousand	Equity attributable to equity holders of the parent					
	Share capital	Share premium reserve	Fair value reserve	Foreign translation reserve	Retained earnings	Total
As at January 1, 2018	8	20,501	1,201	-4,546	110,841	128,004
Profit/loss for the year	-	-	-	-	-30,957	-30,957
Issue of bonus shares	47	-	-	-	-47	-
Other comprehensive income for the year, net of tax	-	-	-39	183	-	144
Total comprehensive income for the year, net of tax	55	20,501	1,162	-4,363	79,837	97,191
Shareholder contribution	-	-	-	-	8,535	8,535
As at December 31, 2018	55	20,501	1,162	-4,363	88,372	105,726
As at January 1, 2019	55	20,501	1,162	-4,363	88,372	105,726
Profit/loss for the year	-	-	-	-	-361	-361
Other comprehensive income for the year, net of tax	-	-	-367	121	-	-246
Total comprehensive income for the year, net of tax	-	-	-367	121	-	-246
Shareholder contribution	-	-	-	-	-	-
As at December 31, 2019	55	20,501	795	-4,242	88,011	105,120

Consolidated statement of cash flows

January to December

EUR thousand	Note	2019	2018
Cash flows from operating activities			
Profit/loss before tax		2,143	-32,226
Adjustments to reconcile profit before tax to net cash:			
Depreciation and amortization	9	34,725	17,372
Change in provisions including employee benefit obligations		656	12,886
Result from disposal of business	25	-2,162	-
Other non-cash adjustments		210	-208
Net financial items		17,565	19,674
Income taxes paid		-7,456	-2,288
Cash flows from operating activities before changes in working capital		45,681	15,211
Changes in working capital			
Change in operating receivables		11,733	-2,384
Change in operating liabilities		-6,049	-10,332
Changes in working capital		5,684	-12,716
Net cash flow from operating activities		51,366	2,495
Cash flows from investing activities			
Investments in tangible assets	13	-11,916	-8,496
Investments in intangible assets	12	-4,606	-307
Acquisition of subsidiaries, net of cash acquired	24	-6,981	-34,033
Disposal of business, net of cash	25	5,879	-
Changes in other non-current assets		-816	922
Interest received		255	126
Net cash flow from investing activities		-18,183	-41,788
Cash flows from financing activities			
Proceeds from borrowings	17, 26	25,506	219,146
Repayment of borrowings	26	-28,973	-181,558
Payment of lease liabilities	7	-11,920	-2
Shareholder contribution		-	8,535
Interest paid and other borrowing related costs		-16,667	-12,049
Net cash flow from financing activities		-32,055	34,072
Net cash flow for the year		1,127	-5,222
Cash and cash equivalents at beginning of the year		12,884	17,249
Net cash flow for the year		1,127	-5,222
Exchange rate differences in cash and cash equivalents		285	856
Cash and cash equivalents at end of the year		14,295	12,884

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 and technical support through our extensive network of contact centers and work-at-home agents. We are 26,000 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 Hålsingegatan 40, SE-113 43 Stockholm.

The consolidated financial statements were authorized for issue by the Board of Directors on April 6, 2020.

These consolidated financial statements will be submitted for approval at the Annual General Meeting on April 28, 2020.

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.

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 2019 and adopted by the Group.

The Group applied IFRS 16 for the first time. IFRS 16 replaces IAS 17 and the associated interpretation statements IFRIC 4.

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). In the Balance sheet a lessee recognizes an asset representing the right to use the underlying asset and a liability of the obligation to pay for that right during the lease period. In the Income statement the lessees are required to separately recognize the interest expense of the lease liability and the depreciation expense on the right-of-use asset. The standard requires more extensive disclosures than under IAS 17. The standard was effective from 1 January 2019 and the new standard has an impact both on the Group's statement of financial position and disclosures in the Group's financial statements.

Transcom applied the modified retrospective approach when implementing IFRS 16, meaning that the comparative information for 2018 has not been restated and instead the opening balance has been adjusted with the cumulative effect of initially applying the standard as an adjustment of retained earnings.

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases that were classified as operating leases under IAS 17. The liabilities were measured to the present value of the remaining lease payments, discounted with the incremental borrowing rate at transition date. The weighted average incremental borrowing rate used was 6,5%. Right-of-use assets were recognized based on the amount equal to the related lease liability.

IFRS 16 allows for certain practical expedients upon transition.

Transcom used the following:

- Leases with short remaining terms have been accounted for as short-term leases and have not been recognized in the balance sheet. The same is for leases of low value.

– Initial direct costs have been excluded from the right-of use asset from the initial recognition.

The Group reviewed the existing lease contracts and in summary the new standard had the following impact as per January 1, 2019:

MEUR	CB 2018	adj	Adj OB 2019
Right-of use asset	0	32	32
Equity	106	0	106
Lease liability Non Current	0	18	18
Lease liability Current	0	14	14

On January 1, 2019, the Group adopted International Financial Reporting Interpretations Committee ("IFRIC") Interpretation 23, Uncertainty over Income Tax Treatments. The impact on adoption did not have any material impact on the consolidated financial statements.

Other new standards and 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.

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, and the acquisition-date fair value of any previous equity interest in the acquiree, over the fair value of the identifiable net assets acquired is recognized as goodwill.

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 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 discounting 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, earn outs 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 receivable 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 derecognized 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

Non-current receivables and other receivables fall into the category financial instruments at amortized cost and are assessed at their discounted

Notes to the Consolidated financial statements

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 financial instruments at amortized cost. 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.

Risk concentration is defined by a material part of outstanding trade receivables are connected to two of Transcom's clients. However, the risk are considered to be low, supported by historically low losses, current conditions and forward looking economic conditions. Impairment are determined individually. Impairment needs are addressed when indication that receivables will not be paid 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. Please see note 14 and 23 for further details.

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

From January 1, 2019 the Group applies IFRS 16, Leases that replaces IAS 17 and the associated interpretation statement IFRIC 4. Transcom applied the modified retrospective approach meaning the restated comparative amounts for 2018 has not been restated, instead has the opening balance been adjusted with the cumulative effect of initially applying the standard as an adjustment of retained earnings. The leasing agreements recorded according to the new standard, mainly refers to rental agreement of sites and offices. The Group is only a lessee not a lessor.

Leases are recognized as a right-of-use asset and a corresponding liability at the commencement date of the lease. Each lease payment is allocated between the liability and finance cost which is charged to profit and

loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease liability is measured at a net present value based on the fixed lease payments less any lease incentives received, variable lease payments based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonable certain to exercise that option, and payments of penalties for termination the lease, if the lease term reflects the lessee exercising that option.

In calculating the present value of lease payments the Group uses its incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable.

The right of use asset is measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost includes the initial measurement of the lease liability, lease payments made at or before the commencement date less any lease incentives received, initial direct costs incurred and restoration costs.

The Group is using the recognition exemption for short-term leases and low-value leases, e.g. office equipment are classified as low-value assets and hence not included them in the balance sheet. The payments are recognized on a straight-line basis as an expense in the income statement.

Accounting principles applied until 2018

Until December 31, 2018 Transcom applied IAS 17. The comparative figures has not been restated. 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 differ-

ence 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, a pension plan in Philippines and in the USA.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The Group pays out various sales commissions to its employees where the Group will initially recognize a contract asset and amortize the asset over the expected customer service period. A corresponding liability will initially be recognized based on the assessed commission costs related to the contracts with customers.

1.19 Share capital

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 from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue mainly arises from call services operations.

- Revenues related to inbound teleservices are recognized at the time services are provided on a per-call basis.
- Revenues on outbound teleservices 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.

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 23.

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.

1.27 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to, and is evaluated regularly by, the chief operating decision maker, i.e. the Group's CEO. Transcom's operating segments are English-speaking (services delivered to multinational clients), Europe (ser-

vices delivered to clients based in Europe) and Latin America (services delivered to clients based in Latin America). From March 2019 Transcom doesn't have any operations in Latin America.

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) Impairment of goodwill and intangible assets

The Group annually evaluates the carrying value of goodwill and intangible assets 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 during the 4th quarter of 2019. Changes in the assumptions and estimates used may have a significant effect on the income statement and statement of financial position. Please see note 12 for further details including a sensitivity analysis of some of the assumptions made.

(b) 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.

(c) 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 Performance obligations

The Group's client contractual terms are normally 1–3 years, the contractual periods according to IFRS 15 are shorter and corresponds 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. These volume requests are minimum obligation levels, and both revenue and cash flow are generated during the same periods. These are identified as the Group's performance obligations. As per December 2019 the performance obligations amounts to EUR 54,617 thousand (2018: EUR 49,987 thousand).

Note 4 Segment information

EUR thousand	2019			
	English-speaking	Europe	Latin America	Total Group
Revenue from external customers	184,964	355,628	867	541,459
EBITA excl. non-recurring items	23,325	15,787	-75	39,038
Transaction-related amortization				-10,927
Non-recurring items				-8,402
EBIT				19,709
Net financial items				-17,565
Profit/loss before tax				2,143

EUR thousand	2018			
	English-speaking	Europe	Latin America	Total Group
Revenue from external customers	166,370	371,624	5,639	543,633
EBITA excl. non-recurring items	14,955	17,199	-591	31,563
Transaction-related amortization				-9,539
Non-recurring items				-34,575
EBIT				-12,551
Net financial items				-19,674
Profit/loss before tax				-32,226

The Group reportable segments are composed as follows:

- English-speaking segment: services delivered to multinational clients.
- Europe segment: services delivered to clients based in Europe.
- Latin America segment: services delivered to clients based in Latin America.

As of January 1, 2019 there was a minor organization change in the Group, a movement between the English speaking and the Europe segment. As such, 2018 figures have been restated accordingly. In March 2019 the Chilean operation was divested, and de-consolidated from that date. The transaction concludes the divestment of Transcom's operations in the Latin America segment.

Revenues from the largest single customers amounted to EUR 42,818 thousand, referring to Europe segment and revenues from the second largest client amounted to EUR 41,626 thousand also in the Europe segment (2018: EUR 61,530 thousand, Europe segment, EUR 42,271 thousand English-speaking segment). External revenue for Sweden amounted to EUR 109,159 thousand (2018: EUR 121,640 thousand) and total assets in Sweden amounted to EUR 697,493 thousand (2018: EUR 731,914 thousand).

Goodwill per segment is reflected in note 12.

Note 5 Expenses by nature

EUR thousand	2019	2018
Production costs	-19,181	-19,712
Personnel expenses	-423,810	-449,887
Other	-44,139	-67,616
Amortization and depreciation	-34,725	-17,372
Expenses charged to the income statement	-521,855	-554,586

Note 6 Employees

Salaries, other remuneration and social security charges

EUR thousand	2019	2018
Salaries and other remunerations	-337,266	-349,017
Social security charges	-58,926	-70,764
Pension expenses	-11,370	-10,436
Total	-407,562	-430,217

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

EUR thousand	2019	2018
Cost of sales	-369,121	-397,090
Marketing expenses	-1,272	-2,313
Administrative expenses	-37,169	-30,815
Total	-407,562	-430,217

Note 6 Employees, cont.**Average number of employees**

	2019			2018		
	Women	Men	Total	Women	Men	Total
Albania	283	223	506	381	283	664
Chile	–	–	–	314	210	524
Estonia	150	139	289	179	153	332
Philippines	5,523	5,243	10,766	4,663	4,384	9,047
Italy	628	196	824	505	199	705
Canada	59	36	95	75	48	123
Croatia	636	274	910	582	242	824
Latvia	208	133	341	198	132	330
Lithuania	563	302	865	620	329	949
The Netherlands	147	241	388	151	248	399
Norway	81	97	178	90	109	199
Poland	584	304	888	497	260	757
Portugal	233	82	315	305	100	405
Serbia	389	243	632	297	113	410
Spain	2,493	790	3,283	3,118	942	4,060
United Kingdom	14	15	29	16	25	41
Sweden	599	752	1,352	723	913	1,636
Switzerland	–	1	1	–	1	1
Tunisia	699	485	1,184	351	502	853
Germany	395	360	755	434	432	866
Hungary	125	101	226	149	99	248
United States	675	293	968	665	292	957
Total¹⁾	14,484	10,310	24,795	14,314	10,016	24,330

1) Total average number of employees excludes agency staff.

Women in Board and Executive management, %

	2019	2018
Board of Directors	–	–
Executive management	31%	38%

Remuneration to the Board

EUR thousand	2019	2018
Chairman of the Board:		
Fredrik Cappelen	–50	–50
Other members of the Board:		
Alfred von Platen	–30	–30
Eivind Roald	–30	–30
Fredrik Nylander	–30	–30
Mattias Holmström	–30	–30
Klas Johansson	–30	–30
Total	–200	–200

Remuneration and other benefits to Executive management

EUR thousand	2019				
	Base salary	Variable compensation	Other benefits ¹⁾	Pension fees	Total
President and CEO:					
Michael Weinreich	–515	–298	–27	–	–840
Other members of Executive management:					
15 positions	–1,943	–349	–229	–478	–2,999
Total	–2,458	–647	–256	–478	–3,839

1) Refers to allowances, company car, medical insurance etc.

EUR thousand	2018				Total
	Base salary	Variable compensation	Other benefits ¹⁾	Pension fees	
President and CEO:					
Michael Weinreich	–523	–200	–22	–	–745
Other members of Executive management:					
7 positions	–997	–169	–105	–212	–1,483
Total	–1,520	–369	–127	–212	–2,228

1) Refers to allowances, company car, medical insurance etc.

During 2019 the Executive management consisted of the following persons: Michael Weinreich, Leif Mårtensson (CFO until June 2019), Jonas Dahlberg (CFO from July 2019), Cecilia Forzelius (until March 2019), Christian Hultén (until July 2019), Eva Wikmark-Wallin (from September 2019), Stefan Berg, Helene Ruda, Steffen Bagge (from August 2019), Gianluca Gemma, Juan Brun, Pernilla Oldmark, Robert Kressing, Oliver Cook, Alexandra Dahan and Mark Lyndsell.

The following guidelines were applied on remuneration for senior executives within the Group which currently include fourteen members of the Executive management 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 depends on the level of responsibility and seniority and calculated according to a combination of results achieved and individual performances. Other benefit constitutes of a limited amount in relation to the total remuneration and corresponds to the local practice. In the event of notice of termination of employment being served by Transcom, there is entitlement to salary during such notice period according to law governing in respective employment relationship.

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 is 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 7 Leases

Amounts recognised in the balance sheet

Right-of-use asset	Premises	IT equipment
As at January 1, 2019	31,674	494
Additions ¹	8,959	427
Changes ²	-2,774	-
Depreciation	-12,542	-371
Translation differences	40	8
As at December 31, 2019	25,358	558

Lease liability	Premises	IT equipment
As at January 1, 2019	31,674	494
Additions ¹	8,959	427
Changes ²	-2,219	-
Accretion of interest	2,120	32
Payments	-13,685	-387
Translate differences	42	8
As at December 31, 2019	26,892	574
Non-current lease liability	15,673	345
Current lease liability	11,218	230

1) Extension of contracts a total of 1.4 million per the year.
2) Primarily relates to termination of contracts.

The maturity analysis of lease liabilities disclosed in note 23.

Amounts recognised in the income statement

	2019
Depreciation right of use assets, Premises	-12,542
Depreciation right of use assets, IT equipment	-371
Interest expense on lease liability	-2,152
Expense relating to short-term leases	-2,999
Expense relating to leases of low-value	-1,371
Variable lease payments	-529

The table below shows the reconciliation of IAS 17 operating lease commitments and IFRS 16 lease liabilities.

MEUR	January 1, 2019
Total lease commitments as of December 31, 2018	43
Impact of discounting remaining lease payments	-7
Recognition exemption for short-term leases and low value leases	-4
Lease liability in consolidated statement of financial position at January 1, 2019	32

Operating leasing costs as lessee

EUR thousand	2018
Premises	-18,702
IT Equipment	-36
Office equipment	-242
Cars	-745
Others	-105
Total	-19,830

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, 2018

EUR thousand	Less than one year	Between one and five years	Total
Premises	-12,652	-27,627	-40,279
IT Equipment	-716	-696	-1,412
Office equipment	-156	-144	-300
Cars	-372	-361	-733
Other	-12	-16	-28
Total	-13,908	-28,844	-42,752

Assets utilized under finance leases as a lessee

EUR thousand	2018
Cost	32
Accumulated depreciation	-32
Carrying value	-

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

Note 8 Remuneration to auditors

EUR thousand	2019	2018
Ernst & Young		
Audit services	-893	-767
Audit services outside the assignment	-3	-
Tax advice	-	-6
Other audit firms		
Audit services	-92	-76
Total	-988	-849

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 9 Amortization, depreciation and impairment

Amortization and depreciation

EUR thousand	2019	2018
Customer relationships	-10,927	-9,539
Development costs	-886	-843
Other intangibles	-1,758	-93
Telephone switch	-555	-427
Fixture and fittings	-1,200	-912
Computer hardware and software	-3,910	-3,255
Office improvements	-2,577	-2,302
Right-of-use assets	-12,913	-
Total	-34,725	-17,372

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

EUR thousand	2019	2018
Cost of sales	-22,184	-17,372
Administrative expenses	-12,542	-
Total	-34,725	-17,372

Note 11 Taxes

Income tax expense

EUR thousand	2019	2018
Current income tax on profit/loss for the year	-8,099	-3,507
Adjustments in respect of prior years	-1,868	-1,418
Current taxes	-9,967	-4,924
Current year origination and reversal of temporary differences	5,420	6,931
Adjustments in respect of prior years	2,043	-738
Deferred taxes	7,463	6,193
Income tax expense	-2,504	1,268

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	2019	%	2018	%
Profit/loss before tax	2,143		-32,226	
Calculated tax based on tax rate in Sweden 21.4 %	-459	-21.4	7,090	-22.0
Foreign tax rate differential	3,161	147.5	555	-1.7
Tax exempt income	22	1.0	2,588	-8.0
Non-deductible expenses	-3,731	-174.1	-2,671	8.3
Losses previously recognized impaired current year	-	-	-	-
Prior year losses recognized this year	6,124	285.8	2,325	-7.2
Losses for which no tax benefit is recognized	-5,145	-240.1	-9,375	29.1
Adjustments in respect of prior years	-11	-0.5	-2,156	6.7
Change in tax rates	-	-	410	-1.3
Withholding tax	-600	-28.0	-958	3.0
Other tax not at standard rate ¹	-1,242	-58.0	-988	3.1
Other ²	-624	-29.1	-4,449	-13.8
Income tax expense	-2,504	-116.9	1,268	-3.9

1) Other tax not at standard rate mainly relates to regional business tax.

2) Other is mainly due to three entities' foreign exchange result in local currency which does not affect their functional currency profit before tax.

Note 10 Financial income and expenses

Financial income

EUR thousand	2019	2018
Interest income on bank deposits	255	548
Other financial income	489	546
Total	744	1,094

Financial expenses

EUR thousand	2019	2018
Interest expense on bank borrowings	-14,472	-12,479
Interest expense on lease liabilities	-2,152	-
Other financing costs ¹	-1,208	-7,926
Bank fees	-121	-362
Foreign exchange loss	-357	-1
Total	-18,309	-20,768

1) 2018 includes costs of EUR 4.8 million relating to the previous financing agreement. The previous financing agreement was replaced by a Senior Secured Fixed Rate Notes in March 2018, why the full amount was recorded and presented as Other financing costs.

Current income tax on profit/loss for the year includes corporate income tax of EUR 7,499 thousand (2018: EUR 3,967 thousand) and withholding tax of EUR 600 thousand (2018: EUR 958 thousand). The deferred tax benefit is related to amortization of intangible assets and recognition of deferred tax assets on losses in four entities. Adjustments in respect of prior years mainly represent a correction of deferred tax liability related to intangible assets and a provisions with respect to claims brought against the Group by tax authorities in one jurisdiction.

As at December 31, 2019 eight 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, 2019 the provision related to tax audits amounts to EUR 3,897 thousand (2018: EUR 4,027 thousand).

Note 11 Taxes, cont.**Deferred tax assets**

EUR thousand	Tangible assets	Tax losses	Other	Netting	Total
As at January 1, 2019	550	3,910	1,031	-3,076	2,415
Opening balance adjustment	7	-1,375	1,376	-	8
Income statement movement	-81	4,714	-1,538	-	3,095
Disposal of business	-8	-126	-99	-	-233
Addition	-	-	-48	-	-48
Reclassification	-	-	20	-	20
Netting of assets/liabilities	-	-	-	-3,953	3,953
As at December 31, 2019	468	7,123	742	-7,029	1,305

EUR thousand	Tangible assets	Tax losses	Other	Netting	Total
As at January 1, 2018	621	108	814	-838	704
Opening balance adjustment	14	3	-29	26	14
Income statement movement	-85	3,800	256	-	3,970
Change in accounting policy	-	-	-8	-	-8
Netting of assets/liabilities	-	-	-1	-2,264	-2,266
As at December 31, 2018	550	3,910	1,031	-3,076	2,415

Deferred tax liabilities

EUR thousand	Tangible assets	Intangible assets	Other	Netting	Total
As at January 1, 2019	-	29,222	1,123	-3,075	27,269
Opening balance adjustments	-	98	-	-	98
Income statement movement	-	-4,795	428	-	-4,367
Disposal of business	-	-224	-233	-	-457
Reclassification	-	-	2,400	-	2,400
Netting of assets/liabilities	-	-	-	-3,953	-3,953
As at December 31, 2019	-	24,301	3,717	-7,028	20,989

EUR thousand	Tangible assets	Intangible assets	Other	Netting	Total
As at January 1, 2018	-	24,418	462	-838	24,042
Acquisitions	-	7,848	-	-	7,848
Opening balance adjustments	-	-833	-22	26	-829
Income statement movement	-	-2,211	683	-	-1,527
Netting of assets/liabilities	-	-	-1	2,264	-2,265
As at December 31, 2018	-	29,222	1,123	-3,075	27,269

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 52,327 thousand (2018: EUR 76,463 thousand). 5,062 thousand (2018: EUR 38,159 thousand) of these losses have no expiration date. The corresponding deferred tax assets for the losses would have been 13,551 EUR thousand (2018: EUR 18,970 thousand) based on each country expected tax rate.

Note 12 Goodwill and other intangible assets

EUR thousand	Goodwill	Customer relationships	Brand	Development cost	Others	Total
Cost						
As at January 1, 2019	210,352	101,184	23,206	15,596	3,193	353,530
Acquisitions ¹	-2,520	-	-	-	-	-2,520
Investments	-	-	-	2,074	4,662	6,736
Disposals	-	-	-	-82	-17	-99
Disposal of business	-2,761	-877	-	-	-	-3,638
Translation differences	156	454	-85	14	-2	537
As at December 31, 2019	205,226	100,760	23,122	17,603	7,835	354,547
Accumulated amortization and impairment						
As at January 1, 2019	-	-15,092	-	-13,200	-2,772	-31,064
Amortization for the year	-	-10,927	-	-886	-1,758	-13,571
Translation differences	-	-120	-	-	-2	-122
As at December 31, 2019	-	-26,139	-	-14,086	-4,531	-44,757
Carrying value as at December 31, 2019	205,226	74,621	23,122	3,517	3,304	309,790

1) Goodwill and Customer relationships refers to surplus value added from the acquisitions of Awesome OS and Albania operations in 2018. During 2019 an adjustment on Goodwill was done after final review of the acquired net assets.

Note 12 Goodwill and other intangible assets, cont.

EUR thousand	Goodwill	Customer relationships	Brand	Development cost	Others	Total
Cost						
As at January 1, 2018	174,085	74,921	23,399	15,416	3,093	290,914
Acquisitions ¹	36,353	25,574	–	–	–	61,927
Investments	–	–	39	181	87	307
Translation differences	–86	689	–231	–1	12	383
As at December 31, 2018	210,352	101,184	23,206	15,596	3,193	353,531
Accumulated amortization and impairment						
As at January 1, 2018	–	–5,262	–	–12,347	–2,671	–20,280
Amortization for the year	–	–9,539	–	–843	–93	–10,475
Translation differences	–	–291	–	–10	–8	–309
As at December 31, 2018	–	–15,092	–	–13,200	–2,772	–31,064
Carrying value as at December 31, 2018	210,352	86,091	23,206	2,396	421	322,467

1) Goodwill and Customer relationships refers to surplus value added from the acquisitions of Awesome OS and Albania operations.

Goodwill**Impairment testing for cash generating units.**

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. In 2019 Awesome has been tested together with English-speaking. The carrying amounts of goodwill allocated to each cash-generating unit are:

EUR thousand	2019	2018
English-speaking	63,903	66,033
Europe	141,323	144,319
Total	205,226	210,352

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. The anticipated annual margin growth totaled 1%.

Pre-tax discount rates 10.3 percent to 11.25 percent; Europe 11.25 percent (2018: 10.6) and English-speaking 10.3 percent (2018: English-speaking 11.7 and Awesome 8.4) 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. 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.

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, no indication of any loss in value.

Brand

EUR thousand	2019	2018
English-speaking	5,535	5,541
Europe	17,587	17,666
Total	23,122	23,206

Reported brands consists mainly of the brands Transcom and Xzakt and is allocated to each cash-generating unit.

Note 13 Tangible assets

EUR thousand	Telephone switch	Fixtures and fittings	Computer hardware and software	Office improvements	Total
Cost					
As at January 1, 2019	26,086	27,190	54,434	27,332	135,042
Investments	796	1,488	4,384	5,135	11,803
Disposals	-250	-173	-1,132	-1,409	-2,964
Disposal of business	-	-1,747	-	-	-1,747
Translation differences	125	229	568	434	1,356
As at December 31, 2019	26,757	26,988	58,253	31,492	143,490
Accumulated amortization and impairment					
As at January 1, 2019	-24,688	-24,680	-45,819	-21,932	-117,118
Depreciation for the year	-555	-1,200	-3,910	-2,577	-8,243
Disposals	250	163	914	1,367	2,693
Disposal of business	-	1,747	-	-	1,747
Translation differences	-127	-223	-429	-298	-1,077
As at December 31, 2019	-25,120	-24,192	-49,246	-23,440	-121,998
Carrying value as at December 31, 2019	1,637	2,796	9,007	8,053	21,493
Cost					
As at January 1, 2018	25,175	25,595	47,520	24,046	122,337
Acquisition of a subsidiary	-	511	2,068	1,953	4,531
Investments	720	1,273	4,900	1,603	8,496
Disposals	-169	-251	-854	-1,048	-2,321
Reclassifications	59	-37	-42	20	-
Translation differences	301	100	841	758	2,000
As at December 31, 2018	26,086	27,190	54,434	27,332	135,042
Accumulated amortization and impairment					
As at January 1, 2018	-24,092	-23,556	-41,542	-18,817	-108,008
Acquisition of a subsidiary	-	-359	-1,005	-735	-2,100
Depreciation for the year	-427	-912	-3,255	-2,302	-6,896
Disposals	152	213	629	518	1,513
Reclassifications	-16	33	-7	-10	-
Translation differences	-304	-99	-639	-586	-1,627
As at December 31, 2018	-24,688	-24,680	-45,819	-21,932	-117,119
Carrying value as at December 31, 2018	1,398	2,510	8,615	5,399	17,923

Note 14 Trade receivables

EUR thousand	2019	2018
Trade receivables gross	59,534	71,425
Expected credit losses	-459	-302
Trade receivables net	59,075	71,123

The carrying value less expected credit losses is assumed to approximate the fair value.

The two largest trade receivable balances represent 20 percent of the total balance.

Expected credit losses

EUR thousand	2019	2018
As at January 1	-302	-189
Provisions recorded	-155	-117
Provisions used	-	3
Translation differences	-1	1
As at December 31	-459	-302

Overview of the ageing of trade receivables

EUR thousand	2019	2018
<30 days	5,999	9,941
30-60 days	445	1,975
60-90 days	274	456
90-120 days	134	502
>120 days	1,764	980
Total	8,616	13,854

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 2,158 thousand are past due more than 30 days but not provided for (2018: EUR 3,913). These relates to independent customers for whom there is no recent history of default. Details of credit risk are included in note 23.

Note 15 Other receivables and prepaid expenses and accrued income**Other receivables**

EUR thousand	2019	2018
VAT recoverable	4,689	5,004
Amount due from public authorities	2,453	2,598
Client deposit related assets	571	370
Other receivables ¹	5,590	2,867
Total	13,303	10,839

1) Other receivables mainly relates to advanced payments and revaluation of derivatives

Prepaid expenses and accrued income

EUR thousand	2019	2018
Prepaid expenses	4,292	4,083
Accrued income	31,715	33,762
Total	36,006	37,845

All prepaid expenses and accrued income are expected to be settled within 12 months.

Note 16 Equity**Share capital**

Transcom's share capital as of December 31, 2019 was distributed among 11,937,773 shares (2018: 11,937,773) with a nominal value of EUR cent 0.0046 per share (2018: EUR cent 0.0046). All shares entitle to one vote each.

In January 2018 an issue of bonus shares took place. The company's share capital was increased by 47,240 EUR to 55,000 EUR.

Note 17 Interest-bearing liabilities

EUR thousand	2019	2018
EUR revolving credit facility	3,000	6,200
USD revolving credit facility	16,246	19,214
EUR fixed rate note (Unsecured)	10,000	10,000
EUR fixed rate note (Secured)	180,000	180,000
Amortized costs	-756	-995
Other loans	6,230	3,592
Total	214,721	218,011

EUR thousand	2019	2018
Total	214,721	218,011
Non-current interest-bearing liabilities	201,034	216,725
Current interest-bearing liabilities	13,687	1,285
Total	214,721	218,011

EUR thousand	2019	2018
Non-current lease liabilities	16,018	-
Current lease liabilities	11,448	-
Total	25,916	-

EUR thousand	2019	2018
Unused credit facilities ¹	19,952	22,047
Total	19,952	22,047

1) Unused credit facilities includes unused cash pool limits.

On March, 2018, Transcom replaced the previous financing agreement by EUR 180,000 thousand Senior Secured Fixed Rate Notes (SSFRN) listed on Nasdaq, maturing in March 2023, as well as on the 19th of March 2018, a EUR 45,000 thousand Super Senior Revolving Credit Facility (SSRCF) Agreement with Nordea and Danske Bank, both held by the Parent company, maturing in September 2022. Interest rates in the revolving facility are based on LIBOR, STIBOR and EURIBOR plus margins. For the SSRCF the Company is committed to meet certain test conditions. There was no breach of covenants in 2019. In addition, a Senior Unsecured Fixed Rate Notes (SUFNRN), of EUR 10,000 thousand, was issued on July 24 2018. The maturity date is July, 2020. The SUFNRN has been extended after the reporting period. See note 29.

In the event of a change of control the SSRCF will need to be cancelled and be replaced by a new credit facility and the holders of SSFRN and SUFNRN have the right to request a repurchase of the Notes.

As per July 16, 2018, Transcom is financed by Santander of EUR 2,500 thousand and on December 21, 2018 by BBVA of EUR 1,000 thousand.

The table below shows the maturity profile of the Groups's interest bearing liabilities including interests. For maturity profile for lease liabilities see note 23.

EUR thousand	2019	2018
Less than six months	3,247	10
Between six and twelve months	11,037	1,338
Between one and two years	277	13,589
Between two and five years	241,712	262,373
Total	256,273	277,309

Note 18 Employee benefit obligations

The Group has employee benefit schemes in Italy, Philippines and USA in relation to termination indemnity and defined benefit pensions. A full actuarial valuation was carried out to December 31, 2019 by a qualified, independent actuary. There are no plan assets in connection with the pension plans in Italy, Philippines nor the USA.

Reconciliation to the statement of financial position

EUR thousand	2019	2018
Italy	1,758	2,017
Philippines	1,559	612
USA	1	2
Present value of scheme liabilities	3,318	2,631

Analysis of the amount charged to operating profit

EUR thousand	2019				2018			
	Italy	Philippines	USA	Total	Italy	Philippines	USA	Total
Current service cost	–	196	–	196	–	183	–	183
Past service cost	–108	–	–	–108	–174	–147	–	–321
Total operating charge	–108	196	–	88	–174	36	–	–138

Analysis of the amount credited to other finance costs

EUR thousand	2019				2018			
	Italy	Philippines	USA	Total	Italy	Philippines	USA	Total
Interest on pension scheme liabilities	2	46	–	48	21	10	–	31
Total finance cost	2	46	–	48	21	10	–	31

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

%	2019			2018		
	Italy	Philippines	USA	Italy	Philippines	USA
Rate of increase in salaries	2.0	2.0	–	2.0	2.0	–
Discount rate	0.7–0.8	5.5	–	1.7–1.9	7.7	–

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	2019				2018			
	Italy	Philippines	USA	Total	Italy	Philippines	USA	Total
As at January 1	2,017	612	2	2,631	2,354	231	–	2,584
Movement in the year								
Acquired employee benefit obligations	–	–	–	–	–	122	2	124
Current service cost and settlements	–	196	–1	195	–	183	–	183
Reclassification to asset	–	–	–	–	–	–	–	–
Interest cost	2	46	–	48	21	10	–	31
Past service cost	–108	–	–	–108	–174	–147	–	–321
Contributions	–	–100	–	–100	–	195	–	195
Actuarial gains/losses	–17	747	–	730	–22	–18	–	–40
Benefits paid	–136	–	–	–136	–162	–	–	–162
Translation difference	–	57	–	57	–	36	–	36
As at December 31	1,758	1,559	1	3,318	2,017	612	2	2,631

The Italian liability would increase with EUR 39 thousand if the discount rate would be lowered by 0.5 percent. An increase with the same percentage would lower the liability with EUR 35 thousand.

The liability in the Philippines would increase with EUR 162 thousand if the discount rate would be lowered by 1 percentage point. An increase with the same percentage would lower the liability with EUR 189 thousand. If the inflation rate assumption in the Philippines would increase with 1 percentage point the liability would be EUR 168 thousand higher, the corresponding decrease would lower the liability with EUR 194 thousand.

Note 19 Provisions

EUR thousand	Legal and tax claims	Restructuring	Other	Total
As at January 1, 2019	12,028	3,429	25,133	40,588
Provisions made ²	1,695	3,066	2,047	6,808
Provisions used	–	–3,547	–7,090	–10,637
Provisions reversed	–	–2,049	–131	–2,180
Reclass within current liabilities ³	–1,800	1,178	–	–622
Translation differences	–1	–4	451	447
As at December 31, 2019¹	11,922	2,073	20,409	34,404
Non-current provisions	–	–	13,659	13,659
Current provisions	11,922	2,073	6,751	20,746
Total	11,922	2,073	20,409	34,404

EUR thousand	Legal and tax claims	Restructuring	Others	Total
As at January 1, 2018	1,247	842	1,985	4,074
Provisions made ²	10,781	5,085	24,502	40,368
Provisions used	–	–2,474	–6	–2,480
Provisions reversed	–	–	–1,377	–1,377
Translation differences	–	–24	27	3
As at December 31, 2018¹	12,028	3,429	25,131	40,588
Non-current provisions	–	–	18,074	18,074
Current provisions	12,028	3,428	7,059	22,514
Total	12,028	3,428	25,133	40,588

1) The Group had as at December 31, 2019 a provision of EUR 3,897 thousand relating to several tax audits (EUR 4,027 as at December 31, 2018). For further information, see note 11 and 22.

2) Other provisions are mainly related to earn-outs in relation to the acquisition of Awesome OS.

3) A reclass from provision to Income tax payables and a reclass from other liabilities to provisions.

Provision which will be paid later than 12 months have been classified as non-current provisions.

Note 20 Other liabilities

EUR thousand	2019	2018
VAT payable	4,139	5,203
Social costs	7,138	7,742
Liabilities to public authorities	2,919	4,718
Amounts payable to employees	2,887	2,554
Other current liabilities	1,530	883
Total	18,613	21,100

Note 21 Accrued expenses and prepaid income

EUR thousand	2019	2018
Accrued personnel expenses	23,875	22,813
Other accrued expenses ¹	16,643	17,703
Deferred income	156	162
Total	40,674	40,678

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

Note 22 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, 2019, eight 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, 2019 the provision amounts to EUR 3,897 thousand related to tax audits (December 31, 2018: 4,027). See also note 19.

The group has no material contingent liabilities as at December 31, 2019. 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.

Note 23 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 7.40 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, 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 218 thousand, if the USD interest rates increase by 10 percent it will have an effect on the profit before tax by EUR 94 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.

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	2019		2018	
	Average rate	Closing rate	Average rate	Closing rate
US Dollar, USD	1.12	1.12	1.18	1.15
Swedish Krona, SEK	10.56	10.45	10.26	10.25
Philippine peso, PHP	57.91	56.90	61.94	60.11

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 minimize these movements by matching the currency of revenue with the currency of costs, by negotiating 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 2019, 40 percent of the anticipated net flow of sales and costs has been hedged by purchasing of forward contracts for a period of 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 2019, 48.4 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, 2019 of the exchange rate for the USD vs EUR would have affected shareholders' equity in the Group with EUR -12,824/15,673 thousand and EUR -11,893/14 535 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 2019 average exchange rate for the USD vs EUR would have the Group's net income of EUR -920/1 125 thousand and EUR -123/150 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 1.10 and note 14. 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 Credit Facility at December 31, 2019 was EUR 19,952 thousand including unutilized cash pool limit (2018: 1,416 excluding unutilized cash pool limit).

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 2020 fiscal year.

Note 23 Financial instrument risk management objectives and policies, cont.**Classification of the Group's financial assets and liabilities**

EUR thousand	2019					2018				
	Financial instruments at amortized cost	Financial instruments at fair value to the P&L ¹	Derivatives for cashflow hedges	Total carrying amount	Fair value ¹	Financial instruments at amortized cost	Financial instruments at fair value to the P&L ¹	Derivatives for cashflow hedges	Total carrying amount	Fair value ¹
Financial assets										
Other receivables	3,000	–	–	3,000	3,000	2,163	–	–	2,163	2,163
Total non-current financial assets	3,000	–	–	3,000	3,000	2,163	–	–	2,163	2,163
Trade receivables	59,075	–	–	59,075	59,075	71,123	–	–	71,123	71,123
Other receivables incl. accrued income	42,356	–	881	43,238	43,238	44,304	–	297	44,601	44,601
Cash and cash equivalents	14,295	–	–	14,295	14,295	12,884	–	–	12,884	12,884
Total current financial assets	115,726	–	881	116,608	116,608	128,311	–	297	128,608	128,608
Total financial assets	118,727	–	881	119,608	119,608	130,474	–	297	130,771	130,771
Financial liabilities										
Interest-bearing liabilities	201,034	–	–	201,034	241,989	216,725	–	–	216,725	274,981
Lease liabilities	16,018	–	–	16,018	16,018	–	–	–	–	–
Provisions	143	13,516	–	13,659	13,659	145	17,929	–	18,074	18,074
Total non-current financial liabilities	217,195	13,516	–	230,711	271,666	216,871	17,929	–	234,799	293,055
Interest-bearing liabilities	13,687	–	–	13,687	14,284	1,285	–	–	1,285	1,350
Lease liabilities	11,448	–	–	11,448	11,448	–	–	–	–	–
Provisions	14,350	6,396	–	20,746	20,746	16,239	6,275	–	22,514	22,514
Trade payables	18,798	–	–	18,798	18,798	23,761	–	–	23,761	23,761
Other liabilities incl. accrued expenses	44,921	–	–	44,921	44,921	43,934	–	–	43,934	43,934
Total current financial liabilities	103,204	6,396	–	109,600	110,197	85,219	6,275	–	91,494	91,559
Total financial liabilities	320,399	19,912	–	340,311	381,863	302,090	24,204	–	326,294	384,614

1) The fair values of the provisions and interest bearing liabilities have been calculated 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. Provisions refers to maximum potential earn-out in the acquisition of Awesome OS. These are based on certain EBITDA targets for years 2018–2019. The nominal amount of the provision is USD 31,545 thousand in 2018. During 2019 first earn out of EUR 6,726 thousand was paid out, and the provision has since been revalued to EUR 19,912 thousand as per December 2019 (including both fair value revaluation and foreign exchange effect). The fair values of the derivatives for cashflow hedges are derived from quoted market prices in active markets.

Note 23 Financial instrument risk management objectives and policies, cont.

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

EUR thousand	2019			2018		
	<1 year	1–5 years	Fair value	<1 year	1–5 years	Fair value
Financial assets						
Other receivables	–	3,000	3,000	–	2,163	2,163
Total non-current financial assets	–	3,000	3,000	–	2,163	2,163
Trade receivables	59,075	–	59,075	71,123	–	71,123
Other receivables incl. accrued income	43,238	–	43,238	44,601	–	44,601
Cash and cash equivalents	14,295	–	14,295	12,884	–	12,884
Total current financial assets	116,608	–	116,608	128,608	–	128,608
Total financial assets	116,608	3,000	119,608	128,608	2,163	130,771
Financial liabilities						
Interest-bearing liabilities	–	241,989	241,989	–	274,981	274,981
Lease liabilities	–	16,018	16,018	–	–	–
Provisions	–	13,659	13,659	–	18,074	18,074
Total non-current financial liabilities	–	271,666	271,666	–	293,055	293,055
Interest-bearing liabilities	14,284	–	14,284	1,350	–	1,350
Lease liabilities	11,448	–	11,448	–	–	–
Provisions	20,746	–	20,746	22,514	–	22,514
Trade payables	18,798	–	18,798	23,761	–	23,761
Other liabilities incl. accrued expenses	44,921	–	44,921	43,934	–	43,934
Total current financial liabilities	110,197	–	110,197	91,559	–	91,559
Total financial liabilities	110,197	271,666	381,863	91,559	293,055	384,614

Note 24 Acquisition of subsidiaries

On July 27th, 2018, Transcom acquired Awesome OS, a leading niche e-commerce customer experience specialist providing services to leading and fast-growing US e-commerce clients from its operations in Davao, Philippines. In the final review of the acquired net assets, an adjustment was made amounting to EUR 2.9 million, affecting Goodwill with the same amount.

EUR thousand	2019 Dec 31	2019 Jan–Dec	2018 Dec 31
Consideration paid in cash	42,328	6,726	35,602
Cash acquired	–1,569	–	–1,569
Cash flow from acquisition of subsidiaries, net of cash acquired	40,759	6,726	34,033
Total consideration¹	58,262	–	58,262
Purchase price allocation:			
Acquired net assets	7,415	2,851	4,564
Goodwill	32,752	–2,851	35,603
Customer relationships	25,777	–	25,777
Deferred tax liability	–7,682	–	–7,682
Total	58,262	–	58,262

1) 2018 includes consideration paid in cash (EUR 35,602 thousand) and provision for maximum potential earn-outs (with a fair-value amounting to EUR 22,660 thousand). As per December 2019 consideration paid is EUR 42,328 thousand and the remaining provisions amounts to EUR 19,912 thousand (including both fair value revaluation and foreign exchange effect.)

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 Awesome OS would have been consolidated from January 1, 2018 the revenue would amount to EUR 557 million and profit before tax EUR –28 million. Transaction related costs referring to the acquisition of Awesome OS amounts to EUR 2,955 thousand, see note 25.

On July 31, 2018 the Group took over a site in Durres, Albania, through an asset transfer. Consideration paid was EUR 950 thousand. Net assets acquired is EUR 200 thousand and goodwill EUR 750 thousand.

Note 25 Significant disposals and non-recurring items

Disposal of business

EUR thousand	2019	2018
Sales price	6,900	–
Net asset value	4,244	–
Transaction cost	493	–
Post-settlement adjustment	–	–124
Net capital gain/loss	2,162	–124
Net cash flow from disposal of business	5,879	–

In March 2019 the Chilean operation was divested with a cash effect EUR –0.6 million. The transaction concludes the divestment of Transcom's operations in Latin America. During Q2 2019 Transcom divested part of the business in Spain, with a cash effect of EUR 6.5 million and a net gain of EUR 3.0 million. Divested net assets amounted to EUR 3.4m, including Goodwill and Customer relationship asset values. In 2018 a loss amounting to EUR 124 thousand, was recorded relating to the closure of Colombia 2017.

Non-recurring items

EUR thousand	2019	2018
Operational non-recurring items	–8,477	–28,278
Transaction related non-recurring items	75	–6,297
Total	–8,402	–34,575

Operational non-recurring items

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

EUR thousand	2019	2018
Cost of sales	–3,641	–15,958
Marketing expenses	–30	–419
Administrative expenses	–4,718	–11,400
Other operating income/expenses	–88	–501
Total	–8,477	–28,278

Transaction related non-recurring items

The Group has also recorded items affecting comparability costs related to acquisitions 2019 and 2018 and also fair value revaluation of earn-out provisions recorded.

EUR thousand	2019	2018
Administrative expenses	–14	–5,311
Other operating income/expenses	89	–986
Total	75	–6,297

Note 26 Changes in liabilities arising from financing activities

2019, EUR thousand	Opening balance	Balance in acquired subsidiaries	Net cash flows ¹	Foreign exchange movement	Other non cash flow changes	Closing balance
Borrowings	217,940	–	–3,581	177	–	214,536
Other loans	71	–	114	–	–	185
Total	218,010	–	–3,467	177	–	214,721

2018, EUR thousand	Opening balance	Balance in acquired subsidiaries	Net cash flows	Foreign exchange movement	Other non cash flow changes	Closing balance
Borrowings	176,376	18	37,588	190	3,768	217,940
Other loans	71	–	–	–	–	71
Financial Leases	4	–	–2	–	–2	–
Total	176,451	18	37,586	190	3,766	218,010

1) See consolidated statement of cash flows.

Note 27 Pledged assets and guarantees

There are share pledges in material companies used as security for the financing of EUR 215,264 thousand (2018: 209,473). A part of the SSRCF is used to cover bank guarantees and cash pool limits.

At December 31, 2019 the Group had outstanding bank guarantees for an amount of EUR 4,686 thousand (2018: 811 thousand) of which EUR 3,886 is under the SSRCF. The Company is also supporting its Group companies through guarantees issued in the normal course of business.

Note 29 Events after the reporting period

As of January 1, 2020 Jonas Dahlberg was promoted from CFO to CEO and President of Transcom.

On 5 February, 2020 Transcom extended the unsecured note of EUR 10 million with twelve months. The new maturity date is July 2021. On March 31, 2020 Transcom signed a new senior secured term loan facility agreement of EUR 20 million.

The maturity date is March 2023.

Transcom is actively monitoring the impacts of the coronavirus/COVID-19 on its employees, customers and service offering. During February, 2020, Transcom implemented preventive measures at all sites to actively ensure the safety of employees and prevent further spread of the coronavirus. Transcom also engaged in proactive discussions with key clients on business continuity measures, should a significant business interruption arise. Transcom deliver customer services at distance, through 26,000 employees from about 50 contact centers and through Work-At-Home (WAH)

Note 28 Related party transactions

Altor has invoiced consulting and legal fees of EUR 216 thousand. For 2018 Altor invoiced consulting fees and legal fees of EUR 3,183 thousand. Transactions with other Group Companies outside the Transcom Group are sales of EUR 2,308 thousand, receivables of EUR 1,780 thousand, and loans of EUR 2,145 thousand. Please also refer to note 6 for other related party transactions.

agents on three continents. Our client portfolio predominantly consists of companies who deliver their services without physical interactions. We currently experience an increase in overall demand due to the COVID-19 pandemic, primarily in E-commerce, but also in the Telecom and Financial Services sectors. Transcom has a very limited exposure to the Travel and Hospitality sectors. Short term, we expect neutral or positive impact on the aggregated demand of our services.

Transcom's main risk in this pandemic are government regulations, impacting workforce attendance and production capacity at our contact centers. We are currently running somewhat below normal production, due to disturbances in the Philippines, Italy and Spain. We are currently shifting volumes from contact centers to WAH delivery, to increase our resilience. The possibility to shift to WAH depends upon type of services delivered, technical environment and broadband capacity. The above general update is based on the current situation and subject to change as the situation evolves. At this point, it is too early to assess the long term impact on Transcom.

Parent Company – Income statement

January to December

EUR thousand	Note	2019	2018
Revenue	A2	2,948	978
Cost of sales	A2	–	–
Gross profit		2,948	978
Administrative expenses	A3, A4	–3,264	–4,179
Other operating expenses		–29	–
Operating profit/loss		–345	–3,201
Dividends from Group companies		–	56,474
Interest income and similar items	A5	6,323	2,124
Interest expenses and similar items	A5	–13,543	–14,244
Profit/loss before appropriations		–7,565	41,155
Income tax expense	A6	–	–
Profit/loss for the year¹		–7,565	41,155

1) Net profit corresponds with total comprehensive income.

Parent Company – Balance sheet

EUR thousand	Note	December 31, 2019	December 31, 2018
ASSETS			
Non-current assets			
Financial assets			
Shares in Group companies	A7	278,919	278,919
Receivables from Group companies		82,174	90,959
Total financial assets	A10	361,093	369,878
Total non-current assets		361,093	369,878
Current assets			
Receivables from Group companies		3,589	4,014
Other receivables		–	303
Prepaid expenses and accrued income		61	287
Total receivables		3,650	4,604
Cash and cash equivalents		244	10
Total current assets	A10	3,894	4,614
TOTAL ASSETS		364,987	374,492
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (11,937,773 shares, quota value EUR 0.00065 per share)	A8	55	55
Total restricted equity		55	55
Unrestricted equity			
Share premium reserve		20,501	20,501
Retained earnings		155,569	114,414
Net result		–7,565	41,155
Total unrestricted equity		168,505	176,070
Total equity	A8	168,560	176,125
Non-current liabilities			
Interest-bearing liabilities	A9	183,405	195,222
Total non-current liabilities	A10	183,405	195,222
Current liabilities			
Interest-bearing liabilities	A9	10,000	–
Trade payables		58	149
Liabilities to Group companies		–	9
Other liabilities		425	399
Accrued expenses and prepaid income		2,539	2,588
Total current liabilities	A10	13,022	3,145
Total liabilities		196,427	198,367
TOTAL EQUITY AND LIABILITIES		364,987	374,492
Pledged Assets	A11		

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, 2018		11,938	8	20,501	105,926	126,435
Profit/loss for the year		–	–	–	41,155	41,155
Issue of bonus shares	A8	–	47	–	–47	–
Shareholder contribution	A7	–	–	–	8,535	8,535
As at December 31, 2018		11,938	55	20,501	155,569	176,125
As at January 1, 2019		11,938	55	20,501	155,569	176,125
Profit/loss for the year		–	–	–	–7,565	–7,565
As at December 31, 2019		11,938	55	20,501	148,004	168,560

Parent Company – Statement of cash flows

January to December

EUR thousand	Note	2019	2018
Cash flows from operating activities			
Profit/loss before appropriations		-7,565	41,155
Adjustments to reconcile profit before appropriations to net cash:			
Net financial items		7,220	-43,404
Other non-cash adjustments		70	-201
Income taxes paid		-	-
Cash flows from operating activities before changes in working capital		-275	-2,450
Changes in working capital			
Change in operating receivables		954	-3,372
Change in operating liabilities		-166	-17
Changes in working capital		788	-3,390
Net cash flow from operating activities		513	-5,840
Cash flows from investing activities			
Investment in Group companies	A7	-	-8,535
Dividends received from Group companies		-	56,474
Interest received		6,313	1,858
Change in long-term receivables from Group companies		8,785	-86,263
Net cash flow from investing activities		15,098	-36,467
Cash flows from financing activities			
Proceeds from borrowings	A9	974	196,200
Repayment of borrowings	A9	-3,200	-152,030
Interest paid and other borrowing related costs		-13,151	-10,669
Shareholder contribution		-	8,535
Net cash flow from financing activities		-15,377	42,036
Net cash flow for the year		234	-270
Cash and cash equivalents at beginning of the year		10	280
Net cash flow for the year		234	-270
Cash and cash equivalents at end of the year¹		244	10

1) 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 Hälsingegatan 40, SE-113 43 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.

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 2019, intra-group sales amounted to EUR 2,948 thousand related to administrative costs and services. In 2018 there was an intra-group sale of EUR 978 thousand related to administration cost.

Note A3 Employees

Salaries, other remuneration and social security charges

EUR thousand	2019		
	Board of Directors and Executive management	Other employees	Total
Salaries	-1,125	-282	-1,407
Other remunerations	-17	–	-17
Pension expenses	–	-58	-58
Social security charges	-349	-106	-455
Total	-1,491	-446	-1,937

EUR thousand	2018		
	Board of Directors and Executive management	Other employees	Total
Salaries	-858	–	-858
Other remunerations	-22	–	-22
Social security charges	-270	–	-270
Total	-1,150	–	-1,150

Personnel expenses are recognized in the Administrative expenses line in the Income statement.

Salaries, including other remuneration and social charges were fully recharged to Transcom Worldwide AB and was netted on the same row in the Income statement.

Salaries, other remuneration and other entitlements to the Board, CEO and other Senior Executives, see note 6 for the Group.

Average number of employees

	2019		
	Women	Men	Total
Sweden	1	5	6
Total	1	5	6

	2018		
	Women	Men	Total
Sweden	–	1	1
Total	–	1	1

Note A4 Remuneration to auditors

EUR thousand	2019	2018
Ernst & Young		
Audit services	-4	-4
Other audit firms		
Audit services	-	-
Total	-4	-4

Note A5 Interest income/expense and similar items**Interest income and similar items**

EUR thousand	2019	2018
Interest income Group companies	7,266	1,872
Foreign exchange loss, net	118	252
Total	7,384	2,124

Interest expenses and similar items

EUR thousand	2019	2018
Interest expense on bank borrowings	-12,856	-10,939
Other financing costs	-512	-3,305
Foreign exchange gain, net	-175	-
Total	13,543	-14,244

Note A6 Taxes**Income tax expense**

During 2018 and 2019 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	2019	2018
Profit/Loss before tax	-7,565	41,155
Calculated tax based on tax rate in Sweden 21.40 %	1,619	-9,054
Dividends not taxable	-	12,424
Tax losses from prior years utilized	-	12
Change in tax rate in deferred tax assets	-	-172
Adjustment of deferred tax in respect of prior years	-	-12
Losses for which no tax benefit is recognized	-1,619	-2,197
Non deductible expenses	-	-691
Other taxes	-	-311
Income tax expense	-	-

Note A7 Investments in Group companies

Group Company	Country of incorporation	Domicile	Corporate identity number	December 31, 2019	
				Booked value EUR thousand	Capital/voting interest (%)
Transcom WorldWide AB	Sweden	Stockholm	556880-1277	239,120	100
Transcom WorldWide Albania SHPK	Albania	Duess			
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 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 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 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			
Offsourcing Philippines Inc.	Philippines	Davao			
BeAwesome Inc.	Philippines	Davao			
Transcom WorldWide Poland Sp. z o.o.	Poland	Olsztyn			
TWW Serviços de Helpline e de Atendimento Telefónico Lda Famalicão	Portugal	Vila Nova de Famalicão			
Transcom Worldwide D.O.O. Beograd	Serbia	Beograd			
Transcom WorldWide Spain S.L.U.	Spain	Madrid			
Transcom Worldwide Global S.L.	Spain	Madrid			
Transcom Contact Center Spain S.L.U	Spain	Madrid			
Transcom Nuevos Métodos Gestión, S.L.U	Spain	Madrid			
Transvoice Sweden AB	Sweden	Karlskoga	556653-6370		
Transvoice 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 ¹	United Kingdom	St Albans, Herts			
Top Up Mortgages Limited ¹	United Kingdom	St Albans, Herts			
Newman & Company Limited	United Kingdom	Leeds			
Cloud 10 Corp	United States	Denver			
Transcom WorldWide (US) Inc.	United States	Delaware			
Awesome OS Inc.	United States	Los Angeles			
GVP Communication AB	Sweden	Stockholm	556943-3294	39,799	100
Xzakt Kundrelation AB	Sweden	Stockholm	556588-8913		
LEG Communication AB	Sweden	Stockholm	556748-8951		
AGF Communication AB	Sweden	Stockholm	556888-0586		
Total				278,919	

1) 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.

No non-controlling interest exists in any company.

Note A7 Investments in Group companies, cont.**Cost**

EUR thousand	2019	2018
As at January 1	278,919	270,338
Investments in Group companies	–	45
Share contribution	–	8,535
As at December 31	278,919	278,919

In 2018 the company increased in investments in Group companies through additional acquisition costs related to the acquisition in 2017.

Note A8 Equity

Transcom's share capital as of 31 December 2019 is distributed among 11,937,773 shares with a nominal value of EUR cent 0.0046 per share (2018: EUR 0.00046). All shares entitle to one vote each.

In January 2018 an issue of bonus shares took place. The company's share capital was increased by 47,240 EUR to 55,000 EUR.

Note A9 Interest-bearing liabilities

EUR thousand	2019	2018
EUR revolving credit facility	3,000	6,200
EUR Fixed rate note (Unsecured)	10,000	10,000
EUR Fixed rate note (Secured)	180,000	180,000
Amortized costs	–744	–978
Other loans	1,148	–
Total	193,405	195,222
Non-current interest-bearing liabilities	183,405	–
Current interest-bearing liabilities	10,000	195,222
Total	193,405	195,222

On March 15, 2018, Transcom replaced the previous financing agreement by a EUR 180,000 thousand Senior Secured Fixed Rate Notes (SSFRN) as well as, on the 19th of March, a EUR 45,000 thousand Super Senior Revolving Credit Facility (SSRCF) Agreement with Nordea and Danske Bank. Interest rates in the revolving facility are based on LIBOR, STIBOR and EURIBOR plus margins. For the SSRCF the Company is committed to meet certain test conditions. There was no breach of covenants in 2019. In the event of change of control, the facility will need to be cancelled and needed to be replaced by a new credit facility.

On July 24, 2018, there was a new financing, Senior Unsecured Fixed Rate Notes (SURFN), of EUR 10,000 thousand.

There are share pledges in material companies used as security for the financing EUR 278,919 thousand. A part of the SSRCF is used to cover bank guarantees and cash pool limits.

In the event of a change of control the SSRCF will need to be cancelled and be replaced by a new credit facility and the holders of SSFRN and SURFN have the right to request a repurchase of the Notes.

As of December 31, 2019 the loan under the SSRCF amounted to EUR 3,000 (all non-current), excluding usage of cash pool and other local lending. (December 31, 2018, EUR 6,200 thousand).

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

	2019	2018
EUR thousand	Carrying amount	Carrying amount
Between six and twelve months	10,572	–
Between one and two years	–	11,583
Between two and seven years	222,910	236,985
Total	233,482	248,569

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, 2019, a 10 percent change in the market interest rate would impact the company's earnings by EUR +/- 116 thousand euro.

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 7,8 thousand euro 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 2020 fiscal year.

Classification of the financial assets and liabilities

EUR thousand	2019			2018		
	Financial instruments at amortized costs	Total carrying amount	Fair value ¹	Financial instruments at amortized costs	Total carrying amount	Fair value ¹
Financial assets						
Trade receivables	3,589	3,589	3,589	–	–	–
Other receivables incl. accrued income	21	21	21	511	511	511
Cash and cash equivalents	244	244	244	10	10	10
Total current financial assets	3,854	3,854	3,854	521	521	521
Total financial assets	3,854	3,854	3,854	521	521	521
Financial liabilities						
Interest-bearing liabilities	183,405	183,405	222,910	195,222	195,222	247,591
Total non-current financial liabilities	183,405	183,405	222,910	195,222	195,222	247,591
Interest-bearing liabilities	10,000	10,000	10,572	–	–	–
Trade payables	58	58	58	149	149	149
Other liabilities incl. accrued expenses	2,702	2,702	2,702	2,675	2,675	2,675
Total current financial liabilities	12,760	12,760	13,332	2,824	2,824	2,824
Total financial liabilities	196,165	196,165	236,242	198,046	198,046	250,415

1) 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 financial assets and liabilities based on contractual undiscounted payments

EUR thousand	2019			2018		
	<1 year	1–5 years	Fair value	<1 year	1–5 years	Fair value
Financial assets						
Trade receivables	3,589	–	3,589	–	–	–
Other receivables incl. accrued income	21	–	21	511	–	511
Cash and cash equivalents	244	–	244	10	–	10
Total current financial assets	3,854	–	3,589	521	–	521
Total financial assets	3,589	–	3,589	521	–	521
Financial liabilities						
Interest-bearing liabilities	–	183,405	222,910	–	247,591	247,591
Total non-current financial liabilities	–	183,405	222,910	–	247,591	247,591
Interest-bearing liabilities	10,000	–	10,572	–	–	–
Trade payables	58	–	58	149	–	149
Other liabilities incl. accrued expenses	2,702	–	2,702	2,675	–	2,675
Total current financial liabilities	12,760	–	13,332	2,824	–	2,824
Total financial liabilities	12,760	183,405	236,242	2,824	247,591	250,415

Note A11 Pledged assets and Guarantees

There are share pledges in material companies used as security for the financing EUR 278,919 thousand (2018: 278,919). A part of the SSRCF is used to cover bank guarantees and cash pool limits. There was no guarantees as per December 2019.

Note A12 Related party transactions

Altor has invoiced consulting and legal fees of EUR 216 thousand. There are also loans from Group companies outside the Transcom Group of EUR 1,195 thousand. Please also refer to note 6 and A3 for other related party transactions.

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	20,501,042
Retained earnings	155,569,060
Profit/loss for the year	-7,564,918
Total	168,505,184

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	20,501,042
Retained earnings	148,004,142
Total	168,505,184

Signatures of the Board of Directors

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 6, 2020

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

Eivind Roald
Member of the Board

Brent J. Welsh
Member of the Board

Jonas Dahlberg
President & CEO

Our audit report has been submitted on April 6, 2020

Ernst & Young AB
Erik Sandström
Authorized Public Accountant

Auditor's report

This is a translation from the Swedish original.

To the general meeting of the shareholders of Transcom Holding AB, 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 2019.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those

standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

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

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

Valuation of intangible assets

Description

Goodwill, brands and customer relationships in the group amount to EUR 303 million at December 31, 2019. Note 12 describes that the values are allocated to cash generating units and note 2 states that an impairment test is carried out annually and when there are indicators that the carrying value is higher than the recoverable amount. The recoverable amount is determined by discounting future cash flows which are based on the financial forecasts for the next three years, as approved by the Board of Directors, and an estimated constant growth rate after the forecast period. The calculation of the recoverable amount requires significant estimates regarding future cash flows, constant growth rate and discount rate. As described in note 12, the impairment tests did not result in any impairment in 2019.

Due to the estimates made in connection with the impairment tests, and the significant carrying values, we have considered this to be a key audit matter in the audit.

How our audit addressed this key audit matter

In our audit for the financial year 2019, we have evaluated the Company's process for preparing impairment tests and the identification of cash generating units. We have reviewed the valuation models applied in the impairment tests as well as the significant estimates. We have evaluated the assumptions about future cash flows, that form the basis of the impairment test, by comparing actual historical outcome with forecasts and performed sensitivity analyzes. Furthermore, we have evaluated the applied discount rate and assumptions about long-term growth after the forecast period. In these procedures we have also involved our valuation specialists.

We have also assessed the appropriateness of disclosures in the financial statements.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether

due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates

and related disclosures made by the Board of Directors and the Managing Director.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical

requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Transcom Holding AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Ernst & Young AB, Jakobsbergsgatan 24, PO Box 7850, SE-103 99, Stockholm, was appointed auditor of Transcom Holding AB by the general meeting of the shareholders on the 20 April 2019 and has been the company's auditor since 2017.

Stockholm 6 April, 2020
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.

EBITA: is defined as Operating profit/loss, adding back the recorded transaction-related amortization.

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

EBITA 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. It is calculated excluding the effect of IFRS 16 Leases.

Net debt: is defined as interest-bearing liabilities and employee benefit obligations, excluding leasing debt according to IFRS 16, less cash and cash equivalents per balance sheet day.

Net debt/EBITDA excluding non-recurring items: is defined as interest-bearing liabilities and employee benefit obligations, less cash and cash equivalents as per balance sheet day divided by EBITDA excl non-recurring items (LTM).

LTM: refers to the timeframe of the immediately preceding last twelve months.

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.

SSFRN: Senior Secured Fixed Rate Notes

SSRCF: Super Senior Revolving Credit Facility

SURFN: Senior Unsecured Fixed Rate Notes

Transcom

Transcom Holding AB (publ)

Hälsingegatan 40
SE-113 43 Stockholm
Sweden

Company registration number: 556962-4108
www.transcom.com