

Second Quarter 2020 Results

Q2 2020

- **Revenue** amounted to 132.2 M€ (134.0)
- **EBITDA** excluding non-recurring items amounted to 11.5 M€ (9.7)
- **EBITDA margin** excluding non-recurring items amounted to 8.7% (7.2%)
- **Operating cash flow** amounted to 13.6 M€ (4.6)
- **Net debt/EBITDA** amounted to 4.3x (4.5)

Jan-Jun 2020

- **Revenue** amounted to 260.0 M€ (269.1)
- **EBITDA** excluding non-recurring items amounted to 21.6 M€ (21.6)
- **EBITDA margin** excluding non-recurring items amounted to 8.3% (8.0%)
- **Operating cash flow** amounted to 20.9 M€ (17.7)
- **Net debt/EBITDA** amounted to 4.3x (4.5)

Comments by the CEO

Strong quarter in the midst of the COVID-19 pandemic

Transcom delivers a strong second quarter despite extraordinary circumstances. EBITDA excluding non-recurring items increased 19% to €11.5 million and the margin increased 1.5p.p. compared to the same period last year. Transcom's revenue grew 11% during the quarter, adjusting for the divestment in Spain and the INPS contract discontinued in 2019.

In the COVID-19 pandemic, Transcom's services are more relevant than ever. When consumers are distanced from physical stores, we provide essential customer services over digital channels and phone. Demand from existing clients was strong during the quarter and there was a continued intake of new contracts.

Our priorities in COVID-19 are to keep our people safe and to continue to service our clients. During Q2, approximately 60% of our employees were working at home (WAH). This also contributes to preventing further spread of the Coronavirus while we support the wheels of society turning.

However, restrictions and lockdowns due to the pandemic have rendered additional cost to uphold service for clients. In total, non-recurring cost related to COVID-19 amounts to €3.6 million during the quarter. The situation started to normalize during June and limited non-recurring cost is expected from July onward, provided no major reinstated lockdowns occur.

I want to extend my deepest appreciation to all employees of Transcom. Through an extraordinary global mobilization, we have maintained our client service. As a result, we have solidified our client relationships and we stand stronger than ever.

Transcom delivers world class customer service. We provide resilience in the new normal, through proven WAH capabilities, industry leading digital solutions and a diversified footprint across three continents. The pandemic and macro-economic situation are still uncertain. But we expect the positive momentum to continue into second half of the year, at the same time as bottlenecks and non-recurring cost related to the pandemic taper off.

Our priorities remain. We aim for profitable growth through client focus and operational excellence, driven by great culture and leadership!

Jonas Dahlberg, President & CEO

Group financial overview

(€m)	2020 Q2	2019 Q2	Change Y-o-Y	2020 Jan-Jun	2019 Jan-Jun	Change Y-o-Y	2020 LTM	2019 Jan-Dec	Change Y-o-Y
Revenue	132.2	134.0	-1.3%	260.0	269.1	-3.4%	532.3	541.5	-1.7%
EBITDA excl. non-recurring items	11.5	9.7	1.8	21.6	21.6	0.1	48.9	48.8	0.1
EBITDA margin excl. non-recurring items	8.7%	7.2%	1.5pp	8.3%	8.0%	0.3pp	9.2%	9.0%	0.2pp
EBITA excl. non-recurring items	9.0	7.8	1.3	16.7	17.6	-0.9	38.1	39.0	-0.9
EBITA margin excl. non-recurring items	6.8%	5.8%	1.0pp	6.4%	6.6%	-0.2pp	7.2%	7.2%	0.0pp
Operating cash flow	13.6	4.6	9.0	20.9	17.7	3.3	54.7	51.4	3.3
Net debt	209.4	202.9	6.6	209.4	202.9	6.6	209.4	203.7	5.7
Net debt/EBITDA excl. non-recurring items	4.3	4.5	-0.2	4.3	4.5	-0.2	4.3	4.2	0.1

Q2 2020

Income and profit

Revenue amounted to €132.2 million (134.0). The growth from new and existing clients amounted to €13.4 million. This was countered by last year's closure of the INPS contract in Italy and divestments in Spain.

EBITDA excluding non-recurring items amounted to €11.5 million (9.7) with a margin of 8.7% (7.2%). The positive development of EBITDA is mainly a result of operational improvements and growth in Europe. Non-recurring items totaled €-7.2 million (-3.1), of which €3.6 million is relating to COVID-19. The remainder is mainly relating to cost for Transcom's commercial and operational transformation.

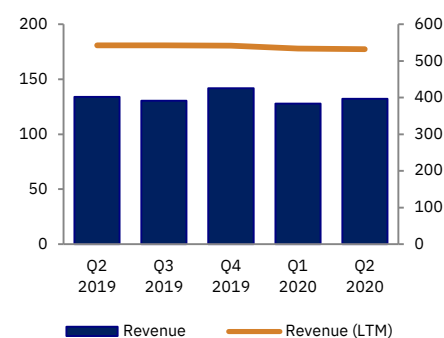
Net financial items amounted to €-6.0 million compared to €-4.4 million last year. Taxes amounted to €-0.3 million (-3.2).

Cash flow and financial position

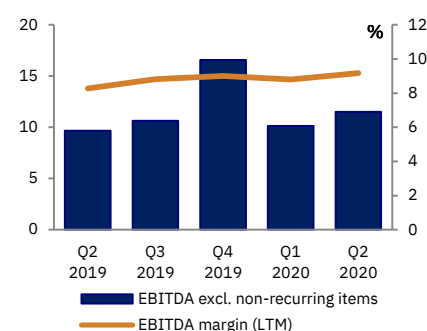
Operating cash flow was €13.6 million (4.6). Improved operating cash flow is mainly due to positive working capital development, partly explained by timing effects and partly by tax deferrals enabled by government support programs relating to COVID-19. Cash flow from investing activities amounted to €-10.6 million (3.7) and includes new sites, WAH and the second earn-out payment for the Awesome acquisition. Last year included the positive effect of €6.5 million from divestment in Spain. Cash flow from financing activities amounted to €-10.9 million (-4.9). Cash flow totaled €-7.9 million (3.4).

Net debt amounted to €209.4 million (202.9). Net debt/EBITDA amounted to 4.3 (4.5). Financing in the Group includes five-year €180 million Senior Secured Fixed Rate Notes, €10 million Senior Unsecured Fixed Rate Notes, a Super Senior Revolving Credit Facility Agreement (SSRCF) of €47.4 million including increase in the quarter of €2.4 million, and a new senior secured term loan facility agreement of €20 million (please refer to note 7 for further information). As per Q2 2020, the SSRCF was unutilized, excluding guarantees and credit facility usage. Unused credit facilities totaled €42.0 million.

Revenue



EBITDA excl. non-recurring items



January – June 2020

Income and Profit

Revenue amounted to €260.0 million (269.1). Growth in new and existing business amounted to €19.0 million, countered by the closure of the INPS contract in Italy and last year's divestment of parts of the Spanish business.

EBITDA excluding non-recurring items amounted to €21.6 (21.6) and the margin increased to 8.3% (8.0%).

Non-recurring items amounted to €-8.8 million (-7.1). NRI relating to COVID-19 amounted to €-4.4 million, while transaction-related NRI amounted to €-0.9 million. The remaining NRI mainly relate to Transcom's operational and commercial transformation.

Net financial items amounts to €-10.3 million compared to €-8.4 million last year. Tax expenses in the period amounted to €-0.5 million (-4.3).

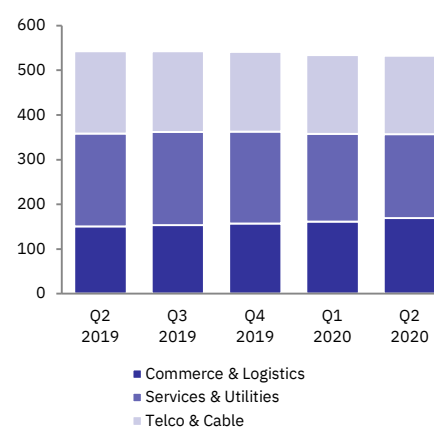
Industry segment development

We are continuing our growth within Commerce & Logistics, in line with our strategy. Service & Utilities are lower due to last year's closure of the INPS contract and divestments in Spain.

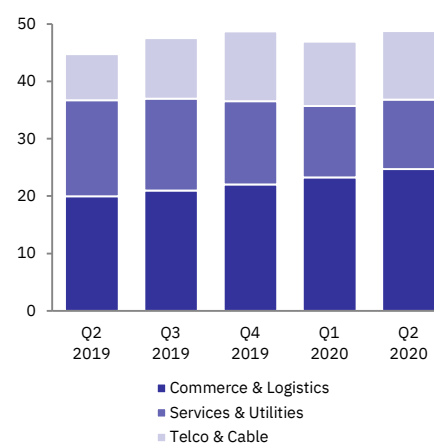
Cash flow

Operating cash flow improved and amounted to €20.9 million (17.7). This is a result of improved working capital compared to last year, explained by tax deferrals enabled by government programs instated due to COVID-19. Cash flow from investing activities amounted to €-13.7 million (0.7) and included earn-out payment for the Awesome acquisition and investments in new sites and Work-At-Home. Last year included the positive effect of €6.5 million from the divestment of part of our business in Spain. Cash flow from financing activities amounted to €-12.1 million (-7.1). Cash flow totaled €-4.9 million (11.2).

Revenue by industry segment (LTM)



EBITDA excl. non-recurring items by industry segment (LTM)

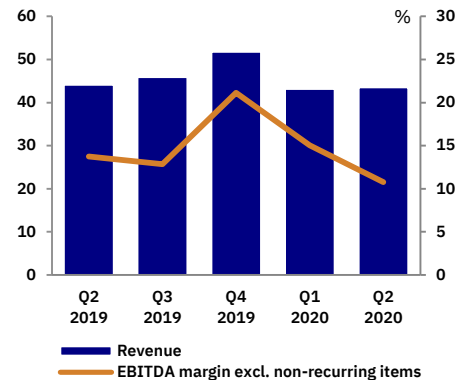


Quarterly development by geographical segment

English-speaking region

Revenue amounted to €43.6 million (44.1). The revenue decline mainly relates to temporarily reduced production capacity as a result from COVID-19 lockdowns in the Philippines. Revenue growth within Commerce & Logistics was countered by decline in the Telco & Cable and Service & Utilities sectors.

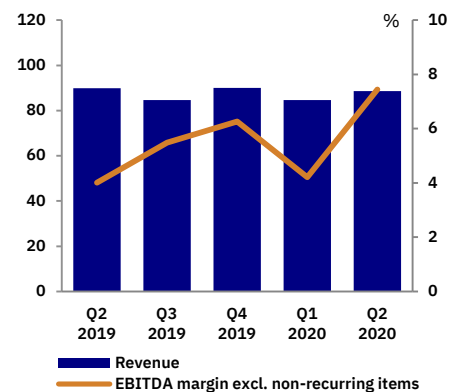
EBITDA excl. non-recurring items amounted to €4.8 million (6.1) with a margin of 10.9% (13.7). The decline in EBITDA margin is mainly driven by a mix shift from higher margin delivery in the Philippines to lower margin US WAH delivery.



European region

Revenue amounted to €88.7 million (89.8). Growth continues with new and existing clients, mainly within Commerce & Logistics and Service & Utilities. This growth is countered by last year's closure of the INPS contract and divestments in Spain.

EBITDA excl. non-recurring items amounted to €6.7 million (3.6) with a margin of 7.6% (4.0). The positive EBITDA development is mainly driven by new business and operational improvements.



Other information

Earnings call

Transcom will host a conference call at 9:00 CET on July 21, 2020. The conference call will be held in English. The presentation will be available on <https://www.transcom.com/en/investor-relations>.

Important note: Please register via the link above at least 5-10 minutes prior the call in order to obtain the dial-in numbers and pin code required for the call. If you register in advance, you will be sent an email reminder a day prior to the call.

Online registration link: <http://emea.directeventreg.com/registration/5574908>

Financial calendar

Transcom's Q3 2020 report will be published on Wednesday, November 11, 2020

Transcom's Q4 2020 report will be published on Wednesday, February 17, 2021

Other information

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

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This information is such that Transcom Holding AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 08:00 CET on July 21, 2020.

Transcom Group - Condensed consolidated income statement

(€ '000)	Notes	2020 Q2	2019 Q2	2020 Jan-Jun	2019 Jan-Jun	2020 LTM	2019 Jan-Dec
Revenue	4	132,236	133,983	259,985	269,124	532,320	541,459
Cost of sales	5	-102,993	-109,685	-202,426	-216,918	-410,621	-425,114
Gross profit		29,243	24,298	57,559	52,206	121,699	116,346
Marketing expenses		-1,335	-839	-2,536	-1,750	-3,251	-2,465
Administrative expenses		-28,345	-23,018	-51,987	-45,987	-100,278	-94,277
Other operating income/expenses		-486	1,510	-593	616	-1,105	105
Operating profit/loss	4,5	-922	1,951	2,443	5,084	17,066	19,709
Net financial items		-6,010	-4,388	-10,297	-8,429	-19,434	-17,565
Profit/loss before tax		-6,932	-2,437	-7,855	-3,345	-2,367	2,143
Income tax expense/income		-281	-3,216	-546	-4,345	1,294	-2,504
Profit/loss for the period attributable to equity holders of the parent		-7,213	-5,653	-8,401	-7,690	-1,072	-361

Transcom Group - Condensed consolidated statement of comprehensive income

(€ '000)	2020 Q2	2019 Q2	2020 Jan-Jun	2019 Jan-Jun	2020 LTM	2019 Jan-Dec
Profit/loss for the period attributable to equity holders of the parent	-7,213	-5,653	-8,401	-7,690	-1,072	-361
Other comprehensive income:						
Exchange differences on translation of foreign operations	1,020	-1,414	-164	-2,120	2,077	121
Net gain/loss on cash flow hedges	314	536	-69	523	-229	363
Other comprehensive income to be reclassified to profit or loss in subsequent periods	1,334	-878	-233	-1,597	1,848	484
Actuarial profit/loss on post-employment benefit obligations	-	-	-	-	-730	-730
Other comprehensive income not to be reclassified to profit or loss in subsequent periods	-	-	-	-	-730	-730
Other comprehensive income for the period, net of tax	1,334	-878	-233	-1,597	1,118	-246
Total comprehensive income for the period, net of tax, attributable to equity holders of the parent	-5,879	-6,531	-8,634	-9,287	46	-607

Transcom Group - Condensed consolidated statement of financial position

(€ '000)	Notes	2020 Jun 30	2019 Jun 30	2019 Dec 31
ASSETS				
Non-current assets				
Goodwill		205,167	205,969	205,226
Other intangible assets		97,615	106,299	104,564
Tangible assets		23,043	16,836	21,493
Right of use assets	10	24,492	28,647	25,916
Deferred tax assets		2,001	3,318	1,305
Other receivables		3,052	2,408	3,000
		355,370	363,476	361,504
Current assets				
Trade receivables		60,120	59,536	59,075
Income tax receivables		4,658	5,917	6,252
Other receivables		12,908	15,913	13,303
Prepaid expenses and accrued income		43,470	45,008	36,006
Cash and cash equivalents		9,544	24,099	14,295
		130,700	150,473	128,931
TOTAL ASSETS		486,070	513,949	490,435
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
		96,484	96,440	105,120
Non-current liabilities				
Interest-bearing liabilities	7	214,800	221,850	201,034
Employee benefit obligations		2,030	2,421	3,318
Leasing liabilities	10	16,090	10,056	16,018
Provisions	6,11	142	12,923	13,659
Deferred tax liabilities		20,141	26,296	20,989
		253,204	273,545	255,018
Current liabilities				
Interest-bearing liabilities	7	2,158	2,679	13,687
Leasing liabilities	10	10,133	19,580	11,448
Provisions	6,8	24,629	24,141	20,746
Trade payables		15,274	15,667	18,798
Income tax payables	11	10,843	6,865	6,332
Other liabilities	12	25,931	31,595	18,613
Accrued expenses and prepaid income		47,414	43,437	40,674
		136,382	143,963	130,297
Total liabilities		389,586	417,508	385,315
TOTAL EQUITY AND LIABILITIES		486,070	513,949	490,435

Transcom Group - Condensed consolidated statement of changes in equity

(€ '000)	Equity attributable to equity holders of the parent				
	Total number of shares ('000)	Share capital	Share premium reserve	Other reserves and Retained earnings	Total equity
Balance, Jan 1, 2019	11,938	55	20,501	85,172	105,726
Profit/loss for the period	-	-	-	-7,690	-7,690
Other comprehensive income, net of tax	-	-	-	-1,597	-1,597
Balance, Jun 30, 2019	11,938	55	20,501	75,886	96,440
Profit/loss for the period	-	-	-	7,329	7,329
Other comprehensive income, net of tax	-	-	-	1,351	1,351
Balance, Dec 31, 2019	11,938	55	20,501	84,565	105,120
Profit/loss for the period	-	-	-	-8,401	-8,401
Other comprehensive income, net of tax	-	-	-	-233	-233
Balance, Jun 30, 2020	11,938	55	20,501	75,930	96,484

Transcom Group - Condensed consolidated statement of cash flows

(€ '000)	Notes	2020 Q2	2019 Q2	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
Cash flows from operating activities						
Profit/loss before tax		-6,932	-2,437	-7,855	-3,345	2,143
Adjustments to reconcile profit before tax to net cash:						
Adjustments for non cash items		8,817	12,009	16,887	19,220	33,429
Net financial items		6,081	4,388	10,373	8,429	17,565
Income taxes paid		-516	-2,171	-642	-2,834	-7,456
Cash flows from operating activities before changes in working capital		7,449	11,789	18,764	21,470	45,681
Changes in working capital		6,157	-7,216	2,160	-3,819	5,684
Cash flow from operating activities		13,606	4,573	20,924	17,651	51,366
Investments and disposals of tangible assets		-3,573	-1,490	-6,526	-3,039	-11,916
Investments and disposals of intangible assets		-234	-1,347	-424	-2,143	-4,606
Consideration paid from previous years' acquisitions	6	-6,781	-	-6,781	-	-6,981
Disposals of business, net of cash		-	6,540	-	5,936	5,879
Changes in other non-current assets		-78	-144	-51	-237	-816
Interest received		49	153	49	153	255
Cash flow from investing activities		-10,617	3,712	-13,733	670	-18,183
Proceeds from borrowings	7	20,241	10,917	48,165	10,917	25,506
Repayment of borrowings	7	-20,835	-2,902	-46,112	-4,648	-28,973
Payment of lease liabilities	10	-2,725	-5,624	-5,886	-5,624	-11,920
Interest and other financial costs paid		-7,563	-7,271	-8,291	-7,764	-16,667
Cash flow from financing activities		-10,881	-4,880	-12,123	-7,120	-32,055
Cash flow for the period		-7,892	3,405	-4,933	11,201	1,127
Cash and cash equivalents at beginning of the period		17,826	21,053	14,295	12,884	12,884
Cash flow for the period		-7,892	3,405	-4,933	11,201	1,127
Exchange rate differences in cash and cash equivalents		-390	-358	182	15	285
Cash and cash equivalents at end of the period		9,544	24,099	9,544	24,099	14,295

Transcom Holding AB (publ) - Condensed income statement

(€ '000)	2020 Q2	2019 Q2	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
Revenue	1,260	508	1,745	763	2,948
Cost of sales	-	-	-	-	-
Gross profit	1,260	508	1,745	763	2,948
Administrative expenses	-1,253	-477	-1,762	-742	-3,264
Other operating income/expenses	-17	-6	-5	-21	-29
Operating profit/loss	-10	25	-23	-0	-345
Net financial items	-2,419	-2,913	-4,711	-3,637	-7,220
Profit/loss before tax	-2,429	-2,889	-4,734	-3,638	-7,565
Income tax expense/income	-	-	-	-	-
Profit/loss for the period*	-2,429	-2,889	-4,734	-3,638	-7,565

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

Transcom Holding AB (publ) - Condensed balance sheet

(€ '000)	Notes	2020 Jun 30	2019 Jun 30	2019 Dec 31
ASSETS				
Non-current assets				
Investments in Group companies		278,919	278,919	278,919
Receivables from Group companies		94,386	88,725	82,174
		373,305	367,644	361,093
Current assets				
Receivables from Group companies		4,109	2,341	3,589
Other receivables		-	405	61
Cash and cash equivalents		179	136	244
		4,288	2,882	3,894
TOTAL ASSETS		377,592	370,526	364,987
EQUITY AND LIABILITIES				
Restricted equity		55	55	55
Unrestricted equity		163,771	172,432	168,505
		163,826	172,487	168,560
Non-current liabilities				
Interest-bearing liabilities	7	209,006	195,339	182,256
Liabilities to Group companies		1,143	-	1,149
		210,150	195,339	183,405
Current liabilities				
Interest-bearing liabilities	7	-	-	10,000
Other liabilities		3,616	2,699	3,022
		3,616	2,699	13,022
Total liabilities		213,766	198,038	196,427
TOTAL EQUITY AND LIABILITIES		377,592	370,526	364,987

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 and the Swedish Annual Accounts Act. Application of IFRS complies with the accounting principles set out in the Group's annual financial statements as at December 31, 2019.

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, 2019. Regarding the risks relating to COVID-19 pandemic, please refer to note 13. 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, 2019.

4. Segment information

(€ '000) Jan-Jun 2020	English speaking	Europe	Latin America	Group
Revenue from external customers	86,722	173,262	-	259,985
EBITDA excl. non-recurring items	11,281	10,364	-	21,646
Depreciation and amortization				-10,382
Non-recurring items				-8,822
EBIT				2,443
Net financial items				-10,297
Profit/loss before tax				-7,855
(€ '000) Jan-Jun 2019	English speaking	Europe	Latin America	Group
Revenue from external customers	87,388	180,868	867	269,124
EBITDA excl. non-recurring items	12,428	9,226	-69	21,588
Depreciation and amortization				-9,420
Non-recurring items				-7,083
EBIT				5,084
Net financial items				-8,429
Profit/loss before tax				-3,345

5. Items affecting comparability

(€ '000)	2020 Q2	2019 Q2	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
Operational non-recurring items	-6,779	-4,674	-7,882	-7,681	-8,477
Transaction-related non-recurring items	-448	1,608	-940	598	75
Total	-7,227	-3,065	-8,822	-7,083	-8,402

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

(€ '000)	2020 Q2	2019 Q2	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
Cost of sales	-1,430	-3,003	-1,556	-4,792	-3,641
Marketing expenses	-	-	-	-	-30
Administrative expenses	-5,349	-1,454	-6,379	-2,737	-4,732
Other operating income/expenses	-448	1,392	-887	445	-
Total	-7,227	-3,065	-8,822	-7,083	-8,402

Non-recurring items (NRI) amounted to €-8.8 million (-7.1). NRI relating to COVID-19 amounted to €-4.4 million (including material cost increase and where relevant cost decrease, e.g. governmental support programs), while transaction-related NRI amounted to €-0.9 million. The remaining NRI mainly relate to Transcom's operational and commercial transformation. Last year's costs were mainly restructuring costs connected with PPP, closure of the INPS contract and existing unprofitable contracts.

6. Acquisitions

At the end of Q2 2020 the second earn-out of €6.7 million, relating to the acquisition of Awesome OS in 2018, was paid out. The remaining provision amounts to €14.2 million, including both fair value and foreign exchange effect. Payment for the remaining provision is estimated to Q1 2021.

7. Interest-bearing liabilities

Financing in the Group includes five-year €180,000 thousand Senior Secured Fixed Rate Notes, €10,000 thousand Senior Unsecured Fixed Rate Notes, a Super Senior Credit Facility Agreement (SSRCF) that was increased in the quarter with €2,400 thousand to €47,400 thousand, and since March 31, 2020 a new senior secured term loan facility agreement of €20,000 thousand. The senior secured term loan facility agreement of €20,000 thousand was signed with Nordea Bank Abp, filial i Sverige as lender (the "Term Facility"). The net proceeds from the utilization of the Term Facility funded the repayment of an equivalent amount of revolving loans outstanding under Transcom's existing SSRCF. The repayment of the loans made funds available for re-drawing under the SSRCF and consequently provided an additional liquidity buffer for any unforeseen events which may occur. The new Term Facility shares the security and guarantees provided for the SSRCF and the Notes in accordance with the provisions of an existing intercreditor agreement which the lender under the Term Facility will accede to and will rank pari passu with the mentioned instruments. The maturity date of this new Term Facility is March 22, 2023.

In the first quarter 2020, the unsecured note of €10 million was extended with twelve months to July 2021. As of June 30, 2020, the SSRCF was unutilized, excluding guarantees and credit facility usage. Unused credit facilities totaled €42.0 million.

There are share pledges in material companies (€212 million) used as security for the financing. Part of the SSRCF is used to cover bank guarantees and cash pool limits.

8. Contingent liabilities and provisions

The group has no material contingent liabilities as at June 30, 2020.

In Q2 2018, a provision of €8.0 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. For additional information, please also refer to note 14.

9. Financial instruments

Classification of the Group's financial assets and liabilities:

	Financial instruments at amortized cost	Financial instruments at fair value to the P&L*	Derivatives for cashflow hedges	Jun 30, 2020 Carrying amount	Jun 30, 2020 Fair value	Financial instruments at amortized cost	Financial instruments at fair value to the P&L*	Derivatives for cashflow hedges	31 dec, 2019 Carrying amount	31 dec, 2019 Fair value
(€ '000)										
Total non-current assets	3,052	-	-	3,052	3,052	3,000	-	-	3,000	3,000
Total current assets	116,258	-	679	116,937	116,937	115,726	-	881	116,608	116,608
Total financial assets	119,310	-	679	119,989	119,989	118,727	-	881	119,608	119,608
Total non-current liabilities	231,032	-	-	231,032	269,166	217,195	13,516	-	230,711	271,666
Total current liabilities	88,922	14,154	-	103,076	103,154	103,204	6,396	-	109,600	110,197
Total financial liabilities**	319,955	14,154	-	334,109	372,321	320,399	19,912	-	340,311	381,863

* 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. In July 2019 the first earnout of €6,726 thousand was paid out and the second earnout of €6.698 was paid out in June 2020. The provision has since been revalued to €14,154 thousand as per June 2020 (including both fair value revaluation and foreign exchange effect).

10. Leasing

The following table shows the effect of IFRS 16 on Transcoms income statement and balance sheet:

(€ '000)	2020 Jan-Jun	2019 Jan-Jun
Reversed cost (EBITDA effect)	6,883	6,696
Depreciations	-6,105	-6,168
Operating profit/loss	779	528
Net financial items	-998	-1,072
Income tax expense	34	75
Profit/loss for the period	-185	-469
Right of use assets	24,492	29,636
Leasing liabilities, non-current	16,090	10,056
Leasing liabilities, current	10,133	19,580

11. Income tax payables

As per June 30, 2020, eight Group entities were 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 per June 30, 2020 the tax liability related to tax audits amounts to €4,497 thousand. In June 30, 2019 the provision for tax audits was €4,026 thousand. This year, these provisions have been reclassified to Income tax payables.

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.

12. Other liabilities

Transcom has deferred some tax payments (VAT and social contribution), mainly in Sweden, enabled by government programs instated during the COVID-19 pandemic. These deferrals amount to €7,679 thousand.

13. Events during the reporting period

During Q2, approximately 60% of our employees were working at home (WAH). This also contributes to preventing further spread of the Coronavirus while we support the wheels of society turning. However, restrictions and lockdowns due to the pandemic have rendered additional cost to uphold service for clients. In total, non-recurring cost related to COVID-19 amounts to €3.6 million during the quarter. The situation started to normalize during June and limited non-recurring cost is expected from July onward, provided no major reinstated lockdowns occur. The pandemic has not had any material impact on credit losses or financing agreements.

14. Events after the reporting period

In Q2 2018 €8.0 million was provisioned relating to a dispute with the social security inspection in Spain. According to the inspection, certain legal professionals hired as consultants, should be considered as employees and hence render payments for social security. Subsequently, Transcom appealed the case to court. On July 14, 2020, the court ruled in favor of the social security inspection. Transcom will likely appeal the verdict.

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. It is calculated excluding the effect of IFRS 16 Leases. The purpose of disclosing Transcom's EBITDA 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.

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.

Net debt/EBITDA excl non-recurring items: is defined as interest-bearing liabilities and employee benefit obligations, less cash and cash equivalents as per balance sheet day divided by EBITDA excl non-recurring items (LTM).

LTM: refers to the timeframe of the immediately preceding last twelve months.

Other definitions

English speaking region: services delivered to multinational clients predominantly domiciled in US and UK.

European region: services delivered to clients based in Europe.

Latin American region: services delivered to clients based in Latin America (Chile have been divested and deconsolidated after February 2019. The divestment in Chile concluded 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 26,000 customer experience specialists at 50 contact centers across 22 countries, delivering services in 33 languages to international brands in various industry verticals.