



# Annual Report 2019

It's All About People™

**Mercuri Urval**



[www.mercuriurval.com](http://www.mercuriurval.com)





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# Chairman's Letter

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*The prime focus for Mercuri Urval has always been to build our clients' success through people.*

**D**uring our long history in business – 2019 was our 52<sup>nd</sup> year – Mercuri Urval has pursued a strategy for business sustainability securing that we will be there for clients long-term. Since 2016, Mercuri Urval's main owner has been “Stiftelsen Mercuri Urval”. This is a foundation with statutes in place to safeguard the company's sustainability, business ethics and social responsibility. In addition to the foundation, employees from 14 countries are also equity partners and shareholders in the company.

The prime focus for Mercuri Urval has always been to build our clients success through people, and as a result maintain company strength. Our client offerings and our experts must be the most effective that are available on the market. We also need a way of operating that makes us robust even in the most challenging of circumstances. In 2019 many steps were taken to strengthen our long-term performance for clients and employees:

- Our updated Executive Search solution and our development of tools and methods for matching executives to organisations' needs continued to be highly appreciated by clients. This led to continued growth in our Leadership Acquisition business, which now constitutes almost half of our total business. Together with the great service levels our teams provide, we sustained very high client satisfaction rating – over 90%.
- We continued to develop our capacity to serve our clients wherever they need us. Our experts worked in 60 countries all over the world during 2019 and one in five of our assignments in 2019 handled client needs in multiple countries.
- Our delivery of individual assessment services follows the global ISO 10667 standard. The DNV-GL audit in Autumn 2019 reported full compliance for the second year in the row – no non-conformities. We are still the only international Executive Search firm with global reach that has been certified for this standard. Our Global Person Data Policy is aligned with GDPR. Both our activities in Europe and outside Europe follow our GDPR-compliant Person Data Policy. To further strengthen our approach, 2019 witnessed the launch of our new internal audit team, safe-guarding compliance.



- We launched an ambitious programme to redevelop our online learning universe and introduced a certification programme for all new colleagues. The combined effect of these programme is to ensure the highest standards in our industry.
- Due to a sharpened demand profile for consultant hiring the number of consultants hired in 2019 was lower than previous years leading to the number of fee earners decreasing during 2019. However our experienced team continued to develop with significant growth in average client platforms, consultant earnings and 6 new colleagues were welcomed to our Partnership.
- We intensified our digitalisation initiatives. Externally by developing client- and candidate communication with digital means and new tools to be used in our client offerings. Internally we took further steps towards effective knowledge sharing and a digital workplace for colleagues enhancing collaboration in client projects, strengthening our head office expertise and IT infrastructure to latest industry standards.
- The EBITDA 2019 of 5% was lower than 2018. This decrease of profitability is directly related to lacking flexibility of footprint related costs. This indicates clearly that the effectiveness of our footprint must increase through improved agility of our operation and modernisation of our way of working with clients and internally.
- To further strengthen our leadership and accelerate strategy execution in Mercuri Urval, a CEO has been appointed. The Company Board has appointed Board Director, Richard Moore as CEO effective 9<sup>th</sup> of March 2020.

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*Richard has since 2001 had a long successful career with us and has during that time made many significant undertakings in several important roles in the company. He has since 2014 been part of the Group Management and during later years also been part of the Board's Executive Committee. I have personally worked close together with Richard for many years and know that he with his track record and his deep knowledge about the company together with his personal qualities will be an extraordinary CEO for Mercuri Urval to continue the development of the strength and growth of the company. I will remain as Chairman of the Board and continue my high engagement within the company but have passed on my executive responsibilities to Richard Moore. I very much look forward to continuing our close cooperation in this endeavor.*

Roger Hagafors, Chairman of the Board

The start of 2020 was stronger than 2019, with a healthy increase in new client assignments but the implications of the COVID-19 pandemic for the global business and for our clients were soon evident. We then planned for a rapid decrease of income starting in March 2020 and continuing at least throughout Q2 and Q3 with a possible rebound starting Q4. Based on this scenario several substantial cost reductions were prepared and executed. These reductions meant an acceleration of changes in footprint, increasing focus on our main offices and moving in to a more modern and flexible office set-up with satellite offices in other locations. The number of consultants has also been reduced, without diminishing our strength in client care, assignment delivery or global reach in the premium segment. The increased focus on the premium business has continued to grow and now represents a major part of Mercuri Urval's revenue.

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*2020 will still be a very challenging year but Mercuri Urval's fast and effective response to the business effects of the COVID-19 pandemic has made it possible for the company to come through this crisis as stronger and more agile than before.*

2020 will still be a very challenging year but Mercuri Urval's fast and effective response to the business effects of the COVID-19 pandemic has made it possible for the company to come through this crisis as stronger and more agile than before.

I am convinced that the new leadership team will successfully take on the task to lead Mercuri Urval into the future executing our strategy for strength and sustainability making us the preferred, most modern and capable, Leadership Acquisition and Advisory firm for clients long-term.





# CEO's Statement

I was very proud to be selected by our Board as CEO, starting in post on the 9<sup>th</sup> of March 2020. In line with our company's long-term strategy, the leadership team and I are committed to leading Mercuri Urval forward to a very successful future to the benefit of all our clients and colleagues:

- Our strategy for developing Mercuri Urval, our 'Way Ahead Plan', is orientated around our purpose as a company. To secure that leaders succeed so their teams may flourish and their organisations achieve extraordinary results.
- It is our conviction that our clients are better equipped to succeed through the challenges and opportunities that lay ahead, based on our expert's advice. And that our mission is to improve their results, so they prosper, whatever conditions they face.
- Our 'Way Ahead Plan' includes the development of Mercuri Urval's business strategy, organisation model and operational performance.

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*Find out more about the  
'Way Ahead' for our clients [here](#).*

## PREMIUM

# First choice for more effective leadership

Our Way Ahead is focused on clients: Securing leaders that will succeed, improving their performance and advising them in implementing effective changes in their organisation. In Leadership Acquisition we will further strengthen our sector expertise globally through the development of additional global sector practices. At the same time, we will develop our Leadership Advisory capability – strengthening our teams' resources to solve leaders' needs for business advice and solutions so they may grow, transform and improve their leader's performance. Our goal is simple, the most successful and enthusiastic clients:

- Updated solutions, industry leading technology and colleagues who have exceptional expertise.
- Upgrading our client feedback and interview methods, so we know what additional value we can provide and always develop the new innovations our clients will need tomorrow.
- ISO standard bearer for leader selection, assessment and development.

To reflect our positioning in the premium segment, the Mercuri Urval brand will be refreshed in 2020-21.

“

*Our goal is simple, the most successful and enthusiastic clients.*

## INTERNATIONAL

# Free flowing global reach for every client

Every client should benefit from Mercuri Urval's expertise wherever they operate. Our long-standing strength in working globally creates opportunities for every client to have a great team and high-quality partner wherever they need us – virtually and face to face. We have a modern and flexible global reach that makes us the easiest to do business with and the most effective in partnering clients to deliver results. We will continue to expand our global reach and intensify our work in developing front end and account management capabilities.

- Capability building in account management and client development.
- International approach to recruiting new colleagues with strong global experience.
- Digital reach via state of the art leader acquisition and development solutions.



## COLLEAGUES

### Talent without limits for all

Our people are at the heart of our success, their ability to perform individually and work as part of local, sector and global teams defines our future. Over recent years we have made excellent progress in developing the contribution and success of our Consultants and Executive Researchers. Ambitious focus on the premium segment and capability development continues, with colleagues receiving both unrivalled levels of entrepreneurial freedom to develop their client platforms, and high-quality systems and technology to regulate standards. We will continue the transformation of Mercuri Urval – not only the most capable Leadership Acquisition and Advisory firm, but also the most modern. Attracting, engaging and retaining top talent is central to our plans. Find out more about a rewarding, dynamic and growth creating career in Mercuri Urval [here](#).

- Develop our consultant reward model, with and focus on long term loyalty incentives.
- Transparent and fair career development opportunities for all: New Sector Lead and Engagement Manager roles.
- Focus our investment on technology and network development that aids free flow of knowledge for the benefit of our clients and enables us to deliver smoothly and without fuss, face to face and online.

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*Find out more about a rewarding, dynamic and growth creating career in Mercuri Urval [here](#).*

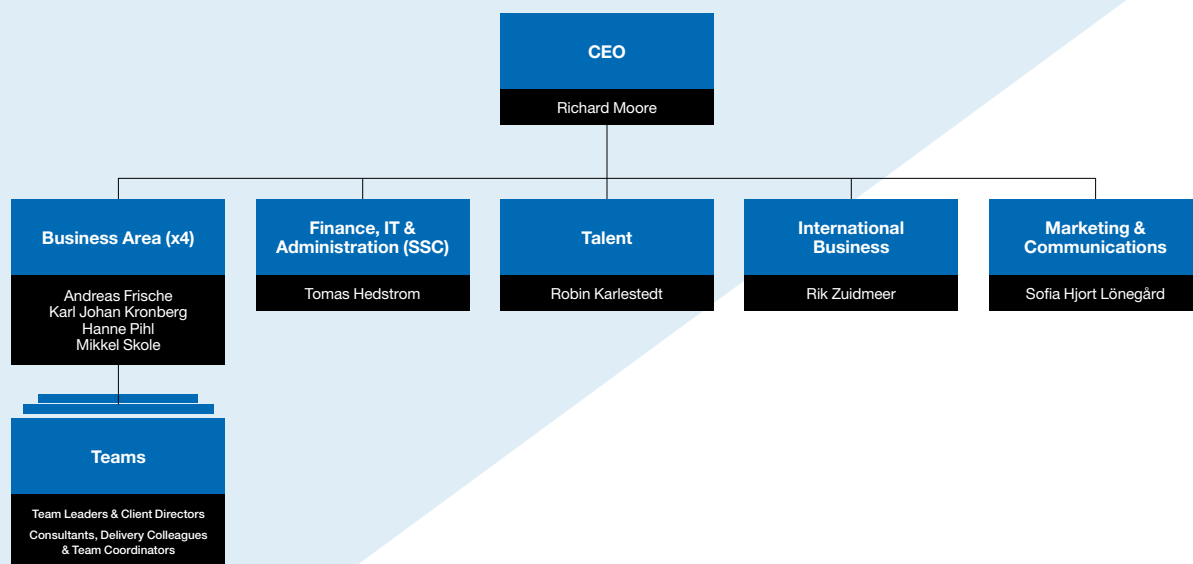
## ORGANISATION

### Stronger and more agile

As Mercuri Urval develops, we will focus on an agile and modern footprint for our company. A combination of digital workplaces, flexible office set ups and enhancement to our shared services unit will increase our operational reach and agility – whilst managing our cost base yet more effectively. On my appointment to CEO I strengthened the management team to lead this change and execute our strategy:

- The Leadership Team welcomed five new members. A new CFO, Tomas Hedstrom, an additional Head of Business Area, Mikkel Skole, and an internal successor as Head of Central Talent, Robin Karlestedt – as well as two new lead team roles – International Business, Rik Zuidmeer and Marketing and Communications, Sofia Hjort Lönegård.
- We also invested in developing our analytics team, appointing Amelie Karlsson, and strengthened our strategic projects office, appointing Moa Wennlöf, to support the leadership team in a new CEO office.

The team represents our strategy and priorities in a balanced way and combines extensive experience in Mercuri Urval, knowledge from our broader sector and new fresh ideas from outside. We are all excited to be charged with leading our teams, alongside our exceptional Team Directors, Partners and Client Directors worldwide.



## Impact of COVID-19

The business has shown its resilience and our people have demonstrated their remarkable commitment and energy in early 2020, tested by the impact of COVID-19 on our clients, candidates and our business. Our response to the disruption was to keep our people safe, secure continuity for clients and protect Mercuri Urval financially:

- To protect Mercuri Urval is to focus on the shape of the business in 2021 and 2022, and to accelerate the implementation of our business plans. Accelerating our transition into the premium segment, increasing the agility of our organisation, developing new sector and advisory expertise for the benefit of our clients and the leaders we serve. As we weather the storm and adjust the size of some teams to market demand, we remain focused on business continuity and our values.
- Whilst we take care of business and our clients online and without interruption, our team started a remarkable contribution to the communities we live and work in. From Shanghai to Milan, from London to Stockholm our colleagues are Reaching Out to build social connections and take a little extra time each day to connect, share and support others. Find out more about our Reaching Out work [here](#). I am confident our team will take the opportunity presented in times of radical change, to emerge stronger and more client focused than ever.





# Financial Highlights

**58%**

**equity/assets ratio**

A strong balance sheet gives a solid foundation to further develop the company.

**5%**

**EBITDA margin**

Which will improve significantly once already decided footprint related initiatives have been completed.

**82**

**MEUR in total sales**

**67%**

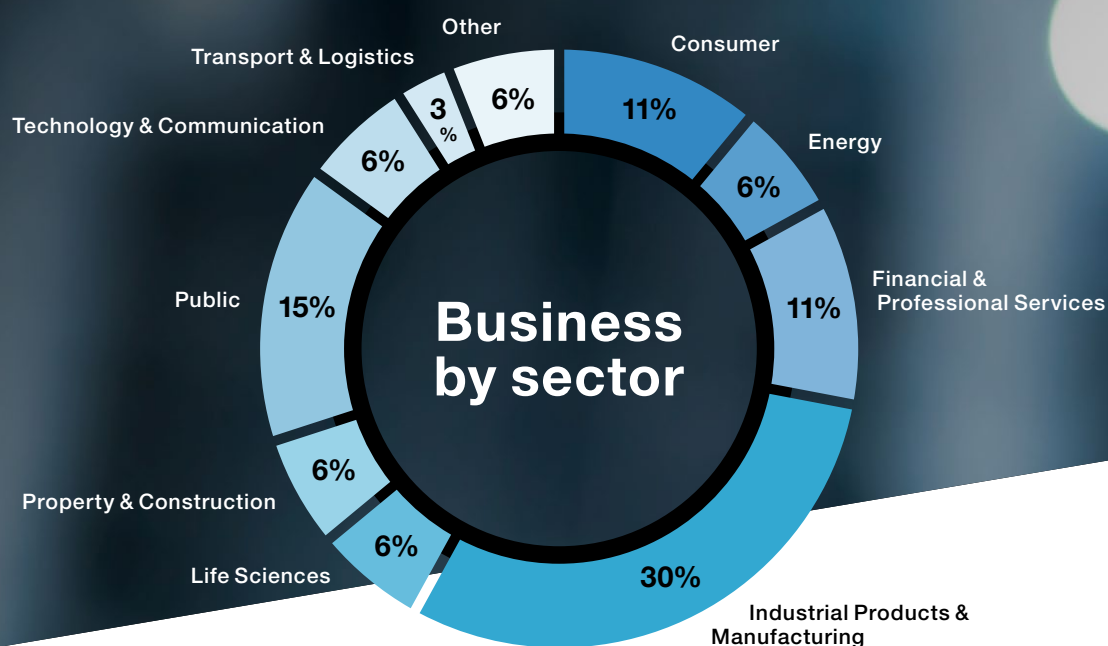
**premium solutions**

This has increased over the last couple of years and is continuing to do so

## Income by sector

“

*Mercuri Urval is supporting clients in all sectors.*



## Financial targets for the coming years

- Improve EBITDA margin (leave heritage structures and create modern, flexible and efficient support structure focussed on client need).
- Controlled growth, preserving margins and company strength.
- Flexible cost base.





# People Foremost

**M**ercuri Urval helps thousands of clients to better results every year, and our most vital contribution to our client's success is our people. By combining the structural capital of Mercuri Urval with our colleagues expertise, and by connecting our clients to the world of Mercuri Urval, we provide unrivalled value to our clients.

Our consultants genuine curiosity, our commitment to our clients' business and our long term relationships and partnerships generate our success. For our clients and for Mercuri Urval, our people make success happen.

In 2019 Mercuri Urval made significant investments in our people strategy. Three areas deserve extra attention:

- The establishment of the Global Internal Recruitment team together with our dedicated Team Leaders, made significant impact on the ability to attract and recruit new top talent from our industry. As a consultant organisation, our increased capacity to recruit for ourselves creates structural capability to grow in the future.
- The launch of the Mercuri Urval Learning Universe certifies new colleagues joining in the Mercuri Urval way, as well as strengthens the capability building for current employees. Our new learning concept combines e-learning and on-the-job training with international virtual tutor sessions and IRL excellence trainings. This work has just begun, and the opportunities are endless.
- Ever more connected colleagues are the key to offer our clients the best of Mercuri Urval every time, and it is the best opportunity for people to grow and develop their capabilities. Our new digital workplace, which also hosts the Mercuri Urval Learning Universe, is the new hub where knowledge, experience and inspiration is available to bring to our clients and to enrich every day working life for our people.

The effects of our initiatives are long term, but also during 2019 we can look back on many great achievements of our people. The average performance of our consultants grew by 15%, which means that our people are continuing the trend in being more successful year on year. Equally positive, we managed to lower our labour turn over, amongst our senior consultant group, it is now below 5%.

Our people will remain the core value we offer our clients, and in this sense 2019 have paved the way for many future successes and partnerships. Both short term and long term.



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**Mercuri Urval**



# Annual Report

## 2019

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## DIRECTOR'S REPORT

The Board of Directors of Mercuri Urval KMR AB (reg. no.556141-6057) submits the following annual report for the financial year 2019-01-01 – 2019-12-31.

### The nature and focus of the business

Mercuri Urval is a leading player in Executive Search who also works with Professional Recruitment and Talent Advisory services. The business is conducted worldwide with consultants in 21 countries.

### Mercuri Urval during 2019

Mercuri Urval's main task is to improve efficiency and results through recruitment and consulting services. Every year, we help clients develop their business and improve their performance in more than 60 countries through Executive Search, Professional Recruitment and Talent Advisory.

The Group's sales have overall decreased during the year, which is mainly due to the number of consultants in the Mercuri Selection. Strategy has been to grow within the premium segment in the market, which has meant that this area accounts for most of the turnover and has become an important contribution to the Group's profitability.

### Still good results

- Growth in the Premium segment. Our premium recruitment solutions have grown to 45% of revenues thanks to strong growth in Executive Search. Our launch of an updated and modernized Executive Search solution has been appreciated by customers. Our Talent Advisory services are mainly in the Premium segment, which means that this segment accounts for most of the Group's revenue.
- We maintain our global reach to help our customers wherever they need us. Our experts worked in more than 60 countries worldwide in 2019. More than a third of our 2019 assignments involved projects involving several countries.
- More efficient customer development. We have mainly repeat customers and revenue per customer continues to increase. Strong customer relationships contributed to a 13% increase in revenue per consultant.
- Continued good profitability. The EBITDA margin for 2019 was 5.2% despite reduced sales. Several offices have shown very good strength with growth and higher profitability.

### Introduction of Partner Program with partner ownership in the company

- In 2018, the Group's long-term majority owner, the Mercuri Urval Foundation, began inviting employees to a Partner program based on part ownership and profit sharing.
- By the end of 2019, the company had 54 partner partners operating in 14 countries.
- In 2019, the first distribution to Partners was made.

### Owner

Mercuri Urval KMR AB is jointly owned by Mercuri Urval Holding AB and a group of Partners who own shares through the company KMR Partners AB. Mercuri Urval Holding AB owns 90.9% and KMR Partners AB owns 9.1% of the shares.

### Significant events during the accounting period

During 2019 an Executive Search company was acquired, Advice Executive Search located in Stockholm.

In addition to this the German entity, Advalue Media GmbH (HRB 12601) and the Swedish entity PK Tjänst AB (556592-9428), was finally liquidated in 2019. The effect on the profit and loss statement was immaterial in the liquidation of the German entity, however, for the Swedish entity the profit and loss effect amounted to loss of EUR 711,816 EUR.

### Expected future development, risks and uncertainties

The start of 2020 was strong, but the effects of Covid-19 are expected to be relatively extensive for our customers and thus for the Group's sales and revenue during the year. When it became clear that the covid-19 pandemic would have a major impact on the world economy, corporate management prepared three scenarios for the Group's operations during the year. The worst was based on a rapid decrease in sales in the second half of March, very low sales in the second and third quarters, followed by a gradual recovery in the fourth quarter, and a normalization

of the volume of operations in 2021. Based on the worst case scenario, extensive cost reductions were made and executed quickly. These included both a reduction in the consulting organization as well as office closures and office relocations, as well as a reduction in costs for support functions, including head office costs. In part, these were already planned, but they have been implemented much faster than planned. Based on this scenario, existing liquidity, cash balance of MEUR 9 as of April 1, 2020, is sufficient. The Group's revenues and expenses are expected to be in balance during the fourth quarter, but since there is uncertainty about the time span of the Covid-19 pandemic, further structural cost reductions may be needed. There is no indication that the market for the company's services will fundamentally change.

The forecast is, in the same way as for most other businesses in these times, afflicted with a large degree of uncertainty, mainly due to the timing and effects of the pandemic. Should market conditions prove to be worse than assumed, and if further revenue reductions as a result cannot be offset by the various forms of state aid initiated by most of the countries within the Group, further cost-cutting measures will need to be taken and external financing may then be needed. At present, the various forms of state aid, which can mainly be divided into four different groups, temporary liquidity support, contributions to operational costs with both income and cash flow effect, different forms of short-term work and pure government-supported loans, are not included in the liquidity projections for prudence. The Group currently has no credit facilities granted, but also no debts to banks or other financial institutions. In the meantime, from the adoption of the plan, sales and invoicing have developed better than expected.

### New accounting principles

Mercuri Urval have not implemented any new accounting principles during 2019.

Five-year overview KEUR	2019	2018(3)	2017	2016	2015(2)
<b>Group</b>					
Net sales	81,657	93,156	103,382	100,414	58,407
Operating profit/loss	2,025	5,585	2,794	96	3,142
Operating margin, %	2	6	3	0	5
Balance sheet total	44,105	48,826	53,240	53,414	57,566
Equity/assets ratio, %(1)	58	55	47	46	-5
<b>Parent company</b>					
Net sales	13,048	14,701	12,796	9,394	7,981
Operating profit/loss	1,364	2,827	11,587	-2,487	1,054
Operating margin, %	10	19	91	-26	13
Balance sheet total	65,551	60,482	58,017	59,585	40,382
Equity/assets ratio, %(1)	27	33	30	5	18

(1) Equity in relation to the balance sheet total.

(2) A change in accounting policies reduced the useful life of goodwill from 10 years to 5 years. The comparison year, 2015, has been recalculated. Preceding years have not been recalculated.

(3) Based on identified historical errors, a correction has been made in 2019, affecting a number of items in both the profit and loss statement and the balance sheet, as well as the Statement of changes in Equity for 2018. These corrections have been described under a specific part in Note 2 Accounting and valuations principles. The correction has been made in the opening balances of Equity in 2018.

**Proposed treatment of profits**

The following profits in EUR are at the disposal of the annual general meeting:

Profit/Loss brought forward	14,631,210
Net profit/loss for the year	99,280
	<b>14,730,490</b>

The board of Directors propose:

Profit/loss for the year is carried forward	14,730,490
<b>Total</b>	<b>14,730,490</b>

With regard to the company's results and position in general, reference is made to the following income statements and balance sheets and cash flow statements, with accompanying notes. All amounts are shown in thousand EUR, unless otherwise stated.



## GROUP INCOME STATEMENT

AMOUNT IN TEUR	Note	2019	2018
Net sales	4, 5	81,657	93,156
Other operating income	6	442	2,269
Other external expenses	7, 8	-27,538	-31,538
Personnel costs	9	-50,124	-55,528
Depreciation and amortization of tangible and intangible fixed assets	14, 15	-2,018	-1,976
Other operating expenses	10	-395	-798
<b>Operating profit/loss</b>		<b>2,025</b>	<b>5,585</b>
Profit from shares in group companies	11	-20	-676
Interest income and similar income statement items	12	5,005	1,203
Interest expenses and similar income statement items	12	-5,935	-1,536
<b>Profit before taxes</b>		<b>1,076</b>	<b>4,576</b>
Tax	13	-1,076	-1,721
<b>Profit/loss for the year</b>		<b>0</b>	<b>2,856</b>
<b>Earnings per share*</b>			
Earnings per share, before and after dilution (Euro)		0	1,298
Number of shares, before and after dilution		2,200	2,200
*Earnings per share, calculated on profit for the period attributable to owners of the parent company (Euro per share)			

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, GROUP

AMOUNT IN TEUR	Note	2019	2018
<b>Profit/loss for the year</b>		<b>0</b>	<b>2,856</b>
Comprehensive income that are or may be reclassified to profit and loss for the period		0	0
Translation differences arising at revaluation of foreign subsidiaries	846	-213	
<b>Total comprehensive income</b>		<b>846</b>	<b>-213</b>
<b>Total comprehensive income for the period attributable to:</b>		<b>846</b>	<b>2,643</b>
Parent company's shareholder	846		2,643

## GROUP BALANCE SHEET

AMOUNT IN TEUR	Note	2019-12-31	2018-12-31
<b>Assets</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Goodwill	14	179	358
Licenses and software	14	4,701	5,522
<b>Total intangible assets</b>		<b>4,880</b>	<b>5,880</b>
<b>Tangible assets</b>			
Equipment, tools, fixtures and fittings	15	2,850	2,870
<b>Total tangible assets</b>		<b>2,850</b>	<b>2,870</b>
<b>Financial assets</b>			
Securities held as non-current assets	17	340	251
Deferred tax receivables	13	264	257
Other non-current receivables	18	2,902	2,984
<b>Total financial assets</b>		<b>3,506</b>	<b>3,493</b>
<b>Total fixed assets</b>		<b>11,236</b>	<b>12,243</b>
<b>Current assets</b>			
Work in progress	28	3,791	4,156
Accounts receivable		13,376	15,392
Tax receivable		943	1,022
Other current receivables		214	7
Prepaid expenses and accrued income	19	1,953	1,409
Cash and bank balances		12,592	14,597
<b>Total current assets</b>		<b>32,869</b>	<b>36,583</b>
<b>Total assets</b>		<b>44,105</b>	<b>48,826</b>

## GROUP BALANCE SHEET

AMOUNT IN TEUR	Note	2019-12-31	2018-12-31
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to parent company shareholders</b>			
Share capital	24	12	12
Other capital contributed		34,399	34,399
Other equity including profit/loss for the year		-8,918	-7,679
<b>Total Equity attributable to parent company shareholders</b>		<b>25,493</b>	<b>26,731</b>
<b>Total equity</b>		<b>25,493</b>	<b>26,731</b>
<b>LIABILITIES</b>			
<b>Provisions</b>			
Provision for pensions commitments	27	2,094	2,121
Provision for guarantee commitments	20	37	109
Deferred tax liability	13	839	695
<b>Total provisions</b>		<b>2,971</b>	<b>2,925</b>
<b>Long term liabilities</b>			
Liabilities to credit institutions	21	6	17
<b>Total long term liabilities</b>		<b>6</b>	<b>17</b>
<b>Current liabilities</b>			
Liabilities to credit institutions		0	1,000
Accounts payable		2,292	2,496
Current tax liabilities		714	1,608
Other current liabilities		3,066	3,760
Accrued expenses and deferred income	22	9,564	10,288
<b>Total current liabilities</b>		<b>15,635</b>	<b>19,152</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>44,105</b>	<b>48,826</b>



## STATEMENT OF CHANGES IN EQUITY

AMOUNT IN TEUR	Share capital	Other capital contributed	Translation reserve	Profit/loss brought forward including profit/loss for the year	Total equity
<b>Opening balance 1 January 2018</b>	<b>12</b>	<b>34,399</b>	<b>-4,039</b>	<b>-5,138</b>	<b>25,234</b>
<b>Correction errors prior periods</b>					
Correction error related to prior periods				-945	-945
<b>Adjusted opening balance as of 1 January 2018</b>	<b>12</b>	<b>34,399</b>	<b>-4,039</b>	<b>-6,083</b>	<b>24,289</b>
<b>Total comprehensive income of the year</b>					
Profit/loss for the year				2,856	2,856
Other comprehensive income of the year			-213		-213
<b>Total comprehensive income of the year</b>			<b>-213</b>	<b>2,856</b>	<b>2,643</b>
<b>Transactions with group owners</b>					
Dividend				-200	-200
<b>Total transactions with group owners</b>				<b>-200</b>	<b>-200</b>
<b>Closing balance 31 December 2018</b>	<b>12</b>	<b>34,399</b>	<b>-4,252</b>	<b>-3,427</b>	<b>26,732</b>
<b>Adjusted opening balance as of 1 January 2019</b>	<b>12</b>	<b>34,399</b>	<b>-4,252</b>	<b>-3,427</b>	<b>26,732</b>
<b>Total comprehensive income of the year</b>					
Profit/loss for the year				0	0
Other comprehensive income of the year			846		846
<b>Total comprehensive income of the year</b>			<b>846</b>	<b>0</b>	<b>846</b>
<b>Transactions with group owners</b>					
Dividend				-2,085	-2,085
<b>Total transactions with group owners</b>				<b>-2,085</b>	<b>-2,085</b>
<b>Closing balance 31 December 2019</b>	<b>12</b>	<b>34,399</b>	<b>-3,405</b>	<b>-5,512</b>	<b>25,493</b>

## CASH FLOW STATEMENT GROUP

AMOUNT IN TEUR	Note	2019	2018
<b>Operating activities</b>			
Operating profit/loss		2,025	5,585
Adjustments for items not included in cash flow			
- Depreciation		2,018	1,976
- Reversal of negative Goodwill		-48	-1,583
- Currency effects		-828	202
Other non-cash items		-115	-41
Interest received		32	52
Interest paid		-124	-481
Income tax paid		-1,777	-2,207
<b>Cash flow from operating activities before changes in working capital</b>		<b>1,184</b>	<b>3,503</b>
<b>Cash flow from operating activities</b>			
Changes in accounts receivable		2,314	2,986
Change in other current receivables		-278	2,864
Changes in accounts payable		-219	-449
Change in other current liabilities		-1,175	-1,639
<b>Cash flow from operating activities</b>		<b>643</b>	<b>3,763</b>
<b>Total cash flow from operating activities</b>		<b>1,827</b>	<b>7,266</b>
<b>Cash-flow from investment activities</b>			
Acquisition of intangible fixed assets		0	0
Acquisition of tangible fixed assets		-983	-481
Divestments of subsidiaries		0	-709
Investments in subsidiaries		116	-517
Change in other long-term receivables		77	-288
<b>Cash-flow from investment activities</b>		<b>-789</b>	<b>-1,995</b>
<b>Cash flow from financing activities</b>			
Borrowings		0	11
Repayment of debt		-1,011	-2,282
Dividend		-2,085	-200
<b>Cash flow from financing activities</b>		<b>-3,096</b>	<b>-2,471</b>
<b>Cash flow for the year</b>		<b>-2,059</b>	<b>2,800</b>
Opening balance liquid assets		14,597	11,824
Exchange rate differences in liquid assets		54	-27
Closing balance liquid assets		<b>12,592</b>	<b>14,597</b>

## INCOME STATEMENT PARENT COMPANY

AMOUNT IN TEUR	Note	2019	2018
Net sales	5	13,048	14,701
Other operating income	6	2,691	2,250
Other external expenses	7, 8	-9,707	-10,049
Personnel costs	9	-3,519	-2,958
Depreciation and amortization of tangible and intangible fixed assets	14, 15	-895	-854
Other operating expenses	10	-255	-263
<b>Operating profit/loss</b>		<b>1,364</b>	<b>2,827</b>
Profit from shares in group companies	11	139	5,202
Loss from impairment of receivables from group companies	30	0	-2,900
Interest income and similar income statement items	12	389	247
Interest expenses and similar income statement items	12	-910	-948
<b>Earnings before tax</b>		<b>982</b>	<b>4,429</b>
Change in accumulated excess depreciation	32	-882	0
<b>Total Allocations</b>		<b>-882</b>	<b>0</b>
<b>Profit before taxes</b>		<b>100</b>	<b>4,429</b>
Tax	13	0	-637
<b>Profit/loss for the year</b>		<b>99</b>	<b>3,791</b>



## BALANCE SHEET PARENT COMPANY

AMOUNT IN TEUR	Note	2019-12-31	2018-12-31
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Licenses and software	14	4,700	5,509
<b>Total intangible assets</b>		<b>4,700</b>	<b>5,509</b>
<b>Tangible assets</b>			
Equipment, tools, fixtures and fittings	15	243	142
<b>Total tangible assets</b>		<b>243</b>	<b>142</b>
<b>Financial assets</b>			
Participations in group companies	16, 23	31,205	31,775
Long-term receivables group companies		9,019	2,116
Other non-current receivables	18	220	223
<b>Total financial assets</b>		<b>40,445</b>	<b>34,114</b>
<b>Total fixed assets</b>		<b>45,388</b>	<b>39,764</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Accounts receivable		58	11
Receivables from group companies		14,766	16,043
Other current receivables		129	285
Prepaid expenses and accrued income	19	2,925	3,323
<b>Total current assets</b>		<b>17,879</b>	<b>19,661</b>
<b>Cash and cash equivalents</b>			
Cash and cash equivalents		2,284	1,057
<b>Total cash and cash equivalents</b>		<b>2,284</b>	<b>1,057</b>
<b>Total current assets</b>		<b>20,162</b>	<b>20,718</b>
<b>TOTAL ASSETS</b>		<b>65,551</b>	<b>60,482</b>

## BALANCE SHEET PARENT COMPANY

AMOUNT IN TEUR	Note	2019-12-31	2018-12-31
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Restricted equity			
Share capital	24	12	12
Revaluation reserve		3,166	3,166
Statutory reserve		2	2
<b>Total restricted equity</b>		<b>3,180</b>	<b>3,180</b>
<b>Non-restricted equity</b>			
Profit/loss brought forward		14,631	12,925
Profit/loss for the year	26, 29	99	3,791
<b>Total non-restricted equity</b>		<b>14,730</b>	<b>16,716</b>
<b>Total equity</b>		<b>17,911</b>	<b>19,897</b>
<b>Untaxed reserves</b>			
Accumulated excess depreciation	32	882	0
<b>Total untaxed reserves</b>		<b>882</b>	<b>0</b>
<b>Provisions</b>			
Provision for pensions commitments	27	1,368	1,447
<b>Total provisions</b>		<b>1,368</b>	<b>1,447</b>
<b>Long term liabilities</b>			
Long term liabilities group companies		34,959	30,599
<b>Total long term liabilities</b>		<b>34,959</b>	<b>30,599</b>
<b>Current liabilities</b>			
Liabilities to credit institutions		0	1,000
Accounts payable		576	569
Current tax liabilities		389	665
Liabilities to group companies		8,724	5,824
Other current liabilities		20	0
Accrued expenses and deferred income	22	722	482
<b>Total current liabilities</b>		<b>10,431</b>	<b>8,540</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>65,551</b>	<b>60,482</b>

## STATEMENT OF CHANGES IN EQUITY, PARENT COMPANY

AMOUNT IN TEUR	Share capital	Revaluation reserve	Statutory reserve	Profit/loss brought forward including profit/loss for the year	Total equity
Opening balance 1 January 2018	12	3,166	2	14,100	17,280
<b>Correction errors prior periods</b>					
Correction error related to prior periods				-975	-975
<b>Adjusted opening balance as of 1 January 2018</b>	<b>12</b>	<b>3,166</b>	<b>2</b>	<b>13,125</b>	<b>16,305</b>
<b>Profit/loss for the year</b>				3,791	3,791
<b>Total comprehensive income for the year</b>				<b>3,791</b>	<b>3,791</b>
<b>Transactions with group owners</b>					
Dividend				-200	-200
<b>Closing balance 31 December 2018</b>	<b>12</b>	<b>3,166</b>	<b>2</b>	<b>16,716</b>	<b>19,896</b>

AMOUNT IN TEUR	Share capital	Revaluation reserve	Statutory reserve	Profit/loss brought forward including profit/loss for the year	Total equity
Opening balance 1 January 2019	12	3,166	2	16,716	19,896
<b>Profit/loss for the year</b>				99	99
<b>Total comprehensive income for the year</b>				<b>99</b>	<b>99</b>
<b>Transactions with group owners</b>					
Dividend				-2,085	-2,085
<b>Closing balance 31 December 2019</b>	<b>12</b>	<b>3,166</b>	<b>2</b>	<b>14,730</b>	<b>17,911</b>

## NOTES

### NOTE 1 General information

Mercuri Urval KMR AB, with reg. no. 556141-6057, is a joint stock company registered in Sweden with headquarters in Stockholm. The address of the head office is Jakobsbergsgatan 22, 111 44 Stockholm.

Mercuri Urval KMR AB and its subsidiaries ("the group") carry on business activities in recruitment and selection as well as in management and organizational development.

### NOTE 2 Accounting and valuation principles

Mercuri Urval KMR AB applies Årsredovisningslagen (1995:1554) [Annual Accounts Act] and the general guidelines of Bokföringsnämnden [Swedish Accounting Standards Board] BFNAR [Bokföringsnämndens allmänna råd – General Guidelines of the Swedish Accounting Standards Board] 2012:1 Annual financial statements and consolidated financial statements ("K3").

#### Consolidated financial statements

The consolidated financial statements include the parent company Mercuri Urval KMR AB and the companies over which the parent company, directly or indirectly, has a controlling interest (subsidiaries). A controlling interest means the power to determine another company's financial and operating strategies so as to obtain financial benefits. A controlling interest normally exists when the parent company directly or indirectly holds shares that represent more than 50% of the votes, which Mercuri Urval KMR AB has at all its subsidiaries.

A subsidiary's income and expenses are recognised in the consolidated financial statements from the date of acquisition up to the time when the parent company no longer has a controlling influence over the subsidiary.

The accounting principles for the subsidiaries are consistent with the group's accounting principles. All internal group transactions, balances and unrealised gains and losses attributable to internal group transactions have been eliminated when preparing the consolidated financial statements.

#### Business acquisition

Business acquisition is reported using the acquisition method.

The purchase price for the business acquisition is measured at fair value at the acquisition date, being calculated as the sum of the fair values at the acquisition date for assets paid, liabilities incurred or assumed and equity instruments issued and expenses that are directly attributable to the business acquisition. Transaction costs are examples of expenses.

The identifiable acquired assets and assumed liabilities are recognised at fair value at their acquisition date, with the following exceptions:

- deferred tax assets and deferred tax liabilities are determined according to K3 Chapter 29 Income tax
- contingent liabilities that are valued according to K3 Chapter 21 Provisions, contingent liabilities and contingent assets



A provision that relates to expenses for restructuring the acquired unit's activities is included in the acquisition analysis only if the acquired unit met the conditions for being permitted to recognize a reserve before the acquisition date.

#### **Goodwill and negative goodwill**

In the case of a business acquisition where the sum of the purchase price, fair value of the minority's participations and fair value at the acquisition date of a previous shareholding exceeds the fair value at the acquisition date of identifiable net assets acquired, the difference is recognised as goodwill in the consolidated balance sheet. If the difference is negative, the value of the identifiable assets and liabilities must be reviewed. Negative goodwill that corresponds to expected future losses is recognised as income as the losses are incurred. Negative goodwill that corresponds to the fair value of non-monetary assets is resolved in the income statement over the remaining weighted average useful life of the assets. The part of negative goodwill that exceeds the fair value of the identifiable non-monetary assets is recognised directly in the income statement. Also see the section entitled goodwill below.

#### **Goodwill**

Goodwill represents the difference between the acquisition value and the group's share of the fair value of the identifiable assets and liabilities of the acquired subsidiary on the acquisition date. On the acquisition date, goodwill is recognised at cost, and, after the initial recognition, it is valued at cost after the deduction of amortisation and any impairment. Goodwill is amortized over the expected useful life, but if this cannot be estimated with a reasonable degree of certainty, goodwill is amortized over 5 years.

At the end of each reporting period, an assessment is made as to whether there is any indication that the value of goodwill is lower than the carrying amount. If any such indication does exist, the recoverable amount for goodwill is estimated and an impairment test is carried out. In carrying out the impairment test, goodwill is allocated to the cash-generating units which are expected to benefit from the acquisition. If the recoverable amount for a cash-generating unit is estimated to be lower than the carrying amount, an impairment loss is allocated to the carrying amount. The carrying amount for goodwill attributable to the cash-generating unit is first reduced, and then the recoverable amount of other assets is reduced in proportion to the carrying amount of each asset in the unit.

The recognised impairment of goodwill is reversed in a later period only if the impairment is caused by a particular external circumstance of an unusual character which is not expected to be repeated, and subsequent events have occurred which reverse the effects of this circumstance.

#### **Revenue**

Revenue is recognised at fair value of the payment received or that will be received, net of value-added tax, rebates and similar deductions.

The group's income consists mainly of services in recruitment and selection.

#### **Sales of services**

Income from sales of services on an open account is recognised as income in the period in which the work is carried out and materials are supplied or consumed.

Income from sales of services at fixed prices is recognised by applying so-called “percentage of completion”. This means that income and expenses are recognised according to the degree of completion of the assignment at the balance sheet date. The degree of completion is determined by calculating the relationship between the starting dates of the project and the estimated date of completion, with income being taken up on a straight-line basis over the duration of the project.

An anticipated loss on a service assignment is immediately recognised as an expense. When the outcome of a service assignment cannot be estimated reliably, income recognition occurs only at an amount that corresponds to assignment expenses incurred that are likely to be reimbursed by the client. Assignment expenses are recognised in the period in which they are incurred.

#### **Dividend and interest income**

Income from dividends is recognised when the owner’s right to receive payment has been established.

#### **Leasing agreements**

A financial lease is a lease whereby the financial risks and benefits associated with the ownership of an asset have been essentially transferred from the lessor to the lessee. All other leases are classified as operating leases. The group’s leases are classified as operating leases.

#### **The group as lessee**

Assets held under financial leases are recognised as fixed assets in the consolidated balance sheet at fair value at the beginning of the lease period or at the current value of the minimum lease payments, whichever is the lower. The liability that the lessee has vis-à-vis the lessor is recognised in the balance sheet under the headings of Other long-term liabilities and Other current liabilities. The lease payments are divided between interest and repayment of the debt. The interest is divided over the lease period so that an amount corresponding to a fixed interest rate on the liability recognised during each period is attributed to each accounting period. Interest expenses are recognised directly in the income statement unless they are directly attributable to the acquisition of an asset that necessarily requires a significant length of time to complete for its intended use or sale, and the capitalization principle is applied.

Lease payments for operating leases are entered as costs on a straight-line basis over the lease period, unless another systematic approach better reflects the financial benefit over time.

#### **Foreign currency**

The parent company’s accounting currency is Euro (EUR).

#### **Translation of items in foreign currency**

At each balance sheet date, monetary items in foreign currency are translated at the rate at the balance sheet date. Non-monetary items that are measured at their historical cost in a foreign currency are not translated. Exchange differences are recognised in the operating profit/loss or as a financial item based on the underlying business event in the period in which they arise.

#### **Net investments in foreign operations**

A monetary item that is a receivable or a liability in a foreign operation, in which a settlement is neither planned nor likely in the foreseeable future, is considered to form part of the group's net investment in foreign operations. Exchange differences relating to monetary items that form part of the company's net investment in foreign operations and that are valued on the basis of historical cost are recognised in the group's translation reserve in equity. In the case of disposal of a net investment in a foreign operation, the exchange difference is recognised in the income statement.

#### **Translation of subsidiaries and the foreign operations**

When preparing the consolidated financial statements, subsidiaries' assets and liabilities are translated to EUR at the rate in force at the balance sheet date. Income and expense items are translated at the average exchange rate for the period, unless exchange rates have fluctuated significantly during the period, in which case the rate at the date of the transaction is used instead. Any translation differences arising are recognised directly in equity. In the case of disposal of a subsidiary, such translation differences are recognised in the income statement as part of the capital gain or loss.

Goodwill and adjustments to fair value that arise when acquiring foreign operations are treated as assets and liabilities within the operations and are translated at the rate in force at the balance sheet date.

#### **Borrowing costs**

Borrowing costs are recognised in the income statement in the period in which they are incurred.

#### **Employee salaries and benefits**

Remunerations to employees in the form of salaries, bonuses, paid holidays, paid sick leave, etc. as well as pensions are recognised as they are accrued. With regard to pensions and other post-employment payments, these are classified as defined contribution or defined benefit pension plans. The group has both defined contribution and defined benefit pension plans. There are no other long-term payments to employees.

#### **Defined contribution plans**

For defined contribution plans, the group pays fixed contributions to a separate independent legal entity and has no obligation to pay additional contributions. Costs are charged to the group's results as the benefits are accrued, which normally coincides with the moment when premiums are paid.

#### **Defined benefit pension plans**

Defined benefit pension plans are an exception and only exist at Mercuri Urval A/S. The plans cover one employee as well as four retirees and the benefit is based on the employees' payments close to the pension period and their seniority.

The parent company Mercuri Urval KMR AB has a related Pension foundation in which the capital is to be used for the commitment with Håkan Eriksson and Kerstin Pegert (the former owners of Mercuri Urval). In the case the capital in the foundation is not covering the commitment, the remaining coverage is made by the parent company, to ensure the total commitment is covered. Both interest compensation (historical payments) and net interest in the future disbursements have been estimated to amount to 0.0%, and the mortality assumption is DUS 14 (compulsory officials).

Mercuri Urval KMR AB applies the simplification rules in accordance with section 28.22 and thereby recognizes the pension obligations in the same way as they are recognised in the subsidiary. See note 27 for the accounting principles applied and how actuarial gains and losses have been recognised.

**Income taxes**

The tax cost is made up of the total for current tax and deferred tax.

**Current tax**

Current tax is calculated on the taxable result for the period. The taxable result differs from the reported result in the income statement since it has been adjusted for non-taxable income and non-deductible expenses as well as for income and expenses that are taxable or deductible in other periods. The group's current tax liability is calculated at the tax rates applying at the balance sheet date.

**Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the tax base value used in the calculation of the taxable result. Deferred tax is recognised using what is referred to as the balance sheet method. Deferred tax liabilities are recognised in principle for all taxable temporary differences and deferred tax assets are recognised in principle for all deductible temporary differences if it is likely that the amounts can be used against future taxable surpluses.

Deferred tax liabilities and tax assets are not recognised if the temporary difference is attributable to goodwill. Deferred tax liabilities are recognised for taxable temporary differences attributable to investments in subsidiaries, except where the group is able to control the timing of the reversal of the temporary differences and it is not clear that the temporary difference will be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced if it is no longer likely that sufficient taxable results will be available to be used, in whole or in part, against the deferred tax asset.

The valuation of deferred tax is based on how the company, at the balance sheet date, expects to recover the carrying amount for a corresponding asset or settle the carrying amount for a corresponding liability. Deferred tax is calculated according to the tax rates and tax rules adopted prior to the balance sheet date.

Deferred tax assets and liabilities are offset when they relate to income taxes charged by the same public authority and when the group intends to settle the tax at a net amount.

**Current and deferred tax for the period**

Current and deferred tax is recognised as an expense or as income in the income statement, except when the tax is attributable to transactions that are recognised directly in equity. In such cases, the tax effect is also recognised directly in equity. In the case of current and deferred tax that arises when recognizing business acquisitions, the tax effect is recognised in the acquisition calculations.

**Tangible and intangible fixed assets**

Tangible and intangible fixed assets are reported at historical cost after a deduction for accumulated depreciation and any impairment.

The historical cost consists of the purchase price, costs directly attributable to the acquisition in order to put

it in place and in working order. Additional expenses are included only in the asset or are recognised as a separate asset when it is likely that any future economic advantages associated with the item will accrue to the group and that its historical cost can be reliably measured. All other costs for repairs and maintenance and additional expenses are recognised in the income statement in the period in which they are incurred.

When the difference in the consumption of a tangible fixed asset's significant components is considered to be significant, the asset is divided into these components.

Depreciation of tangible and intangible fixed assets is recognised as an expense so that the historical cost of the asset, possibly reduced by the estimated residual value at the end of its useful life, is made subject to depreciation on a straight-line basis over that estimated useful life. If an asset has been divided into different components, each component is made subject to separate depreciation over its useful life. Depreciation begins when the asset can be put to use.

The useful life of tangible and intangible fixed assets is estimated at:

- Equipment, tools, fixtures and fittings 5 years
- Licenses and software 5 years
- Trademarks and goodwill 10 years

Estimated useful lives and depreciation methods are reviewed if there are indications that the expected consumption has changed substantially compared with the estimate at the previous balance sheet date. Since the company changes the assessment of the periods of use, any residual value for the asset is also reviewed. The effect of these changes is recognised in a future-orientated manner.

#### **Disposal from the balance sheet**

The carrying amount of a tangible or intangible asset is derecognised upon disposal or sale, or when no future economic benefits are expected from use of the asset or component. The profit or loss that arises when a tangible or intangible asset or a component is derecognised is the difference between what might be obtained, after deduction for direct selling expenses and the asset's carrying value. The capital gain or loss that arises when a tangible or intangible asset or component is removed from the balance sheet is reported in the income statement as other operating income or other operating expense.

#### **Impairment of tangible and intangible fixed assets**

At each balance sheet date, the group analyses the carrying values of tangible and intangible fixed assets in order to determine whether there is any indication that these assets have declined in value. If this is the case, the recoverable value of the asset is estimated to enable the value of any impairment to be determined. Where it is not possible to estimate the recoverable value of an individual asset, the recoverable value of the cash-generating unit to which the asset belongs is estimated.

The recoverable amount is the fair value with a deduction for sales costs or the value in use, whichever is the higher. Fair value with a deduction for sales costs is the price that is expected to be received in a sale between knowledgeable, mutually independent parties that have an interest in the performance of the transaction, with a deduction for costs that are directly attributable to the sale. When calculating the value in use,



estimated future cash flows are discounted to their current value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks associated with the asset. The budget for the next five years is used to estimate future cash flows.

If the recoverable value of an asset (or cash-generating unit) is set at a lower value than the carrying amount, the carrying amount of the asset (or cash-generating unit) is impaired to the recoverable value. An impairment must immediately be recognised as an expense in the income statement.

An assessment is carried out on each balance sheet date to ascertain whether the previous impairment is no longer justified. If that is the case, the impairment is reversed in full or in part. When an impairment is reversed, the asset's (cash-generating unit's) carrying amount increases. The carrying amount after reversal of an impairment may not exceed the carrying amount that would be established if no impairment of the asset (the cash-generating unit) had been carried out in a previous year. A reversal of an impairment is recognised directly in the income statement.

#### **Financial instruments**

A financial asset or financial liability is recognised in the balance sheet when the group becomes party to the contractual terms of the instrument. A financial asset is derecognised from the balance sheet when the contractual rights to the cash flow from the asset cease, are settled or when the group loses control over it. A financial liability or part of a financial liability is derecognised from the balance sheet when the agreed obligation is fulfilled or otherwise ceases.

On initial recognition, current assets and current liabilities are valued at historical cost. Long-term receivables and long-term liabilities are valued at amortized cost on initial recognition. Borrowing costs are distributed over a period of time as part of the interest expense on the loan using the effective interest method (see below).

In the case of a valuation after initial recognition, current assets are valued according to the lower value principle, i.e. the lower of the historical cost and the net realizable value at the balance sheet date. Current liabilities are valued at a nominal value.

Long-term receivables and long-term liabilities are valued at amortized cost on initial recognition.

#### **Amortized cost**

Amortized cost is the amount at which the asset or liability is initially recognised minus deductions for depreciation, additions or deductions for accumulated amortisation, according to the effective interest rate method, of the initial difference between the received/paid amount and the amount to pay/receive at maturity and a deduction for impairments.

The effective interest rate is the rate that, discounting all expected future cash flows over the expected term, results in the initial carrying value of the financial asset or financial liability.

#### **Impairment on financial assets**

An evaluation is carried out at each balance sheet date to ascertain whether there are indications that the

value of one or more financial fixed assets has decreased. Examples of such indications are significant financial difficulties at the borrower, breach of contract or likelihood that the borrower will be declared bankrupt.

For financial fixed assets measured at amortized cost, the impairment is calculated as the difference between the carrying amount of the asset and the current value of the company management's best estimate of future cash flows. Discounting takes place at an interest rate that corresponds to the original effective interest rate of the asset. For assets with a variable interest rate, the current interest rate at the balance sheet date is used.

For financial fixed assets that are not valued at amortized cost, the impairment is calculated as the difference between the carrying amount of the asset and the fair value with a deduction for sales costs or the current value of the company management's best estimate of the future cash flows that the asset is expected to generate, whichever is the lower.

#### **Cash and cash equivalents**

Liquid assets include cash and available balances at banks and other credit institutions and other short-term liquid investments that are readily convertible to cash and that are subject to an insignificant risk of fluctuation in value. To be classified as liquid assets, the duration may not exceed three months from the acquisition date.

#### **Provisions**

Provisions must be reported when the group has an existing obligation (legal or constructive) as a consequence of a previous event and it is likely that an outflow of funds will be required to settle the obligation and if the amount can be estimated accurately.

A provision is reviewed at each balance sheet date and adjusted to reflect the best estimate of the amount required to settle the existing obligation at the balance sheet date, taking into account the risks and uncertainties associated with the obligation. When a provision is calculated by estimating the payments that are expected to be required to settle the obligation, the carrying amount corresponds to the current value of those payments.

Where all or part of the amount required to settle a provision is expected to be paid by a third party, the compensation must be disclosed as an asset in the consolidated balance sheet when it is virtually certain that it will be received if the company settles the obligation and the amount can be estimated reliably.

#### **Loss contracts**

A provision for loss contracts is recognised when the inevitable expenses to fulfil the contract exceed the expected economic benefits.

#### **Contingent liabilities**

A contingent liability is a possible obligation resulting from past events whose existence will only be confirmed by the fact that one or more uncertain future events that are not wholly controllable by the company occur or fail to occur, or an existing obligation as a result of past event that is not recognised as a liability or provision because it is not likely that an outflow of funds will be required to settle the obligation or else the size of the obligation cannot be estimated with sufficient reliability. Contingent liabilities are recognised in note 29.

**Cash flow statement**

The cash flow statement shows changes in the group's liquid assets during the financial year. The cash flow statement has been prepared using the indirect method. The reported cash flow only comprises transactions that involved deposits and disbursements.

**Accounting principles for the parent company**

The differences between the parent company's and the group's accounting principles are described below:

**Subsidiaries**

Participations in subsidiaries are recognised at historical cost. Dividends from subsidiaries are recognised as income when the right to receive dividends is considered secure and can be reliably estimated.

**Group contribution**

Group contributions received and paid are recognised as appropriations in the income statement.

**Taxes**

Untaxed reserves including the deferred tax liability are recognised at the parent company. Untaxed reserves are divided into deferred tax liability and equity in the consolidated accounts.

**Tangible fixed assets**

Tangible fixed assets, which are of lower value or can be assumed to have an economically useful life of a maximum of three years are recognised as expenses on initial recognition provided that the corresponding deduction can be made in accordance with the Income Tax Act.

**Financial instruments**

Financial instruments are recognised using the acquisition method.

**Leasing**

The parent company reports all leases as per the rules on operating leases.

**Correction of error in prior periods**

The company has made some changes in the annual report for 2019 related to historical errors in the accounts. These errors have been assessed as essential and the company has corrected these errors in accordance with K3, 10.12 (Sw. GAAP) and the correction has been made by recalculated the comparison figures for last year and the opening balance in equity. The corrections are mainly related to incorrect account in Mercuri Urval's overall revenue recognition accounting, and the costs related to this have been accounted for too low. In addition to this a pension commitment in the parent company and the related provision, has not been sufficiently provided for. The correction also includes an investment in an apartment and a parking spot, in London. This investment was made several years ago.

The correction of the pension commitment is based on a current actuarial calculation, and the correction is made directly in equity as an error in prior periods. This means that the figures for the comparison year (2018) has been changed accordingly.

To show this in a clear manner the below tables have been established for the purpose of describing the effect of these corrections in the different reports in the annual report.

Below table illustrates the effect on both the group profit and loss statement and the group balance sheet in 2018, and the effect on equity in total.

<u>Effect on the balance sheet in 2018-01-01</u>		<u>Change in profit after tax in 2018</u>	
Correction of pensions commitments in prior periods	-1,037	Reported profit after tax in 2018	3,550
Correction of investment in financial assets	103	Adjusted profit after tax in 2018	2,856
Correction of deferred tax liabilities in prior periods.	-11	<b>Change</b>	<b>-694</b>
<b>Net effect on equity related to the adjustments of the balance sheet in 2018</b>	<b>-945</b>		
		<u>Other balance sheet items affected in 2018-01-01</u>	
<u>Effect on the profit and loss statement in 2018</u>		Other receivables	-784
Correction of too low accounting of expenses related to the revenue recognition	-842	Accrued expenses and deferred income	57
Deferred tax effect	147		
<b>Net effect in equity related to the adjustment of the profit and loss statement in 2018</b>	<b>-694</b>	Above items affected in the balance sheet are mostly related to the adjustment in prior periods.	
<b>Total effect of equity related to prior periods in the profit and loss statement and balance sheet'</b>	<b>-1,639</b>		

The table shows the reported profit and loss statement including the adjustment made and a correct profit and loss statement for 2018.

AMOUNT IN TEUR	2018	Adj 2018	2018
Net sales	93,156		93,156
Other operating income	2,269		2,269
Other external expenses	-30,696	-842	-31,538
Personnel costs	-55,528		-55,528
Depreciation and amortisation of tangible and intangible fixed assets	-1,976		-1,976
Other operating expenses	-798		-798
<b>Operating profit/loss</b>	<b>6,427</b>	<b>-842</b>	<b>5,585</b>
Profit from shares in group companies	-676		-676
Interest income and similar income statement items	1,203		1,203
Interest expenses and similar income statement items	-1,536		-1,536
<b>Profit before taxes</b>	<b>5,418</b>	<b>-842</b>	<b>4,576</b>
Tax	-1,868	147	-1,721
<b>Profit/loss for the year</b>	<b>3,550</b>	<b>-694</b>	<b>2,856</b>

Below table shows how equity has been affected, with a separate header shows the opening equity adjustment:

AMOUNT IN TEUR	Share capital	Other capital contributed	Translation reserve	Profit/loss brought forward including profit/loss for the year	Total equity
<b>Opening balance 1 January 2018</b>	<b>12</b>	<b>34,399</b>	<b>-4,039</b>	<b>-5,138</b>	<b>25,234</b>
<b><u>Correction errors prior periods</u></b>					
Correction error related to prior periods				-945	-945
<b>Adjusted opening balance as of 1 January 2018</b>	<b>12</b>	<b>34,399</b>	<b>-4,039</b>	<b>-6,083</b>	<b>24,289</b>
<b><u>Total comprehensive income of the year</u></b>					
Profit/loss for the year				2,856	2,856
Other comprehensive income of the year			-213		-213
<b>Total comprehensive income of the year</b>			<b>-213</b>	<b>2,856</b>	<b>2,643</b>
<b><u>Transactions with group owners</u></b>					
Dividend				-200	-200
<b>Total transactions with group owners</b>				<b>-200</b>	<b>-200</b>
<b>Closing balance 31 December 2018</b>	<b>12</b>	<b>34,399</b>	<b>-4,252</b>	<b>-3,427</b>	<b>26,732</b>
 <b>Opening balance 1 January 2019</b>	 <b>12</b>	 <b>34,399</b>	 <b>-4,252</b>	 <b>-3,427</b>	 <b>26,732</b>
<b><u>Total comprehensive income of the year</u></b>					
Profit/loss for the year					
Other comprehensive income of the year			846		846
<b>Total comprehensive income of the year</b>			<b>846</b>		<b>846</b>
<b><u>Transactions with group owners</u></b>					
Dividend				-2,085	-2,085
<b>Total transactions with group owners</b>				<b>-2,085</b>	<b>-2,085</b>
<b>Closing balance 31 December 2019</b>	<b>12</b>	<b>34,399</b>	<b>-3,405</b>	<b>-5,512</b>	<b>25,493</b>

### NOTE 3 Significant estimates and assessments

#### Important sources of uncertainty and key assessments in the application of the Group's accounting policies

The most important assumptions on the future are reported below, along with other important sources of uncertainty in assessments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Impairment tests on goodwill, as well as shares and participations in subsidiaries

Goodwill and other intangible assets (trade marks), along with shares and participations in subsidiaries, is tested annually to identify any need for impairment. The test is carried out for each cash-generating unit.

The recoverable amount for the cash-generating units is based on value in use. This value is calculated on the estimated future cash flows based on budgets approved by the Board of Directors. Management determine the budgets on the basis of previous results and expectations on market trends. The growth rate is estimated for each cash-generating unit on the basis of its market position and performance. The cash flows beyond a five-year period are extrapolated using an estimated annual growth rate. The discount rate applied is a weighted cost of capital for borrowed capital and equity.

#### Project accounting



Mercuri Urval's service portfolio consists of Executive Search, Professional Recruitment and Talent Advisory. In the company's revenue recognition, the number of hours spent on the projects is of minor importance, since in agreements with customers it is a product that is sold at a pre-agreed price for the entire service. This means that the company's assessments in the income statement are based on the total estimated time periods in the project that have been set aside to deliver complete projects, from the start date to the final delivery date.

Mercuri Urval's method for securing the degree of completion of the projects is based on the estimated time required for the entire project. In principle, invoicing takes place evenly over the duration of the projects, which means that, as a background, the company considers that the economic benefits of the transaction are attributable to Mercuri Urval at the same rate. At any given time, an assessment is made of how far the project has come. This is done using the start time stated in the project report in relation to the project's estimated end date. This also means that the degree of completion can be calculated with sufficient certainty on the balance sheet date.

#### Recovery of deferred tax assets

The Mercuri Group has made the assessment that reporting of deferred tax receivables is made only where there is most likely to be an opportunity to recover them. This only occurs in any single country where the Group is currently operating.

#### NOTE 4 Distribution of net sales

Group	2019	2018
The Nordic Region	31,440	36,169
Europe excluding the Nordic Region	47,569	54,258
Asia	1,755	2,011
North America	822	732
South America	38	-14
Africa	34	0
<b>Group total</b>	<b>81,657</b>	<b>93,156</b>

#### NOTE 5 Related party transactions

Group	2019	2018
Purchases, %	40	41
Sales, %	18	19
<b>Parent company</b>	<b>2019</b>	<b>2018</b>
Purchases, %	0	0
Sales, %	99	100

Transactions between related parties have taken place on a market basis.

## NOTE 6 Other operating income

Group	2019	2018
Exchange rate gains	321	510
Earnings from disposal of equipment	0	1
Dissolution of Negative Goodwill	48	1,559
Other operating income	73	199
<b>Group total</b>	<b>442</b>	<b>2,269</b>
Parent company	2019	2018
Exchange rate gains	185	220
Reinvoiced costs	2,506	2,015
Other operating income	0	15
<b>Parent company total</b>	<b>2,691</b>	<b>2,250</b>

## NOTE 7 Disclosures on remuneration to the auditor

Group	2019	2018
<b>Deloitte</b>		
Audit services	379	311
Tax consultancy services	68	66
Other assignments	68	56
<b>Group total</b>	<b>515</b>	<b>433</b>
<b>Other auditors</b>		
Audit services	6	7
<b>Group total</b>	<b>6</b>	<b>7</b>
Parent company	2019	2018
<b>Deloitte</b>		
Audit services	67	61
Tax consultancy services	0	4
Other assignments	1	0
<b>Parent company total</b>	<b>68</b>	<b>65</b>

The audit work relates to auditing of the annual financial statements and accounting records and the board of directors' and CEO's management, the other work incumbent on the company's auditors and advice or other assistance deriving from observations during such auditing or during the performance of other work. Everything else is other assignments.

## NOTE 8 Leasing agreements

Group	2019	2018
Within one year	5,617	5,682
In over one year but within five years	9,578	9,126
Later than 5 years	1,204	1,106
<b>Group total</b>	<b>16,399</b>	<b>15,914</b>
 Lease costs included in the profit/loss for the year	 5,972	 6,278
 <b>Parent company</b>	 2019	 2018
Within one year	366	372
In over one year but within five years	514	894
<b>Parent company total</b>	<b>880</b>	<b>1,267</b>
 Lease costs included in the profit/loss for the year	 301	 269

## NOTE 9 Number of employees, salaries, other remuneration and social insurance costs

Average number of employees (all employees in Sweden)	2019 Women	2019 Men	2018 Women	2018 Men
Sweden	27	8	24	7
<b>Parent company total</b>	<b>27</b>	<b>8</b>	<b>24</b>	<b>7</b>
Average number of employees	2019 Women	2019 Men	2018 Women	2018 Men
Belgium	23	13	26	14
Brazil	1	0	2	0
Denmark	40	30	44	39
Estonia	1	2	1	3
Finland	28	19	28	23
France	11	6	11	6
India	3	7	3	7
Italy	13	6	11	5
China	5	2	6	4
Netherlands	18	17	16	22
Norway	11	18	14	17
Poland	3	2	5	1
Portugal	1	0	1	0
Switzerland	14	12	16	15
Singapore	4	2	4	3
Spain	3	2	3	2
Great Britain	5	8	5	10
Sweden	22	26	21	22
Germany	39	47	37	45
USA	1	3	3	3
Austria	9	4	7	4
<b>Total in subsidiaries</b>	<b>254</b>	<b>225</b>	<b>264</b>	<b>245</b>
 <b>Total in the Group</b>	 <b>281</b>	 <b>233</b>	 <b>288</b>	 <b>251</b>

<b>Group</b>		
<b>Salaries and other remuneration</b>	<b>2019</b>	<b>2018</b>
Salaries and remuneration to the board of directors and the CEO	71	63
Salaries and remuneration to other employees	39,393	44,502
<b>Group total</b>	<b>39,464</b>	<b>44,564</b>

<b>Group</b>		
<b>Pension and social security costs</b>	<b>2019</b>	<b>2018</b>
Pension expenses for other employees	2,120	2,265
Social security costs in accordance with law and contracts	5,570	6,149
<b>Group total</b>	<b>7,689</b>	<b>8,414</b>

<b>Parent</b>		
<b>Salaries and other remuneration</b>	<b>2019</b>	<b>2018</b>
Salaries and remuneration to the board of directors and the CEO	19	15
Salaries and remuneration to other employees	2,329	1,865
<b>Parent company total</b>	<b>2,348</b>	<b>1,880</b>

<b>Parent</b>		
<b>Pension and social security costs</b>	<b>2019</b>	<b>2018</b>
Pension expenses for other employees	217	233
Social security costs in accordance with law and contracts	721	638
<b>Parent company total</b>	<b>938</b>	<b>871</b>

## NOTE 10 Other operating expenses

<b>Group</b>	<b>2019</b>	<b>2018</b>
Capital gain/loss on disposal of equipment	17	1
Exchange rate losses	378	797
<b>Group total</b>	<b>395</b>	<b>798</b>
<b>Parent company</b>	<b>2018</b>	<b>2017</b>
Exchange rate losses	255	263
<b>Parent company total</b>	<b>255</b>	<b>263</b>

## NOTE 11 Profit/loss from participations in Group companies

Group	2019	2018
Loss from sale of shares in Ad X A.G.	0	-676
Loss from liquidation of PK Tjänst AB	-20	0
<b>Group total</b>	<b>-20</b>	<b>-676</b>
<b>Parent company</b>	<b>2019</b>	<b>2018</b>
Impairment of shares in subsidiaries	-861	-857
Dividends*	1,000	6,059
<b>Parent company total</b>	<b>139</b>	<b>5,202</b>

\* Of which 1.000 TEUR anticipated dividends 2019

\* Of which 3.000 TEUR anticipated dividends 2018

## NOTE 12 Interest income and similar income plus interest expenses and similar expenses

Group	2019	2018
<b>Interest income and similar income:</b>		
Interest income	12	12
Exchange rate gains	5,042	1,151
Other	-49	40
<b>Interest income and similar income</b>	<b>5,005</b>	<b>1,203</b>
<b>Interest expenses and similar expenses:</b>		
Interest expenses	-52	-137
Exchange rate losses	-5,881	-942
Other	-2	-456
<b>Interest expenses and similar expenses</b>	<b>-5,935</b>	<b>-1,536</b>
<b>Financial items group - net</b>	<b>-930</b>	<b>-333</b>
<b>Parent company</b>	<b>2019</b>	<b>2018</b>
<b>Interest income and similar income:</b>		
Interest income	129	94
Exchange rate gains	260	153
<b>Interest income and similar income</b>	<b>389</b>	<b>247</b>
<b>Interest expenses and similar expenses:</b>		
Interest expenses	-670	-790
Exchange rate losses	-240	-158
<b>Interest expenses and similar expenses</b>	<b>-910</b>	<b>-948</b>
<b>Financial items group - net</b>	<b>-521</b>	<b>-701</b>



## NOTE 13 Tax on the profit/loss for the year

Differences between declared tax cost and calculated tax cost based on applicable tax rate are the following:

Group	2019	2018
<b>Tax cost in income statement</b>		
Income tax current year	-1,079	-1,932
Income tax previous years	112	-315
Deferred tax income from change in temporary differences	-109	310
Deferred tax income from change in loss carryforward	0	216
<b>Sum tax costs group</b>	<b>-1076</b>	<b>-1721</b>
The average effective tax rate is	100%	38%
<b>Reconciliation effective tax cost</b>		
Profit/loss before tax	1,076	5,418
Tax calculated at the group tax rate 21.4% (22.0%)	-230	-1,192
<b>Tax effect of:</b>		
Current tax relating to previous years	108	-452
Non-deductible expenses	-179	-3,633
Non- taxable income	59	3,325
Tax effect on tax losses for which no deferred income tax asset was recognised	-620	-436
Tax effect on re-measurement of deferred tax - e.g. change in tax rates	18	248
Tax effect on utilisation of previously unrecognised tax losses	29	377
Tax effect on activation of previously unrecognised loss carry-forwards	0	170
Other	-260	-128
<b>Tax costs group</b>	<b>-1,076</b>	<b>-1,721</b>
Effective tax %	100%	38%
<b>Parent company</b>	<b>2019</b>	<b>2018</b>
<b>Tax cost in income statement</b>		
Income tax current year	0	-476
Income tax previous years	0	-162
<b>Sum tax costs group</b>	<b>0</b>	<b>-637</b>
The average effective tax rate is	0%	14%
<b>Reconciliation effective tax cost</b>		
Profit/loss before tax	99	4,429
Tax calculated at the group tax rate 21.4% (22.0%)	-21	-974
<b>Tax effect of:</b>		
Current tax relating to previous years	0	-162
Non-deductible expenses	-197	-835
Non- taxable income	214	1,333
Other	5	0
<b>Tax cost Parent company</b>	<b>0</b>	<b>-637</b>
Effective tax %	0%	14%
<b>Group</b>	<b>2019</b>	<b>2018</b>

**Deferred tax receivable**

Deferred tax assets for loss carryforwards	264	257
<b>Sum deferred tax receivable</b>	<b>264</b>	<b>257</b>

**Deferred tax liability**

Deferred tax liabilities for work in progress	-595	-695
Deferred tax liabilities for untaxed reserves in Sweden	-244	0
<b>Sum deferred tax liability</b>	<b>-839</b>	<b>-695</b>

Deferred tax assets are valued at a maximum of the amount that is likely to be recovered based on current and future taxable profits. The Group has unutilized loss carryforwards amounting to KEUR 58,779 (KEUR 55,732), of which KEUR 57,837 (KEUR 54,780) relates to unrecognized loss carryforwards. The management believes that it is uncertain whether unrecognized loss carryforwards will be able to be utilized due to uncertainty about when in the future sufficient taxable profits will be generated. Deferred tax assets have therefor only been reported on the losses carried forward where it is probable that they will be used in the foreseeable future.

The tax rate for calculating deferred tax assets is 23.3% and the tax rate for calculating deferred tax liability is 21.4%.

## NOTE 14 Intangible assets

Group	Licenses and software	Goodwill	Total
<b>Financial year 2018</b>			
Opening acquisition values	8,501	3,974	12,475
Investments	0	0	0
Divestments and disposals	-205	0	-205
Exchange rate differences of the year	0	9	9
<b>Closing accumulated acquisition values</b>	<b>8,296</b>	<b>3,983</b>	<b>12,279</b>
Opening depreciation	-2,152	-3,437	-5,589
Depreciation of the year	-825	-179	-1,004
Divestments and disposals	205	0	205
Exchange rate differences of the year	-1	-9	-10
<b>Closing accumulated depreciations</b>	<b>-2,774</b>	<b>-3,625</b>	<b>-6,399</b>
<b>Closing carrying amount</b>	<b>5,522</b>	<b>358</b>	<b>5,880</b>
<b>Financial year 2019</b>			
Opening acquisition values	8,296	3,983	12,279
Exchange rate differences of the year	1	9	10
<b>Closing accumulated acquisition values</b>	<b>8,297</b>	<b>3,992</b>	<b>12,289</b>
Opening depreciation	-2,773	-3,625	-6,399
Depreciation of the year	-822	-179	-1,001
Divestments and disposals	0	0	0
Exchange rate differences of the year	-1	-9	-11
<b>Closing accumulated depreciations</b>	<b>-3,596</b>	<b>-3,813</b>	<b>-7,409</b>
<b>Closing carrying amount</b>	<b>4,701</b>	<b>179</b>	<b>4,880</b>

Parent company	Licenses and software
<b>Financial year 2018</b>	
Opening acquisition values	7,906
<b>Closing accumulated acquisition values</b>	<b>7,906</b>

Opening depreciation	-1,589
Depreciation of the year	-808
<b>Closing accumulated depreciations</b>	<b>-2,398</b>

<b>Closing carrying amount</b>	<b>5,509</b>
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<b>Parent company</b>	<b>Licenses and software</b>
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**Financial year 2019**

Opening acquisition values	7,906
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<b>Closing accumulated acquisition values</b>	<b>7,906</b>
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Opening depreciation	-2,398
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Depreciation of the year	-808
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<b>Closing accumulated depreciations</b>	<b>-3,206</b>
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<b>Closing carrying amount</b>	<b>4,700</b>
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**NOTE 15 Fixtures and fittings, tools and installations**

<b>Group</b>	<b>2019</b>	<b>2018</b>
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Opening acquisition values	10,515	10,360
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Impairment of the year	62	-87
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Investments	983	474
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Divestments and disposals	-616	-4
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Through divestments of subsidiaries	0	-154
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Exchange rate differences of the year	63	-13
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<b>Closing accumulated acquisition values</b>	<b>11,007</b>	<b>10,576</b>
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0

Opening depreciation	-7,646	-7,009
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Divestments and disposals	540	11
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Depreciation of the year	-1,017	-971
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Impairment of the year	0	87
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Through divestment of subsidiaries	0	149
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Exchange rate differences of the year	-35	27
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<b>Closing accumulated depreciations</b>	<b>-8,157</b>	<b>-7,706</b>
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<b>Closing carrying amount</b>	<b>2,850</b>	<b>2,870</b>
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<b>Parent company</b>	<b>2019</b>	<b>2018</b>
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Opening acquisition values	571	540
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Investments	188	32
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Divestments and disposals	0	-1
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<b>Closing accumulated acquisition values</b>	<b>759</b>	<b>571</b>
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Opening depreciation	-429	-384
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Depreciation of the year	-86	-45
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<b>Closing accumulated depreciations</b>	<b>-515</b>	<b>-429</b>
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<b>Closing carrying amount</b>	<b>243</b>	<b>142</b>
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## NOTE 16 Participations in group companies

Parent company	2019	2018
Opening acquisition values	58,923	58,811
Acquisition of subsidiaries – Advice Executive Search ADV AB	293	865
Impairment shares in subsidiaries	-149	-857
Shareholder contribution made	150	105
Liquidation of subsidiary – PK Tjänst AB	-865	0
<b>Closing accumulated acquisition value</b>	<b>58,353</b>	<b>58,923</b>
Opening depreciation/impairment	-27,148	-27,148
<b>Closing accumulated depreciation/impairment</b>	<b>-27,148</b>	<b>-27,148</b>
<b>Closing carrying amount</b>	<b>31,205</b>	<b>31,775</b>

The parent company and its subsidiary holds shares in the following subsidiaries:

Name	Number of shares	Percentage of shares directly owned by parent company	Percentage shares owned by group	Book value 2019	Book value 2018
Mercuri Urval AB	100	100%	100%	2,206	2,206
Mercuri Urval Consultants AB	100	100%	100%	348	348
Selection Development AB	100	100%	100%	11	11
Mercuri Urval Brazil	83	83%	100%	1	0
Mercuri Urval A/S Denmark	100	100%	100%	11,610	11,610
Mercuri Urval China	100	100%	100%	0	0
Mercuri Urval Polska Sp. z.o.o	100	100%	100%	0	0
Mercuri Urval Ltd Singapore	100	100%	100%	0	0
Mercuri Urval Ltd UK	100	100%	100%	686	686
Mercuri Urval GmbH	100	100%	100%	4,818	4,818
Mercuri Urval Inc. USA	100	100%	100%	1	1
Mercuri Urval Austria	100	100%	100%	359	359
Mercuri Urval KMR BV	100	100%	100%	10,772	10,772
Mercuri Urval Recruitment & Selection India Pvt. Ltd.	6	6%	100%	100	100
PK Tjänst AB	100	100%	100%	0	865
Advice Executive Search ADV AB	100	100%	100%	293	0
<b>Closing carrying amount</b>				<b>31,205</b>	<b>31,775</b>

Swedish Subsidiaries	Reg. no	Headquarters
Mercuri Urval AB	556191-0513	Stockholm
Mercuri Urval Consultants AB	556596-7261	Stockholm
Selection Development AB	556170-9808	Stockholm
PK Tjänst AB *)	556592-9428	Stockholm

\*) Liquidated on December 23, 2019

Subsidiaries of Mercuri Urval KMR BV	2019	2018
- Mercuri Urval B.V.	The Netherlands	100

- Mercuri Urval Consultants Belgium N.V.	Belgium	100	100
- Mercuri Urval S.A.S.	France	100	100
- Mercuri Urval A.G.	Switzerland	100	100
- Mercuri Urval S.r.l.	Italy	100	100
- Mercuri Urval S.A.	Spain	100	100
- Mercuri Urval S.A.	Portugal	100	100
- Mercuri Urval A/S	Norway	100	100
- Mercuri Urval Consultants Eesti Osauhing	Estonia	100	100
- Mercuri Urval Consultants AB	Finland	100	100
- Mercuri Urval Recruitment & Selection India Pvt. Ltd.	India	94	94

## NOTE 17 Securities held as non-current assets

Group	2019	2018
Opening acquisition value	251	255
Investment	58	0
Impairment	0	-3
Through acquisition of group companies	29	0
Translation differences	2	-1
<b>Closing carrying amount</b>	<b>340</b>	<b>251</b>

## NOTE 18 Other non-current receivables

Group	2019	2018
Opening acquisition value	2,881	2,835
Acquisitions	96	248
Divestments/Amortisation	-174	-2,165
Reclassification *)	74	103
Impairment	0	-101
Through acquisition of group companies	0	2,140
Through disposal of group companies	0	-22
Translation differences	24	-54
<b>Closing carrying amount</b>	<b>2,901</b>	<b>2,984</b>
<b>Parent company</b>	<b>2019</b>	<b>2018</b>
Opening acquisition value	223	168
Reclassification *)	0	62
Translation differences	-3	-7
<b>Closing carrying amount</b>	<b>220</b>	<b>223</b>

\*) 2018 is related correction of error in prior periods regarding a flat (owned by the parent company) and attached parking spot (owned by the subsidiary in the UK) in London.



## NOTE 19 Prepaid expenses and accrued income

Group	2019	2018
Prepaid rental expenses	731	502
Prepaid pension premiums	104	176
Prepaid external services	224	29
Prepaid licenses	607	262
Prepaid insurances	137	37
Accrued income	4	92
Other items	146	311
<b>Group total</b>	<b>1,953</b>	<b>1,409</b>
<b>Parent company</b>	<b>2019</b>	<b>2018</b>
Prepaid rental expenses	86	12
Prepaid pension premiums	24	0
Prepaid external services	75	0
Prepaid licenses	417	239
Accrued income	2,276	3,057
Other items	48	16
<b>Parent company total</b>	<b>2,925</b>	<b>3,323</b>

## NOTE 20 Provision for guarantee commitments

Group	2019	2018
Opening value	109	87
Provisions of the year	0	22
Reserves decrease due to adjustment of reserve	-72	0
<b>Group total</b>	<b>37</b>	<b>109</b>

## NOTE 21 Other long term liabilities

Group	2019	2018
Amortisation within 2 to 5 years	0	1
Amortisation later than 5 years	6	16
<b>Group total</b>	<b>6</b>	<b>17</b>
<b>Parent company</b>	<b>2019</b>	<b>2018</b>
Amortisation within 2 to 5 years	0	0
<b>Parent company total</b>	<b>0</b>	<b>0</b>

## NOTE 22 Accrued expenses and deferred income

Group	2019	2018
Accrued salaries and holiday pay	7,758	8,550
Accrued social security costs	633	668
Other items	1,173	1,071
<b>Group total</b>	<b>9,564</b>	<b>10,288</b>

Parent company	2019	2018
Accrued salaries and holiday pay	544	256
Accrued social security costs	141	130
Other items	38	96
<b>Parent company total</b>	<b>722</b>	<b>482</b>

## NOTE 23 Acquisitions

Group	2019
<b>Amounts of identifiable assets and brought over liabilities</b>	
Cash and bank balances	409
Financial assets	29
Accounts receivables and other current receivables	241
Accounts payable and other current liabilities	-285
<b>Total identifiable net assets</b>	<b>340</b>
Negative Goodwill	-48
<b>Purchase sum</b>	<b>293</b>
Cash paid	-293
<b>Cash flow effect of acquisition</b>	<b>116</b>

During 2019, the group acquired Advice Executive Search ADV AB. The company's assets mainly consisted of accounts receivables and cash.

## NOTE 24 Number of shares and quota value

	Number of shares	Quota value
Preferred shares	200	1
Common shares	2,000	10
<b>Total</b>	<b>2,200</b>	

## NOTE 25 Significant events after the end of the financial year

The start of 2020 was strong, but the effects of Covid-19 are expected to be relatively extensive for our customers and thus for the Group's sales and revenue during the year. When it became clear that the covid-19 pandemic would have a major impact on the world economy, corporate management prepared three scenarios for the Group's operations during the year. The worst was based on a rapid decrease in sales in the second half of March, very low sales in the second and third quarters, followed by a gradual recovery in the fourth quarter, and a normalization of the volume of operations in 2021. Based on the worst case scenario, extensive cost reductions were made and executed quickly. These included both a reduction in the consulting organization as well as office closures and office relocations, as well as a reduction in costs for support functions, including head office costs. In part, these were already planned, but they have been implemented much faster than planned. Based on this scenario, existing liquidity, cash balance of MEUR 9 as of April 1, 2020, is sufficient. The Group's revenues and expenses are expected to be in balance during the fourth quarter, but since there is uncertainty about the time span of the Covid-19 pandemic, further structural cost reductions may be needed. There is no indication that the market for the company's services will fundamentally change.

The forecast is, in the same way as for most other businesses in these times, afflicted with a large degree of uncertainty, mainly due to the timing and effects of the pandemic. Should market conditions prove to be worse than assumed, and if further revenue reductions as a result cannot be offset by the various forms of state aid initiated by most of the countries within the Group, further cost-cutting measures will need to be taken and external financing may then be needed. At present, the various forms of state aid, which can mainly be divided into four

different groups, temporary liquidity support, contributions to operational costs with both income and cash flow effect, different forms of short-term work and pure government-supported loans, are not included in the liquidity projections for prudence. The Group currently has no credit facilities granted, but also no debts to banks or other financial institutions. In the meantime, from the adoption of the plan, sales and invoicing have developed better than expected.

#### NOTE 26 Proposed allocation of profit

The Board of Directors proposes that the profits brought forward of EUR 14,631,193, as well as the profit for the year of EUR 99,297 (non-restricted equity) in the parent company, 14,730,490 EUR is distributed in the following way:

Profit/loss for the year is carried forward	14,730,490
<b>Total</b>	<b>14,730,490</b>

#### NOTE 27 Defined benefit pension plan

The pension obligation has been calculated for a collective benefit pension agreement at Nordea for Mercuri Urval AS and includes one employees and four retirees. The pension benefit depends on the number of qualifying years and the salary level at retirement age and the size of the benefit from Folketrygden [the Norwegian social security system].

The obligations are managed by an insurance company and the calculation is in accordance with "Norsk regnskapsstiftelse (NRS)" [the Norwegian Accounting Standards Board] as of December 31, 2019 and December 31, 2018. The calculation is made in January the following year, recalculated to EUR according to the closing rate for each year.

The actuarial calculation of the pension obligation and the pension cost is based on the following important assumptions:

<b>Financial assumptions</b>	<b>2019</b>	<b>2018</b>
Discount rate	2.30%	2.60%
Expected return on plan assets	3.80%	4.30%
Salary increase	2.25%	2.75%
Long term inflation	1.50%	1.50%
Social security escalation rate	2.00%	2.50%
Pension increase	0.50%	0.80%
Local tax rate	14.10%	14.10%
<b>Expense recognised in the Income Statement / Net Periodic Benefit Cost</b>	<b>2019</b>	<b>2018</b>
Current Service cost (SCC) ( + )	27	52
Interest Cost ( + )	48	39
Expected return on Plan Assets ( - )	-85	-71
(Gain)-Loss	62	64
Administrative expenses ( + )	36	28
Local tax	17	17
<b>Net Expense/ (Income) recognised in the Income Statement / NPPC</b>	<b>106</b>	<b>128</b>

<b>Movement in Balance Sheet - end of year</b>	<b>2019</b>	<b>2018</b>
Net amount (liability/ (asset)) recognised in the balance sheet - beginning of year	470	453
Net Expense/ (Income) recognised in the Income Statement / NPPC ( - )	-106	-128
Employer Contributions ( + )	122	121
Local tax of Employer Contributions ( + )	17	17
<b>Net amount ((liability)/ asset) recognised in the balance sheet - end of year</b>	<b>503</b>	<b>462</b>
Pensions obligation for the Pension foundation – parent company	1,368	1,447
Pension provision - other	223	212
<b>TOTAL</b>	<b>2,094</b>	<b>2,121</b>
<b>Parent company</b>	<b>2019</b>	<b>2018</b>
Pension pledge for Pension foundation	1,368	1,447

The pension commitment vis-à-vis the pension foundation was corrected in 2019 for a historical error, where the commitment was too low in the accounts. The correction has been adjusted against the opening balance for 2018. The basis of this correction is based on an actuarial calculation.

Opening balance 2018	409
Correction in accordance with the actuarial calculation	1,038
<b>Correct closing balance 2018</b>	<b>1,447</b>

The parent company Mercuri Urval KMR AB has a linked Pension Foundation where the capital will be used for the pledge that exists against Håkan Eriksson and Kerstin Pegert (the former owners of Mercuri Urval). For that part of the pledge not covered by the pension foundation's capital, the parent company must cover the difference between the total pledge.

## NOTE 28 Work in Progress

<b>Group</b>	<b>2019</b>	<b>2018</b>
Work in Progress	4,589	5,128
Advanced payments from customers	-839	-1,030
Other	41	58
	<b>3,791</b>	<b>4,156</b>

Work in Progress in the group has been accounted for net in the balance sheet. The balance sheet items consist of uninvoiced revenue and prepaid revenue.

## NOTE 29 Contingent liabilities and pledged assets

<b>Pledged assets, Group</b>	<b>2019</b>	<b>2018</b>
Mortgages	219	219
<b>Contingent liabilities, Group</b>	<b>2019</b>	<b>2018</b>
Rental guarantees	487	505
<b>Group total</b>	<b>706</b>	<b>724</b>

## NOTE 30 Capital

The capital reserve in Mercuri Urval KMR AB and Mercuri Urval Holding AB [(org. No. 559157-1442)] referred to under § 6 (ii) in the Articles of Association for Mercuri Urval KMR AB shall be reported separately under equity in the balance sheet for Mercuri Urval KMR AB and Mercuri Urval Holding AB, respectively. As of December 31, 2019, the capital reserve in Mercuri Urval KMR AB was EUR 1,706,118 and Mercuri Urval Holding AB was EUR 1,706,118, a total of EUR 3,412,236.

## NOTE 31 Profit/loss from participations in Group companies

Parent Company	2019	2018
Loss from impairment of receivables from group companies Mercuri Urval S.A.S	0	2,900

## NOTE 32 Accelerated depreciation

Parent company	2019	2018
Opening balance accelerated depreciation	0	0
Change during the year	882	0
<b>Closing balance accelerated depreciation</b>	<b>882</b>	<b>0</b>

Stockholm , April 20, 2020

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Roger Hagafors (*Chairman*)  
*Signed on Swedish original*

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Susanne Larsson

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Annemieke Weijenberg

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Richard Moore (*Chief Executive Officer*)

Our auditor's report was issued on April 20, 2020

Deloitte AB

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Therese Kjellberg

*Authorized Public Accountant*

***Signed on Swedish original***