

Third Quarter 2018 Results

Comments by the President and CEO

During the third quarter of 2018, we finalized the acquisition of Awesome OS, a niche e-commerce customer experience specialist providing services to leading and fast-growing US e-commerce clients from its operations in Davao, Philippines. We also signed an asset transfer agreement to take over a site in Durres, Albania, from a partner. The first results from these two transactions were above expectations.

We are approaching the end of the overarching company wide project People, Passion, and Performance, and are harvesting the hard work by seeing significant cost reductions. This long term project has not only had positive effects on cost, but also triggered a mindshift towards a smarter, more agile approach to investments and project throughout the company.

Our commercial approach has been further refined, and we are seeing progress in our sales efforts to broaden our industry sector footprint; with several new clients won so far in 2018, within the retail, the e-commerce and the logistics sectors. We continued to strengthen the organization with experienced cluster sales managers for the English speaking segment as well as the Europe segment.

Our work with clients was recognized in Spain, where we won the 2018 CRC Gold Award for Best Outsourcer in BPO; in France, where our longtime client PayPal France was awarded Customer Service of the Year in the Payment Solutions category by Viséo Customer Insights; and in Poland, where we were awarded Call Center Ambassador by CC News.

In September, we rolled out our new brand identity and digital presence, arousing interest and curiosity in clients, candidates, and analysts, and pride in the whole Transcom family. We are indeed a global service partner who combines human talent with intelligent technology, making life simpler by creating smarter people experiences for our employees, clients, and client's customers.

Michael Weinreich
President & CEO

Group financial overview

(€m)	2018 Q3*	2017 Q3	2018 Jan-Sep*	2017 Jan-Sep**	2017 Jan-Dec**
Revenue	130.5	140.8	400.6	281.5	428.7
EBITDA	3.6	3.2	-6.7	2.4	10.6
EBITDA margin	2.7%	2.3%	-1.7%	0.9%	2.5%
EBIT	-0.7	-0.9	-19.0	-5.5	-1.4
EBIT margin	-0.5%	-0.6%	-4.8%	-2.0%	-0.3%
EBITA excl. non-recurring items	5.7	8.4	18.1	12.6	22.2
EBITA margin excl. non-recurring items	4.4%	6.0%	4.5%	4.5%	5.2%
Profit before tax	-4.7	-3.8	-34.9	2.6	2.6
Net income	-5.2	-4.1	-36.8	1.2	-0.3
Net debt	206.2	157.2	206.2	157.2	161.8

* 2018 includes the consolidation of Awesome OS Group since July 28, 2018.

** 2017 includes the consolidation of Transcom WorldWide Group since April 1, 2017 and of Xzakt Group since July 1, 2017.

Q3 2018

Revenue

Revenue amounted to € 130.5 million in the quarter (140.8).

EBIT

EBIT amounted to € -0.7 million in the quarter (-0.9). EBIT margin was -0.5% (-0.6%).

EBITA excluding non-recurring items

EBITA excluding non-recurring items amounted to € 5.7 million (8.4). EBITA margin excluding non-recurring was 4.4% (6.0%).

Non-recurring items

Non-recurring items amounted to negative € 4.3 million (-7.2) and consisted of operational non-recurring items for € 1.4 million and transaction-related non-recurring items for € 2.9 million. Non-recurring items were mainly recorded in administrative expenses.

Net financial items

Net financial items amounted to € -4.0 million (-2.9) and mainly consisted of interest costs.

Taxes

Tax expenses in the quarter amounted to € 0.6 million (0.3). The tax expenses are affected by losses for which no deferred tax asset can be recognized.

Net income

Net income for the quarter was € -5.2 million (-4.1).

Cash flow

Cash flow was negative € 4.2 million (4.0). Operating cash flow amounted to negative € 3.7 million (-1.1) for the quarter mainly due to negative changes in working capital as an effect of timing in payments and collections. Investing activities was mainly impacted by the acquisition of Awesome OS (please refer to note 6). Financing activities increased with € 35.5 million due to the issuance of a € 10 million bond and a shareholder contribution of € 8.5 million in relation to the acquisition of Awesome OS.

January - September 2018

Revenue

Revenue amounted to € 400.6 million (281.5).

EBIT

EBIT amounted to € -19.0 million (-5.5). EBIT margin was -4.8% (-2.0%).

EBITA excluding non-recurring items

EBITA excluding non-recurring items amounted to € 18.1 million (12.6). EBITA margin excluding non-recurring was 4.5% (4.5%).

Non-recurring items

Non-recurring items amounted to negative € 31.0 million (-14.3) and consisted of operational non-recurring items for € 24.8 million and transaction-related non-recurring items for € 6.2 million. Non-recurring items were mainly recorded in cost of sales and administrative expenses (please refer to note 5).

Net financial items

Net financial items amounted to € -15.8 million (8.1) and mainly consisted of costs referring to the refinancing of the group and interest costs.

Taxes

Tax expenses in the period amounted to € 2.0 million (1.4). The tax expenses are affected by losses for which no deferred tax asset can be recognized.

Net income

Net income for the first three quarters was € -36.8 million (1.2).

Cash flow

Cash flow was € -1.8 million (31.1). Operating cash flow amounted to € -1.0 million (7.3) for the first nine months. Deviation from the same period last year refers to timing in payments this year and in collections last year. Investing activities for the period amounted to € -39.4 million and were mainly impacted by the acquisition of Awesome OS. In connection with this acquisition the proceeds from borrowings increased. Proceeds from borrowings and repayment of borrowings mainly reflect the refinancing that occurred in March.

Financial position

Gross debt increased from € 157.2 million in Q3 last year to € 206.2 million in Q3 2018, 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 (SSRCF) in March 2018, used for € 20.7 million at the end of September. During the quarter the Group also issued an unsecured note of € 10 million under the general basket of Permitted Financial Indebtedness in connection to the acquisition of Awesome OS.

Other information

Results conference call

Transcom will host a conference call at 16.00 CET (15.00 BST) on November 15. 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/1493597>

International dial-in number: +44 2071 92 80 17

Other information

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

Transcom Holding AB
P.O. Box 45033, 104 30 Stockholm
Visiting address: Hälsingegatan 40, 15th floor
SE-113 43 Stockholm
Sweden
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 Q3	2017 Q3	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
Revenue	4	130,546	140,794	400,610	281,474	428,729
Cost of sales	5	-105,544	-115,556	-340,562	-235,964	-352,790
Gross profit		25,002	25,238	60,048	45,510	75,939
Marketing expenses		-680	-553	-2,216	-1,315	-2,452
Administrative expenses		-24,451	-25,642	-76,343	-49,882	-74,935
Net gain/loss on disposal of business		-	35	95	34	-43
Other operating income/expenses		-537	62	-633	132	118
Operating profit/loss	4, 5	-665	-860	-19,049	-5,521	-1,373
Net financial items		-4,033	-2,896	-15,813	8,137	3,985
Profit/loss before tax		-4,698	-3,756	-34,862	2,615	2,612
Income tax expense		-541	-307	-1,951	-1,374	-2,877
Profit/loss for the period attributable to equity holders of the parent		-5,239	-4,063	-36,813	1,242	-265

Transcom Group - Condensed consolidated statement of comprehensive income

(€ '000)	2018 Q3	2017 Q3	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
Profit/loss for the period attributable to equity holders of the parent	-5,239	-4,063	-36,813	1,242	-265
Other comprehensive income:					
Exchange differences on translation of foreign operations	878	5,962	-686	-1,455	-4,546
Net gain/loss on cash flow hedges	268	722	-1,202	1,297	1,178
Other comprehensive income to be reclassified to profit or loss in subsequent periods	1,146	6,684	-1,888	-158	-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	1,146	6,684	-1,888	-158	-3,345
Total comprehensive income for the period, net of tax, attributable to equity holders of the parent	-4,093	2,621	-38,701	1,084	-3,610

Transcom Group - Condensed consolidated statement of financial position

(€ '000)	Notes	2018 Sep 30	2017 Sep 30	2017 Dec 31
ASSETS				
Non-current assets				
Goodwill	6	227,078	196,615	174,085
Other intangible assets		89,153	75,433	96,548
Tangible assets		18,402	14,890	14,329
Deferred tax assets		275	793	704
Other receivables		2,954	3,897	2,934
		337,863	291,627	288,600
Current assets				
Trade receivables		66,791	65,592	62,502
Income tax receivables		4,882	4,789	5,460
Other receivables		12,115	7,397	8,749
Prepaid expenses and accrued income		41,391	42,435	40,943
Cash and cash equivalents		15,888	28,918	17,249
		141,067	149,132	134,903
TOTAL ASSETS		478,930	440,758	423,503
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
		97,839	132,698	128,004
Non-current liabilities				
Interest-bearing liabilities	7	212,281	166,935	113,535
Employee benefit obligations		2,657	2,741	2,584
Provisions	6	17,502	161	158
Deferred tax liabilities		21,763	24,351	24,042
Other liabilities		-	-	1
		254,202	194,188	140,320
Current liabilities				
Interest-bearing liabilities	7	7,150	16,465	62,916
Provisions	5, 6	23,209	4,585	3,916
Trade payables		17,296	19,355	21,593
Income tax payables		5,525	3,145	3,642
Other liabilities		22,380	23,381	23,186
Accrued expenses and prepaid income		51,329	46,942	39,927
		126,889	113,873	155,179
Total liabilities		381,092	308,061	295,499
TOTAL EQUITY AND LIABILITIES		478,930	440,758	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	Share premium reserve	Other reserves and Retained earnings	
Balance, Jan 1, 2017		7	7	-	33,865	33,872
Profit/loss for the period		-	-	-	1,242	1,242
Other comprehensive income, net of tax		-	-	-	-158	-158
Shareholder contribution		1,938	-	-	77,241	77,241
Issue and repurchase of shares		-	1	20,501	-	20,501
Share split		9,994	-	-	-	-
Balance, Sep 30, 2017		11,939	8	20,501	112,189	132,698
Profit/loss for the period		-	-	-	-1,507	-1,507
Other comprehensive income, net of tax		-	-	-	-3,187	-3,187
Balance, Dec 31, 2017		11,939	8	20,501	107,496	128,004
Profit/loss for the period		-	-	-	-36,813	-36,813
Other comprehensive income, net of tax		-	-	-	-1,888	-1,888
Shareholder contribution	6	-	-	-	8,535	8,535
Balance, Sep 30, 2018		11,939	8	20,501	77,329	97,839

Transcom Group - Condensed consolidated statement of cash flows

(€ '000)	Notes	2018 Q3	2017 Q3	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
Cash flows from operating activities						
Profit/loss before tax		-4,698	-3,756	-34,862	2,615	2,612
Adjustments to reconcile profit before tax to net cash:						
Adjustments for non cash items		12,106	4,548	30,802	8,826	14,599
Net financial items		4,033	2,896	15,813	-8,137	-3,985
Income taxes paid		526	-1,634	-775	-3,666	-4,577
Cash flows from operating activities before changes in working capital		11,966	2,054	10,978	-362	8,649
Changes in working capital		-15,618	-3,153	-11,942	7,685	4,750
Cash flow from operating activities		-3,652	-1,099	-964	7,323	13,399
Investments and disposals of tangible assets		-3,667	-1,076	-6,469	-2,578	-3,807
Investments and disposals of intangible assets		441	-82	-172	-283	-529
Acquisition of subsidiaries, net of cash acquired	6	-32,987	-	-32,987	-177,120	-180,994
Disposals of business, net of cash		-	-	-	-468	-469
Changes in other non-current assets		32	31	131	-91	937
Interest received		126	-	126	-	199
Cash flow from investing activities		-36,056	-1,127	-39,372	-180,540	-184,662
Proceeds from borrowings	7	26,409	10,915	275,104	147,345	143,335
Repayment of borrowings	7	-	-3,059	-242,674	-18,209	-23,366
Payment of finance lease liabilities		-0	-	-2	-4	-5
Shareholder contribution	6	8,535	-	8,535	77,241	77,241
Interest and other financial costs paid		561	-1,667	-2,441	-2,036	-5,800
Cash flow from financing activities		35,505	6,189	38,522	204,337	191,405
Cash flow for the period		-4,203	3,963	-1,814	31,120	20,142
Cash and cash equivalents at beginning of the period		20,290	25,408	17,249	9	9
Cash flow for the period		-4,203	3,963	-1,814	31,120	20,142
Exchange rate differences in cash and cash equivalents		-199	-453	453	-2,212	-2,902
Cash and cash equivalents at end of the period		15,888	28,918	15,888	28,918	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 Hälsingegatan 40, 15th floor, SE-113 43 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. Starting from July 28, 2018, the income statement of Awesome OS Group is consolidated.

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 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-Sep (€ '000)	English speaking	Europe	Latin America	Group
Revenue from external customers	123,442	272,975	4,193	400,610
EBITA excl. non-recurring items	7,355	11,239	-487	18,106
Transaction-related amortization				-6,196
Non-recurring items				-30,959
EBIT incl. non-recurring items				-19,049

There is no segmental information to report for 2017.

5. Items affecting comparability

(€ '000)	2018 Q3	2017 Q3	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
Operational non-recurring items	-1,419	-4,995	-24,769	-9,407	-10,339
Transaction-related non-recurring items	-2,903	-2,227	-6,189	-4,879	-7,305
Total	-4,322	-7,223	-30,959	-14,286	-17,644

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

(€ '000)	2018 Q3	2017 Q3	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
Cost of sales	-567	-2,087	-15,169	-5,941	-5,887
Marketing expenses	0	-46	-170	-46	-220
Administrative expenses	-3,272	-5,125	-15,137	-8,330	-11,562
Net gain/loss on disposal of business	-	35	-	35	-43
Other operating income/expenses	-483	-	-483	-4	68
Total	-4,322	-7,223	-30,959	-14,286	-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 as 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 € 8 million in social fees for the hired consultants and penalties. In Q2 2018 a provision of € 8 million was recorded in the capture Cost of Sales relating to this dispute.

6. Acquisitions and disposals

On July 27, 2018, the Group acquired Awesome OS, which income statement was consolidated from July 28, 2018. The allocation of the purchase price is preliminary and surplus value of € 52.7 million has been classified as goodwill. This can be subject to change in the year-end report for 2018.

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 and purchase price allocation for the acquisition of Awesome OS in 2018 and of Transcom WorldWide Group and Xzakt Group in 2017 are as follows:

(€ '000)	2018 Jan-Sep	2017 Jan-Dec
Consideration paid in cash	34,554	201,847
Cash acquired	-1,566	-20,853
Cash flow from acquisitions of subsidiaries, net of cash acquired	32,987	180,994

In 2018, in addition to the consideration paid in cash for the acquisition of Awesome OS, the group has recorded provisions for potential post-settlement adjustments for € 23.4 million. The sellers have re-invested into Transcom and a shareholder contribution to Transcom Holding AB (publ) of € 8,535 thousand was accorded.

In 2018, there was a post-settlement adjustment of € 124 thousand, attributable to a subsequent settlement for the disposal of Colombia in 2017.

7. Interest-bearing liabilities

On March 15, 2018, Transcom replaced the previous financing agreement by a € 180,000 thousand Senior Secured Fixed Rate Notes (SSFRN) as well as on the 19th of March a € 45,000 thousand Super Senior Revolving Credit Facility (SSRCF) Agreement with Nordea and Danske Bank. Interest rates in the revolving facility are based on LIBOR, STIBOR and EURIBOR plus margins. For the SSRCF the Company is committed to meet certain test conditions. There are share pledges in material companies used as security for the financing. A part of the SSRCF is used to cover bank guarantees and cash pool limits. These new facilities replaced the previous facility agreement with Danske Bank of € 85,000 thousand and SEK 1,708,157,500.

On July 16, 2018, a new financing by Santander of € 2,500 thousand was put in place. In addition, on July 24, 2018, a Senior Unsecured Fixed Rate Notes (SUFNRN) of € 10,000 thousand was issued.

As at September 30, 2018 the loan under the SSRCF amounted to € 20,733 thousand (all non-current), excluding usage of cash pool and other local lending. The cash pool usage amounted to € 7,141 thousand.

8. Contingent liabilities

As at September 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. As at September 30, 2018 the provision related to tax audits amounts to € 2,635 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 September 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 & receivables	Financial liabilities amortized cost	Derivatives for cashflow hedges	Sep 30, 2018 Carrying amount	Sep 30, 2018 Fair value	Loans & receivables	Financial liabilities amortized cost	Dec 31, 2017 Carrying amount	Dec 31, 2017 Fair value
Total non-current assets	2,907	-	-	2,907	2,907	2,887	-	2,887	2,887
Total current assets	131,170	-	-	131,170	131,170	126,329	-	126,329	126,329
Total financial assets	134,076	-	-	134,076	134,076	129,216	-	129,216	129,216
Total non-current liabilities	-	212,281	-	212,281	271,640	-	113,535	113,535	141,395
Total current liabilities	-	80,667	968	81,635	81,635	-	130,531	130,531	131,338
Total financial liabilities	-	292,948	968	293,916	353,275	-	244,066	244,066	272,733

10. Significant events

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. Please refer to note 6 on Acquisitions and disposals for more information.

11. Events after the reporting period

No events have taken place after the end of the interim period which require disclosures 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 29,000 customer experience specialists at 50 contact centers across 21 countries, delivering services in 33 languages to international brands in various industry verticals.