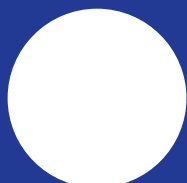
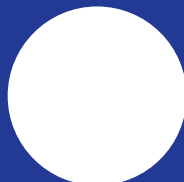


Annual Report 2020



Transcom

Contents

Administration report	1
Financial overview	4
Consolidated financial statements and notes	5
Parent Company financial statements and notes	30
Signatures of the Board of Directors	40
Auditor's report	41
Definitions	45

The formal annual accounts and the consolidated accounts comprise pages 1–44.

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 2020 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 mission 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 clients

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 expertise in a wide range of industries, including telecommunications & media, consumer tech, financial services, e-commerce, retail, utilities, and logistics. Customer experience is a significant differentiator in all these sectors, and the quality of customer care service delivery continues to play a major, and even increasing, role in influencing customer choice when deciding which brands to do business with.

How does Transcom add value

Transcom's operations add value to clients' businesses by supporting the creation of outstanding customer experiences, while reducing cost and helping drive growth.

Transcom does this by delivering multi-channel customer service and support in a cost-effective way. Transcom's customer experience specialists engage with customers in multiple channels, including phone, e-mail, chat, messaging services, and social media networks.

Transcom's goal is also that our activities benefit other parts of clients' businesses. For example, Transcom's analytical capabilities generate insights that ultimately contribute to differentiated customer experience, setting Transcom's clients apart in an increasingly competitive marketplace.

To many of Transcom's clients, the quality of their Customer care operations is fundamental to their ability to execute their service-based strategies to increase loyalty, retention and customer sales. This is why they partner with Transcom, whose core business is to deliver excellent multi-channel customer service and support.

Market definition – what business are we in?

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

- Telephony, including voice and interactive voice response (IVR) self-service
- Email response management
- Web chat
- Social media, messaging apps etc.
- 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.

Operational excellence

Transcom'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 Transcom's service delivery on customer experience is constantly validated, e.g. through Customer Satisfaction, Customer Effort and Net Promoter indices.

2020, Transcom had 28,000 customer experience specialists at over 50 contact centers across 22 countries, delivering services in 33 languages to international brands in various industry verticals.

Financial overview

Income statement

Revenue for 2020 amounted to EUR 557.8 million (541.5) with a growth of 3%. Growth in new and existing business amounted to EUR 62.4 million, countered by the closure of the INPS contract in Italy and last year's divestment of part of the Spanish business. Comparable growth, excluding INPS contract and the divestment in Spain, was 12.6%. Gross profit amounted to EUR 126.7 million (116.3) and Operating result EUR 11.5 million (19.7). Operating result excluding non-recurring items amounted to EUR 33.9 mil-

lion (28.1). Non-recurring items amounted to EUR –22.4 million (–8.4) of which EUR –7.4 million is relating to Covid-19 and transaction-related amounted to EUR –1.6 million. Covid-19 related costs are gradually tapering off and will be considered normal operating cost starting from 2021. The remaining non-recurring items mainly relate to Transcom's operational and commercial transformation. These costs were mainly driven by costs for external consultants and are also expected to diminish during 2021.

Cash flow

Operating cash flow amounted to EUR 50.3 million (51.4). Cash flow from investing activities amounted to EUR –21.1 million (–18.2) and included earn-out payment for the Awesome acquisition and investments in new sites and Work at Home (WAH). Cash flow from financing activities amounted to EUR –28.8 million (–32.1) and included a new senior secured term loan facility agreement of EUR 20 million. The net proceeds from the utilization of the new senior secured term loan facility funded the repayment of an equivalent amount of revolving loans outstanding under existing SSRFC. In addition, the unsecured note of EUR 10 million have been extended to September 2022. Cash flow totaled EUR 0.4 million (1.1).

Debt & Financing

Net debt amounted to EUR 204.5 million (203.7). Net debt/EBITDA excluding non-recurring items amounted to 3.6 (4.2). Financing in the Group includes five-year EUR 180 million Senior Secured Fixed Rate Notes, EUR 10 million Senior Unsecured Fixed Rate Notes, a Super Senior Revolving Credit Facility Agreement (SSRCF) of EUR 47.4 million and a senior secured term loan facility agreement of EUR 20 million. During the year, the unsecured note of EUR 10 million was extended to September 2022. As per December 31, 2020, the SSRCF was unutilized, excluding guarantees and overdraft facility usage. Unused credit facilities totaled EUR 43.3 million.

Research & Development

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

Parent Company

The Parent Company, Transcom Holding AB, does not perform CRM services, but employs part of the corporate management team. The Parent Company is a registered company domiciled in Stockholm, Sweden. The address of the Company's headquarter is Hälsingegatan 40, 15th floor, SE-113 43 Stockholm.

Operating result amounted to negative EUR –0.1 million (–0.3). Loss for the year amounted to EUR 9.3 million (–7.6). Cash flow for the year amounted to negative EUR 0.2 million (0.2).

Significant events after the reporting period

No events have taken place after the end of the period which require disclosure or amendment of these financial statements.

Outlook

Transcom has built a solid foundation with improved adjusted EBITDA margin from 5% to 10.2% between years 2015 and 2020. Transcom's objectives is a consistent double-digit margin and a solid organic growth – driven by continued shift towards growing customer sectors in the Commerce and Tech and further expansion into near- and offshore delivery locations. Transcom's priorities remain – profitable growth through client focus and operational excellence, driven by great culture and leadership.

Risks and uncertainties

There are a number of risk factors that may affect Transcom's operations and the achievement of Transcom's business objectives.

The Group's risk management and control framework is designed to support the identification, assessment, monitoring, management and control of the key risks that have significant impact on the Group's results and providing reliable financial information. The key risks Transcom faces and manages are outlined in more details in Transcom's Corporate Governance Report. They include:

- Macroeconomic risks
- Disasters, disruption & hazard risks (including IT or network failure)
- Client & industry concentration risks
- Capacity utilization & productivity and efficiency risks
- Talent attraction and retention risks
- Significant increase in input costs
- Currency risks
- Impairment risks

- Breach of data privacy risks
- Information security, technology and cyber-attacks
- Employee misconduct risks
- Tax audits & litigation risks

In addition, the main risks arising from the Group's financial instruments are liquidity risk, credit/counterparty risk, foreign currency risk, and interest rate risk.

The Board of Directors reviews and agrees policies for managing each of these risks. Further information on financial risks is summarized in note 23.

Corporate governance report

Corporate governance report has been reported separately and is available at <http://www.transcom.com/en/corporate-governance-report-2020>.

Personnel and sustainability

In accordance with Annual Accounts Act 6 Chapter 11§, Transcom Holding AB has chosen to establish the statutory sustainability report as a report separated from the annual report. The sustainability report is available at <http://www.transcom.com/en/sustainability-2020>.

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	148,004,142
Profit/loss for the year	-9,323,815
Total	159 181 369

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	138,680,324
Total	159,181,369

Consolidated financial overview

	2020	2019
Revenue (EUR million)	558	541
EBIT (EUR million)	11.5	19.7
EBIT margin	2.0%	3.6%
EBITA excluding non-recurring items (EUR million)	44.8	39.0
EBITA margin excluding non-recurring items	8.0%	7.2%
EBITDA (EUR million)	35.1	40.4
EBITDA margin	6.3%	7.5%
EBITDA excluding non-recurring items (EUR million)	56.6	48.8
EBITDA margin excluding non-recurring items (EUR million)	10.2%	9.0%
Profit/loss before tax (EUR million)	-7.9	2.1
Profit/loss for the year (EUR million)	-9.4	-0.4
Net cash flow from operating activities (EUR million)	50.3	51.4
Return on Equity	-8.1%	-0.4%
Equity ratio	18.7%	21.4%
Net debt/EBITDA excl non-recurring items	3.6	4.2

(Alternative performance measures see page 45)

Consolidated income statement

January to December

EUR thousand	Note	2020	2019
Revenue	3, 4	557,800	541,459
Cost of sales	5, 6, 7, 9, 25	-431,099	-425,114
Gross profit		126,701	116,346
Sales and marketing expenses	5, 6, 9, 25	-5,643	-2,465
Administrative expenses	5, 6, 7, 8, 9, 25	-108,622	-94,277
Other operating income/expenses	25	-940	105
Operating profit/loss		11,496	19,709
Financial income	10	898	744
Financial expenses	7, 10	-20 343	-18,309
Profit/loss before tax		-7,949	2,143
Income tax expense	11	-1,481	-2,504
Profit/loss for the year		-9,429	-361
Attributable to:			
– equity holders of the parent		-9,429	-361
– non-controlling interests		-	-

Consolidated statement of comprehensive income

January to December

EUR thousand	Note	2020	2019
Profit/loss for the year		-9,429	-361
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		-3,237	121
Net gain on cash flow hedge		-181	363
		-3,418	484
<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	-691	-730
		-691	-730
Other comprehensive income for the year, net of tax		-4,110	-246
Total comprehensive income for the year, net of tax		-13,539	-607
Attributable to:			
– equity holders of the parent		-13,539	-607
– non-controlling interests		-	-

Consolidated statement of financial position

EUR thousand	Note	December 31, 2020	December 31, 2019
ASSETS			
Non-current assets			
Goodwill	12	203,502	205,226
Other intangible assets	12	89,977	104,564
Tangible assets	13	24,369	21,493
Right of use assets	7	26,553	25,916
Deferred tax assets	11	1,528	1,305
Other receivables		2,800	3,000
		348,730	361,504
Current assets			
Trade receivables	14	73,088	59,075
Income tax receivables		3,474	6,252
Other receivables	15	11,960	13,303
Prepaid expenses and accrued income	15	37,887	36,006
Cash and cash equivalents		13,663	14,295
		140,071	128,931
TOTAL ASSETS		488,801	490,435
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	16	55	55
Share premium reserve		20,501	20,501
Reserves	16	-7,557	-3,447
Retained earnings including net profit/loss for the year		78,582	88,011
Total equity		91,581	105,120
Non-current liabilities			
Interest-bearing liabilities	17, 23, 26	213,411	201,034
Employee benefit obligations	18	3,113	3,318
Lease liabilities	7, 17, 23, 26	16,775	16,018
Provisions	19	157	13,659
Deferred tax liabilities	11	16,637	20,989
		250,093	255,018
Current liabilities			
Interest-bearing liabilities	17, 23, 26	1,632	13,687
Lease liabilities	7, 17, 23, 26	12,040	11,448
Provisions	19	24,659	20,746
Trade payables		20,120	18,798
Income tax payables		8,884	6,332
Other liabilities	20	33,177	18,613
Accrued expenses and prepaid income	21	46,615	40,674
		147,127	130,297
Total liabilities	23	397,220	385,315
TOTAL EQUITY AND LIABILITIES		488,801	490,435
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	
As at January 1, 2019		55	20,501	1,162	-4,363	88,372	105,726
Profit/loss for the year		-	-	-	-	-361	-361
Other comprehensive income for the year, net of tax		-	-	-367	121	-	-246
Total comprehensive income for the year, net of tax		-	-	-367	121	-	-246
As at December 31, 2019		55	20,501	795	-4,242	88,011	105,120
As at January 1, 2020	16	55	20,501	795	-4,242	88,011	105,120
Profit/loss for the year		-	-	-	-	-9,429	-9,429
Other comprehensive income for the year, net of tax		-	-	-872	-3,237	-	-4,110
Total comprehensive income for the year, net of tax		-	-	-872	-3,237	-	-4,110
As at December 31, 2020	16	55	20,501	-77	-7,479	78,582	91,581

Consolidated statement of cash flows

January to December

EUR thousand	Note	2020	2019
Cash flows from operating activities			
Profit/loss before tax		-7,949	2,143
Adjustments to reconcile profit before tax to net cash:			
Depreciation and amortization	9	36,870	34,725
Change in provisions including employee benefit obligations		2,186	656
Result from disposal of business	25	-	-2,162
Other non-cash adjustments		-457	210
Net financial items		19,445	17,565
Income taxes paid		-4,881	-7,456
Cash flows from operating activities before changes in working capital		45,214	45,681
Changes in working capital			
Change in operating receivables		-17,718	11,733
Change in operating liabilities		22,758	-6,049
Changes in working capital		5,040	5,684
Net cash flow from operating activities		50,255	51,366
Cash flows from investing activities			
Investments in tangible assets	13	-13,280	-11,916
Investments in intangible assets	12	-1,293	-4,606
Acquisition of subsidiaries, net of cash acquired	24	-6,781	-6,981
Disposal of tangible assets	13	135	-
Disposal of business, net of cash	25	-	5,879
Changes in other non-current assets		49	-816
Interest received		49	255
Net cash flow from investing activities		-21,121	-18,183
Cash flows from financing activities			
Proceeds from borrowings	17, 26	29,207	25,506
Repayment of borrowings	26	-29,316	-28,973
Payment of lease liabilities	26	-12,341	-11,920
Interest paid and other borrowing related costs		-16,325	-16,667
Net cash flow from financing activities		-28,775	-32,055
Net cash flow for the year		359	1,127
Cash and cash equivalents at beginning of the year		14,295	12,884
Net cash flow for the year		359	1,127
Exchange rate differences in cash and cash equivalents		-991	285
Cash and cash equivalents at end of the year		13,663	14,295

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 at year end 28,000 customer experience specialists at over 50 contact centers across 22 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. Transcom Holding is owned by Transcom TopCo AB, organization number 559088-4499 and registered in Stockholm, which is the parent that prepares the largest consolidated accounts, in which Transcom Holding is part of. The significant owners of TopCo AB are Altor Fund IV (No.1) AB and Altor Fund IV (No. 2) AB. The consolidated financial statements were authorized for issue by the Board of Directors on April 6, 2021. These consolidated financial statements will be submitted for approval at the Annual General Meeting on May 3, 2021.

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

The IASB has issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether or not an acquired set of activities and assets is a business. It has also issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies to align the definition of "material" across the standards and to clarify certain aspects of the definition. The Group has adopted these amendments as of January 1, 2020. There was no impact on the Group's accounting policies. There are no other IFRS or IFRIC interpretations effective as of January 1, 2020 that have had material impact. Other new standards and standards in issue but not yet effective are considered not material for the group. A number of new standards and interpretations enter into force for the financial year beginning on 1 January 2021 and have not been applied in the preparation of this financial report. None of these new IFRS or IFRIC amendments are expected to have any material effect on the Group's financial reports in the future.

1.3 Consolidation

The consolidated financial statements include the Group companies of which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. There is a presumption that a majority of voting rights result in control. Group companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The consolidated accounts are prepared according to the acquisition method, which entails acquisitions of subsidiaries being viewed as transactions through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The Group's equity therefore includes only the portion of the subsidiary's equity added since acquisition. The Group's cost is determined through an acquisition analysis in connection with the acquisition. This analysis determines, in part, the cost of the holdings or operations and, in part, the fair value of the identifiable assets, liabilities and contingent liabilities assumed on the

date of acquisition. The cost of the subsidiary's shares or operations consists of the fair value of the compensation on the transfer date. The cost includes conditional purchase considerations recognized as liabilities at fair value per the acquisition date. Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, and the acquisition-date fair value of any previous equity interest in the acquiree, over the fair value of the identifiable net assets acquired is recognized as goodwill. Intra-Group receivables and liabilities, revenue and expenses, and unrealized gains and losses that arise from transactions between Group companies are eliminated in the consolidated accounts.

1.4 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in 'EUR', 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 relationships have a limited 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, earn-outs and loan liabilities.

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

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

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

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

1.9 Non-current receivables and other receivables

Non-current receivables and other receivables include Loans and receivables and are assessed at their discounted current value if their expected maturity exceeds 12 months. If their maturities are shorter, they are assessed at accrued cost.

1.10 Trade receivables

Trade receivables are classified in the category financial instruments at amortized cost. Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. The anticipated receivable is short, so they are carried at accrued cost without discounting. Risk concentration is defined by a material part of outstanding trade receivables are connected to two of Transcom's clients. However, the risk are considered to be low, supported by historically low losses, current conditions and forward looking economic conditions. Impairment are determined individually. Impairment needs are addressed when indication that receivables will not be paid or if Transcom becomes aware that the counterparty has become insolvent. Provisions for impaired receivables are recognized as administrative expenses in the Consolidated Income Statement. Please see note 14 and 23 for further details.

1.11 Cash and cash equivalents

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

1.12 Interest-bearing liabilities

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

Notes to the Consolidated financial statements

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

1.13 Trade Payables

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

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

1.14 Derivatives for cashflow hedges

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

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

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

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

1.16 Leasing

From January 1, 2019 the Group applies IFRS 16, Leases that replaces IAS 17 and IFRIC 4. The leasing agreements recorded according to the standard, mainly refers to rental agreement of sites and offices. The Group is only a lessee not a lessor.

Leases are recognized as a right-of-use asset and a corresponding liability at the commencement date of the lease. Each lease payment is allocated between the liability and finance cost which is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

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

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

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 recog-

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

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

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

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

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

1.18 Employee benefits

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

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

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

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

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

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

1.19 Cost related to share capital issue

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity (Share capital and share premium reserve) as a deduction, net of tax, from the proceeds.

1.20 Dividend

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

1.21 Provisions

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

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

1.22 Contingent liabilities

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

1.23 Revenue recognition

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

- Revenues related to inbound teleservices are recognized at the time services are provided on a per-call basis.
- Revenues on outbound teleservices are recognized at the time services are provided on either a per-call, per-sale or per-collection basis under a fully executed contractual agreement and record reductions to revenues for contractual penalties and holdbacks for failure to meet specified minimum service levels and other performance based contingencies.

Cost to obtain contract are capitalized and amortized over the contract period. Cost to fulfil contracts are accrued at start up and amortized over contract period.

1.24 Financial income and expenses

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

1.25 Fair value measurement

The Group measures financial instruments, such as, derivatives, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost are disclosed in note 23.

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

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

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

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

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

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

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

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

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

1.26 Cash flow statement

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

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

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

1.27 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to, and is evaluated regularly by, the chief operating decision maker, i.e. the Group's CEO. Transcom's operating segments are English-speaking (services delivered to multinational clients), Europe (services delivered to clients based in Europe) and Latin America (services delivered to clients based in Latin America). From March 2019 Transcom doesn't have any operations in Latin America.

Note 2 Critical accounting estimates and judgements

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

(a) Valuation of business acquisition

The valuation of identifiable assets and liabilities in connection with the acquisition of Awesome OS was 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 for potential impairment by comparing projected discounted cash flows (using a suitable discount rate) associated with such assets to the related carrying value. An impairment test is also carried out should events or circumstances change which may indicate that there may be need for impairment. An impairment loss would be recognized when the estimated future discounted cash flow generated by the asset is less than the carrying amount of the asset. An impairment loss would be measured as the amount by which the carrying value of the asset exceeds the recoverable amount. The Group performed its annual impairment test of goodwill during the 4th quarter of 2020. Changes in the assumptions and estimates used may have a significant effect on the income statement and statement of financial position. Please see note 12 for further details including a sensitivity analysis of some of the assumptions made.

(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 Revenue from contracts with customers

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. As per December 2020 revenue from contracts with customers amounts to EUR 50,699 thousand (2019: EUR 54 617 thousand).

Note 4 Segment information

EUR thousand	2020			Total Group
	English-speaking	Europe	Latin America	
Revenue from external customers	195,293	362,507	–	557,800
EBITDA excl. Non-recurring items	30,320	26,319	–	56,639
Transaction-related amortization				-22,736
Non-recurring items				-22,406
EBIT				11,496
Net financial items				-19,445
Profit/loss before tax				-7,949

EUR thousand	2019			Total Group
	English-speaking	Europe	Latin America	
Revenue from external customers	184,964	355,628	867	541,459
EBITDA excl. Non-recurring items	29,313	19,491	-40	48,764
Transaction-related amortization				-20,653
Non-recurring items				-8,402
EBIT				19,709
Net financial items				-17,565
Profit/loss before tax				2,143

The Group reportable segments are composed as follows:

- English-speaking segment: services delivered to multinational clients.
- Europe segment: services delivered to clients based in Europe.
- Latin America segment: services delivered to clients based in Latin America. As of February 2019, Chile have been divested and deconsolidated. The divestment in Chile concluded the divestment of Transcom's operations in Latin America segment.
- No operating segments have been aggregated to form the reportable segments.

Revenues from the largest single customer amounted to EUR 61,267 thousand, referring to English-speaking segment and revenues from the second largest client amounted to EUR 49,085 thousand, referring to Europe segment (2019: EUR 42,818 thousand, Europe segment, EUR 41,626 thousand Europe segment). External revenue for Sweden amounted to EUR 144,146 thousand (2019: EUR 109,159 thousand) and total assets in Sweden amounted to EUR 5,788 thousand (2019: EUR 5,953 thousand).

Goodwill and surplus values per segment is reflected in note 12.

Note 5 Expenses by nature

EUR thousand	2020	2019
Production costs	-14,135	-19,181
Personnel expenses	-431,586	-423,810
Other	-62,772	-44,139
Amortization and depreciation	-36,870	-34,725
Expenses charged to the income statement	-545,363	-521,855

Note 6 Employees

Salaries, other remuneration and social security charges

EUR thousand	2020	2019
Salaries and other remunerations	-361,249	-337,266
Social security charges	-56,933	-58,926
Pension expenses	-10,642	-11,370
Total	-428,824	-407,562

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

EUR thousand	2020	2019
Cost of sales	-384,716	-369,121
Marketing expenses	-3,489	-1,272
Administrative expenses	-40,619	-37,169
Total	-428,824	-407,562

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

	2020			2019		
	Women	Men	Total	Women	Men	Total
Albania	170	252	422	283	223	506
Bosnia	53	75	128	–	–	–
Estonia	132	118	250	150	139	289
Philippines	5,830	4,663	10,493	5,523	5,243	10,766
Italy	182	52	234	628	196	824
Canada	260	358	618	59	36	95
Croatia	912	511	1,423	636	274	910
Latvia	215	144	359	208	133	341
Lithuania	533	278	811	563	302	865
The Netherlands	203	332	535	147	241	388
Norway	92	111	203	81	97	178
Poland	563	291	854	584	304	888
Portugal	236	93	329	233	82	315
Switzerland	–	1	1	–	1	1
Serbia	446	190	636	389	243	632
Spain	2,432	781	3,213	2,493	790	3,283
United Kingdom	6	11	17	14	15	29
Sweden	577	778	1,355	599	752	1,352
Tunisia	710	544	1,254	699	485	1,184
Germany	379	309	688	395	360	755
Hungary	118	90	208	125	101	226
United States	929	641	1,570	675	293	968
Total¹⁾	14,978	10,623	25,601	14,484	10,310	24,795

1) Total average number of employees excludes agency staff.

Women in Board and Executive management, %

	2020	2019
Board of Directors	–	–
Executive management	33 %	31 %

Remuneration to the Board

EUR thousand	2020	2019
Chairman of the Board:		
Fredrik Cappelen	50	50
Other members of the Board:		
Alfred von Platen	30	30
Eivind Roald	30	30
Fredrik Nylander	–	30
Mattias Holmström	30	30
Klas Johansson	30	30
Brent Welch	30	–
Total	200	200

Remuneration and other benefits to Executive management

EUR thousand	2020				
	Base salary	Variable compensation	Other benefits ¹⁾	Pension fees	Total
President and CEO:					
Jonas Dahlberg	–394	–245	–17	–156	–811
Other members of Executive management:					
14 positions	–2,719	–1,363	–348	–441	–4,871
Total	–3,113	–1,608	–364	–597	–5,682

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

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

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

During 2020 the Executive management consisted of the following persons: Jonas Dahlberg, Stefan Berg, Helene Ruda, Alexandra Dahan, Steffen Bagge, Eva Wikmark Walin, Snezana Koleva (from August), Donald Berryman (from March), Pernilla Oldmark, Gianluca Gemma, Juan Brun, Robert Kresing, Mark Lyndsell, Oliver Cook, Aaron Favara.

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

Amounts recognised in the balance sheet

Right-of-use asset	Premises	IT equipment	Total
As at January 1, 2020	25,358	558	25,916
Additions	15,379	309	15,688
Extensions	172	–	172
Terminations	–910	–	–910
Depreciation	–13,029	–248	–13,277
Translation differences	–1,012	–23	–1,035
Carrying value as at December 31, 2020	25,957	596	26,553

Right-of-use asset	Premises	IT equipment	Total
As at January 1, 2019	31,674	494	32,168
Additions	7,559	427	7,986
Extensions	1,400	–	1,400
Terminations	–2,774	–	–2,774
Depreciation	–12,542	–371	–12,913
Translation differences	40	8	48
Carrying value as at December 31, 2019	25,358	558	25,916

Lease liability	Premises	IT equipment	Total
As at January 1, 2020	26,891	574	27,465
Additions	15,379	309	15,688
Extensions	123	–	123
Terminations	–485	–	–485
Accretion of interest	1,753	39	1,792
Payments	–13,879	–254	–14,133
Translate differences	–1,583	–52	–1,635
Carrying value as at December 31, 2020	28,199	617	28,815

Non-current lease liability	16,338	437	16,775
Current lease liability	11,861	179	12,040

Lease liability	Premises	IT equipment	Total
As at January 1, 2019	31,674	494	32,168
Additions	7,559	427	7,986
Extensions	1,400	–	1,400
Terminations	–2,219	–	–2,219
Accretion of interest	2,120	32	2,152
Payments	–13,685	–387	–14,072
Translate differences	42	8	50

Carrying value as at December 31, 2019	26,891	574	27,465
Non-current lease liability	15,673	345	16,018
Current lease liability	11,218	230	11,448

The maturity analysis of lease liabilities disclosed in note 23.

Amounts recognised in the income statement

	2020	2019
Depreciation right of use assets, Premises	–13,029	–12,542
Depreciation right of use assets, IT equipment	–248	–371
Interest expense on lease liability	–1,792	–2,152
Expense relating to short-term leases	–1,155	–2,999
Expense relating to leases of low-value	–775	–1,371
Variable lease payments	–1,118	–529
Total	–18,117	–19,964

Cash flow from IFRS 16 contracts

	2020	2019
Cash flow from IFRS 16 contracts	14,133	14,072

Note 8 Remuneration to auditors

EUR thousand	2020	2019
Ernst & Young		
Audit services	–681	–893
Audit services outside the assignment	–21	–3
Tax advice	–63	–
Other audit firms		
Audit services	–31	–92
Total	–796	–988

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	Item in the statement of financial position	2020	2019
Customer relationships	Other intangible assets	-10,878	-10,927
Development cost	Other intangible assets	-1,211	-886
Other intangible assets	Other intangible assets	-1,947	-1,758
Telephone switch	Tangible assets	-648	-555
Fixture and fittings	Tangible assets	-1,211	-1,200
Computer hardware and software	Tangible assets	-4,754	-3,910
Office improvements	Tangible assets	-2,944	-2,577
Right-of-use assets	Right of use assets	-13,277	-12,913
Total		-36,870	-34,725

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

EUR thousand	2020	2019
Cost of sales	-22,911	-22,184
Sales and marketing expenses	-930	-
Administrative expenses	-13,029	-12,542
Total	-36,870	-34,725

Note 11 Taxes

Income tax expense

EUR thousand	2020	2019
Current income tax on profit/loss for the year	-6,279	-8,099
Adjustments in respect of prior years	35	-1,868
Current taxes	-6,244	-9,967
Current year origination and reversal of temporary differences	4,719	5,420
Adjustments in respect of prior years	44	2,043
Deferred taxes	4,763	7,463
Income tax expense	-1,481	-2,504

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	2020	%	2019	%
Profit/loss before tax	-7,949		2,143	
Calculated tax based on tax rate in Sweden 21.4 %	1,701	-21.4	-459	-21.4
Foreign tax rate differential	862	-10.8	3,161	147.5
Tax exempt income	84	-1.1	22	1.0
Non-deductible expenses	-1,687	21.2	-3,731	-174.1
Prior year losses recognized this year	2,102	-26.4	6,124	285.8
Losses for which no tax benefit is recognized	-2,845	35.8	-5,145	-240.1
Adjustments in respect of prior years	79	-1.0	-11	-0.5
Withholding tax ¹	-326	4.1	-600	-28.0
Other tax not at standard rate ²	-1,141	14.4	-1,242	-58.0
Other ³	-310	3.9	-624	-29.1
Income tax expense	-1,481	18.6	-2,504	-116.9

1) Withholding tax includes current tax of EUR -26 thousand (2019: EUR -600 thousand) and deferred tax relating to planned dividends of EUR -300 thousand (2019: EUR 0 thousand)

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

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

Note 10 Financial income and expenses

Financial income

EUR thousand	2020	2019
Interest income on bank deposits	69	255
Other financial income	829	489
Total	898	744

Financial expenses

EUR thousand	2020	2019
Interest expense on bank borrowings	-14,899	-14,472
Interest expense on lease liabilities	-1,792	-2,152
Other financing costs	-2,180	-1,208
Bank fees	-218	-121
Foreign exchange loss	-1,254	-357
Total	-20,343	-18,309

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

EUR thousand	Tangible assets	Tax losses	Other	Netting	Total
As at January 1, 2020	468	7,123	742	-7,029	1,305
Opening balance adjustments	–	-28	–	–	-28
Income statement movements	-93	1,591	140	–	1,637
Change in accounting policies	–	–	15	–	15
Reclassification	–	-94	3	–	-91
Translation differences	–	–	–	–	–
Netting of assets/liabilities	–	–	–	-1,311	-1,311
As at December 31, 2020	375	8,593	900	-8,340	1,528

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

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 54,943 thousand (2019: EUR 52,327 thousand).

14,943 thousand (2019: EUR 5,062 thousand) of these losses have no expiration date. The corresponding deferred tax assets for the losses would have been 13,737 EUR thousand (2019: EUR 13,551 thousand) based on each country expected tax rate.

	2020	2019
Tax losses recognized as a deferred tax asset in the balance sheet	39,650	33,318
Tax losses not recognized as a deferred tax asset in the balance sheet	54,943	52,327
Total	94,593	85,645
Expires within 1 to 5 years	15,135	14,619
Expires within 6 to 9 years	1,089	553
Expires in 10 years or more	28,156	32,079
No expiration date	50,213	38,394
Total	94,593	85,645

Deferred tax liabilities

EUR thousand	Tangible assets	Intangible assets	Other	Netting	Total
As at January 1, 2020	–	24,301	3,717	-7,028	20,989
Opening balance adjustments	–	-50	-17	-2	-69
Income statement movement	–	-2,526	-599	–	-3,125
Reclassification	–	–	150	–	150
Netting of assets/liabilities	–	–	–	-1,311	-1,311
As at December 31, 2020	–	21,726	3,251	-8,340	16,637

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

Note 12 Goodwill and other intangible assets

EUR thousand	Goodwill	Customer relationships	Brand	Development cost	Other	Total
Cost						
As at January 1, 2020	205,226	100,760	23,122	17,603	7,835	354,547
Investments	–	–	–	869	424	1,293
Disposals	–	–	–	–240	–2	–242
Translation differences	–1,724	–686	186	53	–486	–2,657
As at December 31, 2020	203,502	100,074	23,308	18,285	7,771	352,940
Accumulated amortization and impairment						
As at January 1, 2020	–	–26,139	–	–14,086	–4,531	–44,757
Amortization for the year	–	–10,878	–	–1,211	–1,947	–14,036
Translation differences	–	–831	–	62	100	–669
As at December 31, 2020	–	–37,848	–	–15,235	–6,378	–59,461
Carrying value as at December 31, 2020	203,502	62,226	23,308	3,050	1,393	293,479

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

1) During 2019 an adjustment on Goodwill for Awesome was done after final review of the acquired net assets.

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 IAS36 Impairment of assets. The carrying amounts of goodwill allocated to each region are:

EUR thousand	2020	2019
English	61,095	63,903
Europe	142,407	141,323
Total	203,502	205,226

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.

Applied Pre-tax discount rates were applied for Europe segment of 10.2% (2019: 11.3%) and English-speaking segment of 9.7% (2019: 10.3%), 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	2020	2019
Europe	17,759	18,861
English-speaking	5,549	4,260
Total	23,308	23,122

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

Note 13 Tangible assets

EUR thousand	Telephone switch	Fixtures and fittings	Computer hardware and software	Office improvements	Total
Cost					
As at January 1, 2020	26,757	26,988	58,253	31,492	143,490
Investments	396	2,187	8,308	2,389	13,280
Disposals	-85	-553	-1,627	-136	-2,401
Translation differences	-964	-585	-2,184	-1,464	-5,197
As at December 31, 2020	26,104	28,037	62,750	32,281	149,172
Accumulated amortization and impairment					
As at January 1, 2020	-25,120	-24,192	-49,246	-23,440	-121,998
Depreciation for the year	-648	-1,211	-4,754	-2,944	-9,556
Disposals	85	548	1,541	63	2,237
Translation differences	943	568	1,944	1,060	4,515
As at December 31, 2020	-24,740	-24,287	-50,515	-25,261	-124,802
Carrying value as at December 31, 2020	1,364	3,750	12,235	7,020	24,369
Cost					
As at January 1, 2019	26,086	27,190	54,434	27,332	135,042
Investments	796	1,488	4,384	5,135	11,803
Disposals	-250	-173	-1,132	-1,409	-2,964
Disposal of business	-	-1,747	-	-	-1,747
Translation differences	125	229	568	434	1,356
As at December 31, 2019	26,757	26,988	58,253	31,492	143,490
Accumulated amortization and impairment					
As at January 1, 2019	-24,688	-24,680	-45,819	-21,932	-117,118
Depreciation for the year	-555	-1,200	-3,910	-2,577	-8,243
Disposals	250	163	914	1,367	2,693
Disposal of business	-	1,747	-	-	1,747
Translation differences	-127	-223	-429	-298	-1,077
As at December 31, 2019	-25,120	-24,192	-49,246	-23,440	-121,998
Carrying value as at December 31, 2019	1,637	2,796	9,007	8,053	21,493

Note 14 Trade receivables

EUR thousand	2020	2019
Trade receivables gross	73,880	59,534
Expected credit losses	-792	-459
Trade receivables net	73,088	59,075

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

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

Expected credit losses

EUR thousand	2020	2019
As at January 1	-459	-302
Provisions made	-313	-155
Provisions used	32	-1
Reclassification	-53	-
Translation differences	3	-1
As at December 31	-792	-459

Overview of the ageing of trade receivables

EUR thousand	2020	2019
<30 days	5,674	5,999
30-60 days	514	445
60-90 days	199	274
90-120 days	52	134
>120 days	1,684	1,764
Total	8,123	8,616

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 1,657 thousand are past due more than 30 days but not provided for (2019: EUR 2,158 thousand). These relates to independent customers for whom there is no recent history of default. Details of credit risk are included in note 23.

Note 16 Equity**Share capital**

Transcom's share capital as of December 31, 2020 was distributed among 11,937,773 shares (2019: 11,937,773) with a nominal value of EUR cent 0.0046 per share (2019: EUR cent 0.0046). All shares entitle to one vote each.

Reserves in equity	Cash flow hedge reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve	Total
As at January 1, 2019	1 179	-17	-4 363	-3 201
Exchange differences on translation of foreign operations	-	-	121	121
Currency forward contracts	362	-	-	362
Remeasurement on defined benefit plan	-	-729	-	-729
As at December 31, 2019	1 541	-746	-4 242	-3 447

Reserves in equity	Cash flow hedge reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve	Total
As at January 1, 2020	1 541	-746	-4 242	-3 447
Exchange differences on translation of foreign operations	-	-	-3 237	-3 237
Currency forward contracts	-181	-	-	-181
Remeasurement on defined benefit plan	-	-691	-	-691
As at December 31, 2020	1 360	-1 437	-7 479	-7 557

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

EUR thousand	2020	2019
VAT recoverable	3,606	4,689
Amount due from public authorities	3,169	2,453
Client deposit related assets	585	571
Revaluation of derivatives	692	881
Other receivables	3,908	4 709
Total	11,960	13,303

Prepaid expenses and accrued income

EUR thousand	2020	2019
Prepaid expenses	4,594	4,292
Accrued income	33,293	31,715
Total	37,887	36,006

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

Note 17 Interest-bearing liabilities

EUR thousand	2020	2019
EUR revolving credit facility	–	3,000
USD revolving credit facility	–	16,245
Fixed rate notes (Unsecured)	10,000	10,000
Fixed rate notes (Secured)	180,000	180,000
EUR Term Loan (Secured)	20,000	–
Amortized costs	–860	–756
Lease liabilities	28,815	27,466
Other loans	5,901	6,232
Total	243,857	242,186
Non-current interest-bearing liabilities	213,411	201,034
Current interest-bearing liabilities	1,632	13,687
Total	215,043	214,721
EUR thousand	2020	2019
Non-current lease liabilities	16,775	16,018
Current lease liabilities	12,040	11,448
Total	28,815	27,466
EUR thousand	2020	2019
Unused credit facilities ¹	43,374	19,952
Total	43,374	19,952

1) Unused credit facilities includes unused cash pool limits.

Financing in the Group includes five-year EUR 180,000 thousand Senior Secured Fixed Rate Notes (SSFRN) listed on NASDAQ, maturing in March 2023. EUR 10,000 thousand Senior Unsecured Fixed Rate Notes (SUFRN) that has been extended during 2020 and matures in September 2022. A EUR 47,400 thousand Super Senior Revolving Credit Facility Agreement (SSRCF) with Nordea and Danske bank maturing in September 2022. The SSRCF has been increase with EUR 2 400 thousand in April. Interest rates in the revolving facility are based on LIBOR, STIBOR and EURIBOR plus margins. For the SSRCF the Company is committed to follow certain covenants if so called test conditions is met. The test conditions were not exceeded in 2020. In addition a senior secured term loan facility agreement (Term Loan) of EUR 20,000 thousand was signed with Nordea Bank Abp, filial i Sverige as lender in March 2020. The net proceeds from the utilization of the Term Facility funded the repayment of an equivalent amount of revolving loans outstanding under Transcom's existing SSRCF. The repayment of the loans made funds available for re-drawing under the SSRCF and consequently provided an additional liquidity buffer for any unforeseen events which may occur. The new Term Facility shares the security and guarantees provided for the SSRCF and the Notes in accordance with the provisions of an existing intercreditor agreement which the lender under the Term Facility will accede to and will rank pari passu with the mentioned instruments. The maturity date of this new Term Facility is March 22, 2023. The Term Loan Facility is encumbered with financial covenants. There was no breach of covenants in 2020.

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

In March 2020 a new EUR 3 500 thousand loan was entered into with Santander and in April 2020 a further new EUR 700 thousand loan was received via Santander.

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

EUR thousand	2020	2019
Less than six months	8,235	3,247
Between six and twelve months	8,237	11,037
Between one and two years	26,261	277
Between two and five years	208,224	241,712
Total	250,957	256,273

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, 2020 by a qualified, independent actuary except for the Awesome company that is considered immaterial. There are no plan assets in connection with the pension plans in Italy, Philippines and the USA.

Reconciliation to the statement of financial position

EUR thousand	2020	2019
Italy	598	1,758
Philippines	2,514	1,559
USA	1	1
Present value of scheme liabilities	3,113	3,318

Analysis of the amount charged to operating profit

EUR thousand	2020				2019			
	Italy	Philippines	USA	Total	Italy	Philippines	USA	Total
Current service cost	–	332	–	332	–	196	–	196
Past service cost	–	–	–	–	–108	–	–	–108
Total operating charge	–	332	–	332	–108	196	–	88

Analysis of the amount credited to other finance costs

EUR thousand	2020				2019			
	Italy	Philippines	USA	Total	Italy	Philippines	USA	Total
Interest on pension scheme liabilities	–	67	–	67	2	46	–	48
Total finance cost	–	67	–	67	2	46	–	48

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

%	2020			2019		
	Italy	Philippines	USA	Italy	Philippines	USA
Rate of increase in salaries	2.0	2.0	–	2.0	2.0	–
Discount rate	0.4–0.6	3.7	–	0.7–0.8	5.5	–

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	2020				2019			
	Italy	Philippines	USA	Total	Italy	Philippines	USA	Total
As at January 1	1,758	1,559	1	3,318	2,017	612	2	2,631
Movement in the year								
Current service cost and settlements	–	332	–	332	–	196	–1	195
Interest cost	0,2	67	–	67	2	46	–	48
Past service cost	–	–	–	–	–108	–	–	–108
Contributions	–	–105	–	–105	–	–100	–	–100
Actuarial gains/losses	–20	711	–	691	–17	747	–	730
Benefits paid	–1,140	–	–	–1,140	–136	–	–	–136
Translation difference	–	–50	–	–50	–	57	–	57
As at December 31	598	2,514	1	3,113	1,758	1,559	1	3,318

The Italian liability would increase with EUR 29 thousand if the discount rate would be lowered by 0.5 percent. An increase with the same percentage would lower the liability with EUR 27 thousand.

The liability in the Philippines would increase with EUR 29 thousand if the discount rate would be lowered by 1 percentage point. An increase with the same percentage would lower the liability with EUR 24 thousand. If the inflation rate assumption in the Philippines would increase with 1 percentage point the liability would be EUR 28 thousand higher, the corresponding decrease would lower the liability with EUR 24 thousand.

Note 19 Provisions

EUR thousand	Legal and tax claims	Restructuring	Other ²	Total
As at January 1, 2020	11,922	2,073	20,409	34,404
Provisions made	1,716	–	1,605	3,322
Provisions used	–	–273	–6,789	–7,062
Reclassification within current liabilities ³	3,069	–828	–36	–3,933
Provisions reversed	–34	–770	–	–804
Translation differences	–	–2	–1,108	–1,110
As at December 31, 2020¹	10,534	200	14,082	24,816
Non-current provisions	–	–	157	157
Current provisions	10,534	200	13,926	24,659
Total	10,534	200	14,082	24,816

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

1) The group had as at December 31, 2019 a provision of EUR 3,897 thousand related to several tax audits. The full amount has been reclassified as tax liabilities during 2020. For further information see note 11 and 22.

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

3) For 2019, a reclassification from provisions to income tax payables and a reclassification from other liabilities to provisions. For 2020, a reclassification from provisions to income tax payables and a reallocation within provisions to be presented as legal claim.

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

Note 20 Other liabilities

EUR thousand	2020	2019
VAT payable	2,352	4,139
Social costs	8,292	7,138
Liabilities to public authorities	4,808	2,919
Amounts payable to employees	3,343	2,887
Governmental support programs relating to Covid-19	11,747	–
Other current liabilities	2,636	1,530
Total	33,177	18,613

Note 21 Accrued expenses and prepaid income

EUR thousand	2020	2019
Accrued personnel expenses	26,633	23,875
Other accrued expenses ¹	19,902	16,643
Deferred income	80	156
Total	46,615	40,674

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, 2020, eleven 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, 2020 the liabilities amounts to EUR 3,844 thousand related to tax audits (December 31, 2019: 3,897). In 2020 these liabilities were reclassified from provisions to income tax payables. See also note 19. The group has no material contingent liabilities as at December 31, 2020. 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 13 requires sensitivity analysis that shows the effects of hypothetical changes of relevant risk variables on the income statement and shareholders' equity.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's Term Loan Facility. The interest on loan under the Term Loan Facility for each term is calculated as the aggregate of the Interbank offered rate (IBOR) plus a margin.

Interest rate risk is not hedged today, neither through derivative financial instruments or otherwise.

If the EUR interest rates increase by 10 percent it will have an effect on the profit before tax by EUR 206 thousand based on the outstanding loans as per 2020-12-31. This with all other variables held constant of the Group's profit before tax (through the impact on floating rate borrowings). There is no material impact on the Group's equity.

Foreign exchange risk

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

Foreign exchange rates

Currency	2020		2019	
	Average rate	Closing rate	Average rate	Closing rate
US Dollar, USD	1.15	1.23	1.12	1.12
Swedish krona, SEK	10.48	10.03	10.56	10.45
Philippine peso, PHP	56.78	59.13	57.91	56.90

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 2020, 40% (40%) 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 2020, 56.7 (48.4) percent of the Group's sales were denominated in currencies other than the reporting currency of the Group. The Board has decided not to hedge these exposures as they do not constitute a direct cash flow exposure.

In terms of shareholders' equity in the Group, a +/-10 percent change per December 31, 2020 of the exchange rate for the USD vs. EUR would have affected shareholders' equity in the Group with EUR -11,456/+14 002 thousand and EUR -12,595/+15 394 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 2020 average exchange rate for the USD vs. EUR would have the affected Group's net income of EUR -1,176/+1 437 thousand and EUR -839/+1 026 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 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 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 17, as well as other financing sources which may be implemented from time to time by the Group. The unused proportion of the Credit Facility at December 31, 2020 was EUR 43,374 thousand including unutilized cash pool limit (2019: 19,952 including unutilized cash pool limit). The liquidity risk is deemed stable and the Board of Directors believes that the capital required to meet the company's commitments will be available during the 2021 fiscal year.

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

EUR thousand	2020						2019					
	Financial instruments at amortized cost	Financial instruments at fair value to the P&L ¹	Derivatives for cashflow hedges	Total carrying amount	Fair value ¹	Level ²	Financial instruments at amortized cost	Financial instruments at fair value to the P&L ¹	Derivatives for cashflow hedges	Total carrying amount	Fair value ¹	Level ²
Financial assets												
Other receivables	2,801	–	–	2,801	2,801	3	3,000	–	–	3,000	3,000	3
Total non-current financial assets	2,801	–	–	2,801	2,801		3,000	–	–	3,000	3,000	
Trade receivables	73,088	–	–	73,088	73,088	2	59,075	–	–	59,075	59,075	2
Other receivables incl. accrued income	41,193	–	692	41,885	41,885	3	42,356	–	881	43,238	43,238	3
Cash and cash equivalents	13,663	–	–	13,663	13,663	1	14,295	–	–	14,295	14,295	1
Total current financial assets	127,944	–	692	128,636	128,636		115,726	–	881	116,608	116,608	
Total financial assets	130,745	–	692	131,437	131,437		118,727	–	881	119,608	119,608	
Financial liabilities												
Interest-bearing liabilities	213,411	–	–	213,411	234,484	2	201,034	–	–	201,034	241,989	2
Lease liabilities	16,775	–	–	16,775	16,775	3	16,018	–	–	16,018	16,018	3
Provisions	157	–	–	157	157	3	143	13,516	–	13,659	13,659	3
Total non-current financial liabilities	230,343	–	–	230,343	251,416		217,195	13,516	–	230,711	271,666	
Interest-bearing liabilities	1,632	–	–	1,632	16,472	2	13,687	–	–	13,687	14,284	2
Lease liabilities	12,040	–	–	12,040	12,040	3	11,448	–	–	11,448	11,448	3
Provisions	11,258	13,401	–	24,659	24,659	3	14,350	6,396	–	20,746	20,746	3
Trade payables	20,120	–	–	20,120	20,120	2	18,798	–	–	18,798	18,798	2
Other liabilities incl. accrued expenses	52,477	–	–	52,477	52,477	3	44,921	–	–	44,921	44,921	3
Total current financial liabilities	97,527	13,401	–	110,928	125,768		103,204	6,396	–	109,600	110,197	
Total financial liabilities	327,870	13,401	–	341,271	377,184		320,399	19,912	–	340,311	381,863	

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 2018–2020. The nominal amount of the provision is USD 31,545 thousand in 2018. A first earn out of EUR 6,726 thousand was paid out in 2019 and a second of EUR 6,781 thousand in 2020. The provision has since been revalued to EUR 13 401 thousand as per December 2020 (including both fair value revaluation and foreign exchange effect) and will be paid in full in the first quarter of 2021. The fair values of the derivatives for cash flow hedges are derived from quoted market prices in active markets.

2) There has been no transfers between Level 1 and Level 2 during 2020.

Note 23 Financial instrument risk management objectives and policies, cont.**Maturity profile of the Group's financial assets and liabilities based on contractual undiscounted payments**

EUR thousand	2020			2019		
	<1 year	1–5 years	Fair value	<1 year	1–5 years	Fair value
Financial assets						
Other receivables	–	2,801	2,801	–	3,000	3,000
Total non-current financial assets	–	2,801	2,801	–	3,000	3,000
Trade receivables	73,088	–	73,088	59,075	–	59,075
Other receivables incl. accrued income	41,885	–	41,885	43,238	–	43,238
Cash and cash equivalents	13,663	–	13,663	14,295	–	14,295
Total current financial assets	128,636	–	128,636	116,608	–	116,608
Total financial assets	128,636	2,801	131,437	116,608	3,000	119,608
Financial liabilities						
Interest-bearing liabilities	–	234,484	234,484	–	241,989	241,989
Lease liabilities	–	16,775	16,775	–	16,018	16,018
Provisions	–	157	157	–	13,659	13,659
Total non-current financial liabilities	–	251,416	251,416	–	271,666	271,666
Interest-bearing liabilities	16,472	–	16,472	14,284	–	14,284
Lease liabilities	12,040	–	12,040	11,448	–	11,448
Provisions	24,659	–	24,659	20,746	–	20,746
Trade payables	20,120	–	20,120	18,798	–	18,798
Other liabilities incl. accrued expenses	52,477	–	52,477	44,921	–	44,921
Total current financial liabilities	125,768	–	125,768	110,197	–	110,197
Total financial liabilities	125,768	251,416	377,184	110,197	271,666	381,863

Note 24 Acquisition of subsidiaries

EUR thousand	2020	2019
Consideration paid in cash, previous years acquisitions	6,781	6,726
Cash acquired	–	–
Cash flow from acquisition of subsidiaries, net of cash acquired	6,781	6,726
Total consideration	–	–
Purchase price allocation:		
Acquired net assets	–	2,851
Goodwill	–	–2,851
Total	–	–

No material acquisitions have been made during 2020. As per 31 December 2020 EUR 13,401 thousand (2019: 19,912 thousand) remains of the earn out for Awesome. During 2020 EUR 6,781 thousand (2019: 6,726 thousand) has been paid out.

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.

Note 25 Significant disposals and non-recurring items

Disposal of business

EUR thousand	2020	2019
Sales price	–	6,900
Net asset value	–	4,244
Transaction cost	–	493
Post-settlement adjustment	–	–
Net capital gain/loss	–	2,162
Net cash flow from disposal of business	–	5,879

No material disposals have been made during 2020. In March 2019 the Chilean operation was divested with a cash effect EUR –0.6 million. The transaction concludes the divestment of Transcom's operations in Latin America. During Q2 2019 Transcom divested part of the business in Spain, with a cash effect of EUR 6.5 million and a net gain of EUR 3,0 million. Divested net assets amounted to EUR 3.4m, including Goodwill and Customer relationship asset values.

Non-recurring items

EUR thousand	2020	2019
Operational non-recurring items	–20,812	–8,477
Transaction related non-recurring items	–1,595	75
Total	–22,406	–8,402

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	2020	2019
Cost of sales	–3,567	–3,641
Sales and marketing expenses	–	–30
Administrative expenses	–17,245	–4,718
Other operating income/expenses	–	–88
Total	–20,812	–8,477

Transaction related non-recurring items

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

EUR thousand	2020	2019
Administrative expenses	–219	–14
Other operating income/expenses	–1,376	89
Total	–1,595	75

Note 26 Changes in liabilities arising from financing activities

EUR thousand	As at January 1, 2020	Balance in acquired subsidiaries	Net cash flows ¹	Foreign exchange movement	Other non cash flow changes	As at December 31, 2020
Borrowings	214,536	–	–82	533	–104	214,883
Other loans	185	–	–26	–	–	159
Lease liability	27,466	–	–12,341	–1,635	15,325	28,815
Total	242,186	–	–12,449	–1,102	15,221	243,857

EUR thousand	As at January 1, 2019	Balance in acquired subsidiaries	Net cash flows	Foreign exchange movement	Other non cash flow changes	As at December 31, 2019
Borrowings	217,940	–	–3,581	177	–	214,536
Other loans	71	–	114	–	–	185
Lease liability	–	–	–11,920	50	39,336	27,466
Total	218,010	–	–15,387	227	39,336	242,186

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 211,264 thousand (2019: 215,264). A part of the SSRCF is used to cover bank guarantees and cash pool limits. At December 31, 2020 the Group had outstanding bank guarantees for an amount of EUR 4,778 thousand (2019: 4,686 thousand) of which EUR 3,975 is under the SSRCF. The Company is also supporting its Group companies through guarantees issued in the normal course of business.

Note 29 Events after the reporting period

No events have taken place after the end of the period which require disclosure or amendment of these financial statements.

Note 28 Related party transactions

Altor has invoiced consulting and legal fees of EUR 102 thousand (2019: 216 thousand). Transactions with other Group Companies, mainly with TMS Connected GmbH o Co KG, a sister company outside the Transcom Group are sales of EUR 4,964 thousand (2019: 2,308 thousand), receivables of EUR 1,962 thousand (2019: 1,780 thousand). There are also liabilities of EUR 2,146 thousand (2019: 2,099 thousand) issued predominantly by Transcom TopCo AB, Group companies outside the Transcom Group. No other significant transaction with related parties are reported.

Parent Company – Income statement

January to December

EUR thousand	Note	2020	2019
Revenue	A2	3,303	2,948
Cost of sales	A2	–	–
Gross profit		3,303	2,948
Administrative expenses	A3, A4	–3,410	–3,264
Other operating expenses		–25	–29
Operating profit/loss		–131	–345
Interest income and similar items	A5	5,920	6,323
Interest expenses and similar items	A5	–15,113	–13,543
Profit/loss before appropriations		–9,324	–7,565
Income tax expense	A6	–	–
Profit/loss for the year¹		–9,324	–7,565

1) Net profit corresponds with total comprehensive income.

Parent Company – Balance sheet

EUR thousand	Note	December 31, 2020	December 31, 2019
ASSETS			
Non-current assets			
Financial assets			
Shares in Group companies	A7	278,919	278,919
Receivables from Group companies		91,809	82,174
Total financial assets	A10	370,728	361,093
Total non-current assets		370,728	361,093
Current assets			
Receivables from Group companies		2,431	3,589
Other receivables		60	–
Prepaid expenses and accrued income		–	61
Total receivables		2,491	3,650
Cash and cash equivalents		82	244
Total current assets	A10	2,573	3,894
TOTAL ASSETS		373,300	364,987
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (11,937,773 shares, quota value EUR 0.00065 per share)	A8	55	55
Total restricted equity		55	55
Unrestricted equity			
Share premium reserve		20,501	20,501
Retained earnings		148,004	155,569
Net result		–9,324	–7,565
Total unrestricted equity		159,181	168,505
Total equity	A8	159,236	168,560
Non-current liabilities			
Interest-bearing liabilities		209,190	182,256
Other interest-bearing liabilities	A13	1,196	1,149
Total non-current liabilities	A9,A10	210,386	183,405
Current liabilities			
Interest-bearing liabilities	A9	–	10,000
Trade payables		371	58
Other liabilities		569	425
Accrued expenses and prepaid income	A11	2,738	2,539
Total current liabilities	A10	3,678	13,022
Total liabilities		214,064	196,427
TOTAL EQUITY AND LIABILITIES		373,300	364,987
Pledged Assets	A12		

Parent Company – Statement of changes in equity

EUR thousand	Note	Total number of shares (thousand)	Share capital	Share premium reserve	Retained earnings incl. Profit/loss for the year	Total equity
As at January 1, 2019		11,938	55	20,501	155,569	176,125
Profit/loss for the year		–	–	–	–7,565	–7,565
As at December 31, 2019	A8	11,938	55	20,501	148,004	168,560
As at January 1, 2020		11,938	55	20,501	148,004	168,560
Profit/loss for the year		–	–	–	–9,324	–9,324
As at December 31, 2020	A8	11,938	55	20,501	138,680	159,236

Parent Company – Statement of cash flows

January to December

EUR thousand	Note	2020	2019
Cash flows from operating activities			
Profit/loss before appropriations		-9,324	-7,565
Adjustments to reconcile profit before appropriations to net cash:			
Net financial items		9,193	7,220
Other non-cash adjustments		-	70
Income taxes paid		-	-
Cash flows from operating activities before changes in working capital		-131	-275
Changes in working capital			
Change in operating receivables		1,159	954
Change in operating liabilities		596	-166
Changes in working capital		1,755	788
Net cash flow from operating activities		1,624	513
Cash flows from investing activities			
Interest received		5,956	6,313
Change in long-term receivables from Group companies		-9,635	8,785
Net cash flow from investing activities		-3,679	15,098
Cash flows from financing activities			
Proceeds from borrowings	A9	20,000	974
Repayment of borrowings	A9	-3,000	-3,200
Interest paid and other borrowing related costs		-15,107	-13,151
Net cash flow from financing activities		1,893	-15,377
Net cash flow for the year		-162	234
Cash and cash equivalents at beginning of the year		244	10
Net cash flow for the year		-162	234
Cash and cash equivalents at end of the year¹		82	244

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 PO Box 34220, SE-100 26 Stockholm.

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

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

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

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

Group companies

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

Note A2 Intra-group revenues and cost of sales

During 2020, intra-group sales amounted to EUR 3,303 thousand (EUR 2,948 thousand) related to administrative costs and services.

Note A3 Employees

Salaries, other remuneration and social security charges

EUR thousand	2020		
	Board of Directors and Executive management	Other employees	Total
Salaries	-1,552	-329	-1,881
Pension expenses	-266	-28	-294
Social security charges	-424	-103	-527
Total	-2,242	-460	-2,702

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

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

Salaries, including other remuneration and social charges are 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

	2020		
	Women	Men	Total
Sweden	2	6	8
Total	2	6	8

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

Note A4 Remuneration to auditors

EUR thousand	2020	2019
Ernst & Young		
Audit services	-6	-4
Tax advice	-53	-
Total	-59	-4

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

EUR thousand	2020	2019
Interest income Group companies	5,803	7,266
Foreign exchange gain, net	117	118
Total	5,920	7,384

Interest expenses and similar items

EUR thousand	2020	2019
Interest expense on bank borrowings	-13,997	-12,856
Other financing costs	-1,057	-512
Bank fees	-59	-
Foreign exchange loss, net	-	-175
Total	-15,113	13,543

Note A6 Taxes**Income tax expense**

During 2019 and 2020 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	2020	2019
Profit/Loss before tax	-9,324	-7,565
Calculated tax based on tax rate in Sweden 21.40 %	1,995	1,619
Losses for which no tax benefit is recognized	-1,995	-1,619
Income tax expense	-	-

Note A7 Investments in Group companies

Group Company	Country of incorporation	Domicile	Corporate identity number	December 31, 2020			
				Booked value EUR thousand	Capital/voting interest (%)		
Transcom WorldWide AB	Sweden	Stockholm	556880-1277	239,120	100		
Transcom WorldWide Albania SHPK	Albania	Duress					
Transcom WorldWide d.o.o Tuzla	Bosnia	Tuzla					
Transcom WorldWide (North America) Inc.	Canada	St. Catharine's					
Transcom Insurance Agency Inc.	Canada	St. Catharine's					
Transcom WorldWide d.o.o.	Croatia	Osijek					
IK Transcom Europe GmbH	Germany	Düsseldorf					
Transcom WorldWide GmbH	Germany	Rostock					
Transcom Halle GmbH	Germany	Halle					
Transcom Rostock GmbH	Germany	Rostock					
Transcom Services GmbH	Germany	Rostock					
Transcom Hungary Kft.	Hungary	Budapest					
Transcom WorldWide SpA	Italy	Milan					
Transcom Worldwide Italy Holding Srl	Italy	Milan					
Transcom Worldwide Italy Srl	Italy	Milan					
SIA Transcom WorldWide Latvia	Latvia	Riga					
Transcom WorldWide Vilnius UAB	Lithuania	Vilnius					
Transcom Europe Holding B.V.	The Netherlands	Amsterdam					
Transcom AB	Sweden	Karlskoga	556201-3234				
Transcom Denmark A/S	Denmark	Vordingborg					
Transcom Eesti OÜ	Estonia	Tallinn					
Transcom Norge AS	Norway	Rolvsoy					
Transcom WorldWide B.V.	The Netherlands	Groningen					
Transcom WorldWide (Australia) Pty Ltd	Australia	Sydney					
Transcom WorldWide (Philippines) Holding Inc.	Philippines	Pasig City					
Transcom WorldWide (Philippines) Inc.	Philippines	Pasig City					
Offsourcing Philippines Inc.	Philippines	Davao					
BeAwesome Inc.	Philippines	Davao					
Transcom WorldWide Poland Sp. z o.o.	Poland	Olsztyn					
TWW Serviços de HelpLine e de Atendimento Telefónico Lda	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				
Transvoice AB	Sweden	Stockholm	556482-8654				
Tolk- och språktjänst i Östergötland AB	Sweden	Norrköping	556658-1368				
Transcom WorldWide AG	Switzerland	Zurich					
Transcom WorldWideTunisie Sarl	Tunisia	Tunis					
Transcom WorldWide (UK) Limited*	United Kingdom	St Albans, Herts					
Top Up Mortgages Limited*	United Kingdom	St Albans, Herts					
Newman & Company Limited	United Kingdom	Leeds					
Cloud 10 Corp	United States	Denver					
Transcom WorldWide (US) Inc.	United States	Delaware					
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				
						278,919	

*) 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	2020	2019
As at January 1	278,919	278,919
Investments in Group companies	–	–
As at December 31	278,919	278,919

Note A8 Equity

Transcom's share capital as of 31 December 2020 was distributed among 11,937,773 shares (2019: 11,937,773) with a nominal value of EUR cent 0.0065 per share (2019: 0.0065). All shares entitle to one vote each.

Note A9 Interest-bearing liabilities

EUR thousand	2020	2019
EUR revolving credit facility	–	3,000
EUR Fixed rate note (Unsecured)	10,000	10,000
EUR Fixed rate note (Secured)	180,000	180,000
EUR Term Loan (Secured)	20,000	–
Amortized costs	–810	–744
Other loans	1,196	1,149
Total	210,386	193,405
Non-current interest-bearing liabilities	210,386	183,405
Current interest-bearing liabilities	–	10,000
Total	210,386	193,405

Financing in the Parent includes five-year EUR 180,000 thousand Senior Secured Fixed Rate Notes (SSFRN) listed on NASDAQ, maturing in March 2023. EUR 10,000 thousand Senior Unsecured Fixed Rate Notes (SUFRN) that has been extended during 2020 and matures in September 2022. A EUR 47,400 thousand Super Senior Revolving Credit Facility Agreement (SSRCF) with Nordea and Danske bank maturing in September 2022. The SSRCF has been increase with EUR 2 400 thousand in April. Interest rates in the revolving facility are based on LIBOR, STIBOR and EURIBOR plus margins. For the SSRCF the Company is committed to follow certain covenants if so called test conditions is met. The test conditions were not exceeded in 2020. In addition a senior secured term loan facility agreement (Term Loan) of EUR 20,000 thousand was signed with Nordea Bank Abp, filial i Sverige as lender in March 2020. The net proceeds from the utilization of the Term Facility funded the repayment of an equivalent amount of revolving loans outstanding under Transcom's existing SSRCF. The repayment of the loans made funds available for re-drawing under the SSRCF and consequently provided an additional liquidity buffer for any unforeseen events which may occur. The new Term Facility shares the security and guarantees provided for the SSRCF and the Notes in accordance with the provisions of an existing intercreditor agreement which the lender under the Term Facility will accede to and will rank pari passu with the mentioned instruments. The maturity date of this new Term Facility is March 22, 2023. The Term Loan Facility is encumbered with financial covenants. There was no breach of covenants in 2020.

There are share pledges in material companies of EUR 278 919 thousand (2019: EUR 278 919 thousand) used as security for the financing.

Part of the SSRCF is used to cover bank guarantees and cash pool limits.

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

As of 31 December, 2020, the SSRCF was unutilized, excluding guarantees and cash pool facility usage (31 December 2019: EUR 3 000 thousand).

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

EUR thousand	2020 Carrying amount	2019 Carrying amount
Less than six months	7,305	–
Between six and twelve months	7,474	10,572
Between one and two years	24,680	–
Between two and seven years	206,749	222,910
Total	246,209	233,482

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

The Company's exposure to the risk of changes in market interest rates relates primarily to the Term Loan Facility. The interest on loan under the Term Loan Facility for each term is calculated as the aggregate of the Interbank offered rate (IBOR) plus a margin. 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 a negative effect on the profit with EUR 200 thousand based on the outstanding loans as per 2020-12-31.

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 15 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 2021 fiscal year.

Classification of the financial assets and liabilities

EUR thousand	2020			2019		
	Loans and receivables	Total carrying amount	Fair value ¹	Financial instruments at amortized costs	Total carrying amount	Fair value ¹
Financial assets						
Total non-current financial assets						
Trade receivables	2,431	2,431	2,431	3,589	3,589	3,589
Other receivables incl. accrued income	–	–	–	21	21	21
Cash and cash equivalents	82	82	82	244	244	244
Total current financial assets	2,513	2,513	2,513	3,854	3,854	3,854
Total financial assets	2,513	2,513	2,513	3,854	3,854	3,854
Financial liabilities						
Interest-bearing liabilities	210,386	210,386	231,429	183,405	183,405	222,910
Total non-current financial liabilities	210,386	210,386	231,429	183,405	183,405	222,910
Interest-bearing liabilities	–	–	14,780	10,000	10,000	10,572
Trade payables	371	371	371	58	58	58
Other liabilities incl. accrued expenses	2,825	2,825	2,825	2,702	2,702	2,702
Total current financial liabilities	3,196	3,196	17,976	12,760	12,760	13,332
Total financial liabilities	213,582	213,582	249,405	196,165	196,165	236,242

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	2020			2019		
	<1 year	1–5 years	Fair value	<1 year	1–5 years	Fair value
Financial assets						
Total non-current financial assets						
Trade receivables	2,431	–	2,431	3,589	–	3,589
Other receivables incl. accrued income	–	–	–	21	–	21
Cash and cash equivalents	82	–	82	244	–	244
Total current financial assets	2,513	–	2,513	3,854	–	3,854
Total financial assets	2,513	–	2,513	3,854	–	3,854
Financial liabilities						
Interest-bearing liabilities	–	231,429	231,429	–	222,910	222,910
Total non-current financial liabilities	–	231,429	231,429	–	222,910	222,910
Interest-bearing liabilities	14,780	–	14,780	10,572	–	10,572
Trade payables	371	–	371	58	–	58
Other liabilities incl. accrued expenses	2,825	–	2,825	2,702	–	2,702
Total current financial liabilities	17,976	–	17,976	13,332	–	13,332
Total financial liabilities	17,976	–	249,405	13,332	222,910	236,242

Note A11 Accrued expenses and prepaid income

EUR thousand	2020	2019
Accrued personnel expenses	821	75
Accrued interest expense	1,917	2,464
Total	2,738	2,539

Note A12 Pledged assets and Guarantees

There are share pledges in material companies EUR 278,919 thousand (2019: 278,919) used as security for the financing. A part of the SSRCF is used to cover bank guarantees and cash pool limits. There was no guarantees as per December 2020.

Note A13 Related party transactions

Altor has invoiced consulting and legal fees of EUR 102 thousand. There are also loans from Transcom TopCo AB, Group companies outside the Transcom Group of EUR 1 196 thousand. Please also refer to note 6 and A3 for other related party transactions.

Not A14 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	148,004,142
Profit/loss for the year	-9,323,815
Total	159,181,369

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	138,680,327
Total	159,181,369

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

Fredrik Cappelen
Chairman of the Board

Klas Johansson
Member of the Board

Mattias Holmström
Member of the Board

Alfred Von Platen
Member of the Board

Eivind Roald
Member of the Board

Brent J. Welsh
Member of the Board

Jonas Dahlberg
President & CEO

Our audit report was submitted on the date as evidenced
by our electronic signature has been submitted

Ernst & Young AB
Johan Holmberg
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 2020.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. 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 income statement and statement of financial position for the group.

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

Basis for Opinions

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

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

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

Key Audit Matters

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

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

Valuation of intangible assets

Description

Goodwill, brands and customer relationships in the group amount to EUR 289 million at December 31, 2020. Note 12 describes that the values are allocated to cash generating units and note 2 states that an impairment test is carried out annually and when there are indicators that the carrying value is higher than the recoverable amount. The recoverable amount is determined by discounting future cash flows which are based on the financial forecasts for the next three years, as approved by the Board of Directors, and an estimated constant growth rate after the forecast period. The calculation of the recoverable amount requires significant estimates regarding future cash flows, constant growth rate and discount rate. As described in note 12, the impairment tests did not result in any impairment in 2020.

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

How our audit addressed this key audit matter

In our audit for the financial year 2020, we have evaluated the Company's process for preparing impairment tests and the identification of cash generating units. We have reviewed the valuation models applied in the impairment tests as well as the significant estimates. We have evaluated the assumptions about future cash flows, that form the basis of the impairment test, by comparing actual historical outcome with forecasts and performed sensitivity analyzes. Furthermore, we have evaluated the applied discount rate and assumptions about long-term growth after the forecast period. In these procedures we have also involved our valuation specialists.

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our

audit, including any significant deficiencies in internal control that we identified.

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 2020 and the proposed appropriations of the company's profit or loss.

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

Basis for opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

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

Ernst & Young AB, Hamngatan 26, PO Box 7850, SE-103 99, Stockholm, was appointed auditor of Transcom Holding AB by the general meeting of the shareholders on the 28 April 2020 and has been the company's auditor since 2017.

Stockholm the day as evidenced by our electronic signature
Ernst & Young AB

Johan Holmberg
Authorized Public Accountant

Alternative performance measures and other definitions

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.

Alternative performance measures

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

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

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

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

EBITDA: is defined as Operating profit/loss, adding back the recorded depreciation on fixed assets and amortization. It is calculated excluding the effect of IFRS16 leases.

EBITDA excluding non-recurring items: is defined as EBITDA excluding the non-recurring items as defined above. It is calculated excluding the effect of IFRS 16 Leases. The purpose of disclosing Transcom's EBITDA 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.

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

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

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

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

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

Other definitions

SSFRN: Senior Secured Fixed Rate Notes

SSRCF: Super Senior Revolving Credit Facility

SURFN: Senior Unsecured Fixed Rate Notes

Transcom

Transcom Holding AB (publ)

Hälsingegatan 40
SE-113 43 Stockholm
Sweden

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