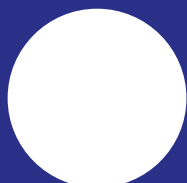
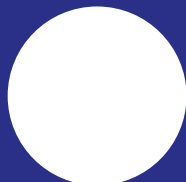
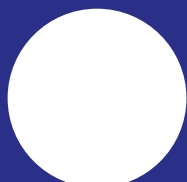


# Annual Report 2018



**Transcom**

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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 2018 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 and social media networks.

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

Transcom has deep know-how in a wide range of industries, including telecommunications & media, financial services, retail, and 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

## 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.

Transcom, whose core business is to deliver excellent multi-channel customer service and support.

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

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

2018, Transcom had 27,000 customer experience specialists at 50 contact centers across 21 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.

In March 2017, Transcom Holding AB acquired shares of Transcom WorldWide Group, which have been consolidated from April 1, 2017. The acquisition of Xzakt Group has been consolidated from July 1, 2017.

## Financial overview

### **Income statement**

Revenue for 2018 amounted to EUR 543.6 million (428.7). Gross profit amounted to EUR 92.4 million (75.9) and Operating result EUR –11.3 million (–1.4). Operating result excluding non-recurring items amounted to EUR 23.3 million (16.3). Non-recurring items amounted to EUR 34.6 million (17.6) and mainly consisted of EUR 28.3 million in operational related costs (restructuring and re-organization) and EUR 6.3 million in transaction related costs, partly connected to the acquisitions of Awesome OS.

### **Cash flow**

Cash flow for the year amounted to EUR –5.2 million (20.1). Cash flow from investments amounted to EUR –41.8 million (–184.7), as a result from acquisitions of Awesome OS. Cash flow from financing activities amounted to EUR 34.1 million (191.4) and included the new financing agreements signed during the year.

### **Debt & Financing**

On March 15, 2018, Transcom replaced the previous financing agreement by a EUR 180.0 million Senior Secured Fixed Rate Notes (SSFRN), maturing in March 2023, as well as on the 19th of March a EUR 45 million Super Senior Revolving Credit Facility (SSRCF) Agreement with Nordea and Danske Bank both held by the Parent company, maturing in September 2022. These new facilities replaced the previous facility agreement with Danske Bank of EUR 85.0 million and SEK 1,708.2 million. The SSFRN was listed at Nasdaq Stockholm December 5, 2018.

In addition in connection with the acquisition of Awesome OS, on July 24, 2018, a Senior Unsecured Fixed Rate Notes (SUFRN) of EUR 10.0 million was issued.

### **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 Hälsingegatan 40, 15th floor, SE-113 43 Stockholm.

Operating result amounted to negative EUR 3.2 million. Profit before appropriations amounted to EUR 41.2 million and mainly refers to dividends received from Group companies amounting to EUR 56.5 million. Cash flow for the year amounted to EUR –0.3 million.

## Significant events after the reporting period

On January 7, 2019 the Group announced the appointment of Jonas Dahlberg as Chief Financial Officer, succeeding Leif Mårtensson with effect from 1st of July 2019.

## Outlook

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

## Risks and uncertainties

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

- The risk of overcapacity situations in the case of volume reductions or termination of client contracts.
- The risk of significant volume reduction in relation to key clients, since a significant portion of Transcom's revenue is generated from a limited number of clients. Furthermore, since Transcom is highly dependent on the Communications and Financial services industries, any future prolonged downturn in these industry verticals may lead to volume reductions.

- The risk of failure to achieve the desired flexibility in staffing in each local market. Transcom is also exposed to the risk of adverse movements in labor costs, legislation or other conditions related to staffing.
- The risks of Transcom's clients terminating contracts before their scheduled expiration dates, or reduce business volumes, since some of these contracts do not require any termination fees or the possibility by Transcom to invoice any costs to recover client-specific investments. In addition, many client contracts have performance-related bonus and/or penalty provisions which are driven by Transcom's performance vis-à-vis agreed-upon performance metrics. In the event that Transcom is unable to deliver on the agreed-upon performance metrics, the Group could face penalties.
- The risk of high staff attrition in some of Transcom's markets or the inability to attract and retain personnel, since Transcom's long-term success largely depends on the ability to attract and develop the right people.
- The risk of disruption in technological infrastructure due to host of reasons including natural disaster, lapses from vendors, operating malfunction, lapses in change management procedures, cyber attacks, sabotage, etc. Furthermore, continuity in Transcom's operations may be affected by natural events, wars, terrorist attacks, other civil disturbances, epidemics, technical failures, etc.
- The risk of adverse foreign exchange movements, involving transaction exposure where Transcom invoices clients in one currency and incurs costs in another currency. Transcom is also exposed to translation exposure due to conversion of assets, liabilities, revenues and costs denominated in non-reporting currencies, into Transcom's reporting currency, which is the Euro.

The main risks arising from the Group's financial instruments are liquidity risk, credit/counterparty risk, foreign currency risk, and interest rate risk. The Board of Directors reviews and agrees policies for managing each of these risks. Further information on financial risks is summarized in note 23.

### **Corporate governance report**

Corporate governance report have been reported separately and is available at <http://www.transcom.com/en/corporate-governance-report-2018>.

### **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/About-Transcom/Corporate-Responsibility-2018>.

### **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	114,414,196
Profit/loss for the year	41,154,864
<b>Total</b>	<b>176,070,102</b>

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	155,569,060
<b>Total</b>	<b>176,070,102</b>

# Consolidated financial overview

	2018	2017
Revenue (EUR million)	544	429
EBIT (EUR million)	-12.6	-1,4
EBIT margin	-2.3%	-0.3%
EBIT excluding non-recurring items (EUR milion)	22.0	16.3
EBIT margin excluding non-recurring items	4.1%	3.8%
EBITDA (EUR million)	4.8	10.6
EBITDA margin	0.9%	2.5%
EBITDA excluding non-recurring items (EUR milion)	39.4	28.3
EBITDA margin excluding non-recurring items (EUR milion)	7.2%	6.6%
Profit/loss before tax (EUR million)	-32.2	2.6
Profit/loss for the year (EUR million)	-31.1	-0.3
Net cash flow from operating activities (EUR million)	2.5	13.3
Return on Equity	-28.7%	-0.2%
Equity ratio	21.9%	30.2%
Net debt/EBITDA	43.1	15.0

(Alternative performance measures see page 44)

# Consolidated income statement

January to December

EUR thousand	Note	2018	2017
Revenue	3, 4	543,633	428,729
Cost of sales	6, 7, 9, 25	-452,488	-352,790
<b>Gross profit</b>		<b>91,145</b>	<b>75,939</b>
Marketing expenses	6, 25	-3,066	-2,452
Administrative expenses	6, 7, 8, 25	-99,032	-74,935
Net loss on disposal of business	25	95	-43
Other operating income/expenses		-1,693	118
<b>Operating profit/loss</b>		<b>-12,551</b>	<b>-1,373</b>
Financial income	10	1,094	14,043
Financial expenses	10	-20,768	-10,058
<b>Profit/loss before tax</b>		<b>-32,226</b>	<b>2,612</b>
Income tax expense	11	1,268	-2,877
<b>Profit/loss for the year</b>		<b>-30,957</b>	<b>-265</b>
<b>Attributable to:</b>			
– equity holders of the parent		-30,957	-265
– non-controlling interests		–	–

# Consolidated statement of comprehensive income

January to December

EUR thousand	Note	2018	2017
Profit/loss for the year		-30,957	-265
<b>Other comprehensive income</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		183	-4,546
Net gain on cash flow hedge		1	1,178
		<b>184</b>	<b>-3,368</b>
<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	-40	27
Income tax effect		-	-4
		<b>-40</b>	<b>23</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>144</b>	<b>-3,345</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>-30,813</b>	<b>-3,610</b>
<b>Attributable to:</b>			
– equity holders of the parent		-30,813	-3,610
– non-controlling interests		-	-



# Consolidated statement of financial position

EUR thousand	Note	December 31, 2018	December 31, 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	12	210,352	174,085
Other intangible assets	12	112,115	96,548
Tangible assets	13	17,923	14,329
Deferred tax assets	11	2,416	704
Other receivables		2,163	2,934
		<b>344,968</b>	<b>288,600</b>
<b>Current assets</b>			
Trade receivables	14	71,123	62,502
Income tax receivables		4,450	5,460
Other receivables	15	10,839	8,749
Prepaid expenses and accrued income	15	37,845	40,943
Cash and cash equivalents		12,884	17,249
		<b>137,141</b>	<b>134,903</b>
<b>TOTAL ASSETS</b>		<b>482,109</b>	<b>423,503</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	16	55	8
Share premium reserve		20,501	20,501
Reserves		-3,201	-3,345
Retained earnings including net profit/loss for the year		88,372	110,841
<b>Total equity</b>		<b>105,726</b>	<b>128,004</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	17	216,725	113,535
Employee benefit obligations	18	2,632	2,584
Provisions	19	18,074	158
Deferred tax liabilities	11	27,269	24,042
Other liabilities		-	1
		<b>264,700</b>	<b>140,320</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	17	1,285	62,916
Provisions	19	22,514	3,916
Trade payables		23,761	21,593
Income tax payables		2,344	3,642
Other liabilities	20	21,100	23,186
Accrued expenses and prepaid income	21	40,678	39,927
		<b>111,683</b>	<b>155,179</b>
<b>Total liabilities</b>	23	<b>376,382</b>	<b>295,499</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>482,109</b>	<b>423,503</b>

Pledged Assets 27

# Consolidated statement of changes in equity

EUR thousand	Note	Equity attributable to equity holders of the parent					Total
		Share capital	Share premium reserve	Fair value reserve	Foreign translation reserve	Retained earnings	
<b>As at January 1, 2017</b>		<b>7</b>	–	–	–	<b>33,865</b>	<b>33,872</b>
Profit/loss for the year		–	–	–	–	–265	–265
Other comprehensive income for the year, net of tax		–	–	1,201	–4,546	–	–3,345
<b>Total comprehensive income for the year, net of tax</b>		–	–	<b>1,201</b>	<b>–4,546</b>	<b>–265</b>	<b>–3,610</b>
New issue of shares	16	1	20,501	–	–	–	<b>20,502</b>
Shareholder contribution		–	–	–	–	77,241	<b>77,241</b>
<b>As at December 31, 2017</b>		<b>8</b>	<b>20,501</b>	<b>1,201</b>	<b>–4,546</b>	<b>110,841</b>	<b>128,004</b>
<b>As at January 1, 2018</b>		<b>8</b>	<b>20,501</b>	<b>1,201</b>	<b>–4,546</b>	<b>110,841</b>	<b>128,004</b>
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	–	<b>144</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>55</b>	<b>20,501</b>	<b>1,162</b>	<b>–4,363</b>	<b>79,837</b>	<b>97,191</b>
Shareholder contribution		–	–	–	–	8,535	<b>8,535</b>
<b>As at December 31, 2018</b>		<b>55</b>	<b>20,501</b>	<b>1,162</b>	<b>–4,363</b>	<b>88,372</b>	<b>105,726</b>

# Consolidated statement of cash flows

January to December

EUR thousand	Note	2018	2017
<b>Cash flows from operating activities</b>			
Profit/loss before tax		-32,226	2,612
<b>Adjustments to reconcile profit before tax to net cash:</b>			
Depreciation and amortization	9	17,372	11,967
Change in provisions including employee benefit obligations		12,886	1,772
Other non-cash adjustments		-208	860
Net financial items		19,674	-3,985
Income taxes paid		-2,288	-4,577
<b>Cash flows from operating activities before changes in working capital</b>		<b>15,211</b>	<b>8,649</b>
<b>Changes in working capital</b>			
Change in operating receivables		-2,384	13,226
Change in operating liabilities		-10,332	-8,475
<b>Changes in working capital</b>		<b>-12,716</b>	<b>4,750</b>
<b>Net cash flow from operating activities</b>		<b>2,495</b>	<b>13,399</b>
<b>Cash flows from investing activities</b>			
Investments in tangible assets	13	-8,496	-3,830
Investments in intangible assets	12	-307	-529
Disposals of tangible assets		-	23
Acquisition of subsidiaries, net of cash acquired	24	-34,033	-180,994
Disposal of business, net of cash	25	-	-469
Changes in other non-current assets		922	937
Interest received		126	199
<b>Net cash flow from investing activities</b>		<b>-41,788</b>	<b>-184,662</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	17, 26	219,146	143,335
Repayment of borrowings	26	-181,558	-23,366
Payment of finance lease liabilities		-2	-5
Shareholder contribution		8,535	77,241
Interest paid and other borrowing related costs		-12,049	-5,800
<b>Net cash flow from financing activities</b>		<b>34,072</b>	<b>191,405</b>
<b>Net cash flow for the year</b>		<b>-5,222</b>	<b>20,142</b>
Cash and cash equivalents at beginning of the year		17,249	9
Net cash flow for the year		-5,222	20,142
Exchange rate differences in cash and cash equivalents		856	-2,902
<b>Cash and cash equivalents at end of the year</b>		<b>12,884</b>	<b>17,249</b>

# 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 27,000 customer experience specialists at 50 contact centers across 21 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 25, 2019.

These consolidated financial statements will be submitted for approval at the Annual General Meeting on April 30, 2019.

### 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 2018 and adopted by the Group.

The Group applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- IFRS 9 Financial Instruments replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. The standard is effective on or after 1 January 2018. The Group has adopted the new standard on the required effective date with no significant impact on the Group’s balance sheet and equity. Loans and trade receivables are still be measured at amortized cost under IFRS 9. Credit losses in the Group has historically been very low and are expected to be continued at a low level why a preliminary assessment give no expectations that this could have a material impact on the Group’s equity. The Group’s hedge relationship is still qualifying for hedge accounting under IFRS 9.
- IFRS 15 Revenue from Contracts with Customers outlines the principles to measure and recognize revenue. The standard is effective from 1 January 2018. IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures. The Group has adopted the new standard on the required effective date. The Group’s client contractual term are normally 1–3 years, the contractual period according to IFRS 15 are shorter and correspond to the period covered in the specific volume request from the respective client, which is stipulated in each contract and is normally a shorter period, e.g. between 1–6 months. These are identified as the Group’s performance obligations. The services are

invoiced the month the service are delivered which also correspond to when the revenue is recorded. Invoicing is based on pricing of e.g per minute, per hour or number of FTEs. There have not been identified any terms or obligations that effects how the Group are recognizing it’s revenue. More disclosures are presented in section 1.23 and note 3.

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

- IFRS 16 Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of “low-value” assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). A lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The standard will require more extensive disclosures than under IAS 17. The standard is effective from 1 January 2019 and the new standard will have an impact both on the Group’s balance sheet and disclosures in the Group’s financial statements. During the year, the Group has reviewed the existing leasing contracts and in summary the following impact is expected as per January 2019: The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment and other equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value. The expected effect as per January 1, 2019 is an increase of EUR 31 million in Assets, Statement of financial position.

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

### 1.3 Consolidation

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

The consolidated accounts are prepared according to the acquisition method, which entails acquisitions of subsidiaries being viewed as transactions through which the Group indirectly acquires the subsidiary’s assets and assumes its liabilities and contingent liabilities. The Group’s equity therefore includes only the portion of the subsidiary’s equity added since acquisition. The Group’s cost is determined through an acquisition analysis in connection with the acquisition. This analysis determines, in part, the cost of the holdings or operations and, in part, the fair value of the identifiable assets, liabilities and contingent liabilities assumed on the date of acquisition. The cost of the subsidiary’s shares or operations consists of the fair value of the compensation on the transfer date. The cost includes conditional purchase considerations recognized as liabilities at fair value per the acquisition date.

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

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

## 1.4 Foreign currency translation

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

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

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

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

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

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

## 1.5 Property, plant and equipment

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

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

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

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

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

## 1.6 Intangible assets

### (a) Goodwill

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

### (b) Customer relationships

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

### (c) Brand

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

### (d) Development costs

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

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

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

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

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

## 1.7 Impairment of non-financial assets

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

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

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

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

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

A financial asset is 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

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

### 1.10 Trade receivables

Trade receivables are classified in the category 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. 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 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

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

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

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

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

### 1.17 Current and deferred income tax

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

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

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and

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

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

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

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

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

### 1.18 Employee benefits

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

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

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

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

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

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

### 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 are recorded the same month as the services have been delivered. Revenue mainly arise 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;

## Notes to the Consolidated financial statements

- 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 (services delivered to clients based in Europe) and Latin America (services delivered to clients based 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) Valuation of business acquisition

The valuation of identifiable assets and liabilities in connection with the acquisition of Awesome OS is performed by revaluing items already recorded in the balance sheet, as well as items which have not previously been recorded in the balance sheet, such as customer relationships, to fair value. Customer relationships have been valued based on the expected future cash flows from the acquired business' present customer portfolio. In these valuation, significant management judgment is required to determine the amount that can be recognized.

### (b) Impairment of goodwill and intangible assets

The Group annually evaluates the carrying value of goodwill 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 2018. Changes in the assumptions and estimates used may have a signifi-

cant 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.

### (c) Provisions

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

### (d) Contingent liabilities

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



### Note 3 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 2018 the performance obligations amounts to EUR 49,987 thousand.

### Note 4 Segment information

EUR thousand	2018						
	English-speaking	Europe	Latin America	Total Segment	Transaction-related amortization	Non-recurring items	Total Group
Revenue from external customers	176,658	361,336	5,639	<b>543,633</b>	–	–	<b>543,633</b>
Gross profit	50,169	66,109	364	<b>116,642</b>	–9,539	–15,958	<b>91,145</b>
Operating profit/loss	16,492	15,652	–581	<b>31,563</b>	–9,539	–34,575	<b>–12,551</b>
Financial items	–	–	–	–	–	–	<b>–19,674</b>
Profit/loss before tax	–	–	–	–	–	–	<b>–32,226</b>

EUR thousand	2017						
	English-speaking	Europe	Latin America	Total Segment	Transaction-related amortization	Non-recurring items	Total Group
Revenue from external customers	170,483	250,588	7,069	<b>428,729</b>	–	589	<b>428,729</b>
Gross profit	31,485	54,725	1,036	<b>87,246</b>	–5,933	–5,374	<b>75,939</b>
Operating profit/loss	4,335	17,592	275	<b>22,202</b>	–5,933	–17,643	<b>–1,373</b>
Financial items	–	–	–	–	–	–	<b>3,985</b>
Profit/loss before tax	–	–	–	–	–	–	<b>–2,612</b>

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.

Revenues arises from call services operations in all segments.

Revenues from the largest single customers amounted to EUR 61,530 thousand, referring to Europe segment and revenues from the second largest client amounted to EUR 42,271 thousand in the English-speaking segment (2017: EUR 52,106 thousand, Europe segment, EUR 30,400 thousand Europe segment). External revenue for Sweden amounted to EUR 121,640 thousand (2017: EUR 125,156 thousand) and total assets in Sweden amounted to EUR 731,914 thousand (2017: EUR 612,168 thousand).

Goodwill per segment is reflected in note 12.

### Note 5 Expenses by nature

EUR thousand	2018	2017
Production costs	–19,712	–15,956
Personnel expenses	–449,887	–353,525
Other	–67,616	–48,727
Amortization and depreciation	–16,093	–11,967
<b>Expenses charged to the income statement</b>	<b>–553,308</b>	<b>–430,176</b>

### Note 6 Employees

#### Salaries, other remuneration and social security charges

EUR thousand	2018	2017
Salaries and other remunerations	–349,017	–282,352
Social security charges	–70,764	–49,009
Pension expenses	–10,436	–8,592
<b>Total</b>	<b>–430,217</b>	<b>–339,953</b>

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

EUR thousand	2018	2017
Cost of sales	–397,090	–312,647
Marketing expenses	–2,313	–1,946
Administrative expenses	–30,815	–25,360
<b>Total</b>	<b>–430,217</b>	<b>–339,953</b>

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

	2018			2017		
	Women	Men	Total	Women	Men	Total
Albania	381	283	664	–	–	–
Chile	314	210	524	254	189	443
Estonia	179	153	332	173	97	270
Philippines	4,663	4,384	9,047	3,523	3,392	6,915
Italy	505	199	705	387	143	521
Canada	75	48	123	363	265	628
Croatia	582	242	824	438	203	641
Latvia	198	132	330	187	125	312
Lithuania	620	329	949	462	214	676
The Netherlands	151	248	399	109	167	276
Norway	90	109	199	68	82	150
Poland	497	260	757	321	166	487
Portugal	305	100	405	233	89	322
Serbia	297	113	410	203	75	278
Spain	3,118	942	4,060	2,722	859	3,581
United Kingdom	16	25	41	14	22	36
Sweden	723	913	1,636	742	1,055	1,797
Switzerland	–	1	1	–	–	–
Tunisia	351	502	853	350	236	586
Germany	434	432	866	293	287	580
Hungary	149	99	248	117	92	209
United States	665	292	957	551	252	803
<b>Total<sup>1)</sup></b>	<b>14,314</b>	<b>10,016</b>	<b>24,330</b>	<b>11,506</b>	<b>8,010</b>	<b>19,516</b>

1) Total average number of employees excludes agency staff.

**Women in Board and Executive management, %**

	2018	2017
Board of Directors	–	–
Executive management	38%	13%

**Remuneration to the Board**

EUR thousand	2018	2017 <sup>1)</sup>
<b>Chairman of the Board:</b>		
Fredrik Cappelen	–50	–
<b>Other members of the Board:</b>		
Alfred von Platen	–30	–
Eivind Roald	–30	–
Fredrik Nylander	–30	–
Mattias Holmström	–30	–
Klas Johansson	–30	–
<b>Total</b>	<b>–200</b>	<b>–</b>

1) The Board has not received any remuneration for 2017.

**Remuneration and other benefits to Executive management**

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

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

EUR thousand	2017				
	Base salary	Variable compensation	Other benefits <sup>1)</sup>	Pension fees	Total
<b>President and CEO:</b>					
Michel Weinreich	–167	–133	–39	–	<b>–339</b>
Johan Eriksson	–231	–22	–11	–69	<b>–333</b>
<b>Other members of Executive management:</b>					
7 positions	–1,033	–287	–69	–229	<b>–1,618</b>
<b>Total</b>	<b>–1,430</b>	<b>–442</b>	<b>–118</b>	<b>–298</b>	<b>–2,290</b>

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

During 2018 the Executive management consisted of the following persons: Michael Weinreich, Leif Mårtensson, Philip Sköld, Cecilia Forzellius, Helene Ruda, Sytze Koopmans (Acting until August 2018), Stefan Berg (from September 2018), Alexandra Dahan and Mark Lyndsell.

The following guidelines were applied on remuneration for senior executives within the Group which currently include eight 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

### Operating leasing costs as lessee

EUR thousand	2018	2017
Premises	-18,702	-13,948
IT Equipment	-36	-108
Office equipment	-242	-203
Cars	-745	-617
Others	-105	-95
<b>Total</b>	<b>-19,830</b>	<b>-14,971</b>

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	-22,601	-43,543	-66,144
IT Equipment	-716	-696	-1,412
Office equipment	-156	-144	-300
Cars	-372	-361	-733
Other	-12	-16	-28
<b>Total</b>	<b>-23,857</b>	<b>-44,760</b>	<b>-68,617</b>

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

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

### Assets utilized under finance leases as a lessee

EUR thousand	2018	2017
Cost	32	30
Accumulated depreciation	-32	-28
<b>Carrying value</b>	<b>-</b>	<b>2</b>

### Gross finance lease liabilities – minimum lease payments

EUR thousand	2018	2017
Less than one year	-	3
Between one and five years	-	-
	-	<b>3</b>
Future finance charges on finance leases	-	1
<b>Present value of finance lease liabilities</b>	<b>-</b>	<b>4</b>

### Present value of finance lease liabilities

EUR thousand	2018	2017
Less than one year	-	3
Between one and five years	-	-
<b>Present value of finance lease liabilities</b>	<b>-</b>	<b>3</b>

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

## Note 8 Remuneration to auditors

EUR thousand	2018	2017
<b>Ernst &amp; Young</b>		
Audit services	-767	-679
Audit services outside the assignment	-	-6
Tax advice	-6	-6
<b>Other audit firms</b>		
Audit services	-76	-75
<b>Total</b>	<b>-849</b>	<b>-766</b>

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	2018	2017
Customer relationships	-9,539	-5,933
Development costs	-843	-702
Other intangibles	-93	-24
Telephone switch	-427	-299
Fixture and fittings	-912	-755
Computer hardware and software	-3,255	-2,376
Office improvements	-2,302	-1,878
<b>Total</b>	<b>-17,372</b>	<b>-11,967</b>

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

EUR thousand	2018	2017
Cost of sales	-17,372	-11,967
<b>Total</b>	<b>-17,372</b>	<b>-11,967</b>

## Note 10 Financial income and expenses

### Financial income

EUR thousand	2018	2017
Interest income on bank deposits	548	199
Fair value revaluation of shares <sup>1</sup>	–	13,624
Other financial income	546	220
<b>Total</b>	<b>1,094</b>	<b>14,043</b>

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

### Financial expenses

EUR thousand	2018	2017
Interest expense on bank borrowings	-12,479	-5,984
Other financing costs <sup>1</sup>	-7,926	-2,915
Bank fees	-362	-360
Foreign exchange loss	-1	-799
<b>Total</b>	<b>-20,768</b>	<b>-10,058</b>

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.

## Note 11 Taxes

### Income tax expense

EUR thousand	2018	2017
Current income tax on profit/loss for the year	-3,507	-3,890
Adjustments in respect of prior years	-1,418	-581
<b>Current taxes</b>	<b>-4,924</b>	<b>-4,471</b>
Current year origination and reversal of temporary differences	6,931	1,595
Adjustments in respect of prior years	-738	–
<b>Deferred taxes</b>	<b>6,193</b>	<b>1,595</b>
<b>Income tax expense</b>	<b>1,268</b>	<b>-2,877</b>

Current income tax on profit/loss for the year includes corporate income tax of EUR 3,967 thousand (2017: EUR 3,590 thousand) and withholding tax of EUR 958 thousand (2017: EUR 300 thousand). The deferred tax benefit is related to amortization of intangible assets and on temporary differences and tax losses in two entities. Adjustments in respect of prior years mainly represent provisions with respect to claims brought against the Group by tax authorities in various jurisdictions.

As at December 31, 2018 seven 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, 2018 the provision related to tax audits amounts to EUR 4,027 thousand (2017: EUR 1,123 thousand). The increase is related new provisions in tax audits and refunds in tax audit where the final outcome remains uncertain.

### 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	2018	%	2017	%
<b>Profit/loss before tax</b>	<b>-32,226</b>		<b>2,612</b>	
Calculated tax based on tax rate in Sweden 22.00 %	7,090	-22.0	-575	-22.0
Foreign tax rate differential	555	-1.7	505	19.3
Tax exempt income	2,588	-8.0	2,442	93.5
Non-deductible expenses	-2,671	8.3	-31	-1.2
Losses previously recognized impaired current year	–	–	-64	-2.5
Prior year losses recognized this year	2,325	-7.2	–	–
Losses for which no tax benefit is recognized	-9,375	29.1	-3,785	-144.9
Adjustments in respect of prior years	-2,156	6.7	-581	-22.2
Change in tax rates	410	-1.3	-500	-19.1
Withholding tax	-958	3.0	-300	-11.5
Other tax not at standard rate <sup>1</sup>	-988	3.1	12	0.5
Other <sup>2</sup>	-4,449	-13.8	–	–
<b>Income tax expense</b>	<b>1,268</b>	<b>-3.9</b>	<b>-2,877</b>	<b>-110.1</b>

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

EUR thousand	Tangible assets	Tax losses	Other	Netting	Total
<b>As at January 1, 2018</b>	<b>621</b>	<b>108</b>	<b>814</b>	<b>-838</b>	<b>704</b>
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
<b>As at December 31, 2018</b>	<b>550</b>	<b>3,910</b>	<b>1,031</b>	<b>-3,076</b>	<b>2,415</b>

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

**Deferred tax liabilities**

EUR thousand	Tangible assets	Intangible assets	Other	Netting	Total
<b>As at January 1, 2018</b>	<b>-</b>	<b>24,418</b>	<b>462</b>	<b>-838</b>	<b>24,042</b>
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
<b>As at December 31, 2018</b>	<b>-</b>	<b>29,222</b>	<b>1,123</b>	<b>-3,075</b>	<b>27,269</b>

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

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 76,463 thousand (2017: EUR 55,077 thousand). 38,159 thousand (2017: EUR 19,200 thousand) of these losses have no expiration date. The corresponding deferred tax assets for the losses would have been 18,970 EUR thousand (2017: EUR 13,117 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
<b>Cost</b>						
<b>As at January 1, 2018</b>	<b>174,085</b>	<b>74,921</b>	<b>23,399</b>	<b>15,416</b>	<b>3,093</b>	<b>290,914</b>
Acquisitions <sup>1</sup>	36,353	25,574	-	-	-	61,927
Investments	-	-	39	181	87	307
Translation differences	-86	689	-231	-1	12	383
<b>As at December 31, 2018</b>	<b>210,352</b>	<b>101,184</b>	<b>23,206</b>	<b>15,596</b>	<b>3,193</b>	<b>353,531</b>
<b>Accumulated amortization and impairment</b>						
<b>As at January 1, 2018</b>	<b>-</b>	<b>-5,262</b>	<b>-</b>	<b>-12,347</b>	<b>-2,671</b>	<b>-20,280</b>
Amortization for the year	-	-9,539	-	-843	-93	-10,475
Translation differences	-	-291	-	-10	-8	-309
<b>As at December 31, 2018</b>	<b>-</b>	<b>-15,092</b>	<b>-</b>	<b>-13,200</b>	<b>-2,772</b>	<b>-31,064</b>
<b>Carrying value as at December 31, 2018</b>	<b>210,352</b>	<b>86,091</b>	<b>23,206</b>	<b>2,396</b>	<b>421</b>	<b>322,467</b>

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

**Note 12 Goodwill and other intangible assets, cont.**

EUR thousand	Goodwill	Customer relationships	Brand	Development cost	Others	Total
<b>Cost</b>						
<b>As at January 1, 2017</b>	–	–	–	–	–	–
Acquisitions <sup>2</sup>	180,974	75,930	23,399	15,279	2,722	<b>298,304</b>
Investments	–	–	–	137	392	<b>529</b>
Translation differences	–6,889	–1,009	–	–	–21	<b>–7,919</b>
<b>As at December 31, 2017</b>	<b>174,085</b>	<b>74,921</b>	<b>23,399</b>	<b>15,416</b>	<b>3,093</b>	<b>290,914</b>

**Accumulated amortization and impairment**

<b>As at January 1, 2017</b>	–	–	–	–	–	–
Acquisitions	–	–	–	–11,644	–2,665	<b>–14,309</b>
Amortization for the year	–	–5,933	–	–702	–24	<b>–6,660</b>
Translation differences	–	671	–	–	17	<b>688</b>
<b>As at December 31, 2017</b>	<b>–</b>	<b>–5,262</b>	<b>–</b>	<b>–12,347</b>	<b>–2,671</b>	<b>–20,280</b>
<b>Carrying value as at December 31, 2017</b>	<b>174,085</b>	<b>69,659</b>	<b>23,399</b>	<b>3,069</b>	<b>422</b>	<b>270,634</b>

2) Goodwill, Customer relationships and Brand refers to surplus value added from the acquisitions of the companies Transcom Worldwide AB and GVP Communication AB.

**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. Awesome has been tested separately, instead of included in English-speaking, due to it was acquired the same year and cash-flow not fully integrated with English-speaking. The carrying amounts of goodwill allocated to each cash-generating unit are:

EUR thousand	2018	2017
English-speaking	30,438	32,494
Europe	144,319	141,591
Awesome	35,595	–
<b>Total</b>	<b>210,352</b>	<b>174,085</b>

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

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

Pre-tax discount rates 8.4 percent to 11.7 percent; Europe 10.6 percent, English-speaking 11.7 percent and Awesome 8.4 percent were applied in determining the recoverable amounts of the units. The discount rates is estimated based on past experience, industry average weighted cost of capital and Group's industry related beta adjusted to reflect executive management's assessment of specific risks related to the unit. 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	2018	2017
English-speaking	5,541	5,554
Europe	17,666	17,845
Awesome	–	–
<b>Total</b>	<b>23,206</b>	<b>23,399</b>

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
<b>Cost</b>					
<b>As at January 1, 2018</b>	<b>25,175</b>	<b>25,595</b>	<b>47,520</b>	<b>24,046</b>	<b>122,337</b>
Acquisition of a subsidiary	–	511	2,068	1,953	<b>4,531</b>
Investments	720	1,273	4,900	1,603	<b>8,496</b>
Disposals	–169	–251	–854	–1,048	<b>–2,321</b>
Reclassifications	59	–37	–42	20	<b>–</b>
Translation differences	301	100	841	758	<b>2,000</b>
<b>As at December 31, 2018</b>	<b>26,086</b>	<b>27,190</b>	<b>54,434</b>	<b>27,332</b>	<b>135,042</b>
<b>Accumulated amortization and impairment</b>					
<b>As at January 1, 2018</b>	<b>–24,092</b>	<b>–23,556</b>	<b>–41,542</b>	<b>–18,817</b>	<b>–108,008</b>
Acquisition of a subsidiary	–	–359	–1,005	–735	<b>–2,100</b>
Depreciation for the year	–427	–912	–3,255	–2,302	<b>–6,896</b>
Disposals	152	213	629	518	<b>1,513</b>
Reclassifications	–16	33	–7	–10	<b>–</b>
Translation differences	–304	–99	–639	–586	<b>–1,627</b>
<b>As at December 31, 2018</b>	<b>–24,688</b>	<b>–24,680</b>	<b>–45,819</b>	<b>–21,932</b>	<b>–117,119</b>
<b>Carrying value as at December 31, 2018</b>	<b>1,398</b>	<b>2,510</b>	<b>8,615</b>	<b>5,399</b>	<b>17,923</b>
<b>Cost</b>					
<b>As at January 1, 2017</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Acquisition of a subsidiary	26,578	25,634	47,608	25,091	124,911
Investments	211	594	2,224	801	3,830
Disposals	–279	–17	–121	–66	–482
Disposal of business <sup>1</sup>	–	–	–	–9	–9
Translation differences	–1,335	–615	–2,192	–1,771	–5,914
<b>As at December 31, 2017</b>	<b>25,175</b>	<b>25,596</b>	<b>47,520</b>	<b>24,046</b>	<b>122,337</b>
<b>Accumulated amortization and impairment</b>					
<b>As at January 1, 2017</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Acquisition of a subsidiary	–25,374	–23,411	–41,066	–18,360	–108,211
Depreciation for the year	–299	–755	–2,376	–1,878	–5,308
Disposals	276	17	107	78	478
Disposal of business <sup>1</sup>	–	–	–	9	9
Translation differences	1,305	593	1,792	1,333	5,024
<b>As at December 31, 2017</b>	<b>–24,092</b>	<b>–23,556</b>	<b>–41,542</b>	<b>–18,817</b>	<b>–108,008</b>
<b>Carrying value as at December 31, 2017</b>	<b>1,082</b>	<b>2,040</b>	<b>5,978</b>	<b>5,228</b>	<b>14,329</b>

1) For further information, see note 25.

**Note 14 Trade receivables**

EUR thousand	2018	2017
Trade receivables gross	71,425	62,691
Expected credit losses	-302	-189
<b>Trade receivables net</b>	<b>71,123</b>	<b>62,502</b>

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

The two largest trade receivable balances represent 17 percent of the total balance.

**Expected credit losses**

EUR thousand	2018	2017
<b>As at January 1</b>	<b>-189</b>	<b>-</b>
Acquisition of a subsidiary	-	-399
Provisions recorded	-117	-29
Provisions used	3	237
Translation differences	1	3
<b>As at December 31</b>	<b>-302</b>	<b>-189</b>

**Overview of the ageing of trade receivables**

EUR thousand	2018	2017
<30 days	9,941	9,177
30-60 days	1,975	831
60-90 days	456	215
90-120 days	502	170
>120 days	980	1,451
<b>Total</b>	<b>13,854</b>	<b>11,844</b>

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 3,913 thousand are past due more than 30 days but not provided for (2017: EUR 2,667). 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	2018	2017
VAT recoverable	5,004	4,353
Amount due from public authorities	2,598	1,827
Client deposit related assets	370	376
Other receivables <sup>1</sup>	2,867	2,193
<b>Total</b>	<b>10,839</b>	<b>8,749</b>

1) Other receivables mainly relates to advanced payments.

**Prepaid expenses and accrued income**

EUR thousand	2018	2017
Prepaid expenses	4,083	3,106
Accrued income	33,762	37,837
<b>Total</b>	<b>37,845</b>	<b>40,943</b>

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, 2018 was distributed among 11,937,773 shares (2017: 11,937,773) with a nominal value of EUR cent 0.0046 per share (2017: EUR cent 0.0065). 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.

During 2017 the shares was consolidated to one (1) share. After the consolidation, a share split was registered whereby each existing share was replaced by 10,000,000 new shares (split 1:10,000,000). Following the split of shares, the total number of shares in the Company amounted to 10,000,000. New shares were issued by contribution in kind, EUR 20,501 thousand was recorded to Share premium reserve. Total shares after the new share issue amounted to 11,937,773 shares.

**Note 17 Interest-bearing liabilities**

EUR thousand	2018	2017
EUR revolving credit facility	6,200	156,349
USD revolving credit facility	19,214	5,003
SEK revolving credit facility	-	19,832
EUR fixed rate note	190,000	-
Amortized costs	-995	-4,808
Other loans	3,592	71
	<b>218,011</b>	<b>176,447</b>
Finance leases	-	4
<b>Total</b>	<b>218,011</b>	<b>176,451</b>
Non-current interest-bearing liabilities	216,725	113,535
Current interest-bearing liabilities	1,285	62,916
<b>Total</b>	<b>218,011</b>	<b>176,451</b>

EUR thousand	2018	2017
Unused credit facilities <sup>1</sup>	22,047	18,344
<b>Total</b>	<b>22,047</b>	<b>18,344</b>

1) Unused credit facilities includes unused cash pool limits.

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 EURI-BOR plus margins. For the SSRCF the Company is committed to meet certain test conditions. There was no breach of covenants in 2018.

These new facilities replaced the previous facility agreement with Danske Bank of EUR 85,000 thousand and SEK 1,708,157,500.

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

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 SUFRN have the right to request a repurchase of the Notes.

On July 16, 2018, a new financing by Santander of EUR 2,500 thousand was put in place and on December 21, 2018 a new financing by BBVA of EUR 1,000 thousand was put in place.

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

EUR thousand	2018	2017
Less than six months	10	60,113
Between six and twelve months	1,338	3,610
Between one and two years	13,589	7,372
Between two and five years	262,373	134,023
<b>Total</b>	<b>277,309</b>	<b>205,118</b>



## 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, 2018 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	2018	2017
Italy	2,017	2,354
Philippines	612	230
USA	2	–
<b>Present value of scheme liabilities</b>	<b>2,631</b>	<b>2,584</b>

### Analysis of the amount charged to operating profit

EUR thousand	2018				2017		
	Italy	Philippines	USA	Total	Italy	Philippines	Total
Current service cost	–	183	–	<b>183</b>	–	294	<b>294</b>
Past service cost	–174	–147	–	<b>–321</b>	–	–533	<b>–533</b>
<b>Total operating charge</b>	<b>–174</b>	<b>36</b>	<b>–</b>	<b>–138</b>	<b>–</b>	<b>–239</b>	<b>–239</b>

### Analysis of the amount credited to other finance costs

EUR thousand	2018				2017		
	Italy	Philippines	USA	Total	Italy	Philippines	Total
Interest on pension scheme liabilities	21	10	–	<b>31</b>	16	14	<b>30</b>
<b>Total finance cost</b>	<b>21</b>	<b>10</b>	<b>–</b>	<b>31</b>	<b>16</b>	<b>14</b>	<b>30</b>

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

%	2018			2017	
	Italy	Philippines	USA	Italy	Philippines
Rate of increase in salaries	1.7–1.9	7.7	–	2.0	2.0
Discount rate	2.0	2.0	–	1.5	5.6

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

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

EUR thousand	2018				2017		
	Italy	Philippines	USA	Total	Italy	Philippines	Total
<b>As at January 1</b>	<b>2,354</b>	<b>231</b>	<b>–</b>	<b>2,584</b>	<b>–</b>	<b>–</b>	<b>–</b>
Movement in the year							
Acquired employee benefit obligations	–	122	2	<b>124</b>	2,212	325	<b>2,537</b>
Transfer payments	–	–	–	<b>–</b>	1	–	<b>1</b>
Current service cost and settlements	–	183	–	<b>183</b>	–	294	<b>294</b>
Reclassification to asset	–	–	–	<b>–</b>	–	–	<b>–</b>
Interest cost	21	10	–	<b>31</b>	16	14	<b>30</b>
Past service cost	–174	–147	–	<b>–321</b>	124	–553	<b>–429</b>
Contributions	–	195	–	<b>195</b>	–	175	<b>175</b>
Actuarial gains/losses	–22	–18	–	<b>–40</b>	92	–65	<b>27</b>
Benefits paid	–162	–	–	<b>–162</b>	–91	–	<b>–91</b>
Translation difference	–	36	–	<b>36</b>	–	41	<b>41</b>
<b>As at December 31</b>	<b>2,017</b>	<b>612</b>	<b>2</b>	<b>2,631</b>	<b>2,354</b>	<b>231</b>	<b>2,584</b>

The Italian liability would increase with EUR 112 thousand if the discount rate would be lowered by 0.5 percent. An increase with the same percentage would lower the liability with EUR 102 thousand.

The liability in the Philippines would increase with EUR 80 thousand if the discount rate would be lowered by 1 percentage point. An increase with the same percentage would lower the liability with EUR 69 thousand. If the inflation rate assumption in the Philippines would increase with 1 percentage point the liability would be EUR 84 thousand higher, the corresponding decrease would lower the liability with EUR 73 thousand.

**Note 19 Provisions**

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

1) The Group has as at December 31, 2018 a provision of EUR 4,027 thousand relating to several tax audit (EUR 1,123 as at December 31, 2017). 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.

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

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

**Note 20 Other liabilities**

EUR thousand	2018	2017
VAT payable	5,203	4,949
Liabilities to public authorities	12,461	11,929
Client funds	136	265
Advances received from customers	17	48
Liabilities to subcontractors	145	1,821
Other current liabilities	3,139	4,174
<b>Total</b>	<b>21,100</b>	<b>23,186</b>

**Note 21 Accrued expenses and prepaid income**

EUR thousand	2018	2017
Accrued personnel expenses	22,813	24,058
Other accrued expenses <sup>1</sup>	17,703	15,706
Deferred income	162	163
<b>Total</b>	<b>40,678</b>	<b>39,927</b>

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, 2018, seven 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, 2018 the provision amounts to EUR 4,027 thousand related to tax audits (December 31, 2017: 1,123). See also note 19.

The group has no contingent liabilities as at December 31, 2018. 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 1,041 thousand, if the USD interest rates increase by 10 percent it will have an effect on the profit before tax by EUR 62 thousand and if the SEK interest rates increase by 10 percent it will have an effect on the profit before tax by EUR 86 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.

The interest rate option Transcom had in 2017 was closed in March 2018 when there was a re-financing of which most at a fixed rate.

### 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	2018		2017	
	Average rate	Closing rate	Average rate	Closing rate
US Dollar, USD	1.18	1.15	1.13	1.20
Swedish Krona, SEK	10.26	10.25	9.64	9.84
Philippine peso, PHP	61.94	60.11	56.94	59.80

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 2018, 40–50 percent of the anticipated net flow of sales and costs has been hedged by purchasing of forward contracts for a period of 6 to 12 months.

Translation risk, results from the conversion of assets, liabilities, revenues and costs denominated in non-Euro reporting currencies, into the Group reporting currency, which is the Euro. In 2018, 46.5 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, 2018 of the exchange rate for the USD vs EUR would have affected shareholders' equity in the Group with EUR +/-12 081 thousand and EUR +/-12 003 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 2018 average exchange rate for the USD vs EUR would have the Group's net income of EUR +/-501 thousand and EUR +/-93 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 new Credit Facility at December 31, 2018 was EUR 1,416 thousand (2017: 13,596).

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 2019 fiscal year.

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

EUR thousand	2018					2017			
	Financial instruments at amortized cost	Financial instruments at fair value to the P&L <sup>1</sup>	Derivatives for cashflow hedges	Total carrying amount	Fair value <sup>2</sup>	Financial instruments at amortized cost	Derivatives for cashflow hedges	Total carrying amount	Fair value <sup>1</sup>
<b>Financial assets</b>									
Other receivables	2,163	–	–	2,163	2,163	2,887	–	2,887	2,887
<b>Total non-current financial assets</b>	<b>2,163</b>	<b>–</b>	<b>–</b>	<b>2,163</b>	<b>2,163</b>	<b>2,887</b>	<b>–</b>	<b>2,887</b>	<b>2,887</b>
Trade receivables	71,123	–	–	71,123	71,123	62,502	–	62,502	62,502
Other receivables incl. accrued income	44,304	–	297	44,601	44,601	46,217	361	46,578	46,578
Cash and cash equivalents	12,884	–	–	12,884	12,884	17,249	–	17,249	17,249
<b>Total current financial assets</b>	<b>128,311</b>	<b>–</b>	<b>297</b>	<b>128,608</b>	<b>128,608</b>	<b>125,968</b>	<b>361</b>	<b>126,329</b>	<b>126,329</b>
<b>Total financial assets</b>	<b>130,474</b>	<b>–</b>	<b>297</b>	<b>130,771</b>	<b>130,771</b>	<b>128,855</b>	<b>361</b>	<b>129,216</b>	<b>129,216</b>
<b>Financial liabilities</b>									
Interest-bearing liabilities	216,725	–	–	216,725	274,981	113,535	–	113,535	141,395
Provisions	145	17,929	–	18,074	18,074	158	–	158	158
<b>Total non-current financial liabilities</b>	<b>216,871</b>	<b>17,929</b>	<b>–</b>	<b>234,799</b>	<b>293,055</b>	<b>113,692</b>	<b>–</b>	<b>113,692</b>	<b>141,553</b>
Interest-bearing liabilities	1,285	–	–	1,285	1,350	62,916	–	62,916	63,723
Provisions	16,239	6,275	–	22,514	22,514	3,916	–	3,916	3,916
Trade payables	23,761	–	–	23,761	23,761	21,593	–	21,593	21,593
Other liabilities incl. accrued expenses	43,934	–	–	43,934	43,934	46,022	–	46,022	46,022
<b>Total current financial liabilities</b>	<b>85,219</b>	<b>6,275</b>	<b>–</b>	<b>91,494</b>	<b>91,559</b>	<b>134,446</b>	<b>–</b>	<b>134,447</b>	<b>135,254</b>
<b>Total financial liabilities</b>	<b>302,090</b>	<b>24,204</b>	<b>–</b>	<b>326,294</b>	<b>384,614</b>	<b>248,139</b>	<b>–</b>	<b>248,141</b>	<b>276,806</b>

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, and has been revalued to €24,204 thousand as per December 2018 (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.

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

EUR thousand	2018				2017			
	<1 year	1–5 years	>5 years	Fair value	<1 year	1–5 years	>5 years	Fair value
<b>Financial assets</b>								
Other receivables	–	2,163	–	2,163	–	2,887	–	2,887
<b>Total non-current financial assets</b>	<b>–</b>	<b>2,163</b>	<b>–</b>	<b>2,163</b>	<b>–</b>	<b>2,887</b>	<b>–</b>	<b>2,887</b>
Trade receivables	71,123	–	–	71,123	62,502	–	–	62,502
Other receivables incl. accrued income	44,601	–	–	44,601	46,578	–	–	46,578
Cash and cash equivalents	12,884	–	–	12,884	17,249	–	–	17,249
<b>Total current financial assets</b>	<b>128,608</b>	<b>–</b>	<b>–</b>	<b>128,608</b>	<b>126,329</b>	<b>–</b>	<b>–</b>	<b>126,329</b>
<b>Total financial assets</b>	<b>128,608</b>	<b>2,163</b>	<b>–</b>	<b>130,771</b>	<b>126,329</b>	<b>2,887</b>	<b>–</b>	<b>129,216</b>
<b>Financial liabilities</b>								
Interest-bearing liabilities	–	274,981	–	274,981	–	141,395	–	141,395
Provisions	–	18,074	–	18,074	–	158	–	158
<b>Total non-current financial liabilities</b>	<b>–</b>	<b>293,055</b>	<b>–</b>	<b>293,055</b>	<b>–</b>	<b>141,553</b>	<b>–</b>	<b>141,553</b>
Interest-bearing liabilities	1,350	–	–	1,350	63,723	–	–	63,723
Provisions	22,514	–	–	22,514	3,916	–	–	3,916
Trade payables	23,761	–	–	23,761	21,593	–	–	21,593
Other liabilities incl. accrued expenses	43,934	–	–	43,934	46,022	–	–	46,022
<b>Total current financial liabilities</b>	<b>91,559</b>	<b>–</b>	<b>–</b>	<b>91,559</b>	<b>135,254</b>	<b>–</b>	<b>–</b>	<b>135,254</b>
<b>Total financial liabilities</b>	<b>91,559</b>	<b>293,055</b>	<b>–</b>	<b>384,614</b>	<b>135,254</b>	<b>141,553</b>	<b>–</b>	<b>276,806</b>

## 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.

EUR thousand	2018	2017
Consideration paid in cash	35,602	201,847
Cash acquired	-1,569	-20,853
<b>Cash flow from acquisition of subsidiaries, net of cash acquired</b>	<b>34,033</b>	<b>180,994</b>
<b>Total consideration<sup>1</sup></b>	<b>58,262</b>	<b>281,206</b>
<b>Purchase price allocation:</b>		
Acquired net assets	4,564	31,878
Goodwill	35,603	174,811
Customer relationships	25,777	75,847
Brand	-	23,500
Deferred tax liability	-7,682	-24,830
<b>Total</b>	<b>58,262</b>	<b>281,206</b>

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).

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 signed an asset transfer agreement to take over a site in Durres, Albania, currently operated by Transcom's partner. The site in Durres has been delivering services to Transcom clients since 2013. For Transcom, taking over the site with over 500 highly qualified multilingual employees, will strengthen Transcom's European nearshore and multilingual services. Consideration paid was EUR 950 thousand. Net assets acquired is EUR 200 thousand and goodwill EUR 750 thousand.

2017 acquisitions referred to the acquisitions referred to Transcom Worldwide AB Group and GVP Communication AB, Parent company of Xzakt Group.

## Note 25 Significant disposals and non-recurring items

### Disposal of business

EUR thousand	2018	2017
		<b>CMS Denmark</b>
Provision	-	457
Transaction costs	-	12
Post-settlement adjustment	-124	-469
<b>Net capital gain/loss</b>	<b>-124</b>	<b>-</b>
Post-settlement adjustment	-	-469
<b>Net cash flow from disposal of subsidiary</b>	<b>-</b>	<b>-469</b>

In 2018 a loss amounting to EUR 124 thousand, was recorded relating to the closure of Colombia 2017. In 2017, in addition to the divestment of CMS Denmark, the Group closed dormant legal entities in Austria, Finland and Colombia. The net capital loss amounted to EUR 43 thousand without any cash flow effect.

### Non-recurring items

EUR thousand	2018	2017
Operational non-recurring items	-28,278	-10,339
Transaction related non-recurring items	-6,297	-7,305
<b>Total</b>	<b>-34,575</b>	<b>-17,644</b>

### 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	2018	2017
Cost of sales	-15,958	-5,158
Marketing expenses	-419	-194
Administrative expenses	-11,400	-4,987
Other operating income/expenses	-501	-
<b>Total</b>	<b>-28,278</b>	<b>-10,339</b>

### Transaction related non-recurring items

The Group has also recorded items affecting comparability costs related to acquisitions 2018 and 2017 and also fair value revaluation of earn-out provisions recorded.

EUR thousand	2018	2017
Revenue	-	75
Cost of sales	-	-292
Marketing expenses	-	-26
Administrative expenses	-5,311	-7,087
Net gain/loss on disposal of business	-	-43
Other operating income/expenses	-986	68
<b>Total</b>	<b>-6,297</b>	<b>-7,305</b>

**Note 26 Changes in liabilities arising from financing activities**

2018, EUR thousand	Opening balance	Balance in acquired subsidiaries	Net cash flows <sup>1</sup>	Foreign exchange movement	Other non cash flow changes	Closing balance
Borrowings	176,376	18	37,588	190	3,768	<b>217,940</b>
Other loans	71	–	–	–	–	<b>71</b>
Financial Leases	4	–	–2	–	–2	<b>–</b>
<b>Total</b>	<b>176,451</b>	<b>18</b>	<b>37,586</b>	<b>190</b>	<b>3,766</b>	<b>218,010</b>

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

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 209,473 thousand (2017 270,338). A part of the SSRCF is used to cover bank guarantees and cash pool limits.

At December 31, 2018 the Group had outstanding bank guarantees for an amount of EUR 811 thousand (2017: 20,513). The Company is also supporting its Group companies through guarantees issued in the normal course of business.

**Note 28 Related party transactions**

Altor has invoiced consulting fees and legal fees of EUR 3,183 thousand. Please also refer to note 6 for other related party transactions.

**Note 29 Events after the reporting period**

On January 7, 2019 Transcom Holding AB (publ) announced the appointment of Jonas Dahlberg as Chief Financial Officer, succeeding Leif Mårtensson with effect from 1st of July 2019.

# Parent Company – Income statement

January to December

EUR thousand	Note	2018	2017
Revenue		978	–
Cost of sales		–	–
<b>Gross profit</b>		<b>978</b>	<b>–</b>
Administrative expenses	A3, A4	–4,179	–400
Other operating income		–	–
Other operating expenses		–	–55
<b>Operating profit/loss</b>		<b>–3,201</b>	<b>–455</b>
Dividends from Group companies		56,474	–
Interest income and similar items	A5	2,124	1,053
Interest expenses and similar items	A5	–14,244	–5,778
<b>Profit/loss before appropriations</b>		<b>41,155</b>	<b>–5,180</b>
Income tax expense	A6	–	–
<b>Profit/loss for the year<sup>1</sup></b>		<b>41,155</b>	<b>–5,180</b>

1) Net profit corresponds with total comprehensive income.

# Parent Company – Balance sheet

EUR thousand	Note	December 31, 2018	December 31, 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial assets			
Shares in Group companies	A7	278,919	270,338
Receivables from Group companies		90,959	4,696
<b>Total financial assets</b>	A10	<b>369,878</b>	<b>275,034</b>
<b>Total non-current assets</b>		<b>369,878</b>	<b>275,034</b>
<b>Current assets</b>			
Receivables from Group companies		4,014	632
Other receivables		303	581
Prepaid expenses and accrued income		287	20
<b>Total receivables</b>		<b>4,604</b>	<b>1,233</b>
Cash and cash equivalents		10	280
<b>Total current assets</b>	A10	<b>4,614</b>	<b>1,513</b>
<b>TOTAL ASSETS</b>		<b>374,492</b>	<b>276,547</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Restricted equity			
Share capital (11,937,773 shares, quota value EUR 0.00065 per share)	A8	55	8
<b>Total restricted equity</b>		<b>55</b>	<b>8</b>
Unrestricted equity			
Share premium reserve		20,501	20,501
Retained earnings		114,414	111,106
Net result		41,155	-5,180
<b>Total unrestricted equity</b>		<b>176,070</b>	<b>126,427</b>
<b>Total equity</b>	A8	<b>176,125</b>	<b>126,435</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	A9	195,222	86,567
<b>Total non-current liabilities</b>	A10	<b>195,222</b>	<b>86,567</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	A9	–	62,913
Trade payables		149	–
Liabilities to Group companies		9	–
Other liabilities		399	202
Accrued expenses and prepaid income		2,588	430
<b>Total current liabilities</b>	A10	<b>3,145</b>	<b>63,545</b>
<b>Total liabilities</b>		<b>198,367</b>	<b>150,112</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>374,492</b>	<b>276,547</b>
<b>Pledged Assets</b>	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
<b>As at January 1, 2017</b>		<b>7</b>	<b>7</b>	–	<b>33,865</b>	<b>33,872</b>
Profit/loss for the year		–	–	–	–5,180	<b>–5,180</b>
Share split	A8	9,994	–	–	–	–
New issue of shares	A8	1,938	1	20,501	–	<b>20,502</b>
Shareholder contribution		–	–	–	77,241	<b>77,241</b>
<b>As at December 31, 2017</b>		<b>11,938</b>	<b>8</b>	<b>20,501</b>	<b>105,926</b>	<b>126,435</b>
<b>As at January 1, 2018</b>		<b>11,938</b>	<b>8</b>	<b>20,501</b>	<b>105,926</b>	<b>126,435</b>
Profit/loss for the year		–	–	–	41,155	<b>41,155</b>
Issue of bonus shares	A8	–	47	–	–47	–
Shareholder contribution	A7	–	–	–	8,535	<b>8,535</b>
<b>As at December 31, 2018</b>		<b>11,938</b>	<b>55</b>	<b>20,501</b>	<b>155,569</b>	<b>176,125</b>

# Parent Company – Statement of cash flows

January to December

EUR thousand	Note	2018	2017
<b>Cash flows from operating activities</b>			
Profit/loss before appropriations		41,155	-5,180
<b>Adjustments to reconcile profit before appropriations to net cash:</b>			
Net financial items		-43,404	4,725
Other non-cash adjustments		-201	-41
Income taxes paid		-	-
<b>Cash flows from operating activities before changes in working capital</b>		<b>-2,450</b>	<b>-496</b>
<b>Changes in working capital</b>			
Change in operating receivables		-3,372	-1,232
Change in operating liabilities		-17	513
<b>Changes in working capital</b>		<b>-3,390</b>	<b>-719</b>
<b>Net cash flow from operating activities</b>		<b>-5,840</b>	<b>-1,233</b>
<b>Cash flows from investing activities</b>			
Investment in Group companies	A7	-8,535	-204,675
Dividends received from Group companies		56,474	-
Interest received		1,858	-
Change in long-term receivables		-	752
Change in long-term receivables from Group companies		-86,263	-4,696
<b>Net cash flow from investing activities</b>		<b>-36,467</b>	<b>-208,619</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	A9	196,200	149,541
Repayment of borrowings	A9	-152,030	-12,234
Interest paid and other borrowing related costs		-10,669	-4,464
Shareholder contribution		8,535	77,241
<b>Net cash flow from financing activities</b>		<b>42,036</b>	<b>210,105</b>
<b>Net cash flow for the year</b>		<b>-270</b>	<b>271</b>
Cash and cash equivalents at beginning of the year		280	9
Net cash flow for the year		-270	271
<b>Cash and cash equivalents at end of the year<sup>1</sup></b>		<b>10</b>	<b>280</b>

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

In 2018 there was an intra-group sales of EUR 978 thousand related to administration costs. During 2017, no material intra-group transactions are to be reported except what is presented in note A3.

### Note A3 Employees

#### Salaries, other remuneration and social security charges

EUR thousand	2018		
	Board of Directors and Executive management	Other employees	Total
Salaries	-858	-	-
Other remunerations	-22	-	-
Pension expenses	-	-	-
Social security charges	-270	-	-
<b>Total</b>	<b>-1,150</b>	<b>-</b>	<b>-</b>

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

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

2017 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

	2018		
	Women	Men	Total
Sweden	-	1	1
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

	2017		
	Women	Men	Total
Sweden	-	1	1
<b>Total</b>	<b>-</b>	<b>1</b>	<b>1</b>

**Note A4 Remuneration to auditors**

EUR thousand	2018	2017
<b>Ernst &amp; Young</b>		
Audit services	-4	-4
<b>Other audit firms</b>		
Audit services	-	-
<b>Total</b>	<b>-4</b>	<b>-4</b>

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

EUR thousand	2018	2017
Interest income Group companies	1,872	51
Other financial income	-	4
Foreign exchange loss, net	252	998
<b>Total</b>	<b>2,124</b>	<b>1,053</b>

**Interest expenses and similar items**

EUR thousand	2018	2017
Interest expense on bank borrowings	-10,939	-4,709
Other financing costs	-3,305	-1,068
Bank fees	-	-1
<b>Total</b>	<b>-14,244</b>	<b>-5,778</b>

**Note A6 Taxes****Income tax expense**

During 2017 and 2018 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	2018	2017
<b>Profit/Loss before tax</b>	<b>41,155</b>	<b>-5,180</b>
Calculated tax based on tax rate in Sweden 22.00 %	-9,054	1,140
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	-2,197	-1,140
Non deductible expenses	-691	-
Other taxes	-311	-
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

**Note A7 Investments in Group companies**

Group Company	Country of incorporation	Domicile	Corporate identity number	December 31, 2018	
				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 Chile Limitada	Chile	Santiago de Chile			
Transcom WorldWide d.o.o.	Croatia	Osijek			
IK Transcom Europe GmbH	Germany	Düsseldorf			
Transcom WorldWide GmbH	Germany	Rostock			
Transcom Halle GmbH	Germany	Halle			
Transcom Rostock GmbH	Germany	Rostock			
Transcom Services GmbH	Germany	Rostock			
Transcom Hungary Kft.	Hungary	Budapest			
Transcom WorldWide SpA	Italy	Milan			
Transcom Worldwide Italy Holding Srl	Italy	Milan			
Transcom Worldwide Italy Srl	Italy	Milan			
SIA Transcom WorldWide Latvia	Latvia	Riga			
Transcom WorldWide Vilnius UAB	Lithuania	Vilnius			
Transcom 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			
Transvoice Sweden AB	Sweden	Karlskoga	556653-6370		
Stockholms Tolkförmedling AB	Sweden	Stockholm	556482-8654		
Tolk- och språktjänst i Östergötland AB	Sweden	Norrköping	556658-1368		
Transcom WorldWide AG	Switzerland	Zurich			
Transcom WorldWideTunisie Sarl	Tunisia	Tunis			
Transcom WorldWide (UK) Limited <sup>1</sup>	United Kingdom	St Albans, Herts			
Top Up Mortgages Limited <sup>1</sup>	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		
<b>Total</b>				<b>278,919</b>	

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	2018	2017
<b>As at January 1</b>	<b>270,338</b>	<b>45,161</b>
Investments in Group companies	45	225,177
Share contribution	8,535	–
<b>As at December 31</b>	<b>278,919</b>	<b>270,338</b>

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

In 2017 the company had acquired the remaining shares of Transcom WorldWide AB to reach 100% of capital interest and 100 percent of GVP Communication AB.

**Note A8 Equity**

Transcom's share capital as of 31 December 2018 was distributed among 11,937,773 shares with a nominal value of EUR cent 0.0046 per share (2017: EUR 0.00065). 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.

During 2017 the shares was consolidated to one (1) share. After the consolidation, a share split was registered whereby each existing share was replaced by 10,000,000 new shares (split 1:10,000,000). Following the split of shares, the total number of shares in the Company amounted to 10,000,000. New shares were issued by contribution in kind, EUR 20,501 thousand was recorded to Share premium reserve. Total shares after the new share issue amounted to 11,937,773 shares.

**Note A9 Interest-bearing liabilities**

EUR thousand	2018	2017
EUR revolving credit facility	6,200	132,679
SEK revolving credit facility	–	19,382
Fixed rate notes	190,000	–
Amortized costs	–978	–3,031
<b>Total</b>	<b>195,222</b>	<b>149,480</b>
Non-current interest-bearing liabilities	–	86,567
Current interest-bearing liabilities	195,222	62,913
<b>Total</b>	<b>195,222</b>	<b>149,480</b>

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 EURI-BOR plus margins. For the SSRCF the Company is committed to meet certain test conditions. There was no breach of covenants in 2018. In the event of change of control, the facility will need to be cancelled and needed to be replaced by a new credit facility.

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.

These new facilities replaced the previous facility agreement with Danske Bank of EUR 85,000 thousand and SEK 1,708,157,500.

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

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 SUFRN have the right to request a repurchase of the Notes.

As of December 31, 2018 the loan under the SSRCF amounted to EUR 6,200 (all non-current), excluding usage of cash pool and other local lending. (December 31, 2017, EUR 156,350 thousand, SEK 195,218 thousand and USD 6,000).

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

EUR thousand	2018 Carrying amount	2017 Carrying amount
Less than six months	–	60,113
Between six and twelve months	–	3,607
Between one and two years	11,583	7,372
Between two and seven years	236,985	99,474
<b>Total</b>	<b>248,569</b>	<b>170,566</b>

## 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, 2018, a 10 percent change in the market interest rate would impact the company's earnings by EUR +/- 843 thousand.

The interest rate option that was in place 2017 was closed in March 2018 when there was a re-financing of which most at fixed rate.

### 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 1,9 thousand based on exposure on the balance-sheet date.

### Credit risk

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

### Liquidity risk

Liquidity risk entails the risk that there is insufficient cash and cash equivalents and marketable securities or agreed credit opportunities to close the market positions. The liquidity risk is deemed stable and the Board of Directors believes that the capital required to meet the company's commitments will be available during the 2019 fiscal year.

### Classification of the financial assets and liabilities

EUR thousand	2018			2017		
	Financial instruments at amortized costs	Total carrying amount	Fair value <sup>1</sup>	Financial instruments at amortized costs	Total carrying amount	Fair value <sup>1</sup>
<b>Financial assets</b>						
Other receivables incl. accrued income	511	511	511	580	580	580
Cash and cash equivalents	10	10	10	280	280	280
<b>Total current financial assets</b>	<b>521</b>	<b>521</b>	<b>521</b>	<b>860</b>	<b>860</b>	<b>860</b>
<b>Total financial assets</b>	<b>521</b>	<b>521</b>	<b>521</b>	<b>860</b>	<b>860</b>	<b>860</b>
<b>Financial liabilities</b>						
Interest-bearing liabilities	195,222	195,222	247,591	86,567	86,567	86,567
<b>Total non-current financial liabilities</b>	<b>195,222</b>	<b>195,222</b>	<b>247,591</b>	<b>86,567</b>	<b>86,567</b>	<b>86,567</b>
Interest-bearing liabilities	–	–	–	62,913	62,913	62,913
Trade payables	149	149	149	–	–	–
Other liabilities incl. accrued expenses	2,675	2,675	2,675	534	534	534
<b>Total current financial liabilities</b>	<b>2,824</b>	<b>2,824</b>	<b>2,824</b>	<b>63,447</b>	<b>63,447</b>	<b>63,447</b>
<b>Total financial liabilities</b>	<b>198,046</b>	<b>198,046</b>	<b>250,415</b>	<b>150,014</b>	<b>150,014</b>	<b>150,014</b>

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	2018			2017		
	<1 year	1–5 years	Fair value	<1 year	1–5 years	Fair value
<b>Financial assets</b>						
Other receivables incl. accrued income	511	–	511	580	–	580
Cash and cash equivalents	10	–	10	280	–	280
<b>Total current financial assets</b>	<b>521</b>	<b>–</b>	<b>521</b>	<b>860</b>	<b>–</b>	<b>860</b>
<b>Total financial assets</b>	<b>521</b>	<b>–</b>	<b>521</b>	<b>860</b>	<b>–</b>	<b>860</b>
<b>Financial liabilities</b>						
Interest-bearing liabilities	–	247,591	247,591	–	86,567	86,567
<b>Total non-current financial liabilities</b>	<b>–</b>	<b>247,591</b>	<b>247,591</b>	<b>–</b>	<b>86,567</b>	<b>86,567</b>
Interest-bearing liabilities	–	–	–	62,913	–	62,913
Trade payables	149	–	149	–	–	–
Other liabilities incl. accrued expenses	2,675	–	2,675	534	–	534
<b>Total current financial liabilities</b>	<b>2,824</b>	<b>–</b>	<b>2,824</b>	<b>63,447</b>	<b>–</b>	<b>63,447</b>
<b>Total financial liabilities</b>	<b>2,824</b>	<b>247,591</b>	<b>250,415</b>	<b>63,447</b>	<b>86,567</b>	<b>150,014</b>

### Note A11 Pledged assets and Guarantees

There are share pledges in material companies used as security for the financing EUR 278,919 (2017: 270,338) thousand. A part of the SSRCF is used to cover bank guarantees and cash pool limits.

No guarantees exists as per december 2018. At December 2017 the company had a squeeze-out guarantee of SEK 11,482 thousand.

### Note A12 Related party transactions

Altor has invoiced consulting fees and legal fees of EUR 3,183 thousand. Please also refer to note 6 and note 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.

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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	114,414,196
Profit/loss for the year	41,154,864
<b>Total</b>	<b>176,070,102</b>

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	155,569,060
<b>Total</b>	<b>176,070,102</b>



## 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 25, 2019

**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 Fredrik Nylander**  
*Member of the Board Member of the Board*

**Michael Weinreich**  
*President & CEO*

Our audit report has been submitted on April 25, 2019

**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 2018.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. 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.

**Description**

Goodwill, brands and customer relationships acquired in business combinations are allocated to the Company's cash generating units. At December 31, 2018, goodwill amounts to EUR 210 million, brands amount to EUR 23 million and customer relations amount to EUR 86 million.

Note 2 describes that an impairment test is carried out annually or when there are indications that the carrying value is higher than the recoverable amount. The recoverable amount is determined by calculating the value in use for each cash generating unit through a present value computation of estimated future cash flows. As described in note 12, future cash flows are projected based on financial plans for the next three years as approved by the Board of Directors. The financial plans include, among other things, assumptions about the development of sales growth, operating margins and the utilization of operating capital employed. Beyond the forecasted period of three years, the company extrapolates cash flows based on an estimated constant growth rate depending on executive management's understanding of the market.

Due to the estimates and assumptions 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 2018, we have evaluated the Company's process for preparing impairment tests. We have reviewed the valuation models applied in the impairment tests and assessed how cash-generating units are identified. 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 out sensitivity analyzes. Furthermore, we have evaluated the applied discount rate and assumptions about long-term growth after the forecast period through comparisons against peer companies.

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 2018 and the proposed appropriations of the company's profit or loss.

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

#### **Basis for opinions**

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

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

### **Responsibilities of the Board of Directors and the Managing Director**

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

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

### **Auditor's responsibility**

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

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

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with rea-

sonable 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 2018 and has been the company's auditor since 2017.

Stockholm 25 April, 2019  
Ernst & Young AB

Erik Sandström  
*Authorized Public Accountant*

# Alternative performance measures

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

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

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

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

**EBIT excluding non-recurring items:** is calculated by excluding the non-recurring items from Transcom's Operating profit/loss. The purpose of disclosing Transcom's EBIT excluding non-recurring items is to provide more transparent year-on-year comparison excluding events that are not considered part of Transcom's normal business, such as restructuring cost and net gain or loss from disposed business.

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

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

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

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

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

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

**SSFRN:** Senior Secured Fixed Rate Notes

**SSRCF:** Super Senior Revolving Credit Facility

**SURFN:** Senior Unsecured Fixed Rate Notes





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