**Transcom** Q4

# Fourth Quarter and Full-Year 2013 Results

Transcom discloses the information in this report pursuant to the Luxembourg Transparency Obligations Law as amended. Submitted for publication on February 13, 2014 at 08:00am CET.

## Q4 2013 financial highlights

- **Net revenue** €160.2 million, a 1.6% decrease compared to Q412 (€162.9 million). Adjusted for exchange rate impact, revenue increased by 0.5%.
- **Gross margin** 20.0%, a 1.8 percentage point increase compared to Q412 (18.2%)
- **EBIT** €-19.0 million compared to €-21.3 million in Q412
- **Adjusted EBIT** (excluding non-recurring items) €4.3 million compared to €2.0 million in Q412
- **EPS** -1.8 Euro cents compared to -2.0 Euro cents in 2012
- **The exchange rate** impact on revenue was negative €3.5 million, and the impact on EBIT was positive €0.2 million.

## Full year financial highlights

- **Net revenue** €653.2 million, a 7.9% increase compared to 2012 (€605.6 million), 8.8% adjusted for exchange rate impact
- **Gross margin** 20.1%, a 1.6 percentage point increase compared to 2012 (18.5%)
- **EBIT** €-5.4 million compared to €-17.6 million in 2012
- **Adjusted EBIT** (excluding non-recurring items) €17.6 million compared to €8.9 million in 2012
- **EPS** -1.5 Euro cents compared to -2.4 Euro cents in 2012
- **The exchange rate** impact on revenue was negative €5.4 million, and the impact on EBIT was positive €0.2 million.

| (€ m) | 2013 Q4 | 2012 Q4 | Change Y-o-Y | 2013 Jan-Dec | 2012 Jan-Dec | Change Y-o-Y |
|---|---|---|---|---|---|---|
| Net revenue | 160.2 | 162.9 | -1.6% | 653.2 | 605.6 | 7.9% |
| Gross profit | 32.3 | 29.7 | 8.2% | 131.1 | 111.8 | 17.5% |
| EBITDA | 4.6 | 1.9 | 142..1% | 24.8 | 14.1 | 75.9% |
| EBIT | -19.0 | -21.3 | - | -5.4 | -17.6 | - |
| EBIT adj.* | 4.3 | 2.0 | 115.0% | 17.6 | 8.9 | 97.8% |
| Net financial items | -1.3 | -1.5 | - | -6.8 | -6.0 | - |
| Profit before tax | -20.2 | -22.8 | - | -12.2 | -23.6 | - |
| Net income | -22.4 | -25.0 | - | -18.6 | -30.6 | - |
| EPS (Euro cents) | -1.8 | -2.0 | - | -1.5 | -2.4 | - |
| Net cash flow from operations | 11.2 | -2.9 | - | 9.9 | -12.4 | - |
| Total weighted average outstanding number of shares before & after dilution ('000) | 1,245,533 | 1,245,533 | - | 1,245,533 | 1,245,533 | - |

\- Not applicable / not meaningful percentage comparison
* EBIT excluding non-recurring items. Non-recurring items amounted to €23.3 in Q413 (Q412: €23.3 million), €23.0 million FY 2013 (FY 2012: €26.5 million). Non-recurring items includes impairment of intangible assets, gain/loss disposal of subsidiaries, restructuring and other non-recurring items.

# Comments from the President and CEO

**7.9% revenue increase in 2013 compared to 2012, despite weaker fourth quarter**

From a full-year perspective, revenue increased by 7.9% to €653.2 million. Organic growth in our core CRM business, net of currency effects, was 9.3% in 2013. All our regions contributed positively to the top-line growth in 2013, mainly through expanding our relationships with existing clients. In several cases, the excellent work from our delivery teams has allowed us to grow with current clients in new geographies. I expect that this development will continue in 2014. Our long-term goal is to grow revenue at least in line with the overall industry growth in the markets where we choose to compete.

The 1.6% decrease in revenue that we saw in Q4 2013, compared to the same period last year, is primarily attributable to the North Europe and the North America & Asia Pacific regions. In North Europe and North America & Asia Pacific, we ended a number of smaller, unprofitable client contracts. Volume decreases with an existing client at one of our sites in Sweden also had a negative impact on revenue. In addition, lower volumes with some of our accounts in North America affected the top-line, as did a price decrease pertaining to one of our client agreements, following a new contract signing. Organic growth in our core CRM business, net of currency effects, was 1.0% in Q4 2013.

**EBIT increased both on a quarterly and yearly basis**

Transcom's adjusted EBIT in FY 2013 was €17.6 million, an increase by €8.7 million compared to FY 2012 (€8.9 million).

In Q4 2013, adjusted EBIT, excluding non-recurring items, increased to €4.3 million (€2.0 million in Q4 2012). Our adjusted EBIT margin was 2.7% in Q4 2013, up from 1.2% in the same period last year. In addition to a €21.1 million goodwill impairment charge, EBIT in Q4 2013 was negatively impacted by €2.1 million in other non-recurring costs: €1.0 million in restructuring related to the closure of the Valdivia site in Chile and the Norrköping site in Sweden, and a €1.1 million loss following the disposal of CMS Germany.

While I am pleased with the positive development in our Central & South Europe region – driven by the deconsolidation of our former loss-making French subsidiary, profitable growth in Italy, and improved efficiency in Germany – the result in our other business units was not satisfactory this quarter. In particular, lower performance in the Iberia & Latam and North America & Asia Pacific regions weighed on margins. In Iberia & Latam, lower volumes and efficiency in Chile during the quarter had a negative impact. Also, the Iberia & Latam region had higher costs related to the build-up of our new site in Cali, Colombia. In the North America & Asia Pacific region, a price decrease pertaining to one of our client contracts impacted results, as well as a decrease in volumes delivered from onshore sites in North America. An important priority for 2014 is to improve results in the North America & Asia Pacific region, both through new business development and increased efficiency. Therefore, we have expanded the management team in the region in order to increase our focus on driving improvements in all countries in the region. In North America, an important objective is to develop new business to be delivered from onshore sites, complementing our offshore business. In Asia Pacific, we have successfully more than doubled our business volumes since 2012. In the years ahead, we expect demand from companies in the Asia Pacific region to continue to grow at a rapid pace. We will focus on positioning Transcom to make the most of these attractive market opportunities.

Johan Eriksson, President and CEO of Transcom

# Key events during 2013

### Settlement agreement signed concerning former French subsidiary

Transcom signed a €5.3 million settlement agreement in August 2013, releasing it from any further liabilities with respect to the liquidation of its former loss-making French subsidiary. The €5.3 million cost should be viewed in the context of the significant negative cash flows generated by the former French subsidiary during the last few years, amounting to €12.5 million in 2012 alone. While Transcom no longer has any operations in France, we continue to offer French-language services to our clients from our near shore centers in Europe and North Africa.

### Settlement agreement resolving tax dispute in Italy

During the year, Transcom agreed with Italian tax authorities to resolve a tax dispute concerning the fiscal years 2003-2009. The agreed amount was lower than the gross provision booked against the initial tax claims, resulting in a positive effect on net income in 2013 amounting to €3.8 million.

### Divestment of German Credit Management Services (CMS) operations

On December 30, 2013, Transcom announced the successful closing of the divestment of its German Credit Management Services operations (CMS Germany) to Tesch Group, a portfolio company of Avedon Capital Partners, for €9.0 million on a cash and debt free basis. CMS Germany had a turnover of €9.0 million in 2012. The disposal resulted in a loss amounting to €1.1 million, recorded in Q413.

### Establishment of operations in Colombia

Transcom has opened a contact center in Cali, Colombia, supporting the company's strategy to expand in fast-growing Latin American markets. The new site in Colombia will also strengthen Transcom's capability to offer near-shore English and Spanish-language services to North American clients, as well as offshore Spanish-language services to clients in Spain.

### Organizational changes in the North America & Asia Pacific region

In order to increase focus and accountability in strategic markets, driving profitable growth in North America and the Asia Pacific region, Transcom announced a realignment of the management structure in this region in December 2013. Transcom's President & CEO, Johan Eriksson, has also assumed responsibility for the North America & Asia Pacific region. Neil Rae, formerly General Manager for the North America & Asia Pacific region, has taken responsibility for our operations in North America as General Manager. Siva Subramaniam, formerly Country Manager for the Philippines and Head of Sales for Asia Pacific, has been promoted to General Manager with responsibility for our activities in Asia Pacific.

### "Transcom Cares" launched as overarching Corporate Social Responsibility (CSR) governance program

In November 2013, Transcom announced that the company has established "Transcom Cares" as the overarching governance program for its Corporate Social Responsibility (CSR) activities. Three prioritized focus areas make up the core of the program: people development, equality & diversity, and community engagement. In addition to these focus areas, Transcom fully supports the ten principles of the UN Global Compact with respect to human rights, labor rights, environmental care and anti-corruption work. Therefore, as part of our on-going pledge to deliver an outstanding customer experience in a global sustainable society, Transcom is a signatory of the UN Global Compact.

### The establishment of Transcom's management office in Stockholm completed

Transcom's Group management office was established in 2012 in Stockholm, Sweden. During 2013, the move of the Group Finance function from Luxembourg to Stockholm completed the consolidation of some key Group functions to Sweden in order to increase management efficiency and strengthen control.

# Group Operating Review Q4 2013

**Group quarterly development, adjusted for non-recurring costs**


* Adjusted EBIT, excluding non-recurring costs.

## Revenue development

In the fourth quarter of 2013, Transcom reported net revenue of €160.2 million, a 1.6% decrease compared to the same period last year, +0.5% adjusted for exchange rate impact. Revenue grew in Central & South Europe (+1.9%) and Iberia & Latam (+2.5%), while we saw a decrease in North Europe (-2.9%), North America & Asia Pacific (-5.8%), and CMS (-5.9%).

Currency effects had a €3.5 million negative impact on the Q413 vs. Q412 revenue comparison.

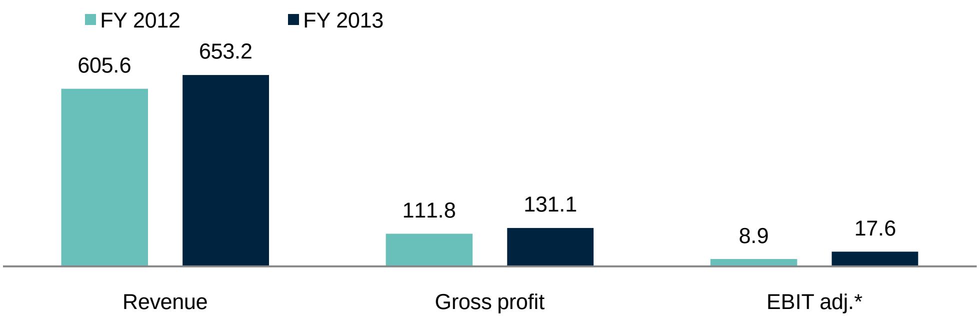
## Operational performance

Transcom's EBIT, adjusted for non-recurring costs in Q413, amounted to €4.3 million, an increase of €2.3 million relative to Q412. The EBIT improvement was driven by higher margins in the Central & South Europe region and in the CMS business unit. EBIT in Q4 2013 was negatively impacted by €2.1 million in non-recurring costs: €1.0 million in restructuring and other non-recurring costs related to the closure of the Valdivia site in Chile and the Norrköping site in Sweden, and a €1.1 million loss following the disposal of CMS Germany. Currency effects had a €0.2 million positive effect on EBIT relative to Q412.

| (€ millions) | North Europe | Central & South Europe | Iberia & Latam | North America & AP | Total CRM | CMS | Group |
|---|---|---|---|---|---|---|---|
| EBIT adj. Q4 2012 | 2.4 | -1.0 | 1.5 | -0.7 | 2.2 | -0.2 | 2.0 |
| Cost saving programs | - | 1.9 | - | 0.3 | 2.2 | - | 2.2 |
| Volume & efficiency driven impacts | -0.2 | 1.8 | -0.7 | -1.9 | -0.9 | 1.0 | 0.1 |
| Expansion costs | -0.3 | -0.1 | -0.6 | - | -1.1 | - | -1.1 |
| Other | -0.3 | -0.8 | 0.8 | 0.9 | 0.6 | 0.5 | 1.1 |
| EBIT adj. Q4 2013 | 1.6 | 1.7 | 1.0 | -1.4 | 3.0 | 1.3 | 4.3 |

# Group Operating Review FY 2013

**Group quarterly development, adjusted for non-recurring costs**




* Adjusted EBIT, excluding non-recurring costs.

## Revenue development

Transcom reported full-year net revenue of €653.2 million, a 7.9% increase compared to 2012, 8.8% adjusted for exchange rate impact. All our CRM regions, as well as Credit Management Services (CMS), reported positive revenue growth: North Europe (+9.2%), Central & South Europe (+5.5%), Iberia & Latam (+9.6%), North America & Asia Pacific (+9.4%), and Credit Management Services (CMS) (+2.7%).

Currency effects had a €5.4 million negative impact on the 2013 vs. 2012 revenue comparison.

## Operational performance

Transcom's EBIT in 2013, adjusted for non-recurring costs, increased by €8.7 million relative to 2012, driven by improvements in Central & South Europe and CMS. Currency effects had a €0.2 million positive effect on EBIT relative to Q412.

| (€ millions) | North Europe | Central & South Europe | Iberia & Latam | North America & AP | Total CRM | CMS | Group |
|---|---|---|---|---|---|---|---|
| **EBIT adj. 2012** | 6.6 | -5.3 | 5.4 | 0.2 | 7.0 | 1.9 | 8.9 |
| Cost saving programs | - | 6.3 | - | 2.6 | 8.9 | - | 8.9 |
| Volume & efficiency driven impacts | 0.2 | 6.2 | 0.4 | -2.4 | 4.3 | 3.7 | 8.1 |
| Expansion costs | -0.7 | -1.3 | -2.2 | -1.1 | -5.4 | - | -5.4 |
| Other | -1.2 | -1.7 | 0.1 | -0.7 | -3.5 | 0.6 | -2.9 |
| **EBIT adj. 2013** | 5.0 | 4.2 | 3.7 | -1.4 | 11.4 | 6.2 | 17.6 |

# Group Financial Review

## Depreciation & Amortization

Depreciation in the fourth quarter of 2013 was €1.8 million (€1.7 million in Q412) and amortization of intangible assets was €0.7 million (€0.9 million in Q412). On a full-year basis, depreciation was €6.3 million in 2013 (€7.1 million in 2012), amortization was €2.8 million (€4.0 million in 2012).

## SG&A

SG&A expenses were €29.0 million in the quarter compared to €30.8 million in Q412 (SG&A in Q412 included €2.7 million in non-recurring costs). SG&A in 2013 was €113.2 million, compared to €109.2 million in 2012 (2012 included €5.9 million in non-recurring costs).

## Taxes

In Q413, Transcom reported a tax charge amounting to €2.2 million, compared to a tax charge of €2.2 million in Q412. The full-year 2013 tax charge amounts to €6.3 million (€7.0 million in 2012). Reported tax consists of three main components: current tax, deferred tax and adjustment of tax audit provisions.

The Group is currently subject to four tax audits. During 2013 one new audit was started, two tax audits were closed and one entity under audit is no longer part of the Group.

## Debt & Financing

Transcom reduced financial debt by €0.5 million in Q413 compared to Q313. Net debt at end of Q413 was €36.2 million as compared to €49.8 million at the end of Q313 (€38.1 million in Q412), thanks to strong collections and payables management in December, as well as the sale of German Credit Management Services operations (CMS Germany) for a total of €9.0 million. As a result, cash and cash equivalents improved from €44.9 million in Q313 to €58.4 million in Q413 (€42.6 million in Q412).

Net Debt/EBITDA in Q413 was 1.40x, compared to the Q313 level of 1,93x (1.97x in Q412). The ratio is well within the threshold.

The finance cost in Q413 was €1.3 million compared to €2.0 million in Q313, principally due to a reduced negative impact of FX on financial receivables and liabilities. On a full year basis, finance cost was €6.9 million (including €1.6 million in negative FX impact) compared to €6.3 million (including €1.3 million in negative FX impact) in 2012, mainly due to higher average borrowing levels in 2013.

## Intangible assets impairment

The results of the Company's goodwill impairment test as of December 31, 2013 for each cash generating unit resulted in an impairment of € 21.1 million related to the CMS unit. After impairment, the total goodwill carrying value amounts to €111.1 million. Out of this amount, €21.9 million is allocated to the CMS unit.

## Restructuring and disposals

On December 30, 2013, Transcom announced the successful closing of the divestment of its German Credit Management Services operations (CMS Germany) to Tesch Group, a portfolio company of Avedon Capital Partners, for €9.0 million on a cash and debt free basis. CMS Germany had a turnover of €9.0 million in 2012. The disposal resulted in a loss amounting to €1.1 million, recorded per December 30, 2013.

In Q4 2013 a restructuring cost amounting to €1.0 million was recorded for the closure of the Norrköping site in Sweden and the Valdivia site in Chile.

In Q3 2013 Transcom divested its operations in Belgium. The contribution of Transcom's former Belgian entity to Group results is not material. In the fiscal year 2012, this entity reported revenues amounting to €4.2 million.

In Q1 2013, the Company recorded €6.0 million in restructuring costs, mainly related to the cost for a settlement agreement connected to the closure of Transcom's former subsidiary in France, Transcom Worldwide (France) S.A.S. The company was deconsolidated on March 1, 2013 and a gain on disposal of the subsidiary amounting to €6.0 million, was reported. In August 2013 the final terms and conditions were signed, releasing the Group from any further liabilities with respect of the Group's former French subsidiary. The cost of the agreement was fully covered by the provision booked in Q1 2013.

# Operating review by segment

## North Europe

| (€ millions) | 2013 Oct-Dec | 2012 Oct-Dec | Growth Y-o-Y | 2013 Jan-Dec | 2012 Jan-Dec | Growth Y-o-Y |
|---|---|---|---|---|---|---|
| Revenue | 49.5 | 51.0 | -2.9% | 197.0 | 180.4 | 9.2% |
| Gross profit | 7.9 | 8.2 | -4.2% | 30.3 | 28.2 | 7.4% |
| Gross margin | 15.9% | 16.1% | - | 15.4% | 15.6% | - |
| EBIT | 1.3 | 1.9 | -32.6% | 4.4 | 6.0 | -27.0% |
| EBIT margin | 2.5% | 3.6% | - | 2.2% | 3.3% | - |
| EBIT adj* | 1.6 | 2.4 | -33.6% | 5.0 | 6.6 | -24.6% |
| EBIT margin adj | 3.3% | 4.8% | | 2.5% | 3.7% | |

* Excluding non-recurring items

### October-December 2013

During the quarter, we ended a number of smaller, unprofitable client contracts in the region. In addition, volume decreases with an existing client at our Norrköping site in Sweden had a negative impact on revenue. These effects were partly counterbalanced by the fact that Transcom took over ownership and management of a client's contact center in Umeå, Sweden during the year, following the signing of a new agreement. Foreign exchange effects negatively impacted revenue by €1.7 million.

The EBIT decrease is mainly attributable to costs for the closure of the Norrköping site in Sweden as well as temporarily higher costs due to volume ramp-up with clients in Norway and Sweden.

### Full-year 2013

Higher volumes in the Netherlands, as a result of winning more business from a major client, were a significant driver of the revenue increase compared to 2012. The continued ramp-up during the year of a technical support program for a consumer electronics client also contributed strongly to top-line growth. Revenue also benefited from higher business volumes with clients in Norway, as well as from a new agreement, as a result of which Transcom took over ownership and management of a client's contact center in Umeå, Sweden.

Margin decreased as a result of higher costs for the closure of the Norrköping site in Sweden, the closure of CRM operations in Denmark, as well as temporarily higher costs due to volume ramp-up with clients in Norway and Sweden. Also, the opening of a new site in Oslo, Norway and Umeå, Sweden increased SG&A costs.

## Central & South Europe

| (€ millions) | 2013 Oct-Dec | 2012 Oct-Dec | Growth Y-o-Y | 2013 Jan-Dec | 2012 Jan-Dec | Growth Y-o-Y |
|---|---|---|---|---|---|---|
| Revenue | 36.2 | 35.5 | 1.9% | 145.8 | 138.3 | 5.5% |
| Gross profit | 7.1 | 4.5 | 58.6% | 27.6 | 18.7 | 48.1% |
| Gross margin | 19.7% | 12.6% | - | 18.9% | 13.5% | - |
| EBIT | 1.7 | -2.3 | - | 4.5 | -7.4 | - |
| EBIT margin | 4.7% | -6.3% | - | 3.1% | -5.4% | - |
| EBIT adj* | 1.7 | -1.0 | - | 4.2 | -5.3 | - |
| EBIT margin adj | 4.8% | -2.9% | - | 2.9% | -3.8% | - |

* Excluding non-recurring items

### October-December 2013

The revenue growth is primarily due to increased demand from our installed client base in Italy. This positive development more than offset the €2.4 million revenue decrease associated with the deconsolidation of Transcom's former French subsidiary as of March 1, 2013, and the sale of Transcom's Belgian operation during the year.

The improvement in gross margin and EBIT was driven by higher volumes, an increased proportion of offshore delivery at higher margins, as well as by efficiency improvements, primarily in Germany. The deconsolidation of Transcom's former loss-making French subsidiary had a positive effect on EBIT, amounting to €1.5 million in the quarter

### Full-year 2013

Higher demand from our clients in Italy explains most of the top-line growth, more than offsetting the €9.3 million revenue decrease associated with the deconsolidation of Transcom's former French subsidiary in the first quarter of the year, and the sale of Transcom's operations in Belgium.

The improved profitability in the region is partly due to the deconsolidation of Transcom's loss-making former French subsidiary in the first quarter of 2013, positively impacting the year-on-year EBIT comparison by €5.4 million. Significantly higher business volumes delivered for clients in Italy, as well as an increased proportion of delivery from offshore locations, also contributed to the positive development.

## Iberia & Latam

| (€ millions) | 2013 Oct-Dec | 2012 Oct-Dec | Growth Y-o-Y | 2013 Jan-Dec | 2012 Jan-Dec | Growth Y-o-Y |
|---|---|---|---|---|---|---|
| Revenue | 31.7 | 31.0 | 2.5% | 130.9 | 119.4 | 9.6% |
| Gross profit | 6.2 | 6.3 | -0.7% | 25.2 | 24.3 | 3.7% |
| Gross margin | 19.7% | 20.3% | - | 19.3% | 20.4% | - |
| EBIT | 0.4 | 1.2 | -68.9% | 3.1 | 5.1 | -39.3% |
| EBIT margin | 1.1% | 3.7% | - | 2.3% | 4.2% | - |
| EBIT adj* | 1.0 | 1.5 | -34.4% | 3.7 | 5.4 | -32.9% |
| EBIT margin adj | 3.1% | 4.9% | - | 2.8% | 4.6% | - |

* Excluding non-recurring items

### October-December 2013

Revenue grew on the back of higher business volumes with our installed client base in Spain, Peru and Colombia. This was partly offset by decreased volumes in Chile. Transcom closed its Valdivia site in Chile in November 2013. The context of this decision is the rationalization and repositioning of Transcom's operations in Latin America due to client requirements. Following the closure of the Valdivia site, Transcom has three contact centers in Latin America: Concepción (Chile), Lima (Peru), and a newly opened site in Cali (Colombia).

The positive margin contribution from the revenue increase was offset by higher costs in the quarter related to investments made in Spain to expand and increase revenues with our installed client base, higher costs directly associated with the expansion in Peru and the build-up of our new site in Cali, Colombia. We expect that the build-up in Colombia will continue to impact our results also in Q1 2014, before operations can be stabilized. Lower volumes and efficiency in Chile during the quarter also had a negative impact, as well as one-off costs related to the closure of the Valdivia site in Chile.

### Full-year 2013

The volume decrease we experienced in Chile during the year was more than offset by strong top-line growth in Spain, Peru and Colombia, primarily with our installed client base.

The ramp-down of volumes in Chile during the year weighed on margins. Transcom closed its Valdivia site in Chile in November 2013, as described above. Also, costs for expansion with clients in Spain, Peru and Colombia impacted negatively on margins.

North America & Asia Pacific

| (€ millions) | 2013 Oct-Dec | 2012 Oct-Dec | Growth Y-o-Y | 2013 Jan-Dec | 2012 Jan-Dec | Growth Y-o-Y |
|---|---|---|---|---|---|---|
| Revenue | 30.1 | 31.9 | -5.8% | 122.7 | 112.1 | 9.4% |
| Gross profit | 7.0 | 8.0 | -12.0% | 30.4 | 27.1 | 12.4% |
| Gross margin | 23.3% | 24.9% | - | 24.8% | 24.1% | - |
| EBIT | -1.4 | -1.1 | - | -1.4 | -2.3 | - |
| EBIT margin | -4.6% | -3.4% | - | -1.1% | -2.1% | - |
| EBIT adj* | -1.4 | -0.7 | - | -1.4 | 0.2 | - |
| EBIT margin adj | -4.6% | -2.3% | - | -1.2% | 0.2% | - |

* Excluding non-recurring items

## October-December 2013

The expansion of our operations in the Philippines on the back of new client wins, as well as increased business volumes with some clients in North America, the Philippines, Australia and the United Kingdom, had a positive effect on revenue. This was offset by lower volumes with other accounts in North America, as well as by a price decrease pertaining to one of our client agreements, following a new contract signing. Revenue was negatively impacted by foreign exchange effects by approximately €1.4 million.

While profitability in the quarter was positively impacted by higher business volumes overall, this was counterbalanced by the impact of the price decrease described above, as well as by a decrease in volumes delivered from onshore sites in North America. In response to the decreased seat utilization in North America, we have closed five contact centers since 2012, and we are currently implementing additional measures to further improve utilization. As previously announced, Transcom's St. Catharines (Ontario) location will also be closed at the end of February 2014. Volumes handled at this site will be transferred to other existing Transcom contact centers in the North America & Asia Pacific region, and we expect a positive contribution to margins beginning in Q2 2014. In parallel, we are focusing on developing new business to be delivered from onshore sites in North America, complementing our offshore business. Also, effective January 1, 2014, we have realigned the management structure in the region, in order to increase focus and accountability.

## Full-year 2013

The revenue growth compared to 2012 primarily reflects the significant expansion of our operations in the Philippines during the year. We won new business with clients in the Philippines and Australia, while also increasing the volumes we handle in the Philippines on behalf of UK and North American clients. Decreased business volumes delivered onshore in North America partly offset this strong growth in Asia-Pacific.

Margins benefited from the growth in business volumes delivered from the Philippines, described above, while the impact of a price decrease pertaining to one of our client agreements, following a new contract signing, had a negative impact. Also the volume drop experienced at our sites in North America negatively affected results, and necessitated further site closures there during the year in order to mitigate the negative impact on profitability. An important priority for 2014 is to improve results in North America, both through new business development and efficiency improvements.

Credit Management Services (CMS)

| (€ millions) | 2013 Oct-Dec | 2012 Oct-Dec | Growth Y-o-Y | 2013 Jan-Dec | 2012 Jan-Dec | Growth Y-o-Y |
|---|---|---|---|---|---|---|
| Revenue | 12.7 | 13.5 | -5.9% | 56.8 | 55.3 | 2.7% |
| Gross profit | 3.9 | 2.7 | 41.5% | 17.5 | 13.6 | 28.8% |
| Gross margin | 30.4% | 20.2% | - | 30.9% | 24.6% | - |
| EBIT | 0.2 | -0.3 | - | 5.1 | 1.7 | 194.3% |
| EBIT margin | 1.7% | -2.4% | - | 9.0% | 3.1% | - |
| EBIT adj* | 1.3 | -0.2 | - | 6.2 | 1.9 | 223.8% |
| EBIT margin adj | 10.2% | -1.2% | - | 10.9% | 3.5% | - |

* Excluding non-recurring items

## October-December 2013

The decrease in revenue compared to Q4 2012 is mainly due to the fact that Transcom, in Q1 2013, transferred its right to collect on a Swedish debt portfolio to a third party (in exchange, Transcom received €3.8 million in compensation in Q1 2013).

The increase in margins is due to lowered production and overhead costs.

## Full-year 2013

The increase in revenue is due to the compensation Transcom received in exchange for transferring our right to collect on a Swedish debt portfolio to another party in Q1 2013. Lower case volumes and collection rates in some countries counterbalanced this positive impact.

The improvement in profitability is due to the revenue increase as well as lowered production and overhead costs.

On December 30, 2013, Transcom announced the successful closing of the divestment of its German Credit Management Services operations (CMS Germany) to Tesch Group, a portfolio company of Avedon Capital Partners, for €9.0 million on a cash and debt free basis. CMS Germany had a turnover of €9.0 million in 2012. The disposal resulted in a loss amounting to €1.1 million.

Transcom's CMS operation in the United Kingdom will form part of the company's Central & South region, effective January 1, 2014. Starting in Q1 2014, Transcom's segment reporting will reflect this change. The UK business in question generates approximately €4.5 million in revenue on an annual basis.

Following the divestment of CMS Germany and the integration of CMS UK with the Central & South region, as described above, Transcom's CMS business unit comprises operations in six European countries: Austria, the Czech Republic, Denmark, Norway, Poland, and Sweden. The strategic review for these country units is still underway. The primary options considered include a divestment and/or the integration of parts of the business with Transcom's CRM operations.

# Other information

Transcom is a global customer experience specialist, providing customer care, sales, technical support and credit management services through our extensive network of contact centers and work-at-home agents. We are 29,000 customer experience specialists at 62 contact centers across 26 countries, delivering services in 33 languages to over 400 international brands in various industry verticals. Transcom WorldWide S.A. Class A and Class B shares are listed on the NASDAQ OMX Stockholm Exchange under the symbols TWW SDB A and TWW SDB B.

The report presented in pages 16-26 has been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting". The accounting principles and calculation method applied in this report are consistent with those described in the 2012 consolidated financial statements. The financial information and certain other information presented in a number of tables in this report have been rounded to the nearest whole number or the nearest decimal.

## Results Conference Call and Webcast

Transcom will host a conference call at 10:30am CET (09:30am UK time) on Thursday, February 13, 2014. The conference call will be held in English and will also be available as webcast on Transcom's website, www.transcom.com.

### Dial-in information

To ensure that you are connected to the conference call, please dial in a few minutes before the start in order to register your attendance.

Sweden: 08-503 364 34
UK: +44 (0) 1452 555 566
US: +1 631 510 7498
**Pass code: 28843562**

For a replay of the results conference call, please visit www.transcom.com to view the webcast of the event.

## Transcom WorldWide S.A. 2014 Annual General Meeting

The 2014 Annual General Meeting will be held on May 28, 2014 in Luxembourg. Shareholders who hold at least 5% of the issued share capital, and who wish to have matters considered at the Annual General Meeting, should submit their proposal in writing to agm@transcom.com or by registered mail to the Company Secretary, Transcom WorldWide S.A., 45 rue des Scillas, L-2529 Howald, Luxembourg, at least 2 months prior to the Meeting in order that the proposal may be included in the notice to the Meeting. Further details on how and when to register will be published in advance of the Meeting.

## Nomination Committee for the 2014 Annual General Meeting

A Nomination Committee of major shareholders in Transcom has been formed in accordance with the resolution of the 2013 Annual General Meeting. The Nomination Committee is comprised of Mia Brunell Livfors on behalf of Investment AB Kinnevik, Stefan Charette on behalf of Creades AB, and Arne Lööw on behalf of the Fourth Swedish National Pension Fund (Fjärde AP-fonden). Mia Brunell Livfors has been elected Chairman of the Nomination Committee.

Information about the work of the Nomination Committee can be found on Transcom's corporate website at www.transcom.com.

Shareholders wishing to propose candidates for election to the Board of Directors of Transcom WorldWide S.A. should submit their proposal in writing to agm@transcom.com or to the Company Secretary, Transcom WorldWide S.A., 45 rue des Scillas, L-2529 Howald, Luxembourg.

## Notice of Financial Results

Transcom's financial results for the first quarter 2014 will be published on 25 April 2014.

Johan Eriksson
13 February 2014

Transcom WorldWide S.A.
45 rue des Scillas
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Luxembourg
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www.transcom.com
Company registration number: RCS B59528

## For further information please contact:



| | |
|---|---|
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# Report on review of condensed consolidated financial statements

To the Shareholders of
Transcom Worldwide S.A.
Société Anonyme
45, Rue de Scillas
L-2529 Luxembourg

*Introduction*

We have reviewed the accompanying condensed consolidated financial statements of Transcom Worldwide S.A. and its subsidiaries (the "Group") as of 31 December 2013, which comprise the consolidated statement of financial position as at 31 December 2013 and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the period from 1 January to 31 December 2013, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review.

*Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Olivier LEMAIRE

Luxembourg, 12 February 2014

# Condensed consolidated income statement

| €000 | Notes | Q4 2013 | Q4 2012 | Jan-Dec 2013 | Jan-Dec 2012 |
|---|---|---|---|---|---|
| **Revenue** | | 160,238 | 162,903 | 653,184 | 605,581 |
| Cost of sales | | -127,966 | -133,236 | -522,086 | -493,749 |
| **Gross profit** | | 32,272 | 29,667 | 131,098 | 111,832 |
| Selling expenses | | -1,314 | -1,497 | -5,963 | -6,459 |
| Administrative expenses | | -27,688 | -29,273 | -107,255 | -102,742 |
| Other income/ (expenses) | | 1,019 | 448 | -246 | 622 |
| Restructuring | 5 | -1,038 | - | -7,082 | -247 |
| Intangible assets impairment | 6 | -21,125 | -20,641 | -21,125 | -20,641 |
| Gain/ (loss) on disposal of operating unit | 5 | -1,079 | - | 5,128 | - |
| **Profit/(loss) from operations** | | -18,953 | -21,296 | -5,445 | -17,635 |
| Finance income | | 45 | 45 | 123 | 366 |
| Finance costs | | -1,315 | -1,595 | -6,913 | -6,320 |
| **Profit/(loss) before tax** | | -20,223 | -22,846 | -12,235 | -23,589 |
| Income tax expense | | -2,209 | -2,176 | -6,328 | -6,975 |
| **Profit/(loss) for the period attributable to owners of the parent** | | -22,432 | -25,022 | -18,563 | -30,564 |
| | | | | | |
| **Earnings per share for the period** (expressed in Euro cents per common share) | | | | | |
| **Basic** | | | | | |
| - per A and B class share, for profit/(loss) for the period attributable to owners of the parent | | -1.8 | -2.0 | -1.5 | -2.4 |
| **Diluted** | | | | | |
| - per A and B class share, for profit/(loss) loss for the period attributable to owners of the parent | | -1.8 | -2.0 | -1.5 | -2.4 |

# Condensed consolidated statement of comprehensive income

| €000 | Q4 2013 | Q4 2012 | Jan-Dec 2013 | Jan-Dec 2012 |
|---|---|---|---|---|
| Profit/(loss) for the period | -22,432 | -25,022 | -18,563 | -30,564 |
| Other comprehensive income | | | | |
| Items that will be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translation of foreign operations | -1,125 | -1,869 | -3,198 | 1,522 |
| Items not to be reclassified subsequently to profit or loss: | | | | |
| Actuarial profit/(loss) on defined benefit pension plans | -138 | -97 | -138 | -388 |
| Income tax effect | 75 | - | 75 | - |
| Net other comprehensive income not to be reclassified subsequently to profit or loss: | -63 | -97 | -63 | -388 |
| | -1,188 | -1,966 | -3,261 | 1,134 |
| Total comprehensive income attributable to owners of the parent | -23,620 | -26,988 | -21,824 | -29,430 |

# Condensed consolidated statement of financial position

| €000 | Notes | As of Dec 31 2013 | As of Dec 31 2012 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | 15,609 | 14,518 |
| Intangible assets | | 116,334 | 147,921 |
| Deferred tax assets | | 4,784 | 3,540 |
| Other receivables | | 1,143 | 1,350 |
| | | 137,870 | 167,329 |
| **Current assets** | | | |
| Trade receivables | | 98,557 | 89,827 |
| Income tax receivable | | 4,823 | 3,542 |
| Other receivables | | 26,039 | 25,149 |
| Prepaid expenses and accrued income | | 19,966 | 29,685 |
| Cash and cash equivalents | | 58,362 | 42,600 |
| | | 207,747 | 190,803 |
| **Total assets** | | 345,617 | 358,132 |

# Condensed consolidated statement of financial position (continued)

| €000 | Notes | As of Dec 31 2013 | As of Dec 31 2012 |
|---|---|---|---|
| **Equity and liabilities** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | | 53,558 | 53,558 |
| Share premium | | 11,458 | 11,458 |
| Legal reserve | | 4,213 | 4,213 |
| Retained earnings | | 28,743 | 47,306 |
| Equity-based payments | | 182 | 42 |
| Foreign exchange reserve | | -14,659 | -11,461 |
| Other reserves | | 27,847 | 27,910 |
| **Total equity** | | 111,342 | 133,026 |
| | | | |
| **Non-current liabilities** | | | |
| Interest-bearing liabilities | 7 | 16 | 70,572 |
| Deferred tax liabilities | | 2,680 | 2,650 |
| Provisions for other liabilities and charges | | 2,225 | 10,518 |
| Income tax payable | | 4,417 | - |
| Employee benefit obligations | | 2,708 | 2,834 |
| Other liabilities | | - | 67 |
| | | 12,046 | 86,641 |
| **Current liabilities** | | | |
| Interest-bearing liabilities | 7 | 94,425 | 10,167 |
| Trade payables | | 25,562 | 24,797 |
| Income tax payable | | 9,809 | 544 |
| Provisions for other liabilities and charges | | 2,576 | 16,559 |
| Accrued expenses and prepaid income | | 51,926 | 61,672 |
| Other liabilities | | 37,931 | 24,726 |
| | | 222,229 | 138,465 |
| **Total liabilities** | | 234,275 | 225,106 |
| **Total equity and liabilities** | | 345,617 | 358,132 |

# Condensed consolidated statement of changes in equity

Attributable to the owners of the parent

| €000 | Share capital | Share premium | Legal reserve | Retained earnings | Equity-based payments | Foreign exchange reserve | Other reserves | Total equity |
|---|---|---|---|---|---|---|---|---|
| Balance as at Jan 1, 2013 | 53,558 | 11,458 | 4,213 | 47,306 | 42 | -11,461 | 27,910 | 133,026 |
| Profit/(loss) for the period | - | - | - | -18,563 | - | - | - | -18,563 |
| Other comprehensive income for the period | - | - | - | - | - | -3,198 | -63 | -3,261 |
| Transaction with owners | | | | | | | | |
| Share-based payments | - | - | - | - | 140 | - | - | 140 |
| Total transaction with owners | - | - | - | - | 140 | - | - | 140 |
| Balance as at Dec 30, 2013 | 53,558 | 11,458 | 4,213 | 28,743 | 182 | -14,659 | 27,847 | 111,342 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Balance as at Jan 1, 2012 | 53,558 | 11,458 | 3,908 | 78,175 | - | -12,983 | 28,298 | 162,414 |
| Profit/(loss) for the period | | | | -30,564 | | | | -30,564 |
| Allocation of legal reserve | - | - | 305 | -305 | - | - | - | 0 |
| Other comprehensive income for the period | - | - | - | - | - | 1,522 | -388 | 1,134 |
| Transaction with owners | | | | | | | | |
| Share-based payments | - | - | - | - | 42 | - | - | 42 |
| Total transaction with owners | - | - | - | - | 42 | - | - | 42 |
| Balance as at Dec 30, 2012 | 53,558 | 11,458 | 4,213 | 47,306 | 42 | -11,461 | 27,910 | 133,026 |

# Condensed consolidated statement of cash flows

| €000 | Notes | Q4 2013 | Q4 2012 | Jan-Dec 2013 | Jan-Dec 2012 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit/(loss) before tax | | -20,223 | -22,846 | -12,235 | -23,589 |
| Adjustments for non cash items: | | | | | |
| Depreciation and amortization | | 2,632 | 2,509 | 9,123 | 11,083 |
| Impairment loss | 6 | 21,125 | 20,641 | 21,125 | 20,641 |
| Increase/(decrease) in provisions and liabilities including employee benefit obligations | | -1,010 | -12,165 | 1,678 | -13,496 |
| (Gain)/loss on disposal of subsidiary | 5 | 1,079 | - | -5,128 | - |
| Other non-cash adjustments | | 398 | 431 | 431 | 3,207 |
| Income tax paid | | -4,637 | -3,896 | -7,885 | -7,136 |
| **Cash flows from operating activities before changes in working capital** | | **-636** | **-15,326** | **7,109** | **-9,290** |
| **Changes in working capital:** | | | | | |
| (Increase)/decrease in trade and other receivables | | 10,148 | 8,321 | -5,500 | -14,158 |
| Increase/(decrease) in trade and other payables | | 1,678 | 4,059 | 8,301 | 11,009 |
| **Changes in working capital** | | **11,826** | **12,380** | **2,801** | **-3,149** |
| **Net cash flows from operating activities** | | **11,190** | **-2,946** | **9,910** | **-12,439** |
| **Cash flows from investing activities** | | | | | |
| Purchases of property, plant and equipment | | -2,560 | -1,258 | -8,274 | -8,530 |
| Purchases of intangible assets | | 246 | -222 | -631 | -823 |
| Cash disposed of through the disposal of subsidiary | 5 | 5,614 | - | 4,475 | - |
| Increase/(decrease) in other non-current receivables | | -88 | - | -88 | - |
| **Net cash flows used in investing activities** | | **3,212** | **-1,480** | **-4,518** | **-9,353** |
| **Cash flows from financing activities** | | | | | |
| Proceeds from borrowings | | - | 4,938 | 14,000 | 15,244 |
| Payments of finance lease liabilities | | -147 | - | -147 | - |
| Interest paid | | -767 | -1,108 | -2,630 | -2,981 |
| **Net cash flows used in financing activities** | | **-914** | **3,830** | **11,223** | **12,263** |
| **Net (decrease)/increase in cash and cash equivalents** | | **13,488** | **-596** | **16,615** | **-9,529** |
| Exchange rate differences in cash and cash equivalents | | -40 | -654 | -853 | 53 |
| **Cash and cash equivalents at beginning of the period** | | **44,914** | **43,850** | **42,600** | **52,076** |
| **Cash and cash equivalents at end of the period** | | **58,362** | **42,600** | **58,362** | **42,600** |

# Notes to the condensed consolidated financial statements

The accompanying notes are an integral part of the condensed consolidated financial statements. Amounts in thousands of Euro, unless otherwise stated.

## 1. Group's accounting policies

The report is 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, 2012. The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements.

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the Group's earnings and financial position, as well as published information in other respects. Actual results could differ from those estimates. In preparing of the report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2012.

Certain comparatives have been reclassified to conform to the current period presentation.

## 2. Changes in accounting principles

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning January 1, 2013 that have a material impact on the Group.

The revised standard IAS 19 Employee Benefits which came into effect January 1, 2013, has not had any significant impact on the report and therefore not led to any change.

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The adoption of this standard did not have any impact on the financial position or performance of the group.

## 3. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2012. There have been no changes in the risk management policy and procedures since year end or in any risk management policies.

## 4. Segmental information

Effective July 1, 2013, Transcom's operations in the former Central Europe region are consolidated into the North Europe and South Europe regions. The Netherlands are consolidated with the North Europe region, while Croatia, Germany, Hungary and Poland are consolidated with the South Europe Region. The former South Europe Region is now the new Central & South Europe Region.

| Twelve months ended Dec 31, 2013 (€000) | CRM units | | | | | Total CMS | Group Total |
|---|---|---|---|---|---|---|---|
| | North Europe | Central & South Europe | Iberia & Latam | North America & Asia Pacific | Total CRM | | |
| Revenue | 197,006 | 145,828 | 130,867 | 122,677 | 596,378 | 56,806 | 653,184 |
| Gross profit | 30,289 | 27,629 | 25,220 | 30,426 | 113,564 | 17,534 | 131,098 |
| Profit from segments | 4,358 | 4,537 | 3,068 | -1,408 | 10,555 | 5,125 | 15,680 |
| Intangible asset Impairment | | | | | | | -21,125 |
| Profit /(loss) from operations | | | | | | | -5,445 |

| Twelve months ended Dec 31, 2012 (€000) | CRM units | | | | | Total CMS | Group Total |
|---|---|---|---|---|---|---|---|
| | North Europe | Central & South Europe | Iberia & Latam | North America & Asia Pacific | Total CRM | | |
| Revenue | 180,430 | 138,287 | 119,433 | 112,131 | 550,280 | 55,301 | 605,581 |
| Gross profit | 28,190 | 18,654 | 24,314 | 27,062 | 98,220 | 13,612 | 111,832 |
| Profit from operations | 5,969 | -7,444 | 5,051 | -2,312 | 1,264 | 1,741 | 3,005 |
| Intangible asset Impairment | | | | | | | -20,641 |
| Profit /(loss) from operations | | | | | | | -17,635 |

North Europe (CRM): Denmark, Netherlands, Norway, Sweden, Estonia, Latvia and Lithuania.
Central & South Europe (CRM): Austria, Belgium, Croatia, Germany, Hungary, Italy, Luxembourg, Poland, Slovakia, Switzerland, and Tunisia (France deconsolidated per March 1, 2013).
Iberia & Latam (CRM): Chile, Peru, Portugal, Spain and Colombia.
North America & Asia Pacific (CRM): Canada, the Philippines, USA, the United Kingdom and Australia.
CMS: Austria, the Czech Republic, the United Kingdom, Poland, Denmark, Norway and Sweden (Germany deconsolidated per December 30, 2013).

Revenue from two single customers and arising from sales by both the CRM and CMS segments amounted to €111,794 thousand December 31, 2013 (December 31, 2012: €106,746 thousand) and €64,634 thousand (December 31, 2012: € 58,344 thousand) respectively.

## 5. Significant restructuring and disposals

In Q4 2013 Transcom divested its German Credit Management services operations (CMS Germany) to Tesch Group for €9 000 thousand. The transaction was closed December 30, 2013. Accordingly the company has been deconsolidated per December 30, 2013. The effect is shown below:

| | €000 |
|---|---|
| Proceeds from disposal | 9,000 |
| Total sold non-current assets | 6,374 |
| Total sold current assets | 4,977 |
| Total sold current liabilities | 3,253 |
| Sold assets, net | -8,098 |
| Transaction costs | -1,981 |
| Net loss from disposal of subsidiary (CMS Germany) | -1,079 |

| | €000 |
|---|---|
| Proceeds from disposal | 9,000 |
| Transaction costs | -1,981 |
| Cash and cash equivalents, disposed of | -1,405 |
| Net cash flow from disposal of subsidiary (CMS Germany) | 5,614 |

In Q4 2013 a restructuring cost amounting to €1,004 thousand was recorded for the closure of the Norrköping site in Sweden and the Valdivia site in Chile.

In Q3 2013 Transcom divested its operations in Belgium. The contribution of Transcom's former Belgian entity to Group results is not material. In the fiscal year 2012, this entity reported revenues amounting to €4,244 thousand.

In Q1 2013, the Company recorded €6,044 thousand in restructuring costs, mainly related to the cost for a settlement agreement connected to the closure of Transcom's former subsidiary in France, Transcom Worldwide (France) S.A.S. The company was deconsolidated on March 1, 2013 and a gain on disposal of the subsidiary amounting to €5,959 thousand was reported. In August 2013 the final terms and conditions were signed, releasing the Group from any further liabilities with respect of the Group's former French subsidiary. The cost of the agreement was fully covered by the provision booked in Q1 2013. For more information of the effect of the deconsolidation of the subsidiary, please see the interim report for Q1 2013.

## 6. Intangible assets impairment

For the purpose of impairment testing, goodwill is allocated to the group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments.

The results of the Company's goodwill impairment test as of December 31, 2013 for each cash generating unit resulted in an impairment of € 21,125 thousand related to the CMS unit. After impairment, the total goodwill carrying value amounts to €111,119 thousand. Out of this amount, €21,887 thousand is allocated to the CMS unit.

## 7. Borrowings

Transcom has renegotiated its existing Revolving Credit Facility, which was due to expire in October 2014. An agreement, coming into effect on January 29, 2014, has been reached with all existing lenders – SEB, DNB and Handelsbanken – to implement a new €103.8 million three-year facility to replace the existing one. The old agreement is classified as short-term per December 31, 2013 as it was originally due to expire in 2014. The implementation of the new loan agreement does not lead to the extinguishment of the previous loan, under IAS 39.

## 8. Contingencies

The Group has contingent liabilities related to litigations and legal claims arising in the ordinary course of business.

The integrated worldwide nature of Transcom's operations involves a significant level of intra-group transactions which can give rise to complexity and delays in agreeing the Group's tax position with the various tax authorities in the jurisdictions in which the Group operates. The Group occasionally faces tax audits which, in some cases, result in disputes with tax authorities. During these tax audits, local tax authorities may question or challenge the Group's tax positions. Disputes with tax authorities can lead to litigations in front of several courts resulting in lengthy legal proceedings.

As of December 31, 2013, there are four ongoing tax audits. Some of these tax enquiries have resulted in re-assessments, while others are still at an early stage and no re-assessment has yet been raised. Management is required to make estimates and judgments about the ultimate outcome of these investigations or litigations in determining legal provisions. Final claims or court rulings may differ from management estimates. In relation to one of these four tax audits , Transcom has received a notice of reassessment for the financial year 2008, which has been provided for. This particular audit also concerns the financial years 2009-2011. For these years, the factual circumstances are not the same as for 2008.

The Group has provided €2,375 thousand (2012: €16,246 thousand) in relation to tax risks for which management believes it is probable that there will be cash outflows.

Based on its analysis and risk assessment, management does not recognize any additional tax exposure (2012: €17,600 thousand) other than the amount provided for, to disclose. In addition to the above tax risks, the Group may be subject to other tax claims going forward for which the risk of future economic outflows is currently evaluated to be remote.

## 9. Related party transactions

Investment AB Kinnevik and subsidiaries are significant shareholders of the Group as well as the Tele2 group and the MTG group. Accordingly these companies have been regarded as related parties to the group. Transactions between Transcom and MTG group are not considered material and are not included in the figures stated below. Business relations between Transcom WorldWide and all related parties are subject to commercial terms and conditions.

The Group provided customer service functions for certain Tele2 group companies in exchange for service fees determined on an arm's length basis. The Group's sales revenue from the Tele2 companies amounted to €111,794 thousand during January to December 2013 (2012: €106,746 thousand). Sales revenues mainly relate to customer help lines and other CRM services. In February 2013 the Group received a compensation fee from Tele2 for transferring the right to collect on a Swedish debt portfolio. The net impact of this transaction is €4,735 thousand, recorded as revenue.

Operating expenses, mainly for telephone services and switch, paid to Tele2 group companies amounted to €1,566 thousand during January to December 2013 (2012: €574 thousand). The Company rents premises from Tele2 group companies under sub-lease agreements on the same commercial terms provided to Tele2. The group's receivables from and liabilities to Tele2 group companies were as follows:

| €000 | Dec 31, 2013 | Dec 31, 2012 |
|---|---|---|
| Trade and other receivables | 17,959 | 18,548 |
| Trade and other payables | 123 | 241 |
| Net receivable | 17,836 | 18,307 |

## 10. Financial instruments

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 31 December 2013:

| €000 | Carrying amount Dec 31, 2013 | Fair value Dec 31, 2013 |
|---|---|---|
| Financial assets: | | |
| Other receivables | 1,143 | 1,143 |
| Total non-current | 1,143 | 1,143 |
| Trade and other receivables | 98,557 | 98,557 |
| Other receivables incl. accrued income | 37,175 | 37,175 |
| Cash and cash equivalents | 58,362 | 58,362 |
| Total current financial assets | 194,094 | 194,094 |
| Total financial assets | 195,237 | 195,237 |
| | | |
| Financial liabilities: | | |
| Interest-bearing liabilities | 16 | 16 |
| Total non-current liabilities | 16 | 16 |
| Interest-bearing liabilities | 94,425 | 94,425 |
| Trade payables | 25,562 | 25,562 |
| Other liabilities incl. accrued expenses | 69,887 | 69,887 |
| Total current financial liabilities | 189,874 | 189,874 |
| **Total financial instruments** | **189,890** | **189,890** |

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:
Trade and other receivables, other receivables-current, cash and cash equivalents, interest-bearing liabilities-current, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
Non-current other receivables and noncurrent interest bearing liabilities are evaluated by the Group based on parameters such as interest rates, specific country risk factors and individual creditworthiness of the customer. As at 31 December 2013, the carrying amounts of non-current other receivables and interest bearing liabilities were not materially different from their calculated fair values.

## 11. Events after the reporting period

Transcom has renegotiated its existing Revolving Credit Facility, which was due to expire in October 2014. An agreement, coming into effect on January 29, 2014, has been reached with all existing lenders – SEB, DNB and Handelsbanken – to implement a new €103.8 million three-year facility to replace the existing one. The new facility is composed of a €40.0 million term loan with partial amortization starting in 2015, as well as a €55.0 million multicurrency revolving credit facility, and an €8.8 million short-term facility.
The implementation of the new loan agreement does not lead to the extinguishment of the previous loan, under IAS 39.

Transcom's CMS operation in the United Kingdom will form part of the company's Central & South Europe region, effective January 1, 2014. Starting in Q1 2014, Transcom's segment reporting will reflect this change.

# Segmental reporting – regional breakdown of group results

| | 2013 Oct-Dec | 2012 Oct-Dec | Growth Y-o-Y | 2013 Jan-Dec | 2012 Jan-Dec | Growth Y-o-Y |
|---|---|---|---|---|---|---|
| **Net Revenue (€m)** | | | | | | |
| North Europe | 49.5 | 51.0 | -2.9% | 197.0 | 180.4 | 9.2% |
| Central & South Europe | 36.2 | 35.5 | 1.9% | 145.8 | 138.3 | 5.5% |
| Iberia & Latam | 31.7 | 31.0 | 2.5% | 130.9 | 119.4 | 9.6% |
| North America & Asia Pacific | 30.1 | 31.9 | -5.8% | 122.7 | 112.1 | 9.4% |
| **Total CRM** | **147.4** | **149.4** | **-1.3%** | **596.4** | **550.3** | **8.4%** |
| **CMS** | **12.7** | **13.5** | **-5.9%** | **56.8** | **55.3** | **2.7%** |
| Total | 160.2 | 162,9 | -1.6% | 653.2 | 605.6 | 7.9% |
| **Gross Profit (€m)** | | | | | | |
| North Europe | 7.9 | 8.2 | -4.2% | 30.3 | 28,2 | 7.4% |
| Central & South Europe | 7.1 | 4.5 | 58.6% | 27.6 | 18,7 | 48.1% |
| Iberia & Latam | 6.2 | 6.3 | -0.7% | 25.2 | 24.3 | 3.7% |
| North America & Asia Pacific | 7.0 | 8.0 | -12.0% | 30.4 | 27.1 | 12.4% |
| **Total CRM** | **28.2** | **26.9** | **4.8%** | **113.6** | **98.3** | **15.6%** |
| **CMS** | **3.9** | **2.7** | **41.5%** | **17.5** | **13.6** | **28.8%** |
| Total | 32.1 | 29.7 | 8.2% | 131.1 | 111.8 | 17.2% |
| **Gross Margin** | | | | | | |
| North Europe | 15.9% | 16.1% | - | 15.4% | 15.6% | - |
| Central & South Europe | 19.7% | 12.6% | - | 18.9% | 13.5% | - |
| Iberia & Latam | 19.7% | 20.3% | - | 19.3% | 20.4% | - |
| North America & Asia Pacific | 23.3% | 24.9% | - | 24.8% | 24.1% | - |
| **Total CRM** | **19.0%** | **18.0%** | - | **19.0%** | **17.8%** | - |
| **CMS** | **30.4%** | **20.2%** | - | **30.9%** | **24.6%** | - |
| Total | 20.0% | 18.2% | - | 20.1% | 18.5% | - |
| **EBIT*** | | | | | | |
| North Europe | 1.3 | 1.9 | -32.6% | 4.4 | 6.0 | -27.0% |
| Central & South Europe | 1.7 | -2.3 | - | 4.5 | -7.4 | - |
| Iberia & Latam | 0.4 | 1.2 | -68.9% | 3.1 | 5.1 | -39.3% |
| North America & Asia Pacific | -1.4 | -1.1 | - | -1.4 | -2.3 | - |
| **Total CRM** | **2.0** | **-0.3** | - | **10.6** | **1.3** | **720.6%** |
| **CMS** | **0.2** | **-0.3** | - | **5.1** | **1.7** | **194.3%** |
| Total | 2.2 | -0.7 | - | 15.7 | 3.0 | 421.8% |
| **EBIT Margin*** | | | | | | |
| North Europe | 2.5% | 3.6% | - | 2.2% | 3.3% | - |
| Central & South Europe | 4.7% | -6.3% | - | 3.1% | -5.4% | - |
| Iberia | 1.1% | 3.7% | - | 2.3% | 4.2% | - |
| North America & Asia Pacific | -4.6% | -3.4% | - | -1.1% | -2.1% | - |
| **Total CRM** | **1.2%** | **-0.2%** | - | **1.7%** | **0.2%** | - |
| **CMS** | **1.7%** | **-2.4%** | - | **9.0%** | **3.1%** | - |
| Total | 1.3% | -0.4% | - | 2.4% | 0.5% | - |

- Not applicable / not meaningful percentage comparison

*EBIT excluding intangible assets impairment €-21.1 million in Q4 2013 (Q4 2012: €-20.6 million)

# Key ratios & five year summary

| | 2013 Oct-Dec | 2012 Oct-Dec | 2013 Jan–Dec | 2012 Jan–Dec | 2011 Jan–Dec | 2010 Jan–Dec | 2009 Jan–Dec |
|---|---|---|---|---|---|---|---|
| Net Revenue (€m) | 160.2 | 162.9 | 653.2 | 605.6 | 554.1 | 589.1 | 560.2 |
| Profit/(loss) before tax (€m) | -20.2 | -22.8 | -12.2 | -23.6 | -32.0 | -5.6 | 25.3 |
| Net Income (€m) | -22.4 | -25.0 | -18.6 | -30.6 | -50.4 | -8.0 | 20.6 |
| Net cash flow from operations (€m) | 11.2 | -2.9 | 9.9 | -12.4 | 27.5 | 29.1 | 17.7 |
| Net cash flow from operations per share (Euro cents) | 1 | -0.2 | 1 | -1 | 32 | 40 | 24 |
| EPS (Euro cents) | -1.8 | -2.0 | -1.5 | -2.4 | -63.0 | -11.0 | 28.0 |
| Return on Equity | -15.2% | -20.7% | -15.2% | -23.0% | -29.5% | -4.6% | 12.0% |
| Operating margin | -11.8% | -13.1% | -0.8% | -2.9% | -5.1% | -1.1% | 4.3% |
| Equity ratio | 32.2% | 37.1% | 32.2% | 37.1% | 43.0% | 45.8% | 45.6% |
| Net debt/EBITDA (R12) | 1.5 | 2.0 | 1.5 | 2.0 | 0.8 | 2.5 | 2.3 |