

Third Quarter 2020 Results

Q3 2020

- **Revenue** increased to 140.4 M€ (130.5)
- **EBITDA** excluding non-recurring items increased to 15.3 M€ (10.6)
- **EBITDA margin** excluding non-recurring items increased to 10.9% (8.1%)
- **Operating cash flow** increased to 20.9 M€ (12.5)
- **Net debt/EBITDA** decreased to 3.7 (4.3)

Jan-Sept 2020

- **Revenue** increased to 400.4 M€ (399.6)
- **EBITDA** excluding non-recurring items increased to 36.9 M€ (32.2)
- **EBITDA margin** excluding non-recurring items increased to 9.2% (8.1%)
- **Operating cash flow** increased to 41.8 M€ (30.1)

Strengthened trajectory of profitable organic growth

During the third quarter, revenue grew 7.6% and the EBITDA margin increased 2.8pp, all organically. Revenue growth is predominately driven by existing clients while profitability improvements are driven by a combination of increased volume, productivity improvements and continued positive mix shift towards business with higher profitability.

Our sales momentum is strong and we continue to win new contracts. This year’s estimated revenue from new contracts is about 3x compared to last year. In particular, Transcom’s offering to the Commerce & Tech sector¹ drives strong growth.

Demand is growing for T:Anywhere, Transcom’s solution for permanent Work-At-Home delivery. T:Anywhere provides an end-to-end solution for digital recruiting, training, onboarding and customer experience operations. It has a strong track record of customer satisfaction and employee satisfaction as well as cost efficiency. Moreover, it complies with all relevant customer service, privacy and security standards. In short, T:Anywhere provides a world-class customer service solution, for all industries in any market.

We continue to develop our digital capabilities and are rewarded for our efforts. Global analyst firm ISG has recognized Transcom as a Global Rising Star and a Europe & UK Leader within digital customer experience.

During the quarter we went live with our new sites in Tuzla, Bosnia Herzegovina, and Cairo, Egypt. Tuzla provides native-level German services, while Cairo provides the benefits of cost efficient multilingual services. We continue the repositioning to cost efficient locations and plan to open several new sites coming quarters.

Transcom has embarked on a journey of profitable growth. The market outlook is strong with growth driven by an accelerated shift from the “walk-in-economy” to digital commerce. Our priorities are client focus and operational excellence, driven by great culture and leadership.

Jonas Dahlberg, President & CEO

¹ Commerce & Logistics has been renamed to Commerce & Tech

Group financial overview

(€m)	2020 Q3	2019 Q3	Change Y-o-Y	2020 Jan-Sep	2019 Jan-Sep	Change Y-o-Y	2020 LTM	2019 Jan-Dec	Change Y-o-Y
Revenue	140.4	130.5	7.6%	400.4	399.6	0.2%	542.2	541.5	0.1%
EBITDA excl. non-recurring items	15.3	10.6	4.7	36.9	32.2	4.7	53.5	48.8	4.7
EBITDA margin excl. non-recurring items	10.9%	8.1%	2.8pp	9.2%	8.1%	1.1pp	9.9%	9.0%	0.9pp
EBITA excl. non-recurring items	12.1	8.7	3.4	28.9	26.3	2.5	41.6	39.0	2.5
EBITA margin excl. non-recurring items	8.6%	6.6%	2,0pp	7.2%	6.6%	0,6pp	7.7%	7.2%	0,5pp
Operating cash flow	20.9	12.5	8.4	41.8	30.1	11.6	63.0	51.4	11.6
Net debt	197.3	206.0	-8.6	197.3	206.0	-8.6	197.3	203.7	-6.4
Net debt/EBITDA excl. non-recurring items	3.7	4.3	-0.6	3.7	4.3	-0.6	3.7	4.2	-0.5

Q3 2020

Income and profit

Revenue amounted to €140.4 million (130.5) with a growth of 7.6%. The growth from new and existing clients amounted to €20.7 million. This was countered by last year's closure of the INPS contract in Italy. Excluding the INPS contract the comparable growth in Q3 is 17.3%.

EBITDA excluding non-recurring items amounted to €15.3 million (10.6) with a margin of 10.9% (8.1%). The positive development of EBITDA is mainly a result of operational improvements and growth in Europe. Non-recurring items totaled €-8.3 million (-0.8), of which €-1.0 million is relating to COVID-19. The remainder is mainly relating to cost for Transcom's commercial and operational transformation.

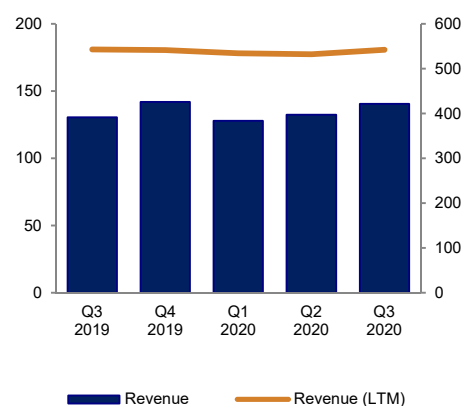
Net financial items amounted to €-4.6 million compared to €-4.2 million last year. Taxes amounted to €-0.7 million (-1.5).

Cash flow and financial position

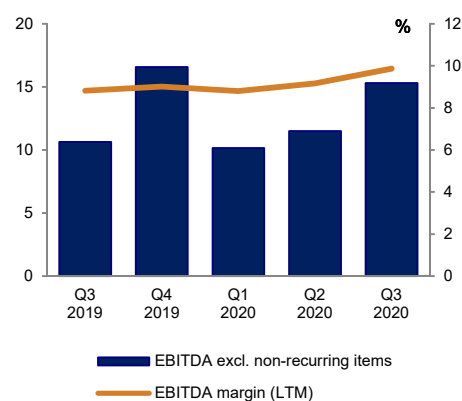
Operating cash flow was €20.9 million (12.5). Improved operating cash flow is mainly due to positive working capital development, partly explained by timing effects and partly by tax deferrals enabled by government support programs relating to COVID-19. Cash flow from investing activities amounted to €-1.8 million (-11.6) and includes investments in new sites and Work-At-Home (WAH). Cash flow from financing activities amounted to €-6.9 million (-12.8). Cash flow totaled €12.2 million (-11.9).

Net debt amounted to €197.3 million (206.0). Net debt/EBITDA amounted to 3.7 (4.3). 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 and a senior secured term loan facility agreement of €20 million. As per Q3 2020, the SSRCF was unutilized, excluding guarantees and credit facility usage. Unused credit facilities totaled €43.3 million.

Revenue



EBITDA excl. non-recurring items



January – September 2020

Income and Profit

Revenue amounted to €400.4 million (399.6). Growth in new and existing business amounted to €38.2 million, countered by the closure of the INPS contract in Italy and last year's divestment of parts of the Spanish business. Comparable growth, excluding INPS contract and the divestment of Legal services is 11.0%.

EBITDA excluding non-recurring items amounted to €36.9 (32.2) and the margin increased to 9.2% (8.1%). Non-recurring items totaled €-17.1 million (-7.9) of which €-5.4 million is relating to COVID-19 and transaction-related amounted to €-1.3 million. The remaining NRI mainly relates to Transcom's operational and commercial transformation.

Net financial items amounts to €-14.9 million compared to €-12.6 million last year. Tax expenses in the period amounted to €-1.2 million (-5.8).

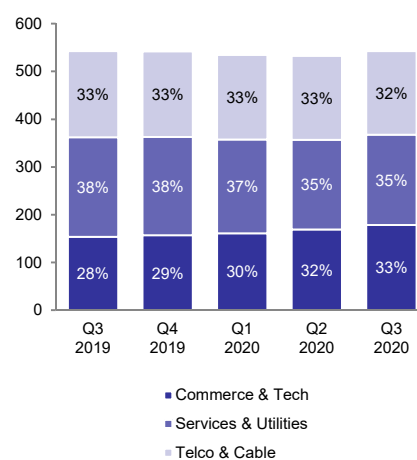
Industry development

We are continuing our growth within Commerce & Tech and decreasing the exposure within the Telco & Cable sector in line with our strategy. The Service & Utilities sector also grew in the period despite the impact from last year's closure of the INPS contract.

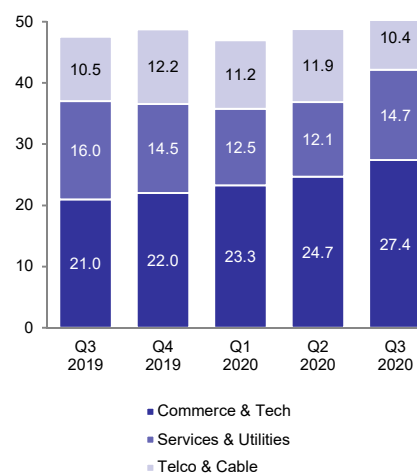
Cash flow

Operating cash flow improved and amounted to €41.8 million (30.1). This is a result of improved working capital compared to last year, mainly explained by tax deferrals enabled by government programs due to COVID-19 amounting to €11.5 million. Cash flow from investing activities amounted to €-15.5 million (-11.0) and included earn-out payment for the Awesome acquisition and investments in new sites and WAH. Cash flow from financing activities amounted to €-19.0 million (-19.9) and included a new senior secured term loan facility agreement of €20 million. The net proceeds from the utilization of the new senior secured term loan facility funded the repayment of an equivalent amount of revolving loans outstanding under existing SSRCF. Cash flow totaled €7.3 million (-0.7).

Revenue by industry (LTM)



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

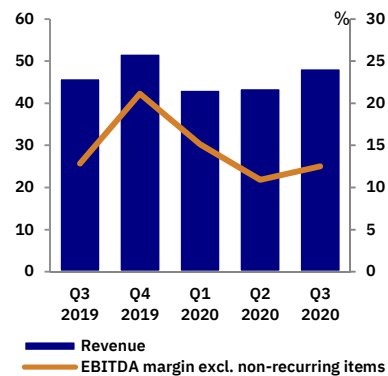


Quarterly development by geographical segment

English-speaking segment

Revenue amounted to €48.2 million (45.9). Revenue growth is driven by the increase of WAH in North America. Revenue growth within Commerce & Tech was countered by decline in the Telco & Cable and Service & Utilities sectors.

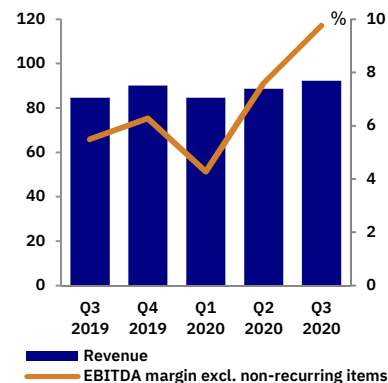
EBITDA excl. non-recurring items amounted to €6.1 million (5.9) with a margin of 12.7% (12.8%). The decrease in EBITDA margin is mainly driven by a mix shift from higher margin delivery in the Philippines to lower margin North America WAH delivery as well as ramp-up costs connected to the growth of WAH in North America.



European segment

Revenue amounted to €92.2 million (84.6). Growth continues with new and existing clients, mainly within Commerce & Tech and Service & Utilities. This growth is countered by last year's closure of the INPS contract in Italy.

EBITDA excl. non-recurring items amounted to €9.2 million (4.6) with a margin of 9.9% (5.5%). 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 November 11, 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/9869364>

Financial calendar

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 November 11, 2020.

Transcom Group - Condensed consolidated income statement

(€ '000)	Notes	2020 Q3	2019 Q3	2020 Jan-Sep	2019 Jan-Sep	2020 LTM	2019 Jan-Dec
Revenue	4	140,401	130,502	400,386	399,626	542,219	541,459
Cost of sales	5	-108,878	-101,976	-311,304	-318,895	-417,523	-425,114
Gross profit		31,522	28,526	89,082	80,732	124,696	116,346
Marketing expenses		-750	-655	-3,286	-2,405	-3,346	-2,465
Administrative expenses		-29,524	-23,139	-81,511	-69,126	-106,662	-94,277
Other operating income/expenses		-123	424	-716	1,040	-1,651	105
Operating profit/loss	4,5	1,126	5,156	3,568	10,240	13,036	19,709
Net financial items		-4,619	-4,164	-14,917	-12,593	-19,889	-17,565
Profit/loss before tax		-3,493	992	-11,348	-2,353	-6,852	2,143
Income tax expense/income		-666	-1,497	-1,212	-5,842	2,125	-2,504
Profit/loss for the period attributable to equity holders of the parent		-4,159	-505	-12,560	-8,194	-4,727	-361

Transcom Group - Condensed consolidated statement of comprehensive income

(€ '000)	2020 Q3	2019 Q3	2020 Jan-Sep	2019 Jan-Sep	2020 LTM	2019 Jan-Dec
Profit/loss for the period attributable to equity holders of the parent	-4,159	-505	-12,560	-8,194	-4,727	-361
Other comprehensive income:						
Exchange differences on translation of foreign operations	-2,480	2,785	-2,644	665	-3,188	121
Net gain/loss on cash flow hedges	119	-584	50	-61	474	363
Other comprehensive income to be reclassified to profit or loss in subsequent periods	-2,361	2,201	-2,594	604	-2,714	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	-2,361	2,201	-2,594	604	-3,444	-246
Total comprehensive income for the period, net of tax, attributable to equity holders of the parent	-6,520	1,696	-15,154	-7,590	-8,171	-607

Transcom Group - Condensed consolidated statement of financial position

(€ '000)	Notes	2020 Sep 30	2019 Sep 30	2019 Dec 31
ASSETS				
Non-current assets				
Goodwill		203,467	205,264	205,226
Other intangible assets		92,737	104,663	104,564
Tangible assets		23,855	20,481	21,493
Right of use assets	10	27,995	29,477	25,916
Deferred tax assets		2,030	3,584	1,305
Other receivables		2,840	2,461	3,000
		352,923	365,930	361,504
Current assets				
Trade receivables		59,474	57,377	59,075
Income tax receivables		4,870	5,719	6,252
Other receivables		15,450	13,486	13,303
Prepaid expenses and accrued income		43,626	45,591	36,006
Cash and cash equivalents		20,121	13,143	14,295
		143,542	135,316	128,931
TOTAL ASSETS		496,465	501,246	490,435
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
		89,965	98,136	105,120
Non-current liabilities				
Interest-bearing liabilities	7	204,886	203,048	201,034
Employee benefit obligations		2,125	2,217	3,318
Leasing liabilities	10	18,302	21,381	16,018
Provisions	6,11	141	13,788	13,659
Deferred tax liabilities		19,105	25,145	20,989
		244,559	265,578	255,018
Current liabilities				
Interest-bearing liabilities	7	10,443	13,837	13,687
Leasing liabilities	10	11,681	9,133	11,448
Provisions	6,8	25,311	24,520	20,746
Trade payables		20,166	15,430	18,798
Income tax payables	11	10,116	6,509	6,332
Other liabilities	12	32,425	21,622	18,613
Accrued expenses and prepaid income		51,800	46,480	40,674
		161,941	137,531	130,297
Total liabilities		406,500	403,108	385,315
TOTAL EQUITY AND LIABILITIES		496,465	501,246	490,435

Transcom Group - Condensed consolidated statement of changes in equity

(€ '000)	Equity attributable to equity holders of the parent					Total equity
	Total number of shares ('000)	Number of shares held by the Group ('000)	Share capital	Share premium reserve	Other reserves and Retained earnings	
Balance, Jan 1, 2019	11,938	569	55	20,501	85,172	105,726
Profit/loss for the period	-	-	-	-	-8,194	-8,194
Other comprehensive income, net of tax	-	-	-	-	604	604
Balance, Sep 30, 2019	11,938	569	55	20,501	77,582	98,136
Profit/loss for the period	-	-	-	-	7,833	7,833
Other comprehensive income, net of tax	-	-	-	-	-850	-850
Balance, Dec 31, 2019	11,938	-	55	20,501	84,565	105,120
Profit/loss for the period	-	-	-	-	-12,560	-12,560
Other comprehensive income, net of tax	-	-	-	-	-2,594	-2,594
Balance, Sep 30, 2020	11,938	-	55	20,501	69,411	89,965

Transcom Group - Condensed consolidated statement of cash flows

(€ '000)	Notes	2020 Q3	2019 Q3	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Cash flows from operating activities						
Profit/loss before tax		-3,493	992	-11,348	-2,352	2,143
Adjustments to reconcile profit before tax to net cash:						
Adjustments for non cash items		11,585	8,492	28,472	27,712	33,429
Net financial items		4,543	4,164	14,917	12,593	17,565
Income taxes paid		-2,463	-2,239	-3,105	-5,074	-7,456
before changes in working capital		10,172	11,408	28,936	32,878	45,681
Changes in working capital		10,700	1,087	12,860	-2,733	5,684
Cash flow from operating activities		20,872	12,495	41,796	30,146	51,366
Investments and disposals of tangible assets		-1,891	-5,327	-8,417	-8,366	-11,916
Investments and disposals of intangible assets		-32	335	-457	-1,809	-4,606
Consideration paid from previous years' acquisitions	6	-	-6,591	-6,781	-6,591	-6,981
Disposals of business, net of cash		-	-57	-	5,879	5,879
Changes in other non-current assets		130	-1	78	-238	-816
Interest received		0	-	49	153	255
Cash flow from investing activities		-1,794	-11,641	-15,528	-10,971	-18,183
Proceeds from borrowings	7	0	-7,828	48,165	3,089	25,506
Repayment of borrowings	7	-1,718	-536	-47,830	-5,184	-28,973
Payment of lease liabilities	10	-4,240	-3,247	-10,126	-8,871	-11,920
Interest and other financial costs paid		-914	-1,158	-9,206	-8,923	-16,667
Cash flow from financing activities		-6,872	-12,770	-18,995	-19,890	-32,055
Cash flow for the period		12,206	-11,915	7,273	-715	1,127
Cash and cash equivalents at beginning of the period		9,544	24,099	14,295	12,884	12,884
Cash flow for the period		12,206	-11,915	7,273	-715	1,127
Exchange rate differences in cash and cash equivalents		-1,628	959	-1,447	974	285
Cash and cash equivalents at end of the period		20,121	13,143	20,121	13,143	14,295

Transcom Holding AB (publ) - Condensed income statement

(€ '000)	2020 Q3	2019 Q3	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Revenue	759	358	2,503	1,122	2,948
Cost of sales	-	-	-	-	-
Gross profit	759	358	2,503	1,122	2,948
Administrative expenses	-819	-570	-2,582	-1,313	-3,264
Other operating income/expenses	1	-	-4	-22	-29
Operating profit/loss	-60	-212	-83	-213	-345
Net financial items	-1,938	-1,945	-6,649	-5,583	-7,220
Profit/loss before tax	-1,998	-2,157	-6,732	-5,796	-7,565
Income tax expense/income	-	-	-	-	-
Profit/loss for the period*	-1,998	-2,157	-6,732	-5,796	-7,565

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

Transcom Holding AB (publ) - Condensed balance sheet

(€ '000)	Notes	2020 Sep 30	2019 Sep 30	2019 Dec 31
ASSETS				
Non-current assets				
Investments in Group companies		278,919	278,919	278,919
Receivables from Group companies		94,048	90,943	82,174
		372,967	369,862	361,093
Current assets				
Receivables from Group companies		5,303	1,252	3,589
Other receivables		82	460	61
Cash and cash equivalents		118	158	244
		5,503	1,870	3,894
TOTAL ASSETS		378,469	371,732	364,987
EQUITY AND LIABILITIES				
Restricted equity		55	55	55
Unrestricted equity		161,773	170,275	168,505
		161,828	170,330	168,560
Non-current liabilities				
Interest-bearing liabilities	7	199,098	185,397	182,256
Liabilities to Group companies		1,135	-	1,149
		200,233	185,397	183,405
Current liabilities				
Interest-bearing liabilities	7	10,000	10,000	10,000
Other liabilities		6,408	6,004	3,022
		16,408	16,004	13,022
Total liabilities		216,641	201,402	196,427
TOTAL EQUITY AND LIABILITIES		378,469	371,732	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. 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-Sep 2020	English speaking	Europe	Latin America	Group
Revenue from external customers	134,961	265,425	-	400,386
EBITDA excl. non-recurring items	17,409	19,534	-	36,943
Depreciation and amortization				-16,270
Non-recurring items				-17,105
EBIT				3,568
Net financial items				-14,917
Profit/loss before tax				-11,348

(€ '000) Jan-Sep 2019	English speaking	Europe	Latin America	Group
Revenue from external customers	133,332	265,427	867	399,626
EBITDA excl. non-recurring items	18,360	13,850	3	32,213
Depreciation and amortization				-14,090
Transaction-related amortization				-8,191
Non-recurring items				-7,883
EBIT				10,240
Net financial items				-12,593
Profit/loss before tax				-2,353

5. Items affecting comparability

(€ '000)	2020 Q3	2019 Q3	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Operational non-recurring items	-7,941	-512	-15,823	-8,193	-8,477
Transaction-related non-recurring items	-342	-288	-1,282	310	75
Total	-8,283	-800	-17,105	-7,883	-8,402

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

(€ '000)	2020 Q3	2019 Q3	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Cost of sales	-402	-684	-1,958	-5,476	-3,641
Marketing expenses	-	-	-	-	-30
Administrative expenses	-7,638	-605	-14,017	-3,342	-4,732
Net gain/loss on disposal of business	-	-	-	-	0
Other operating income/expenses	-242	489	-1,129	935	-
Total	-8,283	-800	-17,105	-7,883	-8,402

Non-recurring items (NRI) amounted to €-17.1million (-7.9) for the period January to September 2020. NRI relating to COVID-19 amounted to €-5.4 million (including material cost increase and where relevant cost decrease, e.g. governmental support programs), while transaction-related NRI amounted to €-1.3 million. The remaining NRI mainly relate to Transcom's operational and commercial transformation. Last year's NRI 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 €6.8 million, relating to the acquisition of Awesome OS in 2018, was paid out. The remaining provision amounts to €13.8 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, €47,400 thousand Super Senior Credit Facility Agreement (SSRCF), and a 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") in March 2020. 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 mature in July 2021.

As of 30 September, 2020, the SSRCF was unutilized, excluding guarantees and credit facility usage. Unused credit facilities totaled €43.3 million.

There are share pledges in material companies (€207 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 September 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. Subsequently, Transcom appealed the case to court. On

July 14, 2020, the court ruled in favor of the social security inspection. Transcom has appealed the verdict. As per September 30, 2020 the total provision amounted to €10.3 million.

9. Financial instruments

Classification of the Group's financial assets and liabilities:

	Financial instruments amortized to cost	Financial instruments at fair value to the P&L*	Derivatives for cashflow hedges	Sep 30, 2020 Carrying amount	Sep 30, 2020 Fair value	Financial instruments amortized to cost	Financial instruments at fair value to the P&L*	Derivatives for cashflow hedges	Dec 31 2019 Carrying amount	Dec 31 2019 Fair value
(€ '000)										
Total non-current assets	2,840	-	-	2,840	2,840	3,000	-	-	3,000	3,000
Total current assets	127,578	-	875	128,453	128,453	115,726	-	881	116,608	116,608
Total financial assets	130,418	-	875	131,293	131,293	118,727	-	881	119,608	119,608
Total non-current liabilities	223,329	-	-	223,329	256,929	217,195	13,516	-	230,711	271,666
Total current liabilities	109,469	13,789	-	123,258	123,335	103,204	6,396	-	109,600	110,197
Total financial liabilities**	332,798	13,789	-	346,587	380,264	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 € 6.781 thousand was paid out in June 2020. The provision has since been revalued to €13,789 thousand as per September 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:

	2020 Jan-Sep	2019 Jan-Sep
(€ '000)		
Reversed cost (EBITDA effect)	10,126	10,480
Depreciations	-9,486	-9,514
Operating profit/loss	640	966
EBITDA effect	10,126	10,480
Net financial items	1,421	-1,609
Income tax expense	90	130
Profit/loss for the period	2,150	-513
Right of use assets	27,995	29,477
Leasing liabilities, non-current	18,302	21,381
Leasing liabilities, current	11,681	9,133

11. Income tax payables

As per September 30, 2020, ten 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 September 30, 2020 the tax liability related to tax audits amounts to €3,770 thousand. As per September 30, 2019 the provision for tax audits amounted to €4,413 thousand. In 2020, 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 €11,525 thousand.

13. Events during the reporting period

Snejana Koleva joined Transcom as CFO in August, 2020.

14. 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. 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 segment: services delivered to multinational clients predominantly domiciled in US and UK.

European segment: services delivered to clients based in Europe.

Latin American segment: 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.