

First Quarter 2019 Results

Comments by the CEO

During the first quarter of 2019, we reinforced our strategy to create a more diversified industry vertical exposure. Our sales teams across the globe showed good traction and signed new clients in retail, insurance, financial services, and utilities. We are expecting to see even more growth in the utilities sector going forward, fuelled by the acquisition of TMS connected!, outside the restricted group of Transcom Holding AB's bond financing, but a center of excellence for the utilities sector that can be leveraged within the entire Transcom group.

We continued to streamline our operations to focus on our core markets, Europe and the global English speaking region, by divesting our operations in Chile and thereby exiting the Latin American market.

During the quarter we saw appreciation and continued trust from current clients in renewed contracts, increasing volumes but also awards; during the first quarter, Transcom was awarded the Haier Overseas Service Core Partners for the great customer experience delivered to final consumers through a long-term partnership in several European markets. Our Polish operations received the award Best Sales Project from a client, and our global English region was awarded Most Improved Partner in a client's yearly global vendor summit in March.

In February, Transcom and Whirlpool launched a new conversational commerce channel using the WhatsApp Business API. The new channel rapidly claimed the position of the most preferred channel, showing the potential in the solution. We foresee a continued increase in demand going forward.

The formal opening of our new offices in Novi Sad, Serbia, and Zagreb, Croatia, generated a lot of positive attention from the media, partners, clients, and also talents. This meant that we could ramp up operations faster than expected to take on new clients in these locations.

Our Spanish operations claimed the "Top Employer Spain" title for the second consecutive year.

After the end of the quarter, Transcom agreed with DPV to acquire the assets and business from ASA Informationsdienste GmbH. This further expands Transcom's footprint in this strategically important market, and form the largest independent customer service provider for the media industry in Germany. The increased activities led to hiring a new Managing Director for Germany.

Michael Weinreich

CEO

Group financial overview

(€m)	2019 Q1	2018 Q1	2018 Jan-Dec*
Revenue	135.1	140.7	543.6
EBITDA**	12.1	3.2	4.8
EBITDA margin**	9.0%	2.2%	0.9%
EBIT	3.1	-0.8	-12.6
EBIT margin	2.3%	-0.6%	-2.3%
EBITA excl. non-recurring items	9.9	7.3	31.6
EBITA margin excl. non-recurring items	7.3%	5.2%	5.8%
Profit before tax	-0.9	-8.4	-32.2
Net income	-2.0	-9.4	-31.0
Net debt	198.1	173.1	207.8

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

** 2019 includes adjustment of leasing as depreciation, according to IFRS 16 Leases (see also note 10)

Revenue

Revenue amounted to € 135.1 million (140.7).

EBIT

EBIT amounted to € 3.1 million (-0.8). EBIT margin was 2.3% (-0.6%).

EBITA excluding non-recurring items

EBITA excluding non-recurring items amounted to € 9.9 million (7.3). EBITA margin excluding non-recurring was 7.3% (5.2%).

Non-recurring items

Non-recurring items amounted to negative € 4.0 million (-6.0) and consisted of operational non-recurring items for € 3.0 million and transaction-related non-recurring items for € 1.0 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 € -4.0 million (-7.6). Last year included costs referring to the refinancing of the group. 2019 includes interest cost in connection to leasing agreements, according to the new standard IFRS 16 Leases, amounting to € 0.6 million.

Taxes

Taxes in the period amounted to negative € 1.1 million (-1.1), affected by deferred tax income from recognition of deferred tax assets related to a temporary difference and unused tax loss.

Net income

Net income was € -2.0 million (-9.4).

Cash flow

Cash flow was € 7.8 million (3.8). Operating cash flow amounted to € 13.1 million (-2.9) for the first quarter. The improvement of operating cash flow is mainly due to the improved result and positive working capital compared to the same quarter last year. Change in working capital was € 3.6 million (-4.7). Investing activities for the period amounted to € -3.0 million (-1.3). Last year's cash flow effect of proceeds from borrowings and repayment of borrowings are explained by the refinancing that occurred in March 2018.

Financial position

Net debt increased from € 173.1 million Q1 last year to € 198.1 million Q1 2019, mainly due to last year's financing in connection to the acquisition of Awesome OS in July 2018. Financing in the Group includes a five-year € 180 million Senior Secured Fixed Rate Notes, a € 10 million Senior Secured Fixed Rate Notes, as well as a € 45 million Super Senior Revolving Credit Facility Agreement (SSRCF). As per Q1 2019, € 24 million of the SSRCF was utilized.

Other information

Results conference call

Transcom will host a conference call at 9.00 CET (8.00 BST) on May 14. The conference call will be held in English. The presentation will also be available on <https://transcom.com/en/investor-relations>.

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 obtain the dial-in numbers and pin code for the call.

Online registration link: <http://emea.directeventreg.com/registration/6889616>

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)	Not	2019 Q1	2018 Q1	2018 Jan-Dec
Revenue	4,5	135,141	140,734	543,633
Cost of sales	5	-107,290	-114,619	-452,488
Gross profit		27,852	26,115	91,145
Marketing expenses		-911	-679	-3,066
Administrative expenses		-22,914	-26,056	-99,032
Net gain/loss on disposal of business		-830	-	95
Other operating income/expenses		-64	-160	-1,693
Operating profit/loss	4,5	3,133	-781	-12,551
Net financial items		-4,041	-7,571	-19,674
Profit/loss before tax		-908	-8,351	-32,226
Income tax expense		-1,129	-1,096	1,268
Profit/loss for the period attributable to equity holders of the parent		-2,036	-9,447	-30,957

Transcom Group - Condensed consolidated statement of comprehensive income

(€ '000)	2019 Q1	2018 Q1	2018 Jan-Dec
Profit/loss for the period attributable to equity holders of the parent	-2,036	-9,447	-30,957
Other comprehensive income:			
Exchange differences on translation of foreign operations	-706	-2,233	183
Net gain/loss on cash flow hedges	-13	-1,054	1
Other comprehensive income to be reclassified to profit or loss in subsequent periods	-719	-3,287	184
Actuarial profit/loss on post-employment benefit obligations	-	-	-40
Other comprehensive income not to be reclassified to profit or loss in subsequent periods	-	-	-40
Other comprehensive income for the period, net of tax	-719	-3,287	144
Total comprehensive income for the period, net of tax, attributable to equity holders of the parent	-2,755	-12,734	-30,813

Transcom Group - Condensed consolidated statement of financial position

(€ '000)	Notes	2019 Mar 31	2018 Mar 31	2018 Dec 31
ASSETS				
Non-current assets				
Goodwill	6	210,628	173,088	210,352
Other intangible assets	6	111,557	93,915	112,115
Tangible assets	10	49,011	13,470	17,923
Deferred tax assets		3,264	703	2,416
Other receivables		2,279	2,699	2,163
		376,739	283,875	344,968
Current assets				
Trade receivables		61,453	58,002	71,123
Income tax receivables		4,580	5,838	4,450
Other receivables		9,889	13,958	10,839
Prepaid expenses and accrued income		44,328	48,579	37,845
Cash and cash equivalents		21,053	20,240	12,884
		141,302	146,617	137,141
TOTAL ASSETS		518,041	430,492	482,109
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
		102,971	115,270	105,726
Non-current liabilities				
Interest-bearing liabilities	7,10	227,303	184,890	216,725
Employee benefit obligations		2,475	2,414	2,632
Provisions	6	18,812	145	18,074
Deferred tax liabilities	6	28,704	23,411	27,269
		277,293	210,861	264,700
Current liabilities				
Interest-bearing liabilities	7,10	21,036	6,059	1,285
Provisions	5,6	22,431	4,671	22,514
Trade payables		19,342	19,979	23,761
Income tax payables		3,964	4,219	2,344
Other liabilities		22,513	25,813	21,100
Accrued expenses and prepaid income		48,491	43,619	40,678
		137,777	104,361	111,683
Total liabilities		415,070	315,222	376,382
TOTAL EQUITY AND LIABILITIES		518,041	430,492	482,109

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, 2018		11,938	8	20,501	107,496	128,004
Profit/loss for the period		-	-	-	-9,447	-9,447
Other comprehensive income, net of tax		-	-	-	-3,287	-3,287
Balance, Mar 31, 2018		11,938	8	20,501	94,762	115,270
Profit/loss for the period		-	-	-	-21,510	-21,510
Issue of bonus shares		-	47	-	-47	-
Other comprehensive income, net of tax		-	-	-	3,431	3,431
Shareholder contribution		-	-	-	8,535	8,535
Balance, Dec 31, 2018		11,938	55	20,501	85,170	105,726
Profit/loss for the period		-	-	-	-2,036	-2,036
Other comprehensive income, net of tax		-	-	-	-719	-719
Balance, Mar 31, 2019		11,938	55	20,501	82,415	102,971

Transcom Group - Condensed consolidated statement of cash flows

(€ '000)	Notes	2019 Q1	2018 Q1	2018 Jan-Dec
Cash flows from operating activities				
Profit/loss before tax		-908	-8,351	-32,226
Adjustments to reconcile profit before tax to net cash:				
Adjustments for non cash items		7,211	2,842	30,050
Net financial items		4,041	7,571	19,674
Income taxes paid		-663	-276	-2,288
Cash flows from operating activities before changes in working capital		9,681	1,786	15,211
Changes in working capital		3,396	-4,694	-12,716
Cash flow from operating activities		13,077	-2,908	2,495
Investments and disposals of tangible assets		-1,549	-1,156	-8,496
Investments and disposals of intangible assets		-796	-284	-307
Acquisition of subsidiaries, net of cash acquired	6	-	-	-34,033
Disposals of business, net of cash	6	-604	-	-
Changes in other non-current assets		-93	183	922
Interest received		-	-	126
Cash flow from investing activities		-3,042	-1,257	-41,788
Proceeds from borrowings	7	-	247,345	219,146
Repayment of borrowings	7	-1,747	-237,543	-181,558
Payment of finance lease liabilities		-	-2	-2
Shareholder contribution		-	-	8,535
Interest and other financial costs paid		-493	-1,813	-12,049
Cash flow from financing activities		-2,240	7,987	34,072
Cash flow for the period		7,796	3,823	-5,221
Cash and cash equivalents at beginning of the period		12,884	17,249	17,249
Cash flow for the period		7,796	3,823	-5,222
Exchange rate differences in cash and cash equivalents		373	-833	856
Cash and cash equivalents at end of the period		21,053	20,239	12,884

Transcom Holding AB (publ) - Condensed income statement

(€ '000)	Notes	2019 Q1	2018 Q1	2018 Jan-Dec
Revenue		255	-	978
Cost of sales		-	-	-
Gross profit		255	-	978
Administrative expenses		-265	-	-4,179
Other operating income/expenses		-15	30	-
Operating profit/loss		-25	30	-3,201
Result from participations in Group companies		-	56,474	56,474
Net financial items		-724	-4,510	-12,118
Profit/loss before tax		-749	51,993	41,155
Income tax expense/income		-	-	-
Profit/loss for the period*		-749	51,993	41,155

*Profit/loss for the period corresponds with total comprehensive income.

Transcom Holding AB (publ) - Condensed balance sheet

(€ '000)	Notes	2019 Mar 31	2018 Mar 31	2018 Dec 31
ASSETS				
Non-current assets				
Investments in Group companies		278,919	270,319	278,919
Receivables from Group companies		90,651	83,496	90,959
		369,570	353,815	369,878
Current assets				
Receivables from Group companies		5,466	814	4,014
Other receivables		278	581	591
Cash and cash equivalents		300	552	10
		6,044	1,948	4,614
TOTAL ASSETS		375,614	355,763	374,492
EQUITY AND LIABILITIES				
Restricted equity		55	8	55
Unrestricted equity		174,369	174,824	176,070
		174,424	174,832	176,125
Non-current liabilities				
Interest-bearing liabilities	7	195,281	179,944	195,222
		195,281	179,944	195,222
Current liabilities				
Liabilities to Group companies		-	-	9
Other liabilities		5,909	987	3,136
		5,909	987	3,145
Total liabilities		201,190	180,931	198,367
TOTAL EQUITY AND LIABILITIES		375,614	355,763	374,492

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. The parent Company is responsible for corporate management and administration and holding functions.

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, 2018.

IFRS 16 Leases came into effect as of January 1, 2019. The Group has adopted the new standard. For the IFRS 16 transition, Transcom decided to apply the simplified retrospective approach and has not restated comparative amounts for 2018, the year prior to first adoption. The leasing debt at the adoption was the discounted future leasing costs as per January 1, 2019. The Group is using the recognition exemption for short-term leases and low-value leases, e.g. office equipment are classified as low-value assets and hence not included them in the balance sheet. The leasing agreements recorded according to the new standard, mainly refers to rental agreement of sites and offices. Leasing cost that earlier, according to IAS 17, was reported as costs in the income statement are replaced by depreciations on the leasing tangible assets and an interest cost on the leasing debt. For further information, please also see note 10.

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, 2018. 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, 2018.

4. Segment information

(€ '000)	English speaking	Europe	Latin America	Group
Revenue from external customers	43,256	91,018	867	135,141
EBITA excl. non-recurring items	5,044	4,907	-75	9,876
Transaction-related amortization Non-recurring items				-2,725 -4,017
EBIT incl. non-recurring items				3,133
Financial Items				-4,041
Profit/loss before tax				-908

(€ '000)	English speaking	Europe	Latin America	Group
Revenue from external customers	37,846	101,564	1,323	140,734
EBITA excl. non-recurring items	2,281	5,491	-470	7,302
Transaction-related amortization Non-recurring items				-2,071 -6,012
EBIT incl. non-recurring items				-781
Financial Items				-7,571
Profit/loss before tax				-8,351

As of January 1, 2019 there was a minor organization structure change in the Group, a movement between English speaking and Europe segment, why 2018 have been restated accordingly.

In March 2019 the Chilean operation was divested, and de-consolidated from that date. The transaction concludes the divestment of Transcom's operations in Latin America segment.

5. Items affecting comparability

(€ '000)	2019 Q1	2018 Q1	2018 Jan-Dec
Operational non-recurring items	-3,007	-2,770	-28,278
Transaction-related non-recurring items	-1,010	-3,242	-6,297
Total	-4,017	-6,012	-34,575

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

(€ '000)	2019 Q1	2018 Q1	2018 Jan-Dec
Cost of sales	-1,789	-562	-15,958
Marketing expenses	-	-	-419
Administrative expenses	-1,282	-5,450	-16,711
Net gain/loss on disposal of business	-830	-	-
Other operating income/expenses	-116	-	-1,487
Total	-4,017	-6,012	-34,575

In Q2 2018 a provision of € 8 million was recorded in the capture Cost of Sales relating to that 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.

6. Acquisitions and disposals

In March 2019 the Chilean operation was divested with a cash effect € -0.6 million. The transaction concludes the divestment of Transcom's operations in Latin America. The divested unit had a turnover of EUR 5.6 million in 2018 and approximately 540 employees.

On July 27, 2018, the Group acquired Awesome OS, which income statement was consolidated from July 28, 2018. The cash-flow effect and purchase price allocation for the acquisition of Awesome OS in 2018 was as follows:

(€ '000)	2018 Jan-Dec*
Consideration paid in cash	35,602
Cash acquired	-1,569
Cash flow from acquisitions of subsidiaries, net of cash acquired	34,033
Value of the shares *	58,262
Purchase price allocation:	
Acquired net assets	4,564
Goodwill	25,864
Customer relationship	35,685
Deferred tax liability	-7,851
Total	58,262

*2018 includes consideration paid in cash (EUR 35.602 thousand) and a provision for maximum potential earnouts (with a fair value amounting to EUR 22.660 thousand). As per March 2019 the provision is amounting to EUR 25.202 thousand (including both fair value revaluation and foreign exchange effect).

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), maturing in March 2023, as well as on the 19th of March 2018 a € 45,000 thousand Super Senior Revolving Credit Facility (SSRCF) Agreement with Nordea and Danske Bank both held by the Parent company, maturing in September 2022. 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 (€ 204 million) 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.

In addition in connection with the acquisition of Awesome OS, on July 24, 2018, a Senior Unsecured Fixed Rate Notes (SUFRN) of € 10,000 thousand was issued.

As at March 31, 2019 the loan under the SSRCF amounted to € 25,414 thousand (all non-current) of which € 6,200 thousand is held by the Parent company, excluding usage of cash pool and other local lending.

8. Contingent liabilities

As at March 31, 2019, eight 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 March 31, 2019 the provision related to tax audits amounts to € 4,026 thousand (December 31, 2018 € 4,026 thousand).

The group has no material contingent liabilities as at March 31, 2019. 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)	Financial instruments at amortized	Financial instruments at fair value to the P&L*	Derivatives for cashflow hedges	Mar 31, 2019 Carrying amount	Mar 31, 2019 Fair value	Financial instruments at amortized cost	Financial instruments at fair value to the P&L*	Derivatives for cashflow hedges	Dec 31, 2018 Carrying amount	Dec 31, 2018 Fair value
	Total non-current assets	2,279	-	-	2,279	2,279	2,163	-	-	2,163
Total current assets	131,845	-	381	132,226	132,226	128,311	-	297	128,608	128,608
Total financial assets	134,124	-	381	134,505	134,505	130,474	-	297	130,771	130,771
Total non-current liabilities	227,446	18,668	-	246,114	298,791	216,871	17,929	-	234,799	293,055
Total current liabilities	108,991	6,534	-	115,525	117,620	85,219	6,275	-	91,494	91,559
Total financial liabilities**	336,437	25,202	-	361,639	416,411	302,090	24,204	-	326,294	384,614

* The fair values of the Financial instruments at fair value to the P&L have been estimated using a DCF model. The nominal amount is USD 31,545 thousand. The provision was recorded to the value of € 22,660 thousand as per July 2018, and has been revalued to € 25,202 thousand as per March 2019 (including both fair value revaluation and foreign exchange effect).

** 2019 Financial liabilities includes the new Leasing liabilities according to IFRS 16.

10. Leasing

The Group has implemented the new standard, IFRS 16 Leases, and the following table shows the effect on Transcoms income statement and balance sheet.

(€ '000)	2019 Q1
Reversed cost	4,101
Depreciations	-3,996
Operating profit/loss	105
EBITDA effect	4,101
Net financial items	-569
Income tax expense	83
Profit/loss for the period	-382
Leased assets, included in Tangible assets	31,220
Leasing liabilities, included in Interest-bearing liabilities, non-current	11,934
Leasing liabilities, included in Interest-bearing liabilities, current	19,750

11. Significant events

No significant events have occurred during the period.

12. 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, excluding leasing debt according to IFRS 16, 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 (Chile have been divested and deconsolidated after February 2019. The divestment in Chile concludes the divestment of Transcom's operations in Latin America segment).

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 50 contact centers across 20 countries, delivering services in 33 languages to international brands in various industry verticals.