

Second Quarter 2018 Results

Comments by the President and CEO

During the second quarter of 2018, we focused on solidifying the competitiveness of our new cluster organization, resulting in significant cost reductions in plan with the overarching company wide project People, Passion, and Performance. We further advanced our new Way of Working and implemented a new digital recruitment process with centralized services. This is expected to lower the costs for recruitment, from streamlining and automating processes and reducing the dependency on traditional agencies to ensuring that we find, hire, and retain the best employees, thereby improving attrition.

Another key mission during the quarter was to strengthen the new organization, adding competence in senior sales positions and product management. This will help ensure that we are a true partner to current clients in their transformation process but also to approach and win new clients, and opening up new revenue streams with stronger profitability. In the Nordics, we hired a new Managing Director in Pernilla Oldmark, bringing 20 years of experience from the telecom and service industry and in driving change in commercial organizations.

To further increase our European competitiveness, we have selected and secured new locations and sites to evolve our nearshore and multilingual delivery. New locations currently being set up are in Zagreb, Croatia and Novi Sad, Serbia.

We are still seeing some effects from the ongoing transformation process reflected in the results. At the same time, we are seeing an increased interest from the market in Transcom, our new value propositions and our transformation. In the upcoming months, we are ready to reveal a new, refreshed brand platform and digital presence to continue this momentum. With a strong leadership backed by solid support functions and processes, as a global service partner who combines human talent with intelligent technology, we are ready to create smarter people experiences for our employees, clients, and client's customers.

Michael Weinreich
President & CEO

Group financial overview

(€m)	2018 Q2	2017 Q2*	2018 Jan-Jun	2017 Jan-Jun*	2017 Jan-Dec*
Revenue	129.3	140.7	270.1	140.7	428.7
EBITDA	-13.4	-0.7	-10.3	-0.8	10.6
EBITDA margin	-10.4%	-0.5%	-3.8%	-0.6%	2.5%
EBIT	-17.6	-4.6	-18.4	-4.7	-1.4
EBIT margin	-13.6%	-3.3%	-6.8%	-3.3%	-0.3%
EBITA excl. non-recurring items	5.1	4.2	12.4	4.2	22.2
EBITA margin excl. non-recurring items	3.9%	3.0%	4.6%	3.0%	5.2%
Profit before tax	-21.8	5.2	-30.2	6.4	2.6
Net income	-22.1	4.1	-31.6	5.3	-0.3
Net debt	170.8	154.9	170.8	154.9	161.8

* 2017 was the first year for Transcom Holding. The income statement of Transcom WorldWide Group is consolidated since April 1, 2017 and of Xzakt Group since July 1, 2017.

Q2 2018

REVENUE

Revenue amounted to € 129.3 million for the second quarter in 2018 (140.7).

EBIT

EBIT amounted to € -17.6 million in the quarter (-4.6). EBIT margin was -13.6% (-3.3%).

EBITA EXCLUDING NON-RECURRING ITEMS

EBITA excluding non-recurring items amounted to € 5.1 million (4.2). EBITA margin excluding non-recurring was 3.9% (3.0%).

NON-RECURRING ITEMS

Non-recurring items amounted to negative € 20.6 million (-7.1) and consisted of operational non-recurring items for € 20.5 million and transaction-related non-recurring items for € 0.1 million. Non-recurring items were mainly recorded in cost of sales.

NET FINANCIAL ITEMS

Net financial items amounted to € -4.2 million (9.8) and mainly consisted of interest costs.

TAXES

Tax expenses in the quarter amounted to € 0.3 million (1.1). The tax expenses are affected by losses for which no deferred tax asset can be recognized.

NET INCOME

Net income for the quarter was € -22.1 million (4.1).

CASH FLOW

Cash flow was € -1.4 million (16.9). Operating cash flow amounted to positive € 5.6 million (8.3) for the quarter mainly due to a strong working capital as an effect of timing in collections. Financing activities was mainly affected by lower usage of the bank overdraft.

January - June 2018

REVENUE

Revenue amounted to € 270.1 million for the second quarter 2018 (140.7).

EBIT

EBIT amounted to € -18.4 million in the first six months (-4.7). EBIT margin was -6.8% (-3.3%).

EBITA EXCLUDING NON-RECURRING ITEMS

EBITA excluding non-recurring items amounted to € 12.4 million (4.2). EBITA margin excluding non-recurring was 4.6% (3.0%).

NON-RECURRING ITEMS

Non-recurring items amounted to negative € 26.6 million (-7,1) and consisted of operational non-recurring items for € 23.4 million and transaction-related non-recurring items for € 3.3 million. Non-recurring items were mainly recorded in cost of sales and administrative expenses.

NET FINANCIAL ITEMS

Net financial items amounted to € -11.8 million (11.0) and mainly consisted of costs referring to the refinancing of the group and of interest costs

TAXES

Tax expenses in the semester amounted to € 1.4 million (1.1). The tax expenses are affected by losses for which no deferred tax asset can be recognized.

NET INCOME

Net income for the first half of the year was € -31.6 million (5.3).

CASH FLOW

Cash flow was € 2.4 million (27.2). Operating cash flow amounted to € 2.7 million (8.4) for the first six months. Deviation from the same period last year refers to timing in collections last year. Proceeds from borrowings and repayment of borrowings mainly reflect the refinancing that occurred in March.

FINANCIAL POSITION

Gross debt increased from € 177.6 million in Q2 last year to € 188.6 million, mainly due to the refinancing through a five-year € 180 million Senior Secured Fixed Rate Notes as well as a € 45 million Super Senior Revolving Credit Facility Agreement in March 2018.

Other information

RESULTS CONFERENCE CALL

Transcom will host a conference call at 15.00 CET (14.00 BST) on August 27. The conference call will be held in English.

To ensure that you are connected to the conference call, please register using the link below 5-10 minutes before the start in order to register your attendance. No pass code is required.

Online registration link: <http://emea.directeventreg.com/registration/9288754>

International dial-in number: +44 207 192 80 16

OTHER INFORMATION

The interim report has not been reviewed by the company's auditor.

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TRANSCOM GROUP - CONDENSED CONSOLIDATED INCOME STATEMENT

(€ '000)	Notes	2018 Q2	2017 Q2	2018 Jan-Jun	2017 Jan-Jun	2017 Jan-Dec
Revenue	4	129,330	140,680	270,064	140,680	428,729
Cost of sales	5	-120,399	-120,408	-235,018	-120,408	-352,790
Gross profit		8,931	20,272	35,046	20,272	75,939
Marketing expenses		-857	-762	-1,536	-762	-2,452
Administrative expenses		-25,836	-24,214	-51,892	-24,241	-74,935
Net gain/loss on disposal of business		95	-1	95	-1	-43
Other operating income/expenses		63	87	-96	71	118
Operating profit/loss	4, 5	-17,603	-4,618	-18,384	-4,661	-1,373
Net financial items		-4,209	9,775	-11,780	11,033	3,985
Profit/loss before tax		-21,813	5,156	-30,164	6,372	2,612
Income tax expense		-314	-1,067	-1,410	-1,067	-2,877
Profit/loss for the period attributable to equity holders of the parent		-22,127	4,090	-31,574	5,305	-265

TRANSCOM GROUP - CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ '000)	2018 Q2	2017 Q2	2018 Jan-Jun	2017 Jan-Jun	2017 Jan-Dec
Profit/loss for the period attributable to equity holders of the parent	-22,127	4,090	-31,574	5,305	-265
Other comprehensive income:					
Exchange differences on translation of foreign operations	739	588	-1,494	588	-4,546
Net gain/loss on cash flow hedges	-416	272	-1,470	272	1,178
Other comprehensive income to be reclassified to profit or loss in subsequent periods	323	860	-2,964	860	-3,368
Actuarial profit/loss on post-employment benefit obligations	-	-	-	-	27
Income tax effect	-	-	-	-	-4
Other comprehensive income not to be reclassified to profit or loss in subsequent periods	-	-	-	-	23
Other comprehensive income for the period, net of tax	323	860	-2,964	860	-3,345
Total comprehensive income for the period, net of tax, attributable to equity holders of the parent	-21,804	4,950	-34,538	6,165	-3,610

TRANSCOM GROUP - CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ '000)	Notes	2018 Jun 30	2017 Jun 30	2017 Dec 31
ASSETS				
Non-current assets				
Goodwill		172,615	173,350	174,085
Other intangible assets		91,422	101,031	96,548
Tangible assets		14,089	15,753	14,329
Deferred tax assets		333	818	704
Other receivables		2,873	4,271	2,934
		281,332	295,223	288,600
Current assets				
Trade receivables		56,076	58,177	62,502
Income tax receivables		6,087	5,706	5,460
Other receivables		14,834	11,713	8,749
Prepaid expenses and accrued income		42,356	43,853	40,943
Cash and cash equivalents		20,290	25,408	17,249
		139,643	144,858	134,903
TOTAL ASSETS		420,975	440,081	423,503
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent		93,466	137,780	128,004
Non-current liabilities				
Interest-bearing liabilities	7	184,129	166,001	113,535
Employee benefit obligations		2,485	2,682	2,584
Provisions		143	161	158
Deferred tax liabilities		22,212	24,809	24,042
Other liabilities		445	-	1
		209,414	193,653	140,320
Current liabilities				
Interest-bearing liabilities	7	4,507	11,645	62,916
Provisions	5	17,903	2,070	3,916
Trade payables		16,247	17,813	21,593
Income tax payables		4,141	4,631	3,642
Other liabilities		29,991	25,416	23,186
Accrued expenses and prepaid income		45,306	47,073	39,927
		118,095	108,648	155,179
Total liabilities		327,509	302,301	295,499
TOTAL EQUITY AND LIABILITIES		420,975	440,081	423,503

TRANSCOM GROUP - CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€ '000)	Notes	Equity attributable to equity holders of the parent				Total equity
		Total number of shares ('000)	Share capital	Other contributed capital	Other reserves and Retained earnings	
Balance, Jan 1, 2017		7	7	-	33,866	33,872
Profit/loss for the period		-	-	-	5,305	5,305
Other comprehensive income, net of tax		-	-	-	860	860
Shareholder contribution		1,938	-	-	77,241	77,241
Issue and repurchase of shares		-	1	20,501	-	20,501
Share split		9,994	-	-	-	-
Balance, Jun 30, 2017		11,939	8	20,501	117,272	137,780
Profit/loss for the period		-	-	-	-5,570	-5,570
Other comprehensive income, net of tax		-	-	-	-4,205	-4,205
Balance, Dec 31, 2017		11,939	8	20,501	107,497	128,004
Profit/loss for the period		-	-	-	-31,574	-31,574
Other comprehensive income, net of tax		-	-	-	-2,964	-2,964
Balance, Jun 30, 2018		11,939	8	20,501	72,959	93,466

TRANSCOM GROUP - CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(€ '000)	Notes	2018 Q2	2017 Q2	2018 Jan-Jun	2017 Jan-Jun	2017 Jan-Dec
Cash flows from operating activities						
Profit/loss before tax		-21,813	5,156	-30,164	6,372	2,612
Adjustments to reconcile profit before tax to net cash:						
Adjustments for non cash items		15,853	4,279	18,696	4,277	14,599
Net financial items		4,209	-9,775	11,780	-11,033	-3,985
Income taxes paid		-1,026	-2,032	-1,301	-2,032	-4,577
Cash flows from operating activities before changes in working capital		-2,774	-2,372	-988	-2,416	8,649
Changes in working capital		8,371	10,653	3,677	10,838	4,750
Cash flow from operating activities		5,596	8,281	2,688	8,422	13,399
Investments and disposals of tangible assets		-1,645	-1,502	-2,802	-1,502	-3,807
Investments and disposals of intangible assets		-329	-201	-613	-201	-529
Acquisition of subsidiaries, net of cash acquired	6	-	-11,681	-	-177,120	-180,994
Disposals of business, net of cash	6	-	-468	-	-468	-469
Changes in other non-current assets		-85	-122	99	-122	937
Interest received		-	-	-	-	199
Cash flow from investing activities		-2,059	-13,974	-3,316	-179,413	-184,662
Proceeds from borrowings	7	-	25,893	245,029	136,430	143,335
Repayment of borrowings	7	-3,781	-2,916	-239,007	-15,150	-23,366
Payment of finance lease liabilities		-1	-	-2	-4	-5
Shareholder contribution		-	-	-	77,241	77,241
Interest and other financial costs paid		-1,189	-369	-3,002	-369	-5,800
Cash flow from financing activities		-4,970	22,608	3,017	198,148	191,405
Cash flow for the period		-1,433	16,915	2,389	27,157	20,142
Cash and cash equivalents at beginning of the period		20,240	10,251	17,249	9	9
Cash flow for the period		-1,433	16,915	2,389	27,157	20,142
Exchange rate differences in cash and cash equivalents		1,484	-1,758	652	-1,758	-2,902
Cash and cash equivalents at end of the period		20,290	25,408	20,290	25,408	17,249

Notes to the condensed financial statements

The accompanying notes are an integral part of the interim condensed consolidated financial statements. Amounts are in thousands of Euro, unless otherwise stated.

1. GENERAL

The Group's Parent Company, Transcom Holding AB (publ), is a registered company domiciled in Stockholm, Sweden. The address of the Company's headquarter is Gjörwellskatan 30, SE-112 60 Stockholm.

2017 was the first year for Transcom Holding as a Group. The income statement of Transcom WorldWide Group is consolidated since April 1, 2017 and of Xzakt Group since July 1, 2017.

2. ACCOUNTING PRINCIPLES

The interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting. Application of IFRS complies with the accounting principles set out in the Group's annual financial statements as at December 31, 2017 except for the new standards in the following section.

IFRS 9 *Financial Instruments* has been adopted on required time. The new standard has not had any significant effect on opening balances. Loans and trade receivables are still measured at amortized cost under IFRS 9. The Group's hedge relationship is qualified for hedge accounting under IFRS 9.

IFRS 15 *Revenue from Contracts with Customers*. The Group has adopted the new standard on the required effective date. The contractual term are normally 1-3 years, however the contractual period according to IFRS 15 might be shorter and correspond to the period covered in the specific volume request from the respective client, which is stipulated in each contract and is normally a shorter period, e.g. between 1-6 months. No significant effects on the Groups financial reporting has been noted during the transition of the standard.

Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*. The amendments has not had any material impact on the Group's financial statements.

3. RISK MANAGEMENT

The Group's activities expose it to a variety of business and financial risks, market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's risk management and control framework is designed to support the identification, assessment, monitoring, management and control of risks that are significant to the achievement of the Group's business objectives. The condensed consolidated financial statements do not include all risk management information and should be read in conjunction with the Group's annual financial statements as at December 31, 2017. There have been no material changes in risks, the risk management policy and procedures during the period compared to what was presented in the annual financial statements as at December 31, 2017.

4. SEGMENTAL INFORMATION

2018 Jan-Jun	English speaking	Europe	Latin America	Group
Revenue from external customers	77,993	189,183	2,888	270,064
EBITA excl. non-recurring items	4,137	8,540	-290	12,387
Amortization				-4,134
Non-recurring items				-26,637
EBIT incl. non-recurring items				-18,384

There is no segmental information to report for 2017.

5. ITEMS AFFECTING COMPARABILITY

(€ '000)	2018 Q2	2017 Q2	2018 Jan-Jun	2017 Jan-Jun	2017 Jan-Dec
Operational non-recurring items	-20,526	-4,412	-23,351	-4,412	-10,339
Transaction-related non-recurring items	-99	-2,652	-3,286	-2,652	-7,305
Total	-20,625	-7,064	-26,637	-7,064	-17,644

The table below shows where the items effecting comparability is presented in the Group's income statement.

(€ '000)	2018 Q2	2017 Q2	2018 Jan-Jun	2017 Jan-Jun	2017 Jan-Dec
Cost of sales	-14,040	-3,853	-14,602	-3,853	-5,887
Marketing expenses	-171	-	-171	-	-220
Administrative expenses	-6,414	-3,205	-11,864	-3,205	-11,562
Net gain/loss on disposal of business	-	-1	-	-1	-43
Other operating income/expenses	-	-4	-	-4	68
Total	-20,625	-7,064	-26,637	-7,064	-17,644

The Group has an ongoing dispute in Spain with legal professionals hired as consultants where the social security inspection claims that they should be considered employees. The relevant Group Company is currently in discussions with the social security inspection. There is a risk that the Group has to pay additional costs of approximately EUR 8 million in social fees for the hired consultants and penalties. During the quarter a provision of EUR 8 million was recorded in the capture Cost of Sales relating to this dispute.

6. ACQUISITIONS AND DISPOSALS

In March 2017, Transcom Holding AB acquired shares of Transcom WorldWide Group, which income statement was consolidated from April 1, 2017.

The cash-flow effect for the acquisition of Transcom WorldWide Group and Xzakt Group was as follows:

(€ '000)	2017 Jan-Dec
Consideration paid in cash	201,847
Cash acquired	-20,853
Cash flow from acquisitions of subsidiaries, net of cash acquired	180,994

In Q2 2018, there was a post-settlement adjustment of €124 thousand, attributable to a subsequent settlement for the disposal of Colombia in 2017; this amount has not been paid yet. In 2017, there was a post-settlement adjustment of €469 thousand, attributable to a subsequent settlement for the disposal of Denmark in 2016.

During Q2 2018, the Group has liquidated a dormant legal entity in Belgium. The net capital loss of the liquidations was € 29 thousand without any cash flow effect. During 2017 the Group has liquidated dormant legal entities in Austria, Finland and Colombia. The net capital loss of the liquidations was €43 thousand without any cash flow effect.

7. INTEREST-BEARING LIABILITIES

As at June 30, 2018 the loan amounted to USD 6,000 thousand (all non-current), excluding usage of cash pool and other local lending. The cash pool usage amounted to €4,506 thousand.

On March 15, 2018, Transcom replaced the previous financing agreement by a €180,000 thousand Senior Secured Fixed Rate Notes as well as on the 19th of March a €45,000 thousand Super Senior Revolving Credit Facility Agreement. Interest rates in the facility are based on LIBOR, STIBOR and EURIBOR plus margins. This replaced the previous facility agreement with Danske Bank of €85,000 thousand and SEK 1,708,157,500 facility divided into Term Loans, Bridge Facility, Acquisition Facility and Revolving Credit Facilities.

8. CONTINGENT LIABILITIES

As at June 30, 2018, six Group entities are subject to tax audits. Some of these have resulted in reassessments, while others are still at an early stage and no reassessments have yet been raised. During the quarter, one audit was closed without any reassessment and one was initiated. As at June 30, 2018 the provision related to tax audits amounts to €2,636 thousand (December 31, 2017 €1,123 thousand), the increase is due to a refund of previous tax payments related to a reassessment where the final outcome remains uncertain.

The group has no contingent liabilities as at June 30, 2018. In addition to the above tax risks, the Group may be subject to other tax claims for which the risk of future economic outflows is currently evaluated to be remote.

9. FINANCIAL INSTRUMENTS

Classification of the Group's financial assets and liabilities:

(€ '000)	Loans and receivable	Financial liabilities amortized cost	Derivatives for cashflow hedges	Jun 30, 2018 Carrying amount	Jun 30, 2018 Fair value	Loans and receivable	Financial liabilities amortized cost	Dec 31, 2017 Carrying amount	Dec 31, 2017 Fair value
Total non-current assets	2,831	-	-	2,831	2,831	2,887	-	2,887	2,887
Total current assets	128,611	-	-	128,611	128,611	126,329	-	126,329	126,329
Total financial assets	131,442	-	-	131,442	131,442	129,216	-	129,216	129,216
Total non-current liabilities	-	184,129	-	184,129	241,351	-	113,535	113,535	141,395
Total current liabilities	-	71,195	1,278	72,473	72,473	-	130,531	130,531	131,338
Total financial liabilities	-	255,324	1,278	256,602	313,824	-	244,066	244,066	272,733

10. SIGNIFICANT EVENTS

Please refer to note 5 on Items affecting comparability.

11. EVENTS AFTER THE REPORTING PERIOD

On July 27th, Transcom signed and closed the acquisition of Awesome OS, a leading niche e-commerce customer experience specialist providing services to leading and fast-growing US e-commerce clients from its operations in Davao, Philippines. Transcom's global footprint and robust delivery models and Awesome's track record of partnering with companies from a very early stage will give us the opportunity to support high growth clients through their global expansion, as well as strengthen Transcom's digital capabilities and increase our focus on the e-commerce industry. The purchase price is financed by cash on balance sheet and the issuance of an unsecured note of € 10 million under the general basket of Permitted Financial Indebtedness. The sellers are also re-investing a significant amount into Transcom.

On July 31st, Transcom signed an asset transfer agreement to take over a site in Durres, Albania, from a partner. The site has been delivering services to Transcom clients since 2013, and will strengthen Transcom's successful model of combining onshore, nearshore, and multilingual services to global clients.

ALTERNATIVE PERFORMANCE MEASURES

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

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

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

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

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

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

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

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

OTHER DEFINITIONS

English speaking segment: services delivered to multinational clients.

Europe segment: services delivered to clients based in Europe.

Latin America segment: services delivered to clients based in Latin America.

ABOUT TRANSCOM

Transcom is a global customer experience specialist, providing customer care, sales, technical support and collections services through our extensive network of contact centers and work-at-home agents. We are 29,000 customer experience specialists at 50 contact centers across 21 countries, delivering services in 33 languages to international brands in various industry verticals.