

# First Quarter 2018 Results

## Comments by the President and CEO

During the first quarter of 2018, Transcom launched a new lean and effective client centric organization and setup of shared services, defined our new delivery models, and developed and rolled out a first wave of portfolio enhancements with new value propositions. We also redefined our North American strategy to focus fully on a combination of work at home agents and offshore delivery, to better meet the future needs of our clients and employees. A result from the change in strategy is closing down our brick and mortar sites in North America. These changes are part of an overarching company wide project aiming to becoming a top performer in profitability and position Transcom to win in a changing market. Our leaner, more efficient, client centric organization will allow us to focus on our target markets and grow in attractive segments and delivery channels while driving our digital innovation initiatives that have already created a lot of interest from current and prospective clients.

The first quarter results reflect these changes. We are also in the middle of the ramp down for Telenor, which means a slight decline in top-line.

We are now entering the next phase of our transformation. Our focus is to further solidify the competitiveness of our new client centric organization, continue to develop internal and client facing processes to ensure that we continue to strengthen our financial position, increase attractiveness to our clients and, last but not least, ensure that our employees feel that we are the best company to work for. A receipt that we are on the right track and well positioned for the future is the trust that our investors put in us when we successfully issued 5-year EUR 180 million senior secured fixed rate notes in March.

Transcom has a solid foundation from which to take the next steps in our development. Our objective is to increase revenue organically, while continuing to improve operational efficiency in order to strengthen margins. With a strong strategy, and an organization ready for digitally transforming the customer care sector, I am confident that we will reach and surpass expectations.

Michael Weinreich  
President & CEO

# Group financial overview

(€m)	2018 Q1	2017 Q1*	2017 Jan-Dec*
Revenue	140.7	-	428.7
EBITDA	3.2	-	10.6
EBITDA margin	2.2%	-	2.5%
EBIT	-0.8	-	-1.4
EBIT margin	-0.6%	-	-0.3%
EBITA excl. non-recurring items	7.3	-	22.2
EBITA margin excl. non-recurring items	5.2%	-	5.2%
Profit before tax	-8.4	1.2	2.6
Net income	-9.4	1.2	-0.3
Net debt	173.1	134.0	161.8

\* 2017 was the first year for Transcom Holding as a Group, comparison figures for Q1 2017 corresponds to the parent company's figures. Transcom WorldWide Group is consolidated since April 1, 2017 and Xzakt Group since July 1, 2017.

## REVENUE

Revenue amounted to € 140.7 million for the first quarter in 2018 (-).

## EBIT

EBIT amounted to € -0.8 million in the quarter (-). EBIT margin was -0.6%.

## EBITA EXCLUDING NON-RECURRING ITEMS

EBITA excluding non-recurring items amounted to € 7.3 million (-). EBITA margin excluding non-recurring was 5.2%.

## NON-RECURRING ITEMS

Non-recurring items amounted to negative € 6.0 million (-) and consisted of operational non-recurring items for € 2.8 million and transaction related non-recurring items for € 3.2 million. They are mainly recorded in the administrative expenses.

## NET FINANCIAL ITEMS

Net financial items amounted to € -7.6 million (1.3) and mainly consisted of costs referring to the refinancing of the group.

## TAXES

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

## NET INCOME

Net income for the quarter was € -9.4 million (1,2).

## CASH FLOW

Cash flow was € 3.8 million (10.2). Operating cash flow amounted to negative € 2.9 million (0.1) for the quarter mainly due to a negative working capital coming from timing of invoicing and collections. Proceeds from borrowings for € 247.3 million and repayment of borrowings for € 237.5 million reflect the refinancing that occurred in March.

## FINANCIAL POSITION

Gross debt increased from € 147.7 million in Q1 last year to € 190.9 million, 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.

# Other information

## RESULTS CONFERENCE CALL

Transcom will host a conference call at 15.30 CET (14.30 BST) on May 30. The presentation will be available on Transcom's website, [www.transcom.com](http://www.transcom.com).

Please register using the link below at least 5-10 minutes prior to the call in order to obtain the dial-in numbers and pin code required for the call.

Online registration link: <http://emea.directeventreg.com/registration/2639099>

A replay is available until 06/06/2018 17:00 BST / 18:30 CET  
International dial-in number: +44 145 255 00 00  
Conference ID: 2639099

## OTHER INFORMATION

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

Transcom Holding AB  
P.O. Box 34220  
Visiting address: Gjörwellsgatan 30  
SE-112 60 Stockholm  
Sweden  
[www.transcom.com](http://www.transcom.com)  
Company registration number: 556962-4108

## FOR FURTHER INFORMATION PLEASE CONTACT:

Michael Weinreich, President and CEO	+46 70 776 80 33
Leif Mårtensson , CFO	+46 70 855 12 64
Helene Ruda, Head of Group Communications	+46 70 311 75 60

## TRANSCOM GROUP - CONDENSED CONSOLIDATED INCOME STATEMENT

(€ '000)	Notes	2018 Q1	2017 Q1	2017 Jan-Dec
Revenue	4	140,734	-	428,729
Cost of sales	5	-114,619	-	-352,790
<b>Gross profit</b>		<b>26,115</b>	-	<b>75,939</b>
Marketing expenses		-679	-	-2,452
Administrative expenses		-26,056	-27	-74,935
Net gain/loss on disposal of business		-	-	-43
Other operating income/expenses		-160	-16	118
<b>Operating profit/loss</b>	4, 5	<b>-781</b>	<b>-43</b>	<b>-1,373</b>
Net financial items		-7,571	1,259	3,985
<b>Profit/loss before tax</b>		<b>-8,351</b>	<b>1,215</b>	<b>2,612</b>
Income tax expense		-1,096	-	-2,877
<b>Profit/loss for the period attributable to equity holders of the parent</b>		<b>-9,447</b>	<b>1,215</b>	<b>-265</b>

## TRANSCOM GROUP - CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ '000)	2018 Q1	2017 Q1	2017 Jan-Dec
Profit/loss for the period attributable to equity holders of the parent	-9,447	1,215	-265
<b>Other comprehensive income:</b>			
Exchange differences on translation of foreign operations	-2,233	-	-4,546
Net gain/loss on cash flow hedges	-1,054	-	1,178
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>-3,287</b>	-	<b>-3,368</b>
Actuarial profit/loss on post-employment benefit obligations	-	-	27
Income tax effect	-	-	-4
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>	<b>-</b>	<b>-</b>	<b>23</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>-3,287</b>	<b>-</b>	<b>-3,345</b>
<b>Total comprehensive income for the period, net of tax, attributable to equity holders of the parent</b>	<b>-12,734</b>	<b>1,215</b>	<b>-3,610</b>

**TRANSCOM GROUP - CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(€ '000)	Notes	2018 Mar 31	2017 Mar 31	2017 Dec 31
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill		173,088	-	174,085
Shares in subsidiaries	6	-	223,821	-
Other intangible assets		93,915	-	96,548
Tangible assets		13,470	-	14,329
Deferred tax assets		703	-	704
Other receivables		2,699	776	2,934
		<b>283,875</b>	<b>224,597</b>	<b>288,600</b>
<b>Current assets</b>				
Trade receivables		58,002	-	62,502
Income tax receivables		5,838	-	5,460
Other receivables		13,958	-	8,749
Prepaid expenses and accrued income		48,579	9	40,943
Cash and cash equivalents		20,240	-2,970	17,249
		<b>146,617</b>	<b>-2,960</b>	<b>134,903</b>
<b>TOTAL ASSETS</b>		<b>430,492</b>	<b>221,637</b>	<b>423,503</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of the parent</b>		<b>115,270</b>	<b>112,328</b>	<b>128,004</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities	7	184,890	105,919	113,535
Employee benefit obligations		2,414	-	2,584
Provisions		145	-	158
Deferred tax liabilities		23,411	-	24,042
Other liabilities		-0	-	1
		<b>210,861</b>	<b>105,919</b>	<b>140,320</b>
<b>Current liabilities</b>				
Interest-bearing liabilities	7	6,059	3,080	62,916
Provisions		4,671	-	3,916
Trade payables		19,979	-	21,593
Income tax payables		4,219	-	3,642
Other liabilities		25,813	3	23,186
Accrued expenses and prepaid income		43,619	307	39,927
		<b>104,361</b>	<b>3,390</b>	<b>155,179</b>
<b>Total liabilities</b>		<b>315,222</b>	<b>109,309</b>	<b>295,499</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>430,492</b>	<b>221,637</b>	<b>423,503</b>

## 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	
<b>Balance, Jan 1, 2017</b>		<b>7</b>	<b>7</b>	<b>-</b>	<b>33,866</b>	<b>33,872</b>
Profit/loss for the period		-	-	-	1,215	1,215
Shareholder contribution		1,938	-	-	77,241	77,241
<b>Balance, Mar 31, 2017</b>		<b>1,945</b>	<b>7</b>	<b>-</b>	<b>112,322</b>	<b>112,328</b>
Profit/loss for the period		-	-	-	-1,480	-1,480
Other comprehensive income, net of tax		-	-	-	-3,345	-3,345
Share split		9,994	-	-	-	-
New issue of shares		-	1	20,501	-	20,502
<b>Balance, Dec 31, 2017</b>		<b>11,939</b>	<b>8</b>	<b>20,501</b>	<b>107,497</b>	<b>128,004</b>
Profit/loss for the period		-	-	-	-9,447	-9,447
Other comprehensive income, net of tax		-	-	-	-3,287	-3,287
<b>Balance, Mar 31, 2018</b>		<b>11,939</b>	<b>8</b>	<b>20,501</b>	<b>94,762</b>	<b>115,270</b>

## TRANSCOM GROUP - CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(€ '000)	Notes	2018 Q1	2017 Q1	2017 Jan-Dec
<b>Cash flows from operating activities</b>				
Profit/loss before tax		-8,351	1,215	2,612
Adjustments to reconcile profit before tax to net cash:				
Adjustments for non cash items		2,842	-	14,599
Net financial items		7,571	-1,259	-3,985
Income taxes paid		-276	-	-4,577
<b>Cash flows from operating activities before changes in working capital</b>		<b>1,786</b>	<b>-44</b>	<b>8,649</b>
Changes in working capital		-4,694	181	4,750
<b>Cash flow from operating activities</b>		<b>-2,908</b>	<b>137</b>	<b>13,399</b>
Investments and disposals of tangible assets		-1,156	-	-3,807
Investments and disposals of intangible assets		-284	-	-529
Acquisition of subsidiaries, net of cash acquired	6	-	-165,439	-180,994
Disposals of business, net of cash	6	-	-	-469
Changes in other non-current assets		183	-	937
Interest received		-	-	199
<b>Cash flow from investing activities</b>		<b>-1,257</b>	<b>-165,439</b>	<b>-184,662</b>
Proceeds from borrowings	7	247,345	110,537	143,335
Repayment of borrowings	7	-237,543	-12,234	-23,366
Payment of finance lease liabilities		-2	-	-5
Shareholder contribution		-	77,241	77,241
Interest paid		-1,813	-	-5,800
<b>Cash flow from financing activities</b>		<b>7,987</b>	<b>175,544</b>	<b>191,405</b>
<b>Cash flow for the period</b>		<b>3,823</b>	<b>10,242</b>	<b>20,142</b>
Cash and cash equivalents at beginning of the period		17,249	9	9
Cash flow for the period		3,823	10,242	20,142
Exchange rate differences in cash and cash equivalents		-833	-	-2,902
<b>Cash and cash equivalents at end of the period</b>		<b>20,240</b>	<b>10,251</b>	<b>17,249</b>

## Notes to the condensed financial statements

The accompanying notes are an integral part of the interim condensed consolidated financial statements. Amounts 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 Gjörwellsгатan 30, SE-112 60 Stockholm.

2017 was the first year for Transcom Holding as a Group, comparison figures for Q1 2017 corresponds to the parent company's figures. Transcom WorldWide Group is consolidated since April 1, 2017 and 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-Mar	English speaking	Europe	Latin America	Group
Revenue from external customers	40,865	98,546	1,323	140,734
EBITA excl. non-recurring items	2,976	4,800	-475	7,302
Amortization				-2,071
Non-recurring items				-6,012
EBIT incl. non-recurring items				-781

There is no segmental information to report for 2017.

### 5. ITEMS AFFECTING COMPARABILITY

(€ '000)	2018 Q1	2017 Q1	2017 Jan-Dec
Operational non-recurring items	-2,770	-	-10,339
Transaction related non-recurring items	-3,242	-	-7,305
<b>Total</b>	<b>-6,012</b>	<b>-</b>	<b>-17,644</b>

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

(€ '000)	2018 Q1	2017 Q1	2017 Jan-Dec
Cost of sales	-562	-	-5,887
Marketing expenses	-	-	-220
Administrative expenses	-5,450	-	-11,562
Net gain/loss on disposal of business	-	-	-43
Other operating income/expenses	-	-	68
<b>Total</b>	<b>-6,012</b>	<b>-</b>	<b>-17,644</b>

## 6. ACQUISITIONS AND DISPOSALS

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

The shares in acquired companies could be explained as shown below:

(€ '000)	2017
<b>As at January 1</b>	<b>45,161</b>
Investments in Group companies	178,660
<b>As at March 31</b>	<b>223,821</b>

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
<b>Cash flow from acquisitions of subsidiaries, net of cash acquired</b>	<b>180,994</b>

There was a post-settlement adjustment of EUR 469 thousand paid in 2017, attributable to a subsequent settlement for the disposal of Denmark in 2016. 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. There are no effects from disposals in Q1 2018 and in Q1 2017.

## 7. INTEREST-BEARING LIABILITIES

As at March 31, 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 €6,058 thousand.

On March 15, 2018, Transcom replaced the previous financing agreement by a EUR 180,000 thousand Senior Secured Fixed Rate Notes as well as on the 19th of March a EUR 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 March 31, 2018, six Group entities are subject to tax audits. One was initiated during the quarter. Some of these have resulted in reassessments, while others are still at an early stage and no reassessments have yet been raised. As at March 31, 2018 the provision related to tax audits amounts to € 2,427 thousand (December 31, 2017 € 1,123 thousand), the Q1 increase is due to refund of previous tax payments related a reassessment where the final outcome remains uncertain.

## 9. FINANCIAL INSTRUMENTS

The interest option was closed on the 22nd of March, 2018, due to Transcom's new financing mainly being Senior Secured Fixed Rate Notes.

Classification of the Group's financial assets and liabilities:

(€ '000)	Financial assets			Mar 31, 2018		Financial liabilities			Dec 31, 2017	
	Loans and receivables	amortized cost	Derivatives for cashflow hedges	Carrying amount	Fair value	Loans and receivables	amortized cost	Carrying amount	Fair value	
Total non-current assets	2,656	-	-	2,656	2,656	2,887	-	2,887	2,887	
Total current assets	136,806	-	-	136,806	136,806	126,329	-	126,329	126,329	
<b>Total financial assets</b>	<b>139,462</b>	<b>-</b>	<b>-</b>	<b>139,462</b>	<b>139,462</b>	<b>129,216</b>	<b>-</b>	<b>129,216</b>	<b>129,216</b>	
Total non-current liabilities	-	184,890	-	184,890	184,890	-	7,615	7,615	141,395	
Total current liabilities	-	74,509	796	75,306	75,306	-	130,531	130,531	131,338	
<b>Total financial liabilities</b>	<b>-</b>	<b>259,400</b>	<b>796</b>	<b>260,196</b>	<b>260,196</b>	<b>-</b>	<b>138,147</b>	<b>138,147</b>	<b>272,733</b>	

## 10. SIGNIFICANT EVENTS

During the first quarter of 2018, Transcom launched a new lean and effective client centric organization and setup of shared services, defined our new delivery models, and developed and rolled out a first wave of portfolio enhancements with new value propositions.

## 11. EVENTS AFTER THE REPORTING PERIOD

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

## 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 27,000 customer experience specialists at 45 contact centers across 20 countries, delivering services in 33 languages to international brands in various industry verticals.