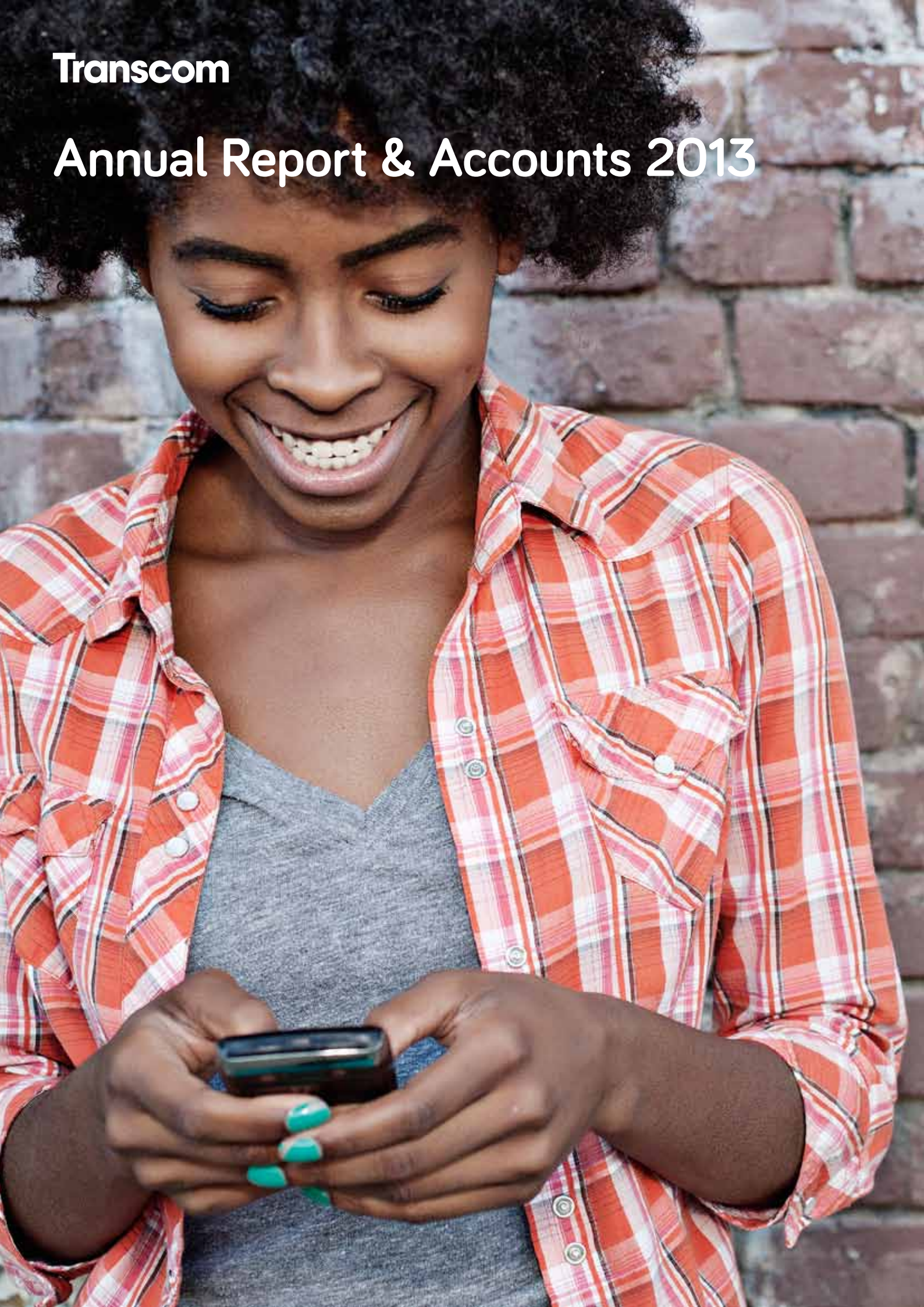


Transcom

Annual Report & Accounts 2013



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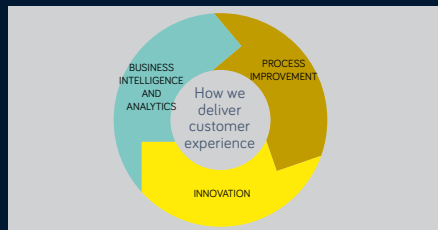
Comments from the CEO

During 2013, we solidified the turnaround of the company. Our key operational performance indicators continued to improve, with a positive impact on profitability. See page 4.



Markets and trends

The market for customer care outsourcing continues to grow at a healthy rate. At the same time, client requirements are changing rapidly, emphasizing customer experience. See page 8.



Business model and value creation

Transcom's customer experience framework is founded on solid business intelligence. The insight we gain through analytics enables innovation and also drives efficiency and cost savings through process optimization. See page 10.



People and sustainability

Transcom's CSR focus areas are people development, equality & diversity, and community engagement. See page 22.



This integrated annual and CSR report serves as Transcom's Communication On Progress to the UN Global Compact and is for the first time prepared in accordance with the International Integrated Reporting Council's Framework Principles.

UN Global Compact principles are primarily addressed on the following pages, but also in other parts throughout the Annual Report. Several other issues of importance, such as supply chain management, are also described in our Code of Business Conduct, Supplier Code of Business Conduct and on our website, www.transcom.com.

HUMAN RIGHTS

Principle 1-2:
pages 1, 6, 7, 22-26, 33

LABOR

Principle 3-6:
pages 1, 6, 7, 22-26, 32, 46, 52

ENVIRONMENT

Principle 7-9:
pages 1, 6 22-26

ANTI-CORRUPTION

Principle 10:
pages 1, 6 22-26, 31, 33

Key events 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 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.

ESTABLISHMENT OF OPERATIONS IN COLOMBIA

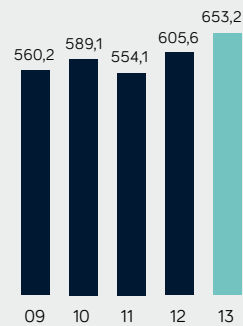
Transcom has opened a contact center in Cali, Colombia, supporting the company's strategy to expand in fast-growing Latin American markets. The new site in Colombia will also strengthen Transcom's capability to offer near-shore English and Spanish-language services to North American clients, as well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

ORGANIZATIONAL CHANGES IN THE NORTH AMERICA & ASIA PACIFIC REGION

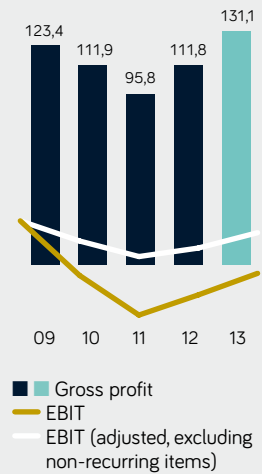
In order to increase focus and accountability in strategic markets, driving profitable growth in North America and the Asia Pacific region, Transcom announced a realignment of the management structure in this region in December 2013. Transcom's President & CEO, Johan Eriksson, has also assumed responsibility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

Key financial highlights

Revenues
€ million



Gross profit and EBIT
€ million



- 9.3% revenue growth in core CRM business, net of currency effects
- Adjusted EBIT increased by €8.7 million to €17.6 million

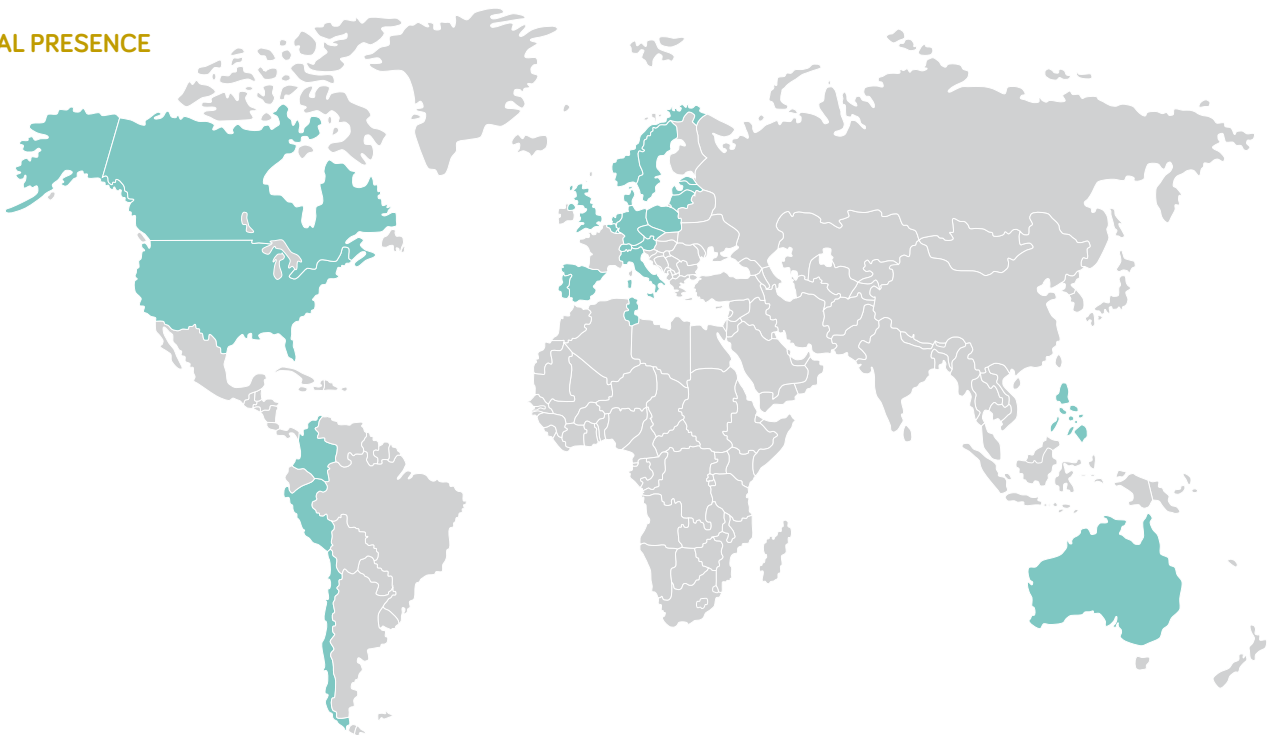
TRANSCOM CARES LAUNCHED AS OVERARCHING CORPORATE SOCIAL RESPONSIBILITY GOVERNANCE PROGRAM

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 continued signatory of the UN Global Compact.

A global customer experience specialist

Transcom is a global customer experience specialist, providing customer care, sales, technical support and credit management services through our network of 62 contact centers and work-at-home agents across 26 countries on five continents. Transcom's principal role is to positively impact customer loyalty and, thus, increase revenue through making service and support interactions as effortless and enjoyable as possible for our clients' customers.

GLOBAL PRESENCE



In Europe, Transcom has one of the largest customer management footprints in the industry and is also one of the larger customer care outsourcing operators serving North America. Whether onshore, offshore or near shore, Transcom's people are focused on

delivering outstanding customer experiences, helping our clients drive satisfaction, brand loyalty and additional sales, while also improving process efficiency.

- Transcom is a **GLOBAL** customer experience **SPECIALIST**, providing outsourced customer and credit management services
- Established in **1995** and listed on NASDAQ OMX Stockholm since **2001**
- **€653.2** million revenue in 2013
- **29,000 PEOPLE** representing over **100 NATIONALITIES**
- **400+ CLIENTS** in various industry sectors
- **62** onshore, near shore and off-shore **CONTACT CENTERS** across **26 COUNTRIES**
- Delivering services in **33 LANGUAGES**

Vision

Recognized as a global leader in **customer experience**.

Mission

Transcom enables companies to enhance their business performance by improving the experience of their customers.

We accomplish this through:

- Talented, experienced and **committed** people, who deliver outstanding customer experience across a multitude of channels

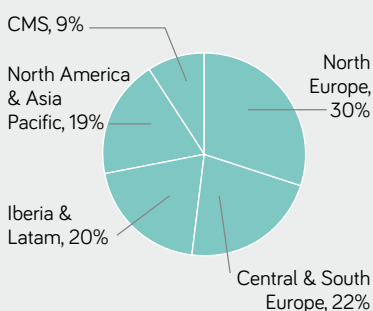
- Innovative **technology** for capturing, processing and analyzing customer intelligence
- Continuously improved **processes**, working methods and systems, for serving customers and advising clients
- Deep **understanding** of customer trends, needs and behavior

SERVICES AND SOLUTIONS

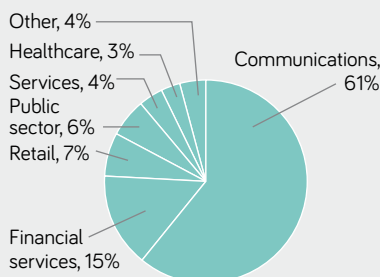
Transcom's service portfolio is designed to enable the creation of outstanding customer experiences, while also reducing cost and helping to drive growth for our clients. Our suite of services includes **customer care, sales, technical support** and **credit management services**, delivered through our extensive network of contact centers and work-at-home agents. Our customer experience specialists engage with our clients' customers in multiple channels, including phone, e-mail, chat and in social media communities. Please read more about Transcom's service portfolio on page 12.



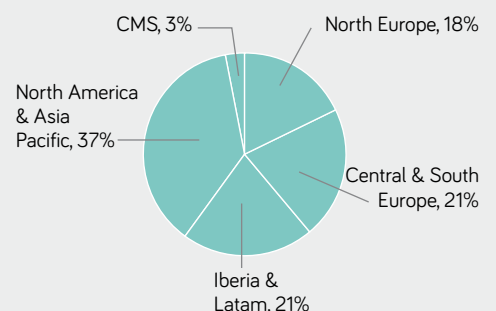
REVENUES BY REGION



REVENUES BY INDUSTRY



NUMBER OF EMPLOYEES BY REGION



Transcom's turnaround solidified

During 2013, we solidified the turnaround of the company. Our key operational performance indicators continued to improve, with a positive impact on profitability. At the same time, we continued to grow our revenue at a healthy rate. In 2014, we will focus on three priorities in order to further enhance our performance: improving efficiency and creating profitable growth in North America, strengthening operational performance and financial predictability in the North Europe region, and driving efficiency and growth in Latin America. In 2013, we launched Transcom Cares as our global CSR governance program in order to ensure that we meet the expectations of all our key stakeholders. Three focus areas make up the foundation of the program: people development, equality & diversity, and community engagement.

IMPROVED OPERATIONAL AND FINANCIAL STABILITY

During 2013, we continued to focus on enhancing Transcom's performance. I am happy with the results we achieved in terms of improving the company's operational and financial stability, creating a solid foundation for future profitable growth. Transcom's adjusted EBIT in 2013 was €17.6 million, an increase by €8.7 million compared to 2012 (€8.9 million). We achieved this primarily through improved efficiency, higher business volumes and the implementation of cost savings measures. We continued to improve on key operational metrics. Our seat utilization ratio increased by one percentage point to 86%, and the proportion of revenue that we generate offshore, at higher margins, increased by two percentage points to 22%. Our efficiency measures also strengthened, while staff attrition was stable compared to 2012.

During the year, we resolved a number of short-term challenges, which I described in last year's annual report. For example, we

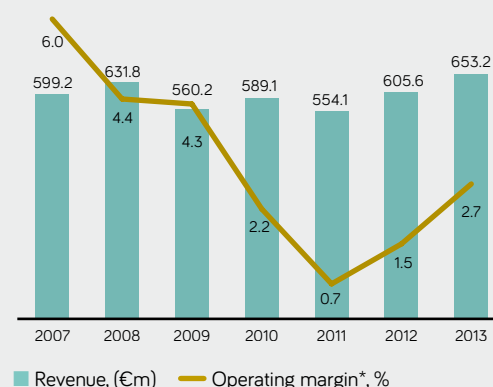
signed a settlement agreement concerning our former French subsidiary, stopping the considerable losses generated there over the past several years. While Transcom no longer has any operations in France, we will continue to offer French-language services to our clients from our near shore centers in Europe and North Africa. We also reached a satisfactory agreement with Italian tax authorities during the year, resolving a tax dispute in that country. These issues had weighed on our results, created uncertainty, and have also consumed significant attention from management. Therefore, I am very pleased that we were able to finalize these agreements in 2013.

The fact that we are now generating a stronger cash flow is important and very positive. During the last quarter of 2013, our net debt decreased by €13.5 million. Our financial flexibility has also improved following the successful renegotiation of our existing Revolving Credit Facility, which was due to expire in October 2014.

Improvements on four KPIs vs. previous year

Key performance driver	Trend vs. 2012	2013 vs. 2012
Average Seat Utilization ratio	→	87% vs. 85%
Share of revenue generated offshore	→	22% vs. 20%
Average Efficiency ratio (billable over worked hours)	→	positive development
Monthly staff attrition	→	stable

We solidified the turnaround of Transcom in 2013



* Excluding non-recurring items.

“We continued to focus on enhancing Transcom’s performance in 2013. I am happy with the results we achieved in terms of improving operational and financial stability, creating a solid foundation for future profitable growth.”



ALL REGIONS CONTRIBUTED TO HEALTHY TOP-LINE GROWTH

We continued to grow our top line at a healthy rate in 2013. Organic growth in our core CRM business, net of currency effects, was 9.3%. All our regions contributed positively, mainly through expanding 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.

IMPORTANT PRIORITIES IN 2014

Efficiency and profitable growth in the North America & Asia Pacific region

While we made good progress in 2013, there are a number of important issues we need to address in order to further improve profitability and complete the turnaround of the company. One of the most important priorities for 2014 is to improve results in North America, both through new business development and increased efficiency. In response to the decreased seat utilization we have experienced in North America, partly due to the shift of volumes to offshore locations, we have closed six contact centers since 2012. Our primary objective is to improve profitability while creating opportunities for future profitable growth in North America. We are focusing on developing new business to be delivered from onshore sites, complementing our offshore business.

Since 2012, we have successfully more than doubled the business volumes we handle in our contact centers in the Philippines. In addition to expanding our offshore business, primarily serving clients in North America and the UK, we have also won several new

clients in the Asia Pacific region, e.g. in Australia and the Philippines. 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.

Delivering on these plans, and improving results in the North America & Asia Pacific region, is of the highest priority for us. Therefore, in order to increase focus and accountability, we realigned the management structure and expanded the management team in the region, effective January 1, 2014. In addition to my role as President & CEO, I have assumed responsibility for the North America & Asia Pacific region on an interim basis. Neil Rae is responsible for our operations in North America, and Siva Subramaniam leads our activities in Asia Pacific. Neil and Siva both report to me in my capacity as General Manager for the North America & Asia Pacific region.

Improve operational performance and financial predictability in the North Europe region

The pricing model currently used in the North Europe region implies a relatively greater exposure to the accuracy of volume forecasts, compared to other regions. Our staffing levels are determined based on detailed volume forecasts, and an inaccurate projection often leads to a situation where we are either overstaffed or understaffed. This affects profitability as well as service quality for the client. We did experience this situation at times during 2013, impacting our performance and financial predictability negatively. Our target is to achieve an appropriate mix of pricing models used in all regions, in order to avoid excessive financial risk associated with poor forecast accuracy. Consequently, we have begun implementing a new agreement with one of our largest clients in the

region. This implementation will continue during 2014 with the objective of improving efficiency and financial predictability, while also delivering a better service quality to our client.

Efficiency and growth in Latin America

During the year, volumes delivered in Chile fell, necessitating the closure of one of our sites in the country towards the end of the year. At the same time, we ramped up business with clients in Peru and Colombia, also opening a new site in Cali, Colombia. These significant volume adjustments have weighed on margins, and the stabilization of our operations in Latin America will be a key activity in 2014.

The establishment of operations in Colombia will support our goal to expand in fast-growing Latin American markets. Colombia continues to evolve quickly as an attractive location for the delivery of customer care outsourcing services, providing a competitive cost structure, a growing labor pool, government support and an expanding economy. Our new site 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.

FOCUS ON DELIVERING OUTSTANDING CUSTOMER EXPERIENCE

Transcom enables companies to enhance their business performance by improving the experience of their customers. Our vision is to be recognized as a global leader in customer experience. In order to succeed, we need to create an environment that brings together innovative solutions, processes and technology with people. I am very pleased with the many projects we implemented during 2013 in order to improve business processes and create a better customer experience. I invite you to read more about our approach on pages 10–19. You will also find a couple of cases there that exemplify how we work together with our clients to enhance customer loyalty and improve process efficiency.

TRANSCOM CARES, OUR GLOBAL CSR GOVERNANCE PROGRAM

In order to be successful and create value, we need to meet the expectations of all our key stakeholders: our clients, employees and investors, as well as the communities that we are a part of. This is the basis for our Corporate Social Responsibility (CSR) work, which forms an integral part of our day-to-day business activities. At Transcom, CSR means that we always do our utmost to do the right thing by our clients, our people and our communities. This ambition is encapsulated in **Transcom Cares**, the overarching governance program for our CSR activities. While this program initially covered our community engagement activities, we broadened the program's scope in 2013 in order to provide strengthened governance and coordination for all Transcom's CSR focus areas. During 2013, we also expanded our stakeholder dialogues, validating the materiality analysis we performed in 2012 in order to identify and prioritize sustainability issues as well as risks and opportunities.

Three prioritized focus areas make up the core of the Transcom Cares program: people development, equality & diversity, and community engagement.

People development

Every year, we hire thousands of new people on whom our business results depend. So it is not an exaggeration to say that people truly make all the difference in our business. It is important for us to be recognized as a responsible employer, attracting people and strengthening our brand in all our local markets. We aim to create honest, flexible, safe and comfortable working environments where our people can develop their careers and enjoy their working lives.

Equality and diversity

The global presence and demands from the more than 400 international brands that we serve has made us a forerunner in equality and diversity. We are focused on attracting top talent and retaining

IMPORTANT PRIORITIES IN 2014

- Increase onshore seat utilization in North America
- Successfully implement action plan to improve operational performance in the North region
- Improve operational performance in Latin America

people to build a truly global company that is prepared to meet and deliver towards diverse business cultures in all corners of the world. We strive for gender equality on all levels, and are dedicated to showing that equal opportunity employment is part of our DNA.

Community engagement

We believe that a committed involvement in the communities in which we operate not only strengthens our employer brand, but also maintains our license to operate in the markets where we choose to compete. Many of our community engagement activities depend on our employees' passion to contribute their time and energy, making us all proud to work at Transcom.

UN GLOBAL COMPACT

In addition to the three CSR focus areas described above, Transcom fully supports the ten principles of the **UN Global Compact** with respect to human rights, labor rights, environmental care and anti-corruption work. These principles are an integral part of our corporate strategy, business culture and day-to-day operations. Therefore, as part of our on-going pledge to deliver an outstanding customer experience in a global sustainable society, Transcom is a continued signatory of the UN Global Compact. We are wholeheartedly committed to ensuring that we comply with the UN Global Compact and its principles.

Let me close by thanking all our employees for your hard work and strong commitment, which were central to our achievements in 2013.



Johan Eriksson
President & CEO of Transcom

Changing and growing market for customer management outsourcing

CONTINUED INDUSTRY GROWTH DRIVEN BY DOMESTIC MARKETS IN ASIA PACIFIC AND LATIN AMERICA

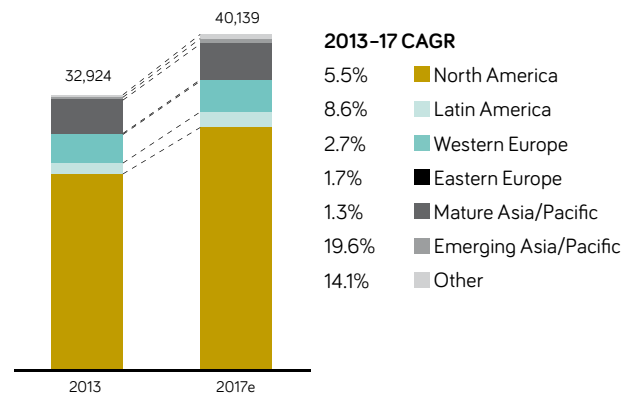
The global customer management outsourcing market is expected to grow by approximately 5% annually from 2012 to 2017. In some markets, the growth rate is expected to be significantly higher: ~20% in emerging Asian economies and 8–9% in Latin America.

A growing middle class and an increased penetration of smartphones and mobile technologies in emerging markets will drive the need for services in native (non-English) languages. This domestic expansion will generate new growth opportunities for customer care outsourcing companies.

An increased use of outsourcing also presents an opportunity for additional growth. Only 20% of the global customer care market is outsourced today, but the number of new contracts has grown steadily since 2010.

Source: Gartner 2013 and Everest Group 2014

Customer management BPO markets
USD million



NON-VOICE INTERACTIONS SET TO OVERTAKE PHONE IN 2017

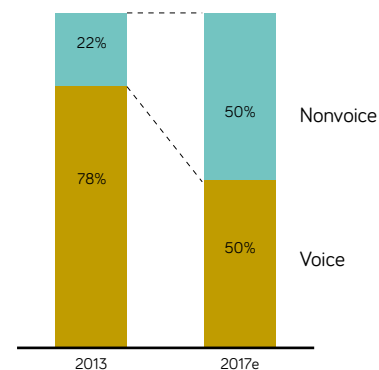
Digital natives expect customer service to be accessible at all times. They also expect to be able to resolve their issues via the channel of their choice, without the hassle of having to switch modes of communication.

Today, almost 80% of revenue for customer care outsourcing companies is generated by voice-based services, i.e. phone. However, multichannel and automated self-service solutions are growing rapidly. Gartner predicts that non-voice services will overtake the voice channel in 2016 or 2017.

Growth is expected to be highest in the web, chat, SMS and mobile app channels. Less complex issues will increasingly be resolved via self-service tools or non-voice interactions, resulting in fewer voice calls for contact centers. At the same time, more complex issues will migrate to the voice channel. This will put pressure on current business models, e.g. in terms of staff recruitment and training, price models and performance measurement.

Source: Gartner

Customer management BPO markets
by channels



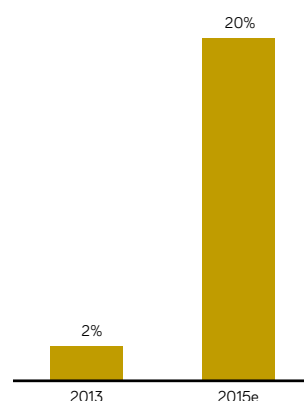
BUSINESSES NEED TO INVEST IN PROCESSES AND SOLUTIONS TO HANDLE THE NON-VOICE SHIFT

According to a study by Gartner, most organizations are ill-prepared to handle the rapid shift towards non-voice solutions for customer service.

In 2013, only 2% of the companies had invested in a multichannel customer service strategy, enabling them to provide a consistent customer experience in all channels. Up to 2015, it is estimated that this number will grow to 20%, creating new business opportunities for service providers with strong non-voice capabilities and offerings.

Source: Gartner 2013

Percentage of companies that have invested in
multi-channel customer service strategy





PROACTIVE ENGAGEMENT INCREASES LOYALTY

Studies have concluded that reducing the effort and time customers have to spend to get their issue resolved drives increased loyalty. Research shows that exceeding customer expectations during service interactions (e.g. by offering a refund or a free product) makes little difference in terms of customer loyalty. Instead, what customers really want is a simple, quick solution to their issue.

Forrester expects an increasing number of companies to explore proactive engagement in order to improve customer service and reduce effort. For example, customer insight can be used to proactively reach out to customers at the right time, when they are likely to require assistance. For example, if a customer has spent more than 45 seconds on a self-service website, they might automatically be invited to chat with a customer service representative who will help solve their problem before they have to call customer service.

Source: Corporate Executive Board 2013 and Forrester Research, 2013

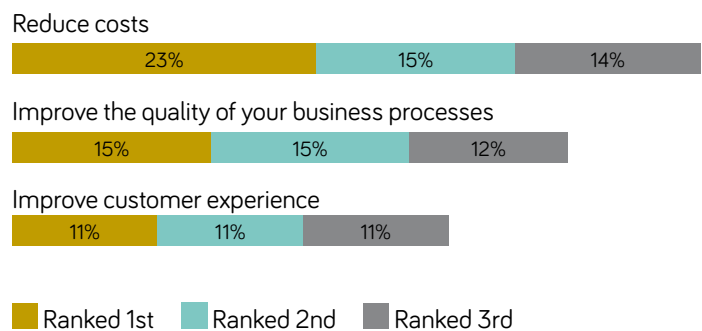
CUSTOMER EXPERIENCE IS BECOMING MORE IMPORTANT AS A COMPETITIVE DIFFERENTIATOR

The top three most prioritized objectives for businesses to outsource their customer care are to reduce costs (52%), improve the quality of business processes (42%) and improving customer experience (33%).

To be able to meet client expectations, customer care outsourcing companies need to continue to optimize processes and deliver cost efficiencies while at the same time developing new approaches and business models in order to stay relevant. Suppliers need to improve their knowledge about customers' channel preferences, as well as train and empower their agents to deliver excellent customer experience in all channels.

Source: Gartner 2013

What are the top three most important objectives your organization strives to achieve through outsourcing?



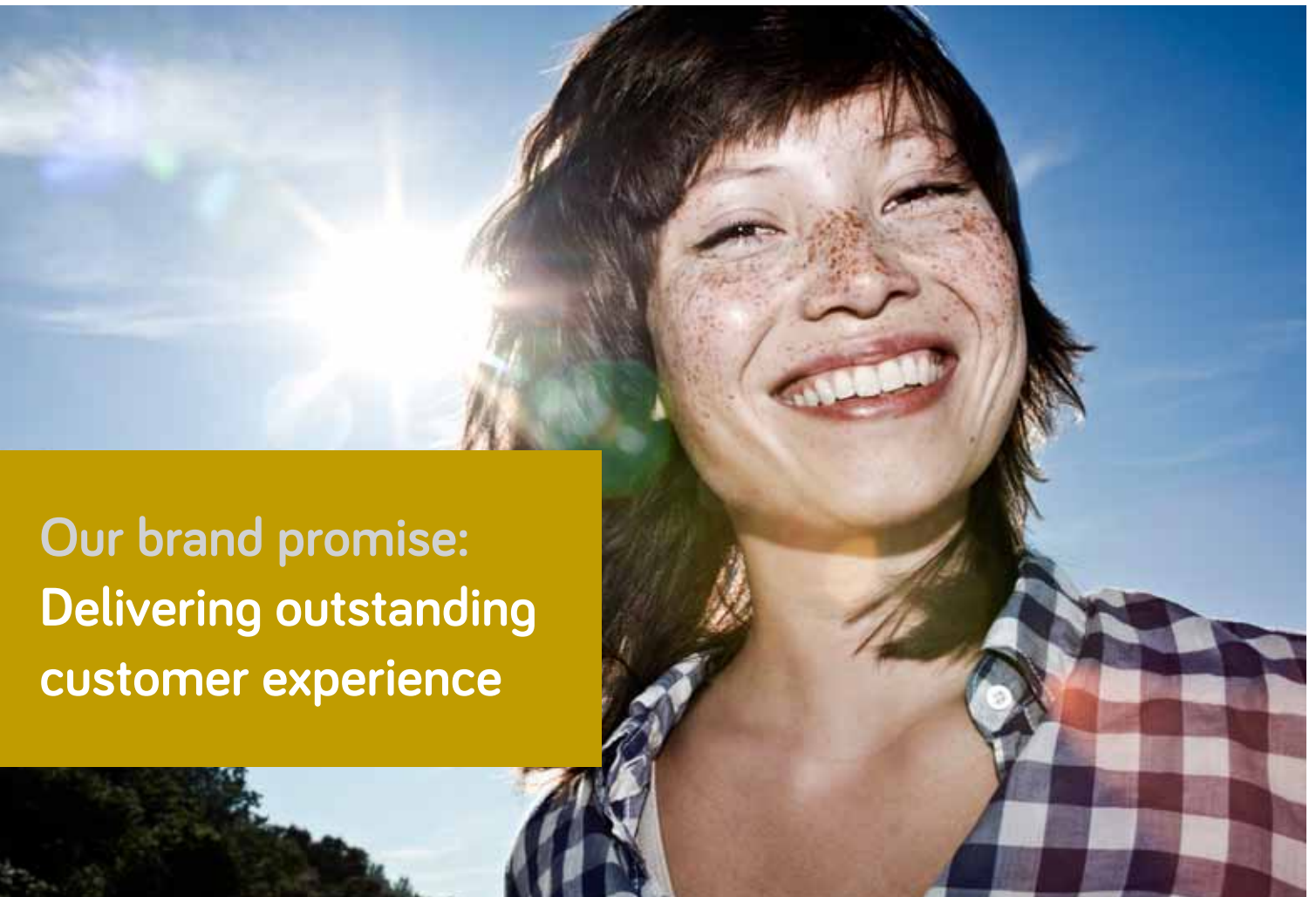
What is customer experience?

Customer experience has become a popular catchphrase in the last few years, as companies in many industry sectors attempt to differentiate themselves in an increasingly competitive marketplace. One can think about the notion of customer experience from many different angles, since it is really the sum total of a customer's experience with a product, a service, or a brand. There is a multitude of "touch points" where a customer can interact with an organization, e.g. when evaluating, purchasing, using, or getting support for a product. And a customer's perception of his or her interactions at each of these touch points influences the overall experience and, ultimately, customer loyalty.

Forrester Research highlights the importance of perception in their definition of customer experience: "*Customer experience is how your customers perceive their interactions with your company.*" Forrester also argues that customers perceive their experiences at three levels: *meets needs, easy, and enjoyable.*



Source: Forrester Research



Our brand promise:
Delivering outstanding
customer experience

What is Transcom's role?

Transcom's principal role is to positively impact customer loyalty and, thus, revenue through making service and support interactions as effortless and enjoyable as possible. Our clients expect us to deliver service to their customers in a reliable, consistent, and cost-effective way. At the same time, it is essential to stay agile as conditions and client requirements can change quickly. Also, the proliferation of new channels and technologies requires us to constantly innovate and refine best practices together with our clients in order to remain competitive.

Transcom has an important role in helping to make sure that customers form positive perceptions of their interactions with our clients' companies. To many of our clients, the quality of their customer care operations is indeed fundamental to their ability to execute their service-based strategies to increase loyalty, retention and customer sales. This is why they partner with Transcom, whose core business is to deliver excellent multi-channel customer service and support.



VALUE FOR OUR CLIENTS' CUSTOMERS

- Ability to get information, or resolve an issue, quickly and with minimal effort
- Ability to use voice and non-voice channels as required.
- Receive attractive, personalized offers, based on an understanding of potential needs

TRANSCOM

- Transcom's operations add value to our clients' businesses by supporting the creation of outstanding customer experiences, while reducing cost and helping to drive growth

VALUE FOR OUR CLIENTS

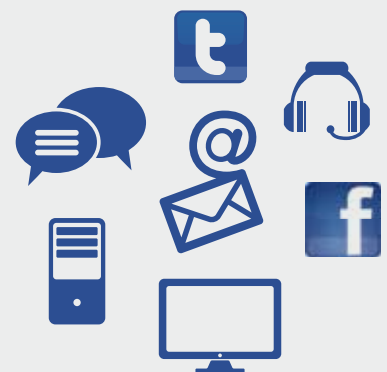
- Improved customer experience, leading to higher loyalty
- Increased sales
- Lower cost and improved quality of business processes
- Access to technology and best practices
- Analytics capabilities, improving customer understanding

SERVICE AND SUPPORT IN MULTIPLE CHANNELS

Companies have to invest in, and consistently engage with customers, in an ever-growing number of channels. Transcom can assist clients in providing a consistent, customized customer experience that can move seamlessly across voice and non-voice channels as the customer requires.

Primary channels used:

- Telephone, including voice and interactive voice response (IVR) self-service
- Email response management
- Web chat
- Social media monitoring and response
- Knowledge management for Web-based self-service



How Transcom contributes to a better customer experience

Besides cost savings, the most important reasons for outsourcing customer care are to improve business processes and create a better customer experience.

Transcom's approach is built on the collection and analysis of sound and solid data. The insight we gain together with our clients enables innovation and also drives efficiency and cost savings through operational process optimization.

A man in a dark suit, light blue shirt, and grey tie is looking down at a smartphone in his hands. The background is a blurred office setting with windows and a blue wall.

Our Services

Customer acquisition

Acquiring new customers cost-efficiently, and building strong customer relationships as a basis for future interactions.

Customer retention

Preventing defection and maximizing the lifetime of a customer.

Customer service

Customer experience specialists trained to support best-in-class product, service and brand experiences for our clients' customers.

Technical support

Tiered support models, from the simplest questions to more complex support scenarios.

Cross- and upselling

Building relationships and identifying customer needs during any type of interaction, and taking appropriate action to satisfy the customer's need.

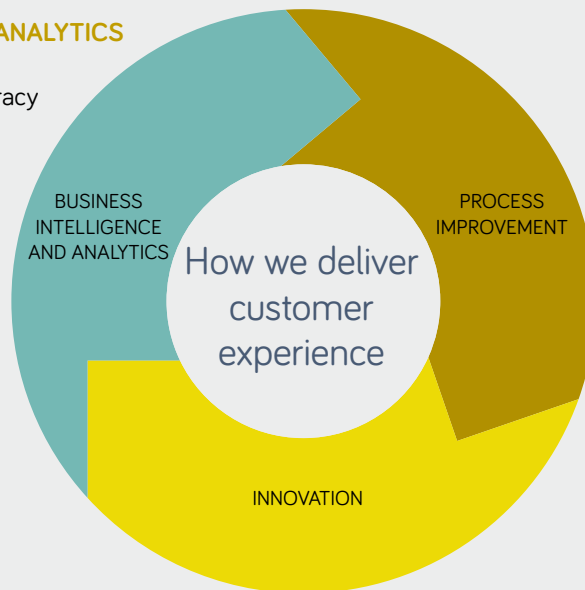
Credit management services (CMS)

Early collections, Contingent collections and Legal collections.

Transcom's customer experience framework

BUSINESS INTELLIGENCE AND ANALYTICS

- Data Mining
- Reporting and Information Accuracy
- Analytics
- Operational Efficiency
- Business Process Improvement



PROCESS IMPROVEMENT

- Continuous Improvement
- Process Development
- Process Implementation
- Process Audit and Control
- Change Management
- Performance Management
- Operational Insight

INNOVATION

- Knowledge Management
- Web/self-service design
- Social Media
- System Development
- Marketing and Promotion
- Portfolio Management
- Cost Benefit Analysis

ANALYTICS – THE KEY TO HAVING REAL IMPACT ON CUSTOMER EXPERIENCE

The customer care industry is exceptionally data-driven. In order to run the business efficiently and track our performance against key performance indicators, an immense amount of data is automatically collected on Transcom's 1.4 million daily customer interactions. This is complemented by significant amounts of additional information, most of which is gathered during live customer interactions.

The data can offer crucial insights for Transcom and our clients in terms of enhancing the understanding of customers, and the drivers of loyalty and disloyalty. **Root cause analysis** is a powerful example, giving insight into the fundamental reasons that customers contact us. This type of analysis can, for example, uncover issues that drive unnecessary contacts. Successfully addressing these factors often reduces customer effort, thus improving customer experience and loyalty. **Speech analytics** is another exam-

ple. This is a technology that delivers rapid insight into a range of improvement opportunities, based on an analysis of a large number of customer conversations. Some of the benefits of speech analytics include an improved understanding of customer behaviors, potential revenue opportunities, as well as positive and negative aspects of service interactions.

At Transcom, analytics is all about understanding how to maximize the positive impact we have on our clients' organizations. Data collection and analysis is becoming more critical as our clients expect us to play an ever-greater role in improving customer loyalty. Also, analytics is being applied to an increasing number of areas, both to improve customer experience and create efficiency improvements. For example, as the number of interaction channels keeps growing, structured analysis can help make better decisions in terms of "right channeling" different types of issues, i.e. proactively directing contacts to the channel that is best suited to addressing the customer's need.

ONGOING PROCESS IMPROVEMENTS, DRIVING EFFICIENCY AND COST SAVINGS

Given the high level of complexity in successfully managing a contact center, coupled with the rapid pace of change, effective process management is vital. Streamlining and standardizing basic aspects of service delivery, and ensuring quality control, is fundamental. Our clients expect us to continuously improve our working processes in order to ensure efficiency as well as high-quality interactions with their customers. Analytics can have a powerful impact in this area as well, creating new insights into how processes, technology and people can come together in order to generate superior results.

Although automation and self-service solutions are becoming more important in our industry, effective workforce management is fundamental to running a customer care operation, not least to manage the inherent volatility in our industry. Therefore, workforce optimization is at the very core of Transcom's client proposition. Our approach to recruitment, induction, performance manage-

ment and organizational culture adaptation has been refined over many years across several hundreds of deployments in different industries and geographies.

We are also continuously investing in processes, methods and tools that help our people deliver better services with lower risk, higher consistency and better efficiency. One example of this is a knowledge base that Transcom created in 2013 for a global consumer electronics client in order to lower handle time and improve quality and productivity. Before the implementation of the new tool, the information supporting the customer service representatives was inconsistent and resided in multiple, non-integrated, systems. The new one-stop-shop solution brought together process maps, decision trees, simulators, FAQs and product how-to information. The information is continuously refined and enriched by agent feedback, content ratings and rankings of the most viewed sections. Since the launch of the system, average handling time has decreased while customer satisfaction scores are up by 14 percentage points.



CONTINUOUS INNOVATION IN ORDER TO STAY AHEAD

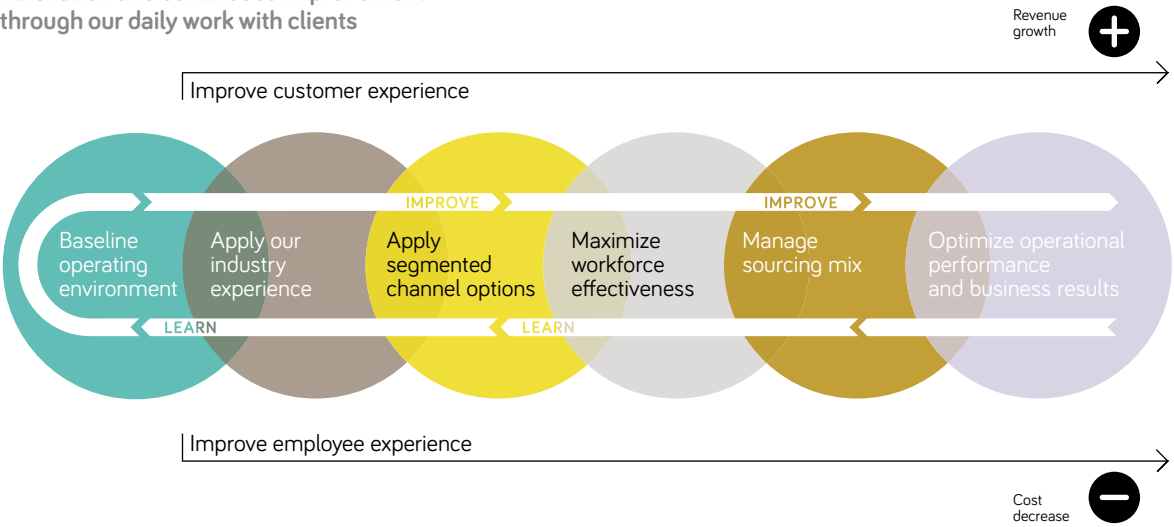
Innovation, agility, and best practice implementation are some of the most important things our clients say they expect Transcom to bring to their customer service organizations. They want us to push them to stay ahead and to help put them in a position from which they are able to benefit from the unrelenting change that characterizes many industries today.

Contact centers are complex environments which merge many different disciplines and skills. Continuous improvement is necessary in each individual area, but also in terms of how the different components are combined into customized solutions for each client. Transcom uses a structured, fact-based approach to enhancing the value we add to our clients and their customers. This is reflected in our management model, which serves as the basic foundation for how all our units deliver value. Innovation is embedded through our daily work with clients.

Transcom’s management model encapsulates a set of common value creation elements that we apply to most situations. However, the use of the model is tailored to each specific case, and the methods we employ are constantly sharpened and refined in our day-to-day work with clients.

Multichannel solutions are an area which has been in particular focus in recent years. Defining and implementing the right channel strategy has become even more critical for our clients as the popularity of social media has exploded. Companies have had to invest, and consistently engage with customers, in an ever-growing number of channels. Transcom helps clients who want to provide a consistent customer experience that can move seamlessly across voice- and non-voice channels as the customer requires. The share of non-voice in our overall service mix continued to increase in 2013, and we expect this development to accelerate in the coming years.

Innovation and continuous improvement through our daily work with clients



Customer care – a real-time business

The continuous balancing of cost efficiency and productivity with the delivery of great customer experience is a challenge that Transcom helps its clients face up to every day. Success hinges on continuous real-time resource management, and a client-vendor partnership that is characterized by trust, open communication, and collaborative decision-making.


CONTINUOUS REAL-TIME MANAGEMENT ESSENTIAL IN ORDER TO MANAGE VOLATILITY

The customer care business truly runs in real time. A high degree of flexibility and responsiveness is vital as the volume of customer interactions can vary significantly, both during the course of a single day and from month to month. Even though self-service channels are on the rise, a significant share of customer contacts is handled by people interacting directly with people using various communications channels.

Ensuring a consistently high service level, at a justifiable cost, depends in large part on the ability to make available the appropriate number of customer service representatives with the right skills, at the right time. A multitude of factors have a direct impact on the volume of customer inquiries a company can expect to receive at any given point in time. In order to estimate future customer service staffing requirements, a volume forecast is created, based on an aggregate view of known factors, e.g. planned cam-

paigns, new product launches, invoicing changes, recent volume trends, seasonality factors, etc.

Based on the demand forecast, a formula is used to calculate the number of people needed to meet the projected demand at a given time of day or night. However, the target is continuously moving as various hard-to-predict events influence the actual number of customer contacts that need to be responded to, e.g. weather conditions, service changes or interruptions, delays in sending out invoices, etc. At the same time, changes in staffing availability can occur, e.g. due to sickness or staff attrition. This makes it necessary to make continuous, real-time adjustments to staffing schedules in order to accommodate changes to both the demand side (volume of customer contacts) and the supply side (available resources to handle the contacts). Recruiting and training new staff takes a few weeks, so significant gaps can be challenging to address in the short term, e.g. a large increase in the expected number of customer inquiries as a result of an unplanned product campaign.



The customer care business truly runs in real time

Transcom's capability to successfully manage this inherent volatility in customer care management operations is fundamental to delivering a great customer experience while at the same time keeping costs under control and generating a profit. An effective partnership with clients is critical to success, with close collaboration on important issues such as volume forecasting and process improvements.

THE PRICING MODEL – AN IMPORTANT TOOL IN STRIKING THE RIGHT BALANCE

The commercial model, governing the relationship between Transcom and our clients, is also a very important factor in striking the right balance between revenue, service levels and cost. This balance varies, e.g. depending on the industry, the type of customer contacts, and client priorities. The pricing models that Transcom uses with its clients generally fall into four key categories, as outlined in the table below. Although the basic terms are usually set out in multi-year frame agreements, the models are regularly reviewed and adjusted, as our partnerships evolve over time and our clients' priorities shift.

Each pricing model has its own tradeoffs in terms of cost, quality, and predictability for Transcom and our clients. For example, a cost-per-contact unit rate creates an incentive to reduce handling times, in contrast to a cost-per-minute model. This can, in turn, have implications in terms of customer service quality and, ultimately, customer loyalty. Therefore, various KPIs are used in order to manage quality, e.g. first-call resolution and customer satisfac-

tion scores. Performance against these KPIs is usually tied to bonuses or financial penalties.

The pricing model used also has important implications for Transcom in terms of financial predictability and stability. For example, models based on a price per customer contact or per minute spent resolving a customer issue, imply a higher exposure to the accuracy of volume forecasts than a contract based on an agreed staffing level (price per hour worked). Transcom's target is to achieve an appropriate mix of pricing models used in all regions, in order to avoid excessive financial risk associated with poor forecast accuracy. For example, the business model mix currently used in the North Europe region is more exposed to the accuracy of volume forecasts, compared to other regions. However, a new agreement with one of our largest clients in the region is gradually being implemented during 2014, improving financial predictability.

Irrespective of the commercial model used, effective workforce management is fundamental to successfully operating a contact center, not least in order to manage volatile demand. Therefore, workforce optimization is at the very core of Transcom's client proposition, and is an integral part of our **Customer Experience Management framework**, which is described on pages 12–15.

PRICING MODEL	KEY CHARACTERISTICS	PRICING MODEL	KEY CHARACTERISTICS
Price per transaction (e.g. call or data entry)	<ul style="list-style-type: none"> • Transcom gets paid for each transaction, e.g. each call taken • Time spent per transaction is capped – critical to balance quality and time spent on each transaction • Accuracy of volume forecast is key to planning and profitability 	Price per minute	<ul style="list-style-type: none"> • Transcom gets paid based on the time the agent spends with each customer (usually no cap) • Accuracy of volume forecast is key to planning and profitability, but less risk than in price per call models
Price per activity	<ul style="list-style-type: none"> • Typically used for back-office tasks/processes • Time spent per activity is capped – important to balance quality and time spent on each task • Transcom uses client systems and pre-defined processes • Back-office tasks usually take longer to complete than the typical call 	Price per hour	<ul style="list-style-type: none"> • Provides a greater degree of financial predictability and stability

Improved customer experience and reduced cost through process efficiency

THE CLIENT SITUATION

This client is an established leader in the global consumer electronics market, with a strong position in high-tech electronics manufacturing and digital media.

At the start of Transcom's partnership with this client, we realized that the cost associated with the service booking process was too high. The analysis of the situation revealed a lack of a clearly defined end-to-end service booking process. There was a need to create stronger alignment between Transcom's customer service representatives, our client's claims processing department, and their technicians.

THE SOLUTION

Transcom's Customer Experience Management team allocated a Process Improvement Manager who assessed, reviewed, and assisted in mapping our client's business processes.

By mapping out the existing service booking procedure, we discovered that the understanding of policies was poor, and that there was no well-documented step-by-step process. Hence, all individuals involved, from the customer service representatives through to the Claims Department and the technicians, were together performing a set of procedures that did not generate the correct resolution for the end-users. The negative impact to our client's bottom line was clear. The cost of each incorrect service booking, resulting from the process misalignment, was estimated at \$120. Each month, approximately 6,000 service booking requests are launched.

After Transcom completed the process mapping and documentation, there was an official review and sign-off by the client. Transcom then translated the process maps into robust training materials and created decision trees that are easy to follow for our customer service representatives. We shared the information with our client's Claims Department and Service Center teams. We also updated our Quality Monitoring Form to ensure that we have an efficient audit mechanism in place for monitoring compliance to the agreed process.

THE RESULTS

As a result of this project, we managed to reduce the number of incorrect service booking requests from a 7% threshold (the target set by our client) to 3%. The reduction in errors translates directly into a reduction of our client's costs for service bookings – from approximately \$500,000 in 2013 to \$250,000 (projected) in 2014.

After this project, Transcom has become a trusted business partner to this client, expanding our service delivery to them from Customer Service to Customer Experience Management – supporting our client on process improvements and innovation activities.

Innovative knowledge management solution, enhancing productivity and customer experience

THE CLIENT SITUATION

At the start of this client project, we observed performance gaps on agent productivity and quality of support, due to a lack of appropriate tools. The issue was that we did not have a dynamic and well-designed Knowledge Base (KB) system that could aid our agents in supporting and resolving customer issues. Also, our client's existing Knowledge Base had no reporting capabilities. Thus, our Management Team and Process Owners did not have the capability to monitor and analyze data trends for planning and decision-making purposes. They also did not have dedicated Knowledge Management resources to analyze, design, develop, manage and maintain knowledge base content. The reference information that our agents had to use was spread out across many different documents, affecting their productivity negatively.

THE SOLUTION

Transcom's Customer Experience Management team analyzed the situation and arrived at a solution through a detailed review and mapping of processes and key issues. In order to improve overall agent performance, customer satisfaction, and solution accuracy, there was clearly a need to develop and implement a robust and dynamic knowledge base (KB) system. This KB system had to address known gaps on agent productivity and quality.

We proposed a "One-Stop-Shop" repository of support tools and materials. This system features a User Interface design that includes a responsive "Search" functionality, clearly outlined "Decision Trees" for troubleshooting top call drivers, as well as robust product simulators that help the agents walk a customer through troubleshooting steps, take less time to handle their calls, and ensure compliance to policies and procedures.

Included in Transcom's proposal was the creation of a team of experienced content developers who focus on designing and managing the Knowledge Base learning materials. This same group of individuals is also tasked with functioning as point of contact for all the KB-related needs of the client and our internal Operations Team.

Following approval by our client, the KM program was launched in late September 2013, initially supporting almost 200 agents. The KM team has grown from three dedicated content developers to nine members by January 2014, as requested by the client. The team has since developed a significant amount of content, supporting four lines of business.

THE RESULTS

As usage of the KB tool increased, we also started experiencing improvements in agent productivity and performance quality. Average Handle Time was reduced by 23 seconds, and Customer Satisfaction survey results reached an all-time high of 85% vs. the 80% target.

An extensive global footprint

Our global delivery network with 62 sites across five continents is one of the most extensive in our industry. We deliver services from onshore, near shore as well as from offshore contact centers. Our wide geographic presence means that we can offer our clients flexibility with regards to sourcing options and devise solutions that are well-adapted to clients' needs. Transcom's global business is managed within five units.

NORTH EUROPE



The North Region consists of Sweden, Norway, Denmark, Latvia, Lithuania, Estonia, and the Netherlands.

Share of total revenue

30%

Highlights 2013

- Implementation of new price model with large client, improving financial predictability and stability
- Closure of loss-making Danish CRM operations
- Significant growth in interpretation business
- New sites in Umeå, Sweden and Oslo, Norway
- Closure of the Norrköping site in Sweden
- A number of smaller, unprofitable contracts were ended

Priorities 2014

- Continued implementation of new price model with large client, enhancing financial predictability and stability
- New business development

(€m)	2013 Jan-Dec	2012 Jan-Dec	Growth
Revenue	197.0	180.4	9.2%
Gross profit	30.3	28.2	7.4%
Gross margin	15.4%	15.6%	
EBIT	4.4	6.0	-27.0%
EBIT margin	2.2%	3.3%	
EBIT adj*	5.0	6.6	
EBIT margin adj	2.5%	3.7%	

CENTRAL & SOUTH EUROPE



The Central & South Europe region consists of Austria, Belgium, Croatia, Germany, Hungary, Italy, Luxembourg, Poland, Switzerland, and Tunisia.

Share of total revenue

22%

Highlights 2013

- Deconsolidation of Transcom's former loss-making French subsidiary
- Belgian operation divested
- Renegotiation of labor agreements in Germany, lowering costs and increasing flexibility
- Significant volume increase with installed client base in Italy

Priorities 2014

- Further develop near shore, multilingual delivery capacity

(€m)	2013 Jan-Dec	2012 Jan-Dec	Growth
Revenue	145.8	138.3	5.5%
Gross profit	27.6	18.7	48.1%
Gross margin	18.9%	13.5%	
EBIT	4.5	-7.4	-
EBIT margin	3.1%	-5.4%	
EBIT adj*	4.2	-5.3	
EBIT margin adj	2.9%	-3.8%	

IBERIA & LATAM



The Iberia & Latam region consists of Chile, Peru, Portugal, Spain and Colombia.

Share of total revenue

20%

Highlights 2013

- New contact center opened in Cali, Colombia
- Valdivia site in Chile closed
- Volume increase with telecom and financial services clients in Spain

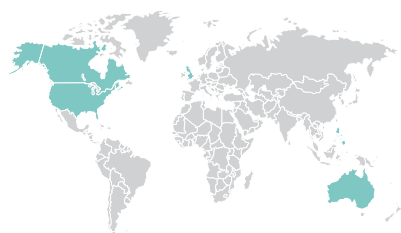
Priorities 2014

- Expansion with local clients in Latin America

(€m)	2013 Jan-Dec	2012 Jan-Dec	Growth
Revenue	130.9	119.4	9.6%
Gross profit	25.2	24.3	3.7%
Gross margin	19.3%	20.4%	
EBIT	3.1	5.1	-39.3%
EBIT margin	2.3%	4.2%	
EBIT adj*	3.7	5.4	
EBIT margin adj	2.8%	4.6%	

* Excluding non-recurring costs

NORTH AMERICA & ASIA PACIFIC



The North America & Asia Pacific region consists of Canada, the Philippines, USA, the United Kingdom and Australia.

Share of total revenue

19%

Highlights 2013

- Significant expansion of operations in the Philippines
- London, Ontario site closed in order to improve capacity utilization onshore
- Realignment of management structure, and expansion of management team, in order to increase focus and accountability

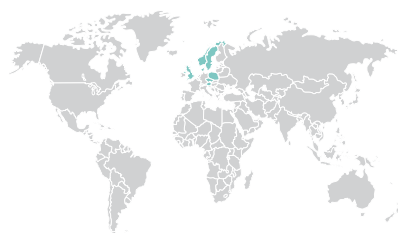
Priorities 2014

- Continue expanding in local markets in Asia Pacific
- Create opportunities for profitable growth in North America

(€m)	2013 Jan-Dec	2012 Jan-Dec	Growth
Revenue	122.7	112.1	9.4%
Gross profit	30.4	27.1	12.4%
Gross margin	24.8%	24.1%	
EBIT	-1.4	-2.3	-
EBIT margin	-1.1%	-2.1%	
EBIT adj*	-1.4	0.2	
EBIT margin adj	-1.2%	0.2%	

* Excluding non-recurring costs

CREDIT MANAGEMENT SERVICES



CMS operations in Austria, the Czech Republic, the United Kingdom, Poland, Denmark, Norway and Sweden (Germany deconsolidated as per December 30, 2013).

Share of total revenue

9%

Highlights 2013

- CMS Germany sold to Tesch Group, a portfolio company of Avedon Capital Partners, for €9.0 million on a cash and debt free basis
- Measures implemented to lower production and overhead costs
- CMS UK integrated with the Central & South region, effective January 1, 2014

Priorities 2014

- Finalize strategic review for remaining CMS country units. Primary options considered include a divestment and/or the integration of parts of the business with Transcom's CRM operations.

(€m)	2013 Jan-Dec	2012 Jan-Dec	Growth
Revenue	56.8	55.3	2.7%
Gross profit	17.5	13.6	28.8%
Gross margin	30.9%	24.6%	
EBIT	5.1	1.7	194.3%
EBIT margin	9.0%	3.1%	
EBIT adj*	6.2	1.9	
EBIT margin adj	10.9%	3.5%	

Building sustainability through people

At Transcom, our 29,000 people make all the difference. Every day, our customer experience specialists handle approximately 1.4 million interactions with our clients' customers in more than 33 languages. We rely on knowledgeable, motivated people to deliver a great customer experience every time – in any customer situation and throughout any channel. Our ability to find the right people with the right skills and attitudes, in combination with efficient training methods and processes to drive performance, is essential to making this happen.

In a people-intensive business like ours, where long-term success largely depends on the ability to attract and develop the right people, we believe it makes sense to focus our corporate social responsibility (CSR) efforts on people as well. During 2013, our stakeholder dialogues verified this view.

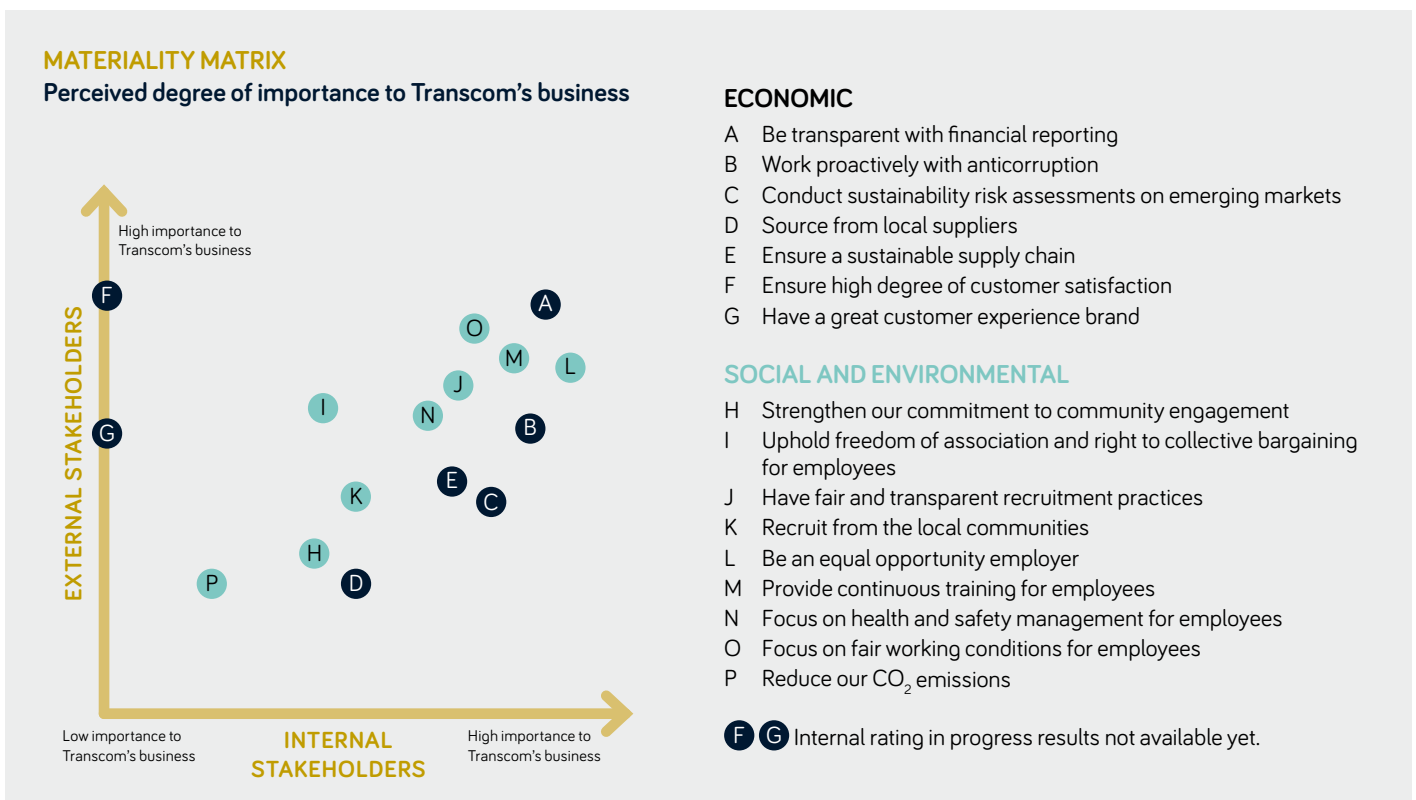
MATERIALITY RESULT

Transcom has conducted a materiality analysis in order to identify which sustainability aspects are considered to be most material and to prioritize amongst these in order to allocate adequate resources to achieve the highest impact. The process began in 2012 when employees were involved via internal stakeholder dialogues on the topic of CSR. Regular dialogues are conducted with

investors to keep them informed of our performance, challenges and opportunities.

This year, Transcom also conducted specific external stakeholder dialogues through web-based surveys and feedback meetings on significant CSR aspects with key groups, such as investors, ESG and equity analysts, clients and media.

The result can be seen in the matrix below. It shows the rated importance and relevance of all sustainability issues to internal and external stakeholder groups. Materiality analysis is an on-going process at Transcom which needs to continuously adapt to our fast-growing business. At the moment, two aspects are rated only by external stakeholders: customer satisfaction and customer brand experience. As they are an integral part of Transcom's operations, these aspects will be rated internally during 2014.



Given the nature of our operations, both internal and external groups rated environmental issues the lowest. This does not mean that they are unimportant, but simply that they are considered to be the least material sustainability aspect for Transcom. Therefore, we have limited our environmental KPIs to business travel, which we try to minimize.

The issues considered most material were the following: being transparent with financial reporting, being an equal opportunity employer and to provide continuous training for employees. The external and internal rating was very similar with no major discrepancies. The results overall confirmed the relevance of the focus areas of Transcom's CSR program, further described below.

“TRANSCOM CARES” LAUNCHED IN 2013

At Transcom, Corporate Social Responsibility (CSR) means that we always do our utmost to do the right thing by our clients, our people and our communities. We are convinced that our commitment to sustainability also helps us to attract, retain and develop the best people, which is critical to our long-term success.

In November 2013, we established Transcom Cares as the overarching governance program for Transcom's Corporate Social responsibility (CSR) activities. Transcom Cares was initially started several years ago as a concept for our community engagement activities in the Philippines. Now, we are making Transcom Cares global and we are also broadening the program's scope to provide strengthened governance and coordination for all Transcom's CSR focus areas: people development, equality & diversity, and community engagement.

Read more about our CSR governance in the Corporate Governance report on pages 27–33.

PEOPLE DEVELOPMENT

Transcom's ability to attract and develop top talents is business critical. In order to ensure that we are successful in finding the right people, the company has a clear goal of becoming an employer of choice in our industry. Besides offering a stimulating working experience, competitive compensation and robust training, the opportunity for career development is one of the key factors that attracts new talents to the company.

We offer a multitude of opportunities for employees to develop in their roles. There is a clearly defined career progression, either as a line manager or specialist. There are hundreds of examples of senior leaders at Transcom who started out as agents or in junior support roles. We have a high retention of the best people because we are strong on promoting training and career development. This translates into a skilled workforce with a high degree of specialist knowledge.

The absolute majority of our first line management positions, as well as functional specialist roles, are filled by internal candidates. In 2012, Transcom launched a careers portal accessible to all employees where they can search for positions of interest within the company and apply directly online. Career growth opportunities within Transcom are attractive, not least in our fastest-growing

operations. In 2013, Transcom decided to launch a redesigned Talent Management Program, putting the necessary tools in place to manage the process on a global level, ensuring greater transparency and efficiency. This program will be implemented in 2014. In 2013, Transcom also decided to design and implement a program with the objective of identifying top candidates in a structured way.

Transcom does not promote a single operating model that has to work everywhere in our global operation. We manage people according to a different philosophy – for everyone's benefit. We use consistent structures and processes, but adapt our personnel management to local conditions. We see our employees in their social context. So starting with the same expectations and the same framework for measurement in five different business units, we can manage people in five different ways, while still achieving the same top results. Transcom's flexibility extends to building up networks of qualified home agents in many markets, as well as service centers. This extends our recruiting base and also contributes to expertise development and lower attrition rates.

Our investment in people and internal mobility also simplifies our recruiting activities. All of our Business Managers, and five out of six Team Leaders, are internally recruited. When we do recruit externally, approximately 20 percent of our recruitments come through recommendations – up to 40 percent in some markets.

A people's business requires good leaders. Therefore, Transcom is committed to ensuring good leadership on all levels of management. In 2012 Transcom launched a global training- and coaching program addressing first line management. We continued the implementation of this program during 2013 with good results.

MOST IMPORTANT ASPECTS TO EACH STAKEHOLDER GROUP

Employees	<ul style="list-style-type: none"> • Be an equal opportunity employer • Be transparent with financial reporting • Work proactively with anticorruption
Owners	<ul style="list-style-type: none"> • Provide continuous training for employees • Be transparent with financial reporting • Have fair and transparent recruitment practices
Investors	<ul style="list-style-type: none"> • Provide continuous training for employees • Focus on fair working conditions for employees • Ensure high degree of customer satisfaction • Focus on health and safety management for employees
Equity analysts	<ul style="list-style-type: none"> • Be transparent with financial reporting • Focus on fair working conditions for employees • Be an equal opportunity employer
ESG analysts	<ul style="list-style-type: none"> • Focus on fair working conditions for employees • Uphold freedom of association and right to collective bargaining • Ensure high degree of customer satisfaction
Clients	<ul style="list-style-type: none"> • Have fair and transparent recruitment practices • Be an equal opportunity employer • Focus on fair working conditions for employees

EQUAL OPPORTUNITIES

Transcom is focused on attracting top talent and retaining people to build a truly global company that is prepared to meet and deliver towards diverse business cultures in all corners of the world. We strive for gender equality on all levels, and are dedicated to showing that equal opportunity employment is part of our DNA. Diversity of cultures and languages is fundamental to our service delivery capability, e.g. in our multilingual near shore centers.

The gender distribution among managers is good overall, with women making up 51 percent of managerial employees. Our target is to improve this number even more.

A unique position that Transcom is proud to fill in many markets is that of a platform for career development for young people and new graduates. In many countries, we are a top employer of people aged 18–26. Our agents learn about direct client interaction in a dynamic environment, strengthening their communication and technology skills; they become product specialists, handle conflicts and, in turn, are rewarded for a job well done. Transcom is proud of the role we play in the lives of our current and former employees.

COMMUNITY ENGAGEMENT

Local community engagement is how Transcom Cares started. Getting involved in the communities in which we operate not only strengthens our employer brand, but also maintains our license to operate in the markets where we choose to compete. Many of our community engagement activities depend on our employees' passion to contribute their time and energy.

People want to work for a company that has a sustainable approach to business and that contributes to building communities. It is clear that our community engagement activities support recruitment and staff retention.

Transcom also runs programs to make life easier for our employees. On-site child care centers, pharmacies, and employee microloans are some examples.

ENVIRONMENTAL CARE

Transcom has a precautionary approach to all environmental challenges in our operations. We undertake training and support local initiatives with our employees to encourage greater environmental responsibility in our workplaces and always promote environmentally friendly technologies and equipment. Our focus is on minimizing our greenhouse gas emissions through limiting business travel and decreasing energy consumption in all our facilities. Our data from 2013 reflect our increased monitoring, measurement and reductions of carbon emission.

CSR AREA	TARGET
Equal opportunities	<ul style="list-style-type: none"> • Increase the number of women in managerial positions in the coming three years in order to better reflect the gender distribution for the total workforce. • Promote equal opportunities by increasing awareness and focus on the issue throughout the organization.
People development	<ul style="list-style-type: none"> • Become the employer of choice in the industry, in order to attract and retain top talent. • Promote internal career development through bringing inspiring case examples to light. • Introduce a global Talent Management program.
Anticorruption	<ul style="list-style-type: none"> • Continue with anticorruption training, reaching all managers by 2015. • Complete anticorruption screening of major suppliers during 2014.
Climate Change and energy consumption	<ul style="list-style-type: none"> • Reduce CO₂ emissions by minimizing business travel and increasing use of teleconferencing. • Review the energy consumption at all facilities and sites.
Human rights	<ul style="list-style-type: none"> • Complete CSR assessment of 20 largest suppliers during 2014. • Perform CSR risk analysis of value chain. • Initiate complete CSR procurement process with self-assessments, evaluation and audits.

Carbon emissions	2013	2012
CO ₂ emission, business travel (tonnes)	1,827	1,508
CO ₂ emission, per employee (tonnes/employee)	0.065	0.051
CO ₂ emission, by revenue (tonnes/million €)	2.80	2.49

Many of our senior leaders started as agents or in junior support roles



Juan Brun, Spain

First job at Transcom?

Started as team leader in July 2002

Current position?

Operations Director for Iberia & Latam Region (2010)

What do you like the most about a career at Transcom?

“To be able to work with committed and talented people as our people makes the difference in our business, they are the engine of the company.”



Øistein Lund, Norway

First job at Transcom?

Started as agent in 1997

Current position?

Contact Center Manager Norway (2006)

What do you like the most about a career at Transcom?

“The possibility to continuously take on new challenges as the career path is evolving. For me it has been a great experience to be part of the Transcom Norway journey from the beginning in 1997.”



Dyne del Rosario-Tubbs, Philippines

First job at Transcom?

Started as Quality Assurance Specialist in April 2006

Current position?

Senior Client Operations Manager (2013)

What do you like the most about a career at Transcom?

“I was given the opportunity to test the waters in different departments enabling me to find out where I would like to build a career. Transcom has always been good at looking after me and addressing my concerns.”

>85% OF TRANSCOM'S MANAGERS ARE RECRUITED INTERNALLY



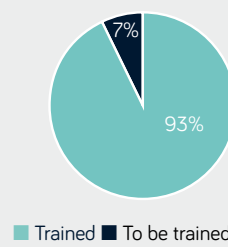
Total number of employees per region

Region	Total # of employees
North Europe	5,050
Central & South Europe	5,947
Iberia & Latam	6,056
North America & Asia Pacific	10,632
CMS	761
Corporate	145

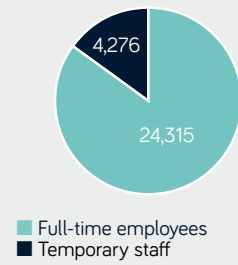
Composition of governance body per employee category according to gender

Employee Category	% men	% women
Managers	49	51
Teamleaders	47	53
Employees	43	57

Percentage of managers who have received anticorruption training



Full-time employees and temporary staff, 2013



Transcom's core values:

PASSION

- We are relationship-, network- and service-driven
- We see our clients' customers' challenges as our own, and always go that extra mile to deliver service
- We are passionate about improving customer experience – whenever and wherever possible

EXCELLENCE

- We have high ambitions – going for leadership in customer experience
- We focus on quality in everything we do
- We incorporate industry and company best practices to continuously improve the way we deliver

INNOVATION

- We are progressive and move quickly to anticipate new customer trends and needs
- We are open-minded, exploring new ways to support and deliver improved customer experience
- We greet new ways of working with openness and enthusiasm

Corporate governance

1 OVERVIEW

Transcom WorldWide S.A. (“Transcom”) is a Luxembourg public limited liability company (a société anonyme), and its SDRs are listed on the NASDAQ OMX Stockholm Exchange.

Transcom recognizes the importance of, and is committed to the highest standards of corporate governance. Among other things, this means that Transcom:

- Maintains an efficient organizational structure with clearly defined areas of responsibility,
- Ensures that its financial reporting is transparent and
- Continuously strives to be a good corporate citizen.

Transcom’s corporate governance structure is illustrated below:

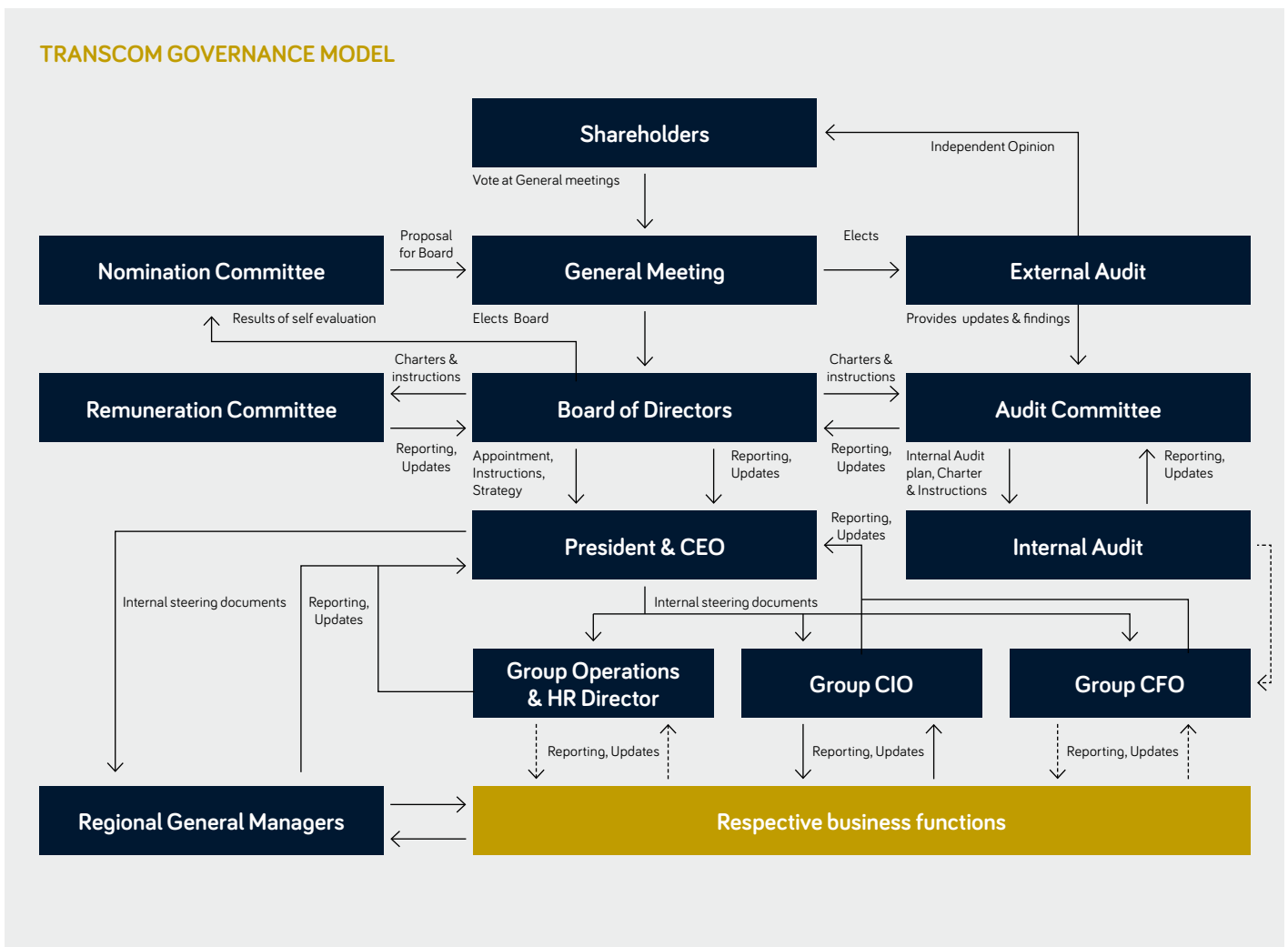
Corporate governance within Transcom is based on the Luxembourg law and the listing requirements of the NASDAQ OMX Stockholm. Transcom follows the “Ten Principles of Corporate Governance” of the Luxembourg Stock Exchange, as published in May 2013. Refer to page 31-32 for related explanations.

Internal regulations that affect corporate governance include Articles of Association, the Corporate Governance Charter, the Board’s instructions to the CEO, CFO and Regional General Managers (RGMs), Code of Business Conduct, Insider Trading policy and other policies/steering documents issued within the Group. The Corporate Governance Charter is available on the company’s website.

2 SHAREHOLDERS’ MEETING

The Shareholders’ meeting is the apex governing body for Transcom. Amongst other key powers provided for by the applicable Luxembourg laws, the general meeting of shareholders is also the only one authorized to amend the articles of association of the Company. The quorum and majority requirements vary depending on the nature of the resolution in question, as per applicable Luxembourg law and the articles of association of the Company.

The Annual General Meeting (“AGM”) is convened in Luxembourg each year on the last Wednesday of the month of May at 10 am at the registered office of the Company or at such other place as may be specified in the notice convening the Meeting.



The Annual general meeting has the rights conferred by Luxembourg laws and the operating processes of the AGM are in line with the applicable Luxembourg laws.

In 2013, one shareholders' meeting was held: the statutory AGM on May 29, 2013. At the meeting, shareholders representing 59.78 percent (rounded) of the total number of class A shares, were present either personally or by proxy. (For further details on voting rights, refer to page 38 and Note 15 to accounts. Information related to number of shares issued, the number of shares with voting rights and the number of treasury shares is available on Page 38).

Shareholders exercised their rights to decide on the key affairs and the following resolutions were adopted by the AGM:

- Approval of the annual accounts and the consolidated accounts for the financial year ended 31 December 2012.
- Allocation of the results as of 31 December 2012.
- Discharge of the liability of the members of the board of directors for, and in connection with, the financial year ended 31 December 2012.
- Re-election of all existing Directors for the period until the close of the next AGM.
- Election of Statutory auditors.
- Determination of Directors' fees.

- Approval of the procedures for the Nomination committee.
- Approval for guidelines on remuneration of Senior Executives.
- Approval of a long term incentive plan for executive management for 2013 (the "LTIP 2013").

The minutes of the AGM are available on Transcom's website. The next AGM will be held on May 28th, 2014.

3 MAJOR HOLDINGS

Transcom's share ownership is disclosed on page 38 under "The Transcom share and shareholders" section. All other significant relationships between Transcom and its major shareholders, in so far as it is aware of them, are described in note 27 "Related Party Transactions".

4 NOMINATION COMMITTEE

The Nomination Committee is formed each year in October in consultation with the largest shareholders of Transcom.

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.

The Nomination Committee invites proposals from shareholders wishing to propose candidates for election to the Board of Directors. The Nomination Committee will submit a proposal for the composition of the Board of Directors; remuneration for the Board of Directors and the auditor; and a proposal on the Chairman of the 2014 Annual General Meeting, which will be presented to the 2014 Annual General Meeting for approval. The Nomination Committee met three times during 2013.

	No of meetings attended
Mia Brunell Livfors (Chair)	3/3
Stefan Charette	3/3
Arne Lööw	1/3

5 BOARD OF DIRECTORS

As per the applicable Luxembourg laws, the board of directors is elected by shareholders' meetings, and can be removed at any time, with or without cause, by a resolution in shareholders' meetings.

	INDEPENDENCE STATUS		REMUNERATION		ATTENDANCE	
	Vis-à-vis major shareholders	Vis-à-vis the company and its management	Incl. any remuneration for Committees	Board	Audit Committee	Remuneration Committee
Laurie Bowen	Independent	Independent	46,000	7	6	
Henning Boysen	Independent	Independent	94,500	8 (C)	6	3 (C)
Stefan Charette	Not independent	Independent	46,000	8	6	
Alexander Izosimov	Independent	Independent	42,500	7		3
Dermot Jenkinson	Independent	Independent	42,500	6		3
Mikael Larsson ¹⁾	Not independent	Independent	57,500	8	6 (C)	2
Roel Louwhoff	Independent	Independent	40,000	5		
Number of meetings (Total)				8	6	3
- Physical meetings				5	4	3
- Conference calls				3	2	-

1) Mikael Larsson joined the Remuneration Committee after AGM held in May 2013 and attended both meetings held thereafter

(C) Chairman of Board/Committees

The President and CEO and CFO were present at all Board meetings.

The Board of Directors is ultimately responsible for the organization of Transcom and the management of its operations. The President and CEO, appointed by the Board of Directors, is responsible for handling the day-to-day management of the Company in accordance with instructions from the Board. The President and CEO is supported by the Executive Management Committee (the "Executive Committee") which includes Head of Group functions and Regional General Managers (RGM's).

The Board of Directors, in addition to the instructions to The President and CEO, has also issued formal instructions to the Chief Financial Officer and Regional General Managers following the "Grandfather Principle".

5.1 Composition of the Board of Directors of the Company ("The Board of Directors")

The Board of Directors is comprised of seven directors whereof:

- Five Directors are independent vis-à-vis major shareholders and
- All Directors are independent vis-à-vis the management.

Summary curriculum vitae for each Director and the list of paid positions held by them in other companies is disclosed on pages 36–37.

The table on page 28 gives an overview of the meetings held by the Board of Directors and its committees in 2013, as well as information about the attendance and remuneration of Directors in 2013.

The principal criteria used by the Company in order to determine the independence of the members of its Board of Directors are those listed in Annex ii of the European Commission recommendations of February 15, 2005 on the role of Non-Executive Directors (and members of the Supervisory Board) of listed companies and on the committees of the Board (or Supervisory Board).

5.2 The responsibility of the Board of Directors and work in 2013

The Board of Directors is in charge of the overall governance and strategic direction of the Company. The Board of Directors provides effective support for, and control

of, the activities of the Executive Committee. It is responsible for the performance of all acts of administration necessary or useful for accomplishing the Company's purposes, except for matters reserved by Luxembourg law to the general meeting of shareholders.

In order to carry out its work more effectively, the Board of Directors has created a Remuneration Committee and an Audit Committee. These committees handle business within their respective areas and present recommendations and reports on which the Board of Directors may base its decisions and actions. The internal regulations of the Audit Committee and the Remuneration Committee along with the internal regulations of the Nomination Committee have been formally defined in the corporate governance charter.

In 2013, the Board addressed and discussed the following (apart from regular matters in the annual Board work cycle):

- Continuous work relating to strategic plans and direction
- Settlement agreement concerning former French subsidiary
- Review and approval of new sites and other investment proposals
- Corporate social responsibility related matters
- Divestment of German CMS operations
- Tax matters
- Financing matters
- Organizational design and alignment
- Executive Committee's updated risk assessment.

EVALUATION OF THE BOARD AND ITS COMMITTEES

The Board of Directors carries out an annual assessment wherein the Board of Directors evaluates its own performance and the performance of its committees. As part of the evaluation process, the Chairman carried out one-on-one feedback sessions with each individual board member, which also included feedback on performance in committees. This annual assessment process also entails a review of competencies, board process and internal communication within the board. A sum-

mary of the evaluation is also presented to the Nomination Committee. This process is conducted in accordance with the corporate governance charter of the Company. Consequently, the remuneration committee was strengthened further in 2013.

5.3 REMUNERATION COMMITTEE

At the statutory Board of Directors meeting following the 2013 Annual General Meeting, the Board of Directors decided that the Remuneration Committee be comprised of Henning Boysen, Mikael Larsson, Alexander Izosimov, and Dermot Jenkinson. Henning Boysen was elected as its Chairman.

The responsibilities of the Remuneration Committee include issues regarding salaries, pension plans, bonus programs and other employment terms for the President & CEO and senior management.

The Remuneration Committee held three meetings during 2013; all the members attended the meetings.

5.4 AUDIT COMMITTEE

At the statutory Board of Directors meeting following the 2013 Annual General Meeting, the Board of Directors decided that the Audit Committee be comprised of Mikael Larsson, Stefan Charette and Laurie Bowen. Mikael Larsson was elected as its Chairman.

On behalf of the Board, the Audit Committee discharges its responsibilities in the following areas:

- a. The scope and correctness of financial statements
- b. Compliance with legal and regulatory requirements
- c. Internal control environment
- d. Risk management
- e. Code of Business conduct

The Audit Committee focuses on ensuring quality and accuracy in the Company's financial reporting, the internal controls within the Company, the qualification and independence of the auditors and the Company's adherence to prevailing rules and regulations. Where applicable, it reviews transactions between the Company and related parties.

For details of audit committee meetings and attendance, refer to the table on page 28. The CEO, CFO, Statutory audit engagement partner, Head of Internal Audit, Group Financial Controller, Head of Group Tax, etc. were called to the meeting as required. The Audit Committee met once in 2013 with the Statutory auditors, without the presence of the management.

6 EXECUTIVE COMMITTEE

The Board of Directors has appointed an executive management team (the "Management Team" or Executive Committee). A full list of its members is provided on pages 34-35.

6.1 Responsibility and reporting – corporate social responsibility (CSR)

Jörgen Skoog, Global Operations & HR Director, is responsible for the implementation of Transcom's CSR strategy. Regional General Managers inform Jörgen on a regular basis about CSR activities and results in their respective business units. Jörgen regularly reports on CSR to Transcom's Executive Committee, and President & CEO Johan Eriksson informs the Board of Directors on progress and challenges specifically related to CSR.

7 REMUNERATION

The guidelines for remuneration for members of the Executive Committee are approved by the Annual General Meeting of Shareholders. Refer to the AGM minutes on Transcom's website for details. Further details on the remuneration policy for Board members and members of Executive Committee can be found in the Corporate Governance Charter on the website. The total amount of remuneration and other benefits granted directly or indirectly by the Company to the members of its Board of Directors is provided in note 3. The total amount of remuneration and other benefits granted directly or indirectly by the Company to the members of its Management Team is provided in note 3.

Transcom did not grant any loan to any member of its Board of Directors or to any member of the Management Team.

8 MARKET ABUSE RELATED CONSIDERATIONS

Transcom has adopted and applies an insider trading policy.

9 INTERNAL CONTROL

The Board of Directors has overall responsibility for Transcom's risk and internal control systems and for monitoring their effectiveness. The Board of Directors monitors the ongoing process by which critical risks to the business are identified, evaluated and managed. The Board of Directors also regularly reviews the actual performance of the business compared with budgets and forecasts, as well as other key performance indicators.

Transcom's internal control systems are designed to manage, rather than eliminate, risks that might impact on the achievement of its objectives, and can only provide reasonable, and not absolute assurance against material misstatement or loss. In assessing what constitutes reasonable assurance, the Board of Directors considers the materiality of financial and non-financial risks and the relationship between the costs of, and benefit from, internal control systems.

Each year the Audit Committee assesses the effectiveness of Transcom's risk management and internal controls system (including financial, operational and compliance controls) on the basis of:

- Established procedures, including those already described, which are in place to manage perceived risks;
- Management reviews and responds to internal audit and Statutory auditors' reports, and advises the Audit Committee on controls;
- The continuous Group-wide process for formally identifying, evaluating and managing the significant risks to the achievement of the Group's objectives; and
- Reports to the Audit Committee on the results of internal audit reviews.

Executive Committee and senior management are responsible for the implementation and maintenance of the risk and internal control systems, which are reviewed periodically. Transcom has a matrix organi-

zation, which means that those on the Executive Committee are responsible for ensuring that the work within their regions is carried out efficiently.

Lines of responsibility and delegated authorities are clearly defined. The Group's policies and procedures are regularly updated and distributed throughout the Group. The principal features of the Group's systems of internal control are designed to:

- Maintain proper accounting records;
- Provide reliable financial information;
- Identify and manage business risks;
- Maintain compliance with appropriate legislation and regulation; and
- Identify and adopt best practice; and
- Safeguard assets.

Internal audit (referred to as Group Internal Control in the Company) reviews the effectiveness of risk and internal control systems throughout the Group. The principal features of the control framework and the methods by which the Board of Directors satisfies itself that it is operating effectively are detailed below.

CONTROL ENVIRONMENT

Transcom has an established governance framework, the key features of which include:

- Terms of reference for the Board of Directors and each of its committees;
- A clear organizational structure, with documented delegation of authority to Executives from the Board.
- A Group policy framework, which sets out risk management and control standards for the Group's operations worldwide; and
- The Group's basic guidelines for management of its activities and decision-making processes are governed by the Group's code of conduct.
- Defined procedures for the approval of major transactions and capital allocations.

Financial reporting: Transcom has established an accounting policy which is updated as required. It contains detailed guidelines of the financial reporting principles adopted by the Company. The Group Financial Controller manages the reporting process to ensure the completeness and

correctness of financial reporting and its compliance with IFRS requirements.

Anticorruption management:

Transcom's Code of Business Conduct, available in 17 languages, covers the four areas of The UN Global Compact, environmental care, human rights, labour rights and anticorruption practices, all of which Transcom respects and supports fully. All employees are required to sign the Code when starting their employment with Transcom and are given suitable training on the key values of the Code. Further, we have implemented a Supplier Code of Business Conduct to promote ethical business practices in our supply chain.

Whistleblower process: The Board of Directors has established a whistleblowing process which enables personnel to report violations in accounting, reporting, internal controls, non-compliance with Code of Business Conduct, Group policies, applicable laws, etc. Personnel are requested to report the matters to local Human Resources manager or to Transcom's internal whistleblower function at whistleblower.reporting@transcom.com. The whistleblower reporting mechanism also facilitates anonymous reporting. All allegations are taken seriously and an enquiry is conducted to not only investigate the alleged violations, but also to identify root causes to facilitate further strengthening of internal controls.

CORPORATE PLAN

The Management Team submits an annual corporate plan to the Board of Directors for approval. The plan includes a quantified assessment of its planned operating and financial performance for the next financial year for each business unit, together with a strategic plan for the group for the following two years.

Group management reviews the plans with each operational team. The individual plans are based on key economic and financial assumptions and incorporate an assessment of the risk and sensitivities underlying the projections.

PERFORMANCE MONITORING AND REVIEW

Monthly performance and financial reports are produced for each business unit, with comparisons to budget. Reports are consolidated for overall review by the Management Team together with forecasts for the income statement and cash flow. Detailed reports are presented to the Board of Directors on a regular basis.

RISK IDENTIFICATION, ASSESSMENT AND MANAGEMENT

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.

Transcom's risk management framework is based on the following key principles:

- a. Comprehensive scope: Risks are assessed for a number of defined categories. The Executive committee is responsible for reviewing and monitoring the financial, strategic, human resources, operational, commercial, technological, compliance and other applicable risks. It monitors the completeness of the Group's risk profile on a regular basis through a Group risk monitoring framework. This helps the Company to proactively identify the most important risks. The risk assessment process also entails identification of risk owners in the Company.
- b. Regular reporting: Risks are evaluated in terms of their potential impact and likelihood. The results of the risk assessment along with mitigation plans for key risks are presented to the Audit Committee on a periodic basis for review.
- c. Follow up: Risk mitigation plans are followed up on a periodic basis and the status of mitigation plans/activities are periodically reported to the Audit Committee.

The Group Internal Control function is responsible for coordinating and monitoring the risk management processes in the Group and consolidating the periodic risk reporting for the Board of Directors and the Audit Committee.

Transcom continuously works to improve the policies which govern the management and control of both financial and non-financial risks. The adoption of these policies throughout the Group enables a broadly consistent approach to the management of risk at business unit level.

The table on pages 32–33 sets out a summary of key risks Transcom faces while operating in a highly fragmented and competitive global industry.

MONITORING

The Board of Directors reviews the effectiveness of established internal controls through the Audit Committee, which receives reports from the Management Team and the Group's internal control function as described above.

Transcom's Internal Control function is responsible for following up on critical risks and action plans and reporting the status of action plans to the Audit Committee on a periodic basis.

10 EXPLANATION FROM THE COMPANY OF ITS DECISION RELATING TO CORPORATE GOVERNANCE AND KEY DEVIATIONS FROM THE SWEDISH CORPORATE GOVERNANCE CODE

Corporate governance within the Company is based on Luxembourg law and the Company follows the "Ten Principles of Corporate Governance" issued by the Luxembourg Stock Exchange, except as described below.

Instead of recommendation 4.2 and the associated recommendations related to structure of nomination committee of the Ten Principles of Corporate Governance, the Nomination Committee of the Company is made up of representatives of major shareholders and two out of three representatives are not members of the Board of the Company. The nomination committee is elected during the third quarter of the year.

Instead of recommendation 9.3, the current Audit Committee is composed of three directors, two of whom are not independent vis-à-vis the shareholders and one director is independent vis-à-vis both the management and the shareholders of the Company. However, all Audit committee meet-

ings held in 2013 were also attended by the Chairman of the Board, who is independent vis-à-vis both the management and the shareholders, ensuring adequate independence in the functioning of the Audit Committee, thereby aligning with the intent of the recommendation cited above.

The governance framework adopted by the Company is in principle compliant with the regulations contained in the Swedish Corporate Governance Code, subject to key deviations mentioned below.

Instead of rule 1.5 and 1.7 of the Swedish Corporate Governance Code, the shareholders' meetings are conducted in English; the related material presented at such meetings and the minutes is also in English. English is the official language of the Company and the only language comprehensible to all key stakeholders given that the Company's place of registration and stock market listing are in different countries. Instead of rule 6.1 of the Swedish Corporate Governance Code, the chairman of the

board is elected by the Board of Directors at the statutory board meeting following the Annual General Meeting. This is in line with the Luxembourg law, the Company's articles of association and the recommendation 2.4 of the Ten Principles of Corporate Governance.

Risk	How it may impact Transcom	Transcom's management of risks
Business risks		
Economic risks	Ongoing volatility in the global economy may have an adverse effect on our clients' businesses which could have a material adverse effect on our revenue, profitability & strategy.	We continuously observe the economic development to align our strategy and goals in view of the ever-evolving economic condition.
Client & industry concentration	A significant portion of the Company's revenues is generated from a limited number of key clients in few industry sectors. Any significant loss of work from one or more of these clients, or a prolonged downturn in one or more of these industry verticals, could adversely affect our business.	We systematically monitor this risk with multiple variables at site level. Our strategy aims to increasingly diversify the risks by operating in different geographies, clients and industry verticals.
Capacity utilization & productivity/efficiency risks	Our financial results depend on our capacity utilization and our ability to manage our workforce efficiently in view of client demands. Any sustained failure in ensuring optimal capacity utilization and/or optimal productivity/efficiency may have a material adverse effect on the Company's overall profitability.	We have established a governance structure for review of investments in capacity. Our core processes are designed to optimize these critical KPIs. We systematically and continuously monitor capacity utilization and efficiency for each client, site, and program and continuously identify remediation plans and focus areas for improvement.
People related risks	If Transcom is unable to attract and retain skilled staff, this may adversely impact the Company's business. The customer care outsourcing industry is prone to high staff attrition.	Transcom has deployed robust talent management and career development programs which help us in talent retention, more details are available in pages 23–24. Furthermore, the Company carries out periodic employee satisfaction surveys and other benchmarking exercises to identify improvement areas and further strengthen our position as employer of choice in our industry.
Disasters, disruption & hazard risks	Continuity of our operations may be affected by natural events, wars, terrorist attacks, other civil disturbances, epidemics, technical failures etc. Any sustained disruption of our services may lead to significant deterioration in our profitability from the affected site/country/region.	We carry out detailed business impact analysis and have developed business continuity plans, which are periodically tested through drills and updates. For technological risks, we have developed back up & disaster recovery plans and strategies. Also, we have secured insurance against business interruptions and loss of profit for a limited period.
Exchange rate fluctuation risks	We are exposed to exchange rate fluctuations: Transaction exposure: In some contracts (mostly offshore delivery) we have costs and revenues in different currencies. Translation exposure: A movement in the value of a currency relative to the Euro (which is Transcom's reporting currency) could impact the results.	Transcom continuously monitors foreign exchange fluctuations. As a principle, we aim to avoid foreign exchange fluctuation risks by trying to negotiate contracts with costs and revenues in the same currency. Furthermore, the Audit Committee has approved a formal hedging policy which governs the terms, conditions and procedure for any hedging transaction executed by the Company.

Risk	How it may impact Transcom	Transcom's management of risks
Impairment risk	A substantial part of our assets consists of goodwill and any significant impairment would affect our results and shareholders' equity.	We annually evaluate the Goodwill on our balance sheet to identify any necessary impairment requirements, in view of the best available information;
Significant increase in input costs	If we are unable to pass on any significant increase in our key input costs – Human resources, technology, telecommunication, etc. to clients, our operating results could be adversely affected.	Transcom tries to apply bespoke pricing and/or commercial models with clients, where possible, We continuously monitor events and legislations which can lead to significant increases in our input costs. Also, we are continuously evaluating new locations for our delivery centers in countries with stable and competitive wages and other input costs.
Tax audits & litigation risks	The Group is subject to tax audits in the normal course of business. A negative outcome in respect of such audits or litigation may have a materially adverse effect on the Group's business, financial condition and results of operations, beyond what has already been provided for.	We observe all applicable laws, rules, regulation and disclosure requirements. We seek to plan and manage our tax affairs efficiently in all the jurisdictions in which we operate and to ensure that decisions taken are supported with documentation that supports the facts, conclusions and risks involved. We engage external tax experts for advice in complex matters to ensure that our interpretation and application of tax laws of the concerned jurisdiction is consistent and prudent. We follow tax litigations closely and create provisions in relation to tax risks for which management believes it is probable. All transactions we engage in must have business purpose or commercial rationale.
Corporate Social Responsibility-related risks		
Corruption and other unethical practices	We have operations in countries which have been assessed as more risky for corrupt practices. Any corrupt practices engaged in by our employee(s) may affect our goal to be a responsible corporate citizen.	We have zero tolerance towards any corrupt and unethical practices. Our Code of Business Conduct is available in 17 languages. All our employees sign this document when they start their employment. They are given suitable training on the key values of the Code including current anti-corruption practices. All managers receive training on this topic every year.
Supply chain malpractices	Any violations of ethical business practices by our vendor(s) may affect our goal to be a responsible corporate citizen.	We have a formal Supplier Code of Business Conduct (SCBC) based on the 10 principles of the UN Global compact. SCBC covers ethical business practices, respect for human and labor rights, and environmental care. All suppliers, including their employees, agents and subcontractors are expected to adhere to SCBC and make a commitment by signing. In 2013, we have established a process of supplier self-assessment to control adherence to the requirements in our SCBC, starting with the largest suppliers.

Executive management

Johan Eriksson,
President & Chief
Executive Officer and
Acting General Mana-
ger, North America &
Asia Pacific region



Born: 1965

Share ownership, including related natural and legal persons, as at Dec 31, 2013: 250,000 Class A shares and 750,000 Class B shares

Johan was appointed President and Chief Executive Officer of Transcom in 2011. He joined Transcom in October 2010 to head up our operations in the Nordics as General Manager of the North Europe Region.

Immediately before joining Transcom Johan spent three years as President & CEO of international staffing and recruitment company, Poolia AB (publ). He joined Poolia from Loomis, one of the world's leading players in Cash Handling services, where he held the post of Chief Operating Officer, responsible for operations in 14 countries. Between 1992 and 2007 he worked for the global outsourced security business, Securitas, latterly as Regional President for the Nordic Region. During his time with the company he also held posts in the UK, Germany, Austria and Sweden.

Johan holds a Bachelor of Science (BSc) in Business Administration and Economics from the University of Karlstad.

Significant commitments outside of Transcom: Member of the Board of Scan Coin Holding AB.

Roberto Boggio,
General Manager,
Central & South
Europe Region



Born: 1959

Share ownership, including related natural and legal persons, as at Dec 31, 2013: 214,000 A shares and 208,000 B shares.

Roberto joined Transcom's Group Executive team in July 2011, and is responsible for our operations in Italy, Croatia, Germany, Hungary, Poland and the United Kingdom as well as the offshore operations in Tunisia that serve the French and Italian markets.

Prior to his current role, Roberto served as Transcom's Italy Country Manager for seven years.

Before joining Transcom, Roberto's career in the outsourcing industry includes ten years of general management experience, and an additional ten years at Hewlett Packard (HP). Roberto is a member of the Board of the Italian Call Center Association since the late 1990s, and is currently vice president of the Association.

Roberto holds a degree in Business Administration from Bocconi University in Milan.

Pär Christiansen,
Chief Financial
Officer (CFO) and
Acting General
Manager, CMS
business unit



Born: 1973

Share ownership, including related natural and legal persons, as at Dec 31, 2013: 0 Class A shares and 100,000 Class B shares

Pär Christiansen joined Transcom in 2013 as Chief Financial Officer (CFO).

Before joining Transcom, Pär served as CFO of MTR Stockholm, the MTR company that operates the Stockholm underground system. Prior to this role, Mr Christiansen held a number of senior management positions at SAS Group, the Scandinavian airline carrier, most recently as Vice President Group Business & Financial Control at SAS Operations. He also has management consulting experience from Establish Inc.

Pär Christiansen holds a Master of Science Degree in Mechanical Engineering from the Lund Institute of Technology, as well as a Bachelor's Degree in Economics and Business Administration from the University of Lund.

Christian Hultén,
General Manager,
North Europe
Region



Born: 1967

Share ownership, including related natural and legal persons, as at Dec 31, 2013: 135,857 Class A shares and 42,000 Class B shares

Christian joined Transcom in 2012 as General Manager of the North Europe Region, with responsibility for Transcom's operations in Sweden, Norway, Denmark, the Netherlands, and the Baltic countries.

Prior to joining Transcom, Christian was CEO of ZeroLime, a software company developing and deploying video-based recruitment solutions. Christian also spent several years in senior management roles at Sykes. He was also part of the management team that established the Excellent Group in the Nordics.

Christian holds a Masters Degree in Political Science, International Relations from the University of Uppsala.

Sytze Koopmans,
Chief Information
Officer (CIO)



Born: 1954
Share ownership, including related natural and legal persons, as at Dec 31, 2013: 198,000 Class A shares and 0 Class B shares

Sytze Koopmans joined Transcom as CIO in 2013, and is responsible for Transcom's ICT infrastructure, ICT infrastructure operations, client ICT offering support and maintaining and implementing the ICT strategic roadmap.

Prior to joining Transcom, Sytze held a number of CIO and CTO positions in the telecommunication, engineering, fulfillment and contact center industries, including with ClientLogic International Operations (now: Sitel).

Sytze holds Master degrees in Electrical Engineering and Computer Science from the Twente University in the Netherlands.

Neil Rae,
General Manager
(North America)



Born: 1975
Share ownership, including related natural and legal persons, as at Dec 31, 2013: 494,465 Class A shares and 0 Class B shares

In 2014, Neil Rae was given responsibility for Transcom's operations in North America, reporting to the General Manager for the North America & Asia Pacific region. Neil joined Transcom in 2004 as a Key Account Manager and has also served in the roles of Director of Client Services, Director for Sales and Account Management, Country Manager in North America, and as General Manager for the North America & Asia Pacific region between January 2012 and December 2013.

Before joining Transcom, Neil spent two years at the helm of a training and development consulting firm in Toronto, Canada. Neil has also held a leadership position at a business services company specializing in working with commercial properties.

Neil holds a BA from the University of Guelph.

Isabel Sánchez-Lozano,
General Manager,
Iberia & Latam
Region



Born: 1963
Share ownership, including related natural and legal persons, as at Dec 31, 2013: 161,640 Class A shares and 0 Class B shares

Isabel joined Transcom in 2011 as General Manager of Iberia and Latin America. She is responsible for our operations and business activities in Spain, Portugal and Latin America.

Before joining Transcom, Isabel spent more than 20 years in the contact center industry, holding senior roles at several key customer care outsourcing players, including Teleperformance Spain, where she served as CEO and President for more than 11 years.

Isabel is also the president of the Spanish Contact Centre Association.

Isabel holds a Degree in Law from the Universidad Autónoma de Madrid and a Masters in Marketing, Communication and Publicity, which she completed at the Instituto de Directivos de Empresa.

Jörgen Skoog,
Global Operations
and HR Director



Born: 1960
Share ownership, including related natural and legal persons, as at Dec 31, 2013: 50,000 Class A shares and 50,000 Class B shares

Jörgen was appointed to Transcom's Group Executive team in 2011. He joined Transcom in 2002 as HR manager for the North Region and has also served as Head of Operations for North Europe, Acting General Manager for the North Europe Region, and Acting General Manager for the former Central Europe Region.

Jörgen's experience prior to joining Transcom includes 13 years with the Ericsson Group, where he held positions in global management of Human Resources as well as in Administration.

Jörgen holds a degree in Human Resource Management and Enterprise Organization from University of Karlstad.

Siva
Subramaniam,
General Manager
(Asia Pacific)



Born: 1958
Share ownership, including related natural and legal persons, as at Dec 31, 2013: 0 Class A shares and 0 Class B shares

In 2014, Siva Subramaniam was given the responsibility for Transcom's activities in Asia Pacific, reporting to the General Manager for the North America & Asia Pacific region.

Prior to this role, Siva served as Transcom's Country Manager for The Philippines and Head of Sales for the Asia Pacific region since 2009.

Siva has more than 26 years of contact center management experience. Prior to joining Transcom, Siva was the Vice President for Customer Experience at AIG Consumer Finance Group in Asia. He also held senior roles with Aspect Software as the Vice President for Business Development & Marketing (Asia Pacific & Middle-East), TeleTech International, Avaya Global Services Asia Pacific and Deloitte Consulting (Customer Relationship Management Practice).

Board of Directors



Henning Boysen, Chairman of the Board

Chairman of the Board of Transcom WorldWide S.A. since 2012. Joined Transcom WorldWide S.A.'s Board in 2009. Chairman of the Remuneration Committee of Transcom Worldwide S.A.
Born: 1946
Nationality: Danish citizen
Share ownership, including related natural and legal persons, as at Dec 31, 2013: 75,353 Class A shares and 75,352 Class B shares
Mr Boysen is Chairman of Kuoni, one of Europe's leading leisure travel companies, a position he has held since 2006, board member since 2003. Other board assignments: Chairman of Apodan Nordic and member of the board of Nupo AS. Mr Boysen was formerly President and CEO of Gate Gourmet from 1996 to 2004. Between 1988 and 1992 he was COO and Deputy President of Saudia Catering in Saudi Arabia. Mr Boysen holds a Masters in Economics from Aarhus University, Denmark.



Laurie Bowen

Joined Transcom WorldWide S.A.'s Board in 2012. Member of the Audit Committee of Transcom WorldWide S.A.
Born: 1961
Nationality: American and British citizen
Share ownership, including related natural and legal persons, as at Dec 31, 2013: 0 Class A shares and 0 Class B shares
Mrs Bowen is currently CEO, Cable & Wireless Business Solutions. She has held numerous international leadership roles including President, Enterprise Business for Tata Communications (part of the multinational Indian Tata Group), President of British Telecom's Global Financial Services business and the Chief Executive of BT Radianz. Mrs Bowen spent over twenty years at IBM working in the USA and Europe in a number of senior leadership positions, including global roles in the telecommunications and financial services sectors. Mrs Bowen graduated from Washington University in St Louis, USA, with an MBA and BSc degrees in Electrical Engineering and Computer Science.



Stefan Charette

Member of the Board of Transcom WorldWide S.A. since 2011. Member of the Audit Committee of Transcom WorldWide S.A.
Born: 1972
Nationality: Swedish citizen
Share ownership, including related natural and legal persons, as at Dec 31, 2013: 786,490 Class A shares and 183,300 Class B shares
Chairman of the Board of the public companies Concentric AB and Note AB and board member of the public companies Haldex, Lindab and Creades. Experience from 9 public boards and 6 nomination committees. CEO of public investment company Creades AB. Previously CEO of the public companies Investment AB Öresund, AB Custos and private company Brokk AB. Mr Charette holds a MSc in Mathematical Finance from Cass Business School and a BSc in Electrical Engineering from the Royal Institute of Technology.



Alexander Izosimov

Joined Transcom WorldWide S.A.'s Board in 2012. Member of the Remuneration Committee of Transcom WorldWide S.A.
Born: 1964
Nationality: Russian citizen
Share ownership, including related natural and legal persons, as at Dec 31, 2013: 0 Class A shares and 7,000,000 Class B shares
Mr. Izosimov is a director of LM Ericsson AB, Modern Times Group (MTG), East Capital AB, EVRAZ Group S.A., EVRAZ Plc and Dynasty Foundation. He is also on the Executive Board of ICC (International Chamber of Commerce), and has been a member of the Board of the GSMA (the governing body for the global mobile telecommunications industry), as well as a member of the Russian Prime Minister's Council for Competitiveness and Entrepreneurship. Alexander Izosimov served as Chief Executive Officer of the VimpelCom Group and, latterly, the enlarged VimpelCom Ltd, which is one of the world's largest emerging market telecommunications companies, between 2003 and 2011. Mr. Izosimov previously held several senior management positions at Mars, Inc. over a period of seven years, including as a member of the Global Executive Management Board and as Regional President for Russia, the CIS, Eastern Europe and the Nordics. Mr. Izosimov also worked as a consultant for McKinsey & Co in Stockholm and London for five years.
Mr. Izosimov graduated from the Moscow Aviation Institute with a Master's degree in Science and from INSEAD with an MBA.



Dermot Jenkinson

Joined Transcom WorldWide S.A.'s Board in 2012. Member of the Remuneration Committee of Transcom WorldWide S.A.

Born: 1954

Nationality: British citizen

Share ownership, including related natural and legal persons, as at Dec 31, 2013: 1,800,000 Class A shares and 0 Class B shares

Dermot Jenkinson is the founder of beCogent Ltd, and was the company's Chairman until its sale in August 2010. Mr. Jenkinson remained with the business in an advisory capacity until March 2011. Mr. Jenkinson has a wide range of other business interests, including membership of the boards of John Menzies plc and the Scottish Friendly Society. Mr. Jenkinson was previously Executive Chairman of Early Learning Centre and Executive Chairman of Smythsons. Mr. Jenkinson was also one of the founder shareholders of Regal Hotel Group, and was its director from inception until the business was sold in 1999. Mr. Jenkinson won Scottish Entrepreneur of the Year 2009, and is a graduate of the GSIA program at Carnegie Mellon University in Pittsburgh, USA.



Roel Louwhoff

Member of the Board of Transcom WorldWide S.A. since 2007.

Born: 1965

Nationality: Dutch citizen

Share ownership, including related natural and legal persons, as at Dec 31, 2013: 8,499 Class A shares and 8,323 Class B shares

Previously Chief Executive Officer of BT Operate, part of British Telecom plc. and responsible for all communication-services during the London 2012 Olympic Games. Before that Chief Operating Officer for the international business process outsourcer ClientLogic Corporation. Before that, Chief Operating Officer at SNT Group, a European call center provider. His early career was as a management consultant with Andersen Consulting (now Accenture) where he worked in the CRM practice in Europe and North America. Mr Louwhoff holds an MBA from University of Groningen in the Netherlands.



Mikael Larsson

Joined Transcom WorldWide S.A.'s Board in 2012. Chairman of the Audit Committee of Transcom WorldWide S.A. Member of the Remuneration Committee of Transcom WorldWide S.A.

Born: 1968

Nationality: Swedish citizen

Share ownership, including related natural and legal persons, as at Dec 31, 2013: 0 Class A shares and 0 Class B shares

Mr. Larsson is a member of the boards of BillerudKorsnäs AB, Vireo Energy AB, and a number of wholly owned companies within the Investment AB Kinnevik group. Mikael Larsson is Chief Financial Officer of Investment AB Kinnevik since 2001. Prior to joining Kinnevik, Mr. Larsson worked six years with audit and transaction advisory services at Arthur Andersen in Stockholm. He also has experience from his position as Group Controller at Scandinavian Leisure Group (today Thomas Cook Northern Europe). Mr. Larsson is a graduate in Business Administration from Uppsala University.

The Transcom share and shareholders

The Annual General Meeting of Kinnevik shareholders held on May 18, 2001 voted to distribute new A and B shares in Transcom WorldWide on the Stockholmsbörsen O-List and on the NASDAQ Stock Exchange in New York. The new shares consequently began trading on September 6, 2001, under the symbols TWWA and TWWB in Stockholm, and TRCMA and TRCMB in New York. In May 2003, Transcom delisted its shares from the NASDAQ Stock Exchange. Transcom class A and B Share SDRs are currently listed on the NASDAQ OMX Nordic Exchange's Small Cap list under the symbols "TWW SDB A" and "TWW SDB B".

As per 31 December 2013, Transcom had an issued capital of EUR 53,557,907.519 divided into a total of 1,245,532,733 shares of which 622,767,823 are of class A with one voting right each and

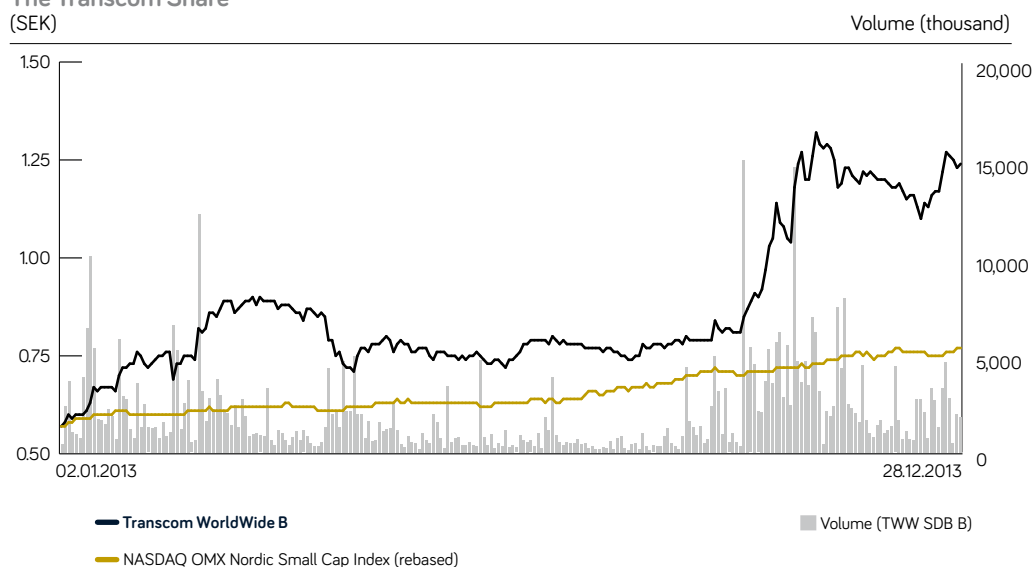
622,764,910 are of class B with no voting rights. The total number of voting rights in Transcom, including Transcom treasury shares, as per 31 December 2013 is 622,767,823¹. The total number of voting rights in Transcom, excluding Transcom treasury shares², as per 31 December 2013 is 622,755,130.

The market capitalization of Transcom WorldWide S.A. at the close of business on December 31, 2013 was SEK 1,525.8 million (€172.3 million).

¹ This is the number of voting rights to be taken into account for the calculation of the thresholds provided for in Article 8 of the Luxembourg law of 11 January 2008 on transparency requirements for issuers of securities.

² The voting rights attached to the treasury shares held by Transcom are suspended in accordance with Luxembourg applicable law.

The Transcom Share (SEK)



Transcom shareholders as at Dec 31, 2013*	SDB A	SDB B	Total shares (A+B)	% of capital	% of votes
Investment AB Kinnevik	247,164,416	163,806,834	410,971,250	33.0%	39.7%
Creades AB	82,152,249	0	82,152,249	6.6%	13.2%
Avanza Pension	25,255,461	54,682,968	79,938,429	6.4%	4.1%
Nordnet Pensionsförsäkring AB	13,388,587	64,870,413	78,259,000	6.3%	2.1%
Fjärde AP-fonden	25,242,492	28,322,625	53,565,117	4.3%	4.1%
Unionen	22,517,200	24,117,200	46,634,400	3.7%	3.6%
Nordea Fonder	20,963,978	23,456,789	44,420,767	3.6%	3.4%
Total, top 7 shareholders	436,684,383	359,256,829	795,941,212	63.9%	70.1%

* Shareholders owning at least 3 percent of capital

Directors' Report

Principal activities

Transcom (the "Company") is a global customer experience specialist, providing customer care, sales, technical support and credit management services through an extensive network of contact centers and work-at-home agents.

Transcom's operations add value to clients' businesses by supporting the creation of outstanding customer experiences, while reducing cost and helping to drive growth. Transcom does this directly, by delivering exceptional multi-channel customer service and support in a cost-effective way. But Transcom's goal is also that the Company's activities benefit other parts of clients' businesses. For example, Transcom's analytics capabilities can generate insights that ultimately contribute to the creation of a differentiated customer experience, setting Transcom's clients apart in an increasingly competitive marketplace.

At the end of 2013, Transcom employed approximately 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. Whether onshore, off-shore or near shore, Transcom agents are focused on delivering outstanding customer experiences, driving satisfaction, brand loyalty and additional sales while also adding insights and value to clients' business operations.

Capitalization

As at December 31, 2013, the issued and outstanding share capital was €53,557,907.519 consisting of 622,767,823 Transcom WorldWide Class A voting shares, each with a nominal value of €0.043, and 622,764,910 Transcom WorldWide Class B non-voting shares, each with a nominal value of €0.043, with a total market capitalization of SEK 1,525.8 million (€172.3 million).

Stock Exchange Listing

On September 6, 2001, Transcom was listed on the O-list of the Stockholm Stock Exchange, the Stockholmsbörsen. Transcom class A and B shares are currently listed on the NASDAQ OMX Nordic Small Cap list under the symbols "TWW SDB A" and "TWW SDB B".

Executive Management

Johan Eriksson was appointed President and Chief Executive Officer of Transcom in 2011 (joined Transcom in 2010 as General Manager of the North Europe Region). Mr Eriksson also currently serves as Acting General Manager of Transcom's North America & Asia Pacific region.

Pär Christiansen joined the company as Chief Financial Officer in 2013.

Sytze Koopmans joined Transcom in 2013 as Chief Information Officer. In 2013, *Neil Rae* was appointed General Manager North America, reporting to the General Manager of the North America & Asia Pacific region (joined Transcom in 2004).

Siva Subramaniam was appointed General Manager Asia Pacific in 2013, reporting to the General Manager of the North America & Asia Pacific region (joined Transcom in 2009).

Christian Hultén joined Transcom as General Manager of the North Europe region in 2012. During 2011, *Isabel Sánchez-Lozano* joined the Company as General Manager of the Iberia & Latam region, and *Roberto Boggio* was appointed General Manager of the former South region, now Central & South Europe (joined Transcom in 2004).

Jörgen Skoog, Operations & HR Director, was appointed to Transcom's Group Executive team in 2011 (joined Transcom in 2002).

Board procedures

Transcom's Board held eight Board meetings during 2013, of which five were physical meetings and three were held via conference calls. The Audit Committee held six meetings during 2013, of which four were physical meetings and two were held via conference calls. The Remuneration Committee held three meetings in 2013, of which two were physical meetings and one was held via conference call.

2013 activities

Business review

At the end of 2013, The Company had 62 operating centers employing almost 29,000 people, providing services from 26 country markets. Transcom's global operations are divided into five units: North Europe, Central & South Europe, Iberia & Latam, North America & Asia Pacific, and Credit Management Services (CMS).

Please refer to pages 20–21 for a review of performance and significant developments during the year in each region.

Consolidated results

Net revenue in 2013 increased by 7.9% to €653.2 million (2012: €605.6 million). Earnings before interest and taxes (EBIT) increased to €-5.4 million (2012: €-17.6 million). Operating income in 2013 was impacted by a €21.1 million write-down of goodwill related to the CMS business unit. This impairment is a non-recurring, non-cash charge to earnings. It will not affect Transcom's liquidity, cash flow or bank covenants, or have any impact on future operations. The charges are based on long-term assessments, and not specifically related to the short-term performance of the respective business unit.

Transcom reported a pretax loss of €-12.2 million (2012: €-23.6 million), with a net loss of €-18.6 million, compared with €-30.6 million in 2012. Transcom reported earnings per share (before dilution) of -1.5 Euro cents (-2.4 Euro cents in 2012).

Transcom's 2013 results were impacted by restructuring and other non-recurring costs amounting to €23.0 million. These costs are mainly related to the goodwill write-down described above, as well as to capacity adjustments and organizational restructuring undertaken during the year in order to increase efficiency and lower the cost base.

Excluding the effect of restructuring and other non-recurring costs, earnings before interest and taxes (EBIT) in 2013 increased to €17.6 million (2012: €8.9 million).

Financial position

Operating cash flow before changes in working capital in 2013 was €7.1 million (2012: €-9.3 million). Net cash flows used in investing activities amounted to €-4.5 million (2012: €-9.4 million). The working capital movement was €2.8 million (2012: €-3.1 million).

Transcom made no acquisitions in the financial year ended December 31, 2013. Transcom had liquid funds of €58.4 million (2012: €42.6 million) at December 31, 2013. Gross debt was €94.4 million (2012: €80.7 million) giving a net debt of €36.2 million. The equity to assets ratio at December 31, 2013 was 32.2% (37.1% at December 31, 2012).

Research and Development

During the year ended 31 December 2013, the Company did not conduct R&D activities.

Risk Management

The Company's operations are affected by several risks which, to varying degrees, have an impact on the Company's revenue and financial position. These risks are monitored and to the extent possible, controlled by the Company. The risk factors which are deemed to be of most significance to the Company are described in the Corporate Governance report on pages 32-33.

Requirements of article 11 (1) of the law of 19 May 2006 on takeover bids ("Law on Takeover Bids")

According to the Law on Takeover Bids, Transcom is required to publish certain information on the following items:

- (a) Structure of the share capital with, among other, the indication of different classes of shares and the rights attached to them together with the percentage of total share capital represented by each class. Such information is provided on page 38 in the section "The Transcom share and shareholders" of this Annual Report.
- (b) Restrictions on transfer of securities – As per the articles of association of Transcom, there are no restrictions on the transfer of shares. However, Transcom's insider trading policy includes an approval process (CEO/CFO approval) for insider trading.
- (c) Direct and indirect shareholding is presented on page 38 in the section "The Transcom share and shareholders".
- (d) This section is not applicable to Transcom as there are no holders of any securities at Transcom with special control rights.
- (e) The system of control of any employee share scheme where the control rights are not exercised directly by the employees. The Long Term Incentive Programs for 2012 and 2013 were approved by the annual general meeting of shareholders in 2012 and 2013 respectively and they are published on Transcom's website (www.transcom.com).
- (f) Apart from the existence of class A voting shares and class B non-voting shares in the share capital of Transcom, there are no restrictions on voting rights attached to the shares.
- (g) As of the date hereof, Transcom is not aware of any agreements between the shareholders that may result in restrictions on the transfer of securities and/or affect their voting rights.
- (h) The corporate governance of the Company is described and can be found in the articles of association of Transcom and the corporate governance charter posted on Transcom's website, as well as in the corporate governance section of this annual report.
- (i) The powers of the board members, and in particular the power to issue and buy back shares can be found in the articles of association of Transcom, corporate governance charter and the resolutions of the annual general meeting of the shareholders taken on 29 May 2013, all posted on Transcom's website.
- (j) This section of the Law of Takeover Bids is not applicable to Transcom.
- (k) The remuneration guidelines for senior executives were approved by of the annual general meeting of the shareholders on 29 May 2013. Any agreements between Transcom and the board members or the employees are made on a case by case basis according to the customary laws in the country in which they are employed.

Post Balance Sheet Events

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.

Outlook

Entering 2014, Transcom will continue to focus on revenue growth and improved profitability through operational efficiency and business development.

Transcom's seat capacity utilization continued to improve in 2013 as a result of successful business development and necessary capacity adjustments in some geographical areas. Transcom's target will always be to optimize the utilization of available capacity, and this will continue to be an important focus area throughout 2014.



Henning Boysen
Chairman of the Board of Directors,
Luxembourg, Grand Duchy of Luxembourg

April 10, 2014

Five-year summary

	2013	2012	2011	2010	2009
Revenue (€m)	653.2	605.6	554.1	589.1	560.2
Profit/loss before tax (€m)	-12.2	-23.6	-32.0	-5.6	25.3
Profit/loss for the year (€m)	-18.6	-30.6	-50.4	-8.0	20.6
Net cash flow from operating activities (€m)	9.9	-12.4	27.5	29.1	17.7
Net cash flow from operating activities per share (Euro cents)	1	-1	32	40	24
Earnings per share (Euro cents)	-1.5	-2.4	-63.0	-11.0	28.0
Return on Equity	-15.2%	-23.0%	-29.5%	-4.6%	12.0%
Operating margin	-0.8%	-2.9%	-5.1%	-1.1%	4.3%
Equity ratio	32.2%	37.1%	43.0%	45.8%	45.6%
Net debt/EBITDA	1.5	2.0	0.8	2.5	2.3

Consolidated income statement

for the year ended December 31, 2013

€ 000	Note	2013	2012
Revenue	2	653,184	605,581
Cost of sales	3, 4, 6	-522,086	-493,749
Gross profit	2	131,098	111,832
Marketing expenses	3, 4	-5,963	-6,459
Administrative expenses	3, 4, 5	-107,255	-102,742
Restructuring expenses	19, 25	-7,082	-247
Impairment of intangible assets	6	-21,125	-20,641
Net gain on disposal of business	25	5,128	-
Other operating income/expenses		-246	622
Operating loss	2	-5,445	-17,635
Financial income	7	123	366
Financial expenses	7	-6,913	-6,320
Loss before tax		-12,235	-23,589
Income tax expense	8	-6,328	-6,975
Loss for the year		-18,563	-30,564
Attributable to:			
- equity holders of the parent		-18,563	-30,564
- non-controlling interests		-	-
Earnings per share attributable to equity holders of the parent	9		
Earnings before and after dilution per A class share, Euro cent per common share		-1.5	-2.4
Earnings before and after dilution per B class share, Euro cent per common share		-1.5	-2.4

Consolidated statement of comprehensive income

for the year ended December 31, 2013

€ 000	2013	2012
Loss for the year	-18,563	-30,564
Other comprehensive income		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	-3,198	1,522
	-3,198	1,522
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Actuarial profit/loss on post employment benefit obligations	-138	-388
Income tax effect	75	-
	-63	-388
Other comprehensive income for the year, net of tax	-3,261	1,134
Total comprehensive income for the year, net of tax	-21,824	-29,430
Attributable to:		
- equity holders of the parent	-21,824	-29,430
- non-controlling interests	-	-

Consolidated statement of financial position

for the year ended December 31, 2013

€ 000	Note	Dec 31, 2013	Dec 31, 2012
ASSETS			
Non-current assets			
Intangible assets	10	116,334	147,921
Property, plant and equipment	11	15,609	14,518
Deferred tax assets	8	4,784	3,540
Other receivables	24	1,143	1,350
		137,870	167,329
Current assets			
Trade receivables	12, 24	98,557	89,827
Income tax receivables		4,823	3,542
Other receivables	13, 24	26,039	25,149
Prepaid expenses and accrued income	24	19,966	29,685
Cash and cash equivalents	14, 24	58,362	42,600
		207,747	190,803
TOTAL ASSETS		345,617	358,132

Consolidated statement of financial position (continued)

for the year ended December 31, 2013

€ 000	Note	Dec 31, 2013	Dec 31, 2012
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	15		
Share capital		53,558	53,558
Other contributed capital		11,458	11,458
Reserves		17,583	20,704
Retained earnings including net loss for the year		28,743	47,306
		111,342	133,026
Non-current liabilities			
Interest bearing liabilities	17, 24	16	70,572
Employee benefit obligations	18	2,635	2,834
Provisions	19	2,225	10,518
Deferred tax liabilities	8	2,680	2,650
Income tax payables		4,417	-
Other liabilities		73	67
		12,046	86,641
Current liabilities			
Interest bearing liabilities	17, 24	94,425	10,167
Provisions	19	2,576	16,559
Trade payables	24	25,562	24,797
Income tax payables		9,809	544
Other liabilities	20, 24	37,931	24,726
Accrued expenses and prepaid income	21, 24	51,926	61,672
		222,229	138,465
Total liabilities		234,275	225,106
TOTAL EQUITY AND LIABILITIES		345,617	358,132

Consolidated statement of changes in equity

for the year ended December 31, 2013

€ 000	Equity attributable to equity holders of the parent								Total
	Share capital	Other contributed capital	Reserves				Retained earnings		
			Legal reserve	Equity based payments	Foreign translation reserve	Other reserves			
As at January 1, 2013	53,558	11,458	4,213	42	-11,461	27,910	47,306	133,026	
Loss for the year	-	-	-	-	-	-	-18,563	-18,563	
Other comprehensive income for the year, net of tax	-	-	-	-	-3,198	-63	-	-3,261	
Total comprehensive income for the year, net of tax	-	-	-	-	-3,198	-63	-18,563	-21,824	
Equity based payments	-	-	-	140	-	-	-	140	
As at December 31, 2013	53,558	11,458	4,213	182	-14,659	27,847	28,743	111,342	
As at January 1, 2012	53,558	11,458	3,908	-	-12,983	28,298	78,175	162,414	
Loss for the year	-	-	-	-	-	-	-30,564	-30,564	
Other comprehensive income for the year, net of tax	-	-	-	-	1,522	-388	-	1,134	
Transfer of legal reserve	-	-	305	-	-	-	-305	0	
Total comprehensive income for the year, net of tax	-	-	305	-	1,522	-388	-30,869	-29,430	
Equity based payments	-	-	-	42	-	-	-	42	
As at December 31, 2012	53,558	11,458	4,213	42	-11,461	27,910	47,306	133,026	

Consolidated statement of cash flows

for the year ended December 31, 2013

€ 000	Note	2013	2012
Cash flows from operating activities			
Loss before tax		-12,235	-23,589
<i>Adjustments for non cash items:</i>			
Depreciation and amortization	6	9,123	11,083
Impairment losses	6	21,125	20,641
Change in provisions including employee benefit obligations	18, 19	1,678	-13,496
Result from disposal of business		-5,128	-
Other non-cash adjustments		431	3,207
Income taxes paid		-7,885	-7,136
Cash flows from operating activities before changes in working capital		7,109	-9,290
Change in operating receivables		-5,500	-14,158
Change in operating liabilities		8,301	11,009
Changes in working capital		2,801	-3,149
Net cash flow from operating activities		9,910	-12,439
Cash flows from investing activities			
Investments in property, plant and equipment	11	-8,467	-8,530
Investments in intangible assets	10	-631	-823
Investments in business, net of cash		-80	-
Disposals of property plant and equipment		193	-
Disposals of business, net of cash	25	4,475	-
Changes in other non-current assets		-8	-
Net cash flow from investing activities		-4,518	-9,353
Cash flows from financing activities			
Proceeds from borrowings	17	14,000	15,244
Payments of finance lease liabilities		-147	-
Interest paid		-2,630	-2,981
Net cash flow from financing activities		11,223	12,263
Net cash flow for the year		16,615	-9,529
Cash and cash equivalents at beginning of the year		42,600	52,076
Net cash flow for the year		16,615	-9,529
Exchange rate differences in cash and cash equivalents		-853	53
Cash and cash equivalents at end of the year	14	58,362	42,600

Notes to the consolidated financial statements

for the year ended December 31, 2013

Note 1 Summary of significant accounting and valuation policies

1.1 General

Transcom WorldWide S.A. (the "Company" or the "parent entity") and its subsidiaries (together, "Transcom" or the "Group") provide multi-language customer relationship management products and services ("CRM") and credit management services ("CMS"), including customer help lines and other telephone-based marketing and customer service programs ("teleservices") to clients in customer-intensive industries.

The Company is a limited liability Company ("Société Anonyme") incorporated and existing under the laws of the Grand Duchy of Luxembourg. The Company was registered on June 11, 1997 with the Luxembourg Register of Commerce under the number RCS B59528. The registered office of the Company is at 45, Rue des Scillas, L-2529, Luxembourg. Transcom WorldWide S.A. class A and class B shares are listed on the Nordic Exchange Small Cap list under the symbols "TWW SDB A" and "TWW SDB B".

The consolidated financial statements were authorized for issue by the Board of Directors on April 10, 2014. These consolidated financial statements will be submitted for approval at the Annual General Meeting on May 28, 2014.

1.2 Basis of preparation

The consolidated financial statements of Transcom WorldWide S.A. have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements have been prepared under the historical cost basis. The consolidated financial statements are presented in Euros which is the Group's reporting currency, rounded in thousands of Euros. The consolidated and annual accounts pertain to January 1–December 31 for income statement items and December 31 for balance sheet items.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 26.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

As at 31 December 2013, current liabilities amounted to €222,229 thousand and exceeded current assets (€207,747) mainly due to the short term nature of the existing loan facility described in note 17. On 29 January 2014, the Company refinanced on a long term basis its loan facility as further explained in notes 17 and 28 so that it will be able to face its short term payment obligations.

1.2.1 Changes in accounting policies and disclosures

New and amended standards that are effective for the first time for the financial year beginning January 1, 2013 adopted by the Group.

- A new version of IAS 1 Presentation of Financial Statements states how items within Other comprehensive income should be presented. The change requires the items to be divided into two categories: items that will be reclassified under earnings for the year and items that will not be reclassified.
- The amended IFRS 7 Financial instruments require new disclosure requirements for the settling of financial assets and liabilities.

- IFRS 13 Fair value measurement 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.
- The revised IAS 19 Employee Benefits has not had any significant impact on the report and therefore not led to any change.
- Other changes to IFRS have not had material effect on the consolidated accounts nor the disclosures.

Standards issued but not yet effective

- The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.
- IFRS 9 Financial Instruments, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), these amendments are effective for annual periods beginning on or after 1 January 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.
- IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 clarifies the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to clarify for off-setting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.
- IFRIC Interpretation 21 Levies (IFRIC 21) clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

1.3 Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or

convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in the income statement or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

In acquisitions where the net value of acquired assets and assumed liabilities and contingent liabilities, the difference is reported as goodwill. When the difference is negative, it is recognized in the Income statement.

Intra-Group receivables and liabilities, revenue and expenses, and unrealized gains and losses that arise from transactions between Group companies are eliminated in the consolidated accounts.

The financial reports of subsidiaries are included in the consolidated accounts from the acquisition date until control ceases. When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

1.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Euro (€)', which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement within "finance income/finance costs".

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the Group's presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recognized directly in other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized directly in other comprehensive income as the year's change in the foreign translation reserve.

1.5 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

• Telephone switch	5 years
• Fixtures and fittings	3–5 years
• Computer, hardware and software	3–5 years
• Office improvements and others	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other income/ other expenses' in the income statement.

1.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

(b) Customer relationships

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization and are assessed for impairment whenever there is an indication that the asset is impaired. Amortization is calculated using the straight-line method over the expected life of the customer relationship which is between 7 to 15 years.

(c) Development costs

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product, include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives, which is between 3 to 5 years.

1.7 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Transcom's operations in each segmental region are considered the Group's cash-generating units in this regard. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is recognized for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount.

Impairment losses are recognized in the income statement. Impairment losses attributable to a cash-generating unit are mainly allocated to goodwill after which they are divided proportionately among other assets in the unit. The recoverable amount of cash-generating units is the higher of their fair value less costs to sell and value in use. Value in use is measured by discounting future cash flows using a discounting factor that takes into account the risk-free rate of interest and the risk associated with the specific asset.

Impairment of goodwill is not reversed. Impairment of other assets is reversed if a change has been made in the assumptions that served as the basis for determining the recoverable amount. Impairment is reversed only to the extent the carrying value of the assets following the reversal does not exceed the carrying value that the asset would have had if the impairment had not been recognized.

1.8 Financial assets and liabilities

A financial instrument is defined as any form of agreement giving rise to a financial asset in a company and a financial liability or equity instrument in a counterparty. Financial instruments recognized in the balance sheet include, on the asset side, cash and bank balances, accounts receivable and other equity instruments, loans receivable. Included among liabilities and equity are accounts payable, debt and equity instruments in issue and loan liabilities.

Financial instruments are initially recognized at cost, corresponding to the instrument's fair value plus transaction expenses. An exception is made for financial instruments in the category financial assets or liabilities recognized at fair value through profit and loss, that are recognized at fair value excluding transaction costs. Measurement depends on how they are classified, as indicated below.

A financial asset or financial liability is recognized in the balance sheet when the company becomes party to the instrument's contractual terms. Receivables are recognized when the company has performed and there is a contractual obligation on the counterparty to pay, even if an invoice has not yet been received. Accounts receivable are recognized in the balance sheet when an invoice has been sent. Liabilities are recognized when the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Trade accounts payable are recognized when an invoice is received.

A financial asset is removed from the balance sheet when the rights in the agreement are realized, expire or the company loses control over them. A financial liability is removed from the balance sheet when the obligation in the agreement has been discharged or otherwise extinguished.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

1.9 Non-current receivables and other receivables

These receivables fall into the category Loans and accounts receivable and are assessed at their discounted current value if their expected maturity exceeds 12 months. If their maturities are shorter, they are assessed at accrued cost.

1.10 Trade receivables

Trade receivables are classified in the category loans and receivables. Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. The anticipated receivable is short, so they are carried at accrued cost without discounting.

Impairment are determined individually or according to statistical models based on historical experience in each country. Impairment needs are addressed when receivables have fallen overdue for payment by a certain number of days, which differs between countries, or if Transcom becomes aware that the counterparty has become insolvent. Provisions for impaired receivables are recognized as administrative expenses in the Consolidated Income Statement.

1.11 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

1.12 Borrowings

Borrowings are classified as other financial liabilities, which means that they are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Non-current borrowings have an anticipated maturity of more than one year, while current borrowings have a maturity of less than one year. The Group's non-current borrowings generally have short or long fixed interest periods, which means that the nominal loan amount plus accrued interest is a good approximation of the borrowing calculated according to the effective rate model.

1.13 Trade Payables

Trade payables are classified in the category other financial liabilities. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

1.14 Other payables, other liabilities, accrued expenses and prepaid income

Other payables, other liabilities, accrued expenses and prepaid income are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

1.15 Leasing

Leasing is classified in the consolidated accounts as either finance or operating leasing.

When the Group, as lessee, essentially enjoys the economic benefits and bears the economic risks attributable to the leased asset, it is classified as a finance lease. The leased asset is recognized in the balance sheet as a fixed asset, while the estimated present value of future lease payments is recognized as a liability. The portion of the lease fee that falls due for payment within one year is recognized as a current liability, while the remainder is recognized as a long-term liability.

Minimum lease fees for finance leases are divided between interest expense and amortization of the outstanding liability. Interest expense is divided over the lease term so that each reporting period is charged with an amount corresponding to a fixed interest rate for the liability recognized in each period. Variable fees are expensed in the period in which they arise.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

1.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.17 Employee benefits

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The Group's main defined benefit plans are termination indemnity plan in Italy and a pension plan in Philippines.

1.18 Share capital and treasury shares

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

1.19 Equity based payments

The Group issues equity-settled share-based payments to certain employees and key management. Equity-settled share based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is recognized as an expense on a graded vesting basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market vesting conditions. Fair value is measured using the Black-Scholes pricing model or any relevant valuation model. The expected life used in the model is adjusted at the end of each reporting period, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioral considerations.

1.20 Dividend

Dividend is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Annual General Meeting.

1.21 Provisions

Provisions for restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

1.22 Contingent liabilities

A contingent liability is recognized when there is a possible obligation that arises from past events whose existence will be confirmed only by one or more uncertain future events or when there is an obligation that is not recognized as a liability or provision because it is not probable that an outflow of resources will be required.

1.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group has two primary sources of revenues being its CRM (Customer Relationship Management) and its CMS (Credit Management Services) businesses.

In relation to its CRM business, revenue mainly arise from call services operations. The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

- Revenues related to inbound teleservices are recognized at the time services are provided on a per-call basis.
- Revenues on outbound teleservices and debt collection are recognized at the time services are provided on either a per-call, per-sale or per-collection basis under a fully executed contractual agreement and record reductions to revenues for contractual penalties and holdbacks for failure to meet specified minimum service levels and other performance based contingencies.
- Revenues from other CRM services are recognized as services are provided. Generally service revenues are billed in the month following provision of related services. Contracts to provide call center services typically do not involve fees related to customer set-up, initiation or activation.

In relation to its CMS business, revenue mainly arise from fees and commissions generated from the collection of receivables on behalf of customers.

Accrued income on CMS activities is recognized on incomplete activities where a fair assessment of the work achieved to date and the future cash inflows associated with it can be measured with reasonable accuracy. The Company calculates accrued income based on the number of collection cases expected to be solved ("success rates") in the future multiplied by the estimated cost incurred per case.

1.24 Financial income and expenses

Financial income and expenses consist of interest income on bank balances and receivables and interest-bearing securities, bank fees, interest expenses on loans, dividend income, exchange rate differences, realized and unrealized gains on financial investments, and derivatives used in financial operations.

1.25 Fair value measurement

The Group measures financial instruments, such as, derivatives, and non-financial assets, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost are disclosed in note 24.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

1.3 Cash flow statement

The cash flow statement includes changes in the balance of liquid assets. The Group's liquid assets consist of cash and bank balances. Cash flow is divided into cash flows from operating activities, investing activities and financing activities.

Cash flow from investing activities includes only actual disbursements for investments during the year.

Foreign subsidiaries' transactions are translated in the cash flow statement at the average exchange rate for the period. Acquired and divested subsidiaries are recognized as cash flow from investing activities, net, after deducting liquid assets in the acquired or divested company.

1.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to and is evaluated regularly by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the regional general manager that makes strategic decisions. Transcom's operating segments are 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), Iberia & Latam CRM (Chile, Peru, Portugal and Spain), North America & Asia Pacific CRM (Canada, the Philippines, USA, the United Kingdom and Australia), and CMS (Austria, the Czech Republic, the United Kingdom, Poland, Denmark, Norway and Sweden).

Note 2 Segmental information

2013	CRM				CMS		Total Group
	North Europe	Central & South Europe	Iberia & Latam	North America & AP	Total CRM	Total CMS	
€ 000							
Revenue							
Total segment revenue	205,049	167,603	131,805	167,775	672,232	57,481	729,713
Inter-segment revenue	-8,043	-21,775	-938	-45,098	-75,854	-675	-76,529
Revenue from external customers	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/loss from segments	4,358	4,537	3,068	-1,408	10,555	5,125	15,680
Intangible asset impairment							-21,125
Operating loss							-5,445
2012	CRM				CMS		Total Group
€ 000	North Europe	Central & South Europe	Iberia & Latam	North America & AP	Total CRM	Total CMS	Total Group
Revenue							
Total segment revenue	188,307	155,482	119,791	114,512	578,092	56,043	634,135
Inter-segment revenue	-7,877	-17,195	-358	-2,381	-27,811	-742	-28,553
Revenue from external customers	180,430	138,287	119,433	112,131	550,280	55,301	605,582
Gross profit	28,190	18,654	24,314	27,062	98,220	13,612	111,832
Profit/loss from segments	5,969	-7,444	5,051	-2,312	1,264	1,741	3,005
Intangible asset impairment							-20,641
Operating loss							-17,635

In 2013, the management changed the structure of the internal organization of the Group in a manner that has caused the composition of the Group reportable segments to change, compared to the prior financial year. Consequently, the corresponding items of segment information for the year ended 31 December 2012 have been restated. Since 2012, revenue is reported in the segment in which it is delivered.

For management purposes the business is considered from a service perspective where management separately considers multi-language customer relationship management products and services ("CRM") and credit management services ("CMS").

The Group reportable segments are composed as follows:

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

Inter-segment transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. An appropriate mark-up is being applied according to Transcom's Transfer Pricing Policy, in order to encourage use of Group resources.

Revenues from the two largest 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, 2013 (December 31, 2012: €58,344 thousand) respectively. The revenues amounting to €111,794 thousand are derived from the segments CMS, Central & South Europe and North Europe and the revenues amounting to €64,634 thousand are derived from the segments Iberia & Latam and Central & South Europe.

Note 3 Personnel expenses

Salaries, other remuneration and social security charges were as follows:

€ 000	2013		2012	
	Board of Directors and senior management	Other employees	Board of Directors and senior management	Other employees
Salaries and other remunerations	2,835	423,083	3,045	394,931
Social security charges	503	65,592	598	62,836
Pension expenses	301	8,648	234	8,971

Personnel expenses are recognized in the following line items in the income statement:

	2013	2012
Cost of sales	457,701	432,327
Marketing expenses	3,563	3,808
Administrative expenses	39,698	34,480
Total	500,962	470,615

Directors' remuneration; The President and Chief Executive Officer, Johan Eriksson, received salary and remuneration of €627 thousand in the year (2012: €641 thousand). The Chairman of the Board, Mr Henning Boysen, received €95 thousand as Board fees (2012: €95 thousand), and the other members of the Board received a total of

€275 thousand as Board fees (2012: €292 thousand). The Board fees are determined by the Annual General Meeting, compensation of the President and Chief Executive Officer is determined by the Board, compensation of senior management is determined by the Board in conjunction with the President and Chief Executive Officer.

Note 4 Leases

Operating leases

Operating lease expenses amounting to €34,494 thousand (2012: €30,630 thousand) mainly relating to the lease of office building and equipment, are included in the income statement. In 2013, €24,525 thousand (2012: €22,218 thousand) was paid for rent related to non-cancellable leases. Generally, the Group's lease contracts require deposits and certain provisions for inflation-indexed rental increases.

Future payments for rent on non-cancellable leases for premises are as follows:

€ 000	2013	2012
Less than one year	27,636	23,141
Between one and five years	35,389	39,448
More than five years	-	1,212
Total	63,025	63,801

Finance leases

Property, plant and equipment (note 11) includes the following amounts where the Group is a lessee under a finance lease:

€ 000	2013	2012
Cost - capitalized finance leases	293	259
Accumulated depreciation	-158	-72
Net book value	135	187

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Gross finance lease liabilities - minimum lease payments:

€ 000	2013	2012
Less than one year	53	137
Between one and five years	16	108
	69	245
Future finance charges on finance leases	-9	-36
Present value of finance lease liabilities	60	209

The present value of finance lease liabilities is as follows:

€ 000	2013	2012
Less than one year	44	167
Between one and five years	16	42
Present value of finance lease liabilities	60	209

Note 5 Remuneration to auditors

For the financial year ended December 31, 2013 and December 31, 2012 the approved statutory auditor, and as the case may be affiliated companies of the auditor, billed fees to the Group in relation with the following services:

€ 000	2013	2012
Audit of the statutory and consolidated accounts	678	707
Interim review	70	70
Other services	58	60
Total	806	837

Note 6 Amortization, depreciation and impairment

Amortization and depreciation

€ 000	2013	2012
Customer relationships	-1,941	-2,781
Development costs	-894	-1,114
Other intangibles	-179	-130
Telephone switch	-626	-1,505
Fixture and fittings	-1,575	-1,592
Computer hardware and software	-2,847	-2,201
Office improvements	-1,061	-1,761
	-9,123	-11,084

Impairment

Goodwill	-21,125	-14,729
Customer relationships	-	-5,912
	-21,125	-20,641
Total	-30,248	-31,725

Amortization, depreciation and impairment are recognized in the following line items in the income statement:

€ 000	2013	2012
Cost of sales	-6,305	-7,189
Impairment of intangible assets	-21,125	-20,641
Other operating expenses	-2,818	-3,895
Total	-30,248	-31,725

Note 7 Financial income and expenses

Financial income

€ 000	2013	2012
Interest income on bank deposits	123	366
Total	123	366

Financial expenses

€ 000	2013	2012
Interest expense on bank borrowings	-3,275	-2,628
Other financing costs	-2,333	-2,211
Exchange difference, net	-1,305	-1,481
Total	-6,913	-6,320

Note 8 Taxes

Income tax expense

€ 000	2013	2012
Current income tax on profit/loss for the year	-9,987	-6,031
Adjustments in respect of prior years (a)	2,285	-2,067
Current taxes	-7,702	-8,098
Current year origination and reversal of temporary differences	930	1,638
Adjustments in respect of prior years	444	-515
Deferred taxes	1,374	1,123
Income tax expense	-6,328	-6,975

(a) This amount mainly represents provisions, or reversal thereof, with respect to legal claims brought against the Group by tax authorities in various jurisdictions.

Effective tax rate

A reconciliation of the statutory tax rate to the Company's effective tax rate applicable to income from continuous operations was:

€ 000	2013	%	2012	%
Profit/loss before tax	-12,235		-23,589	
Calculated tax based on tax rate in Luxembourg	3,667	-30.0	6,953	-29.6
Foreign tax rate differential	3,378	-27.6	3,445	-14.6
Losses for which no tax benefit is recognized	-13,800	112.8	-10,508	44.6
Losses utilized for which no deferred tax assets were previously recognized	448	-3.7	1,097	-4.7
Adjustments in respect of prior years	2,729	-22.3	-2,582	11.0
Expenses not allowable for tax purposes	-5,837	47.7	-7,152	30.3
Income not taxable for tax purposes	3,134	-25.6	1,540	-6.5
Other	-47	0.4	232	-1.0
Income tax expense	-6,328	51.6	-6,975	29.6

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting balances within the same tax jurisdictions, is as follows:

Deferred tax assets

€ 000	Property, plant and equipment	Tax losses	Others	Total
As at January 1, 2013	98	2,912	530	3,540
Income statement movement	782	-15	641	1,408
Exchange differences	-	-160	-4	-164
As at December 31, 2013	880	2,737	1,167	4,784
As at January 1, 2012	1,158	3,325	605	5,088
Income statement movement	-1,060	-418	-81	-1,559
Tax relating to components of other comprehensive income	-	5	6	11
As at December 31, 2012	98	2,912	530	3,540

Deferred tax liabilities

€ 000	Property, plant and equipment	Intangible assets	Others	Total
As at January 1, 2013	447	1,156	1,047	2,650
Income statement movement	-403	347	91	35
Exchange differences	-	-	-5	-5
As at December 31, 2013	44	1,503	1,133	2,680
As at January 1, 2012	200	3,694	1,448	5,342
Income statement movement	247	-2,495	-433	-2,681
Exchange differences	-	-43	32	-11
As at December 31, 2012	447	1,156	1,047	2,650

Deferred tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profit is probable. The Group did not recognize deferred tax assets of €80,072 thousand (2012: €55,448 thousand) in respect of losses amounting to €274,405 thousand (2012: €192,100 thousand) which do not expire.

No deferred tax liability was recognized in respect of €146,783 thousand (2012: €133,069 thousand) of unremitted earnings of subsidiaries because the Group was in a position to control the timing of the reversal of the temporary differences and it was unlikely that such differences would reverse in a foreseeable future.

Note 9 Earnings per share

Basic earnings per share amounts were calculated by dividing profit/loss for the year attributable to equity holders of the parent by the weighted average number of shares in issue during the year.

	2013	2012
Profit/loss for the year attributable to equity holders of the parent (€ 000)	-18,563	-30,564
Weighted average number of shares in issue during the year (000)	1,245,532	1,245,532
Basic earnings per share (Euro cent)	-1,5	-2,4

Diluted earnings per share amounts were calculated by dividing profit/loss for the year attributable to equity holders of the parent by the weighted average number of shares in issue during the year adjusted for outstanding share options of nil (2012: nil).

	2013	2012
Profit/loss for the year attributable to equity holders of the parent (€ 000)	-18,563	-30,564
Weighted average number of shares in issue during the year adjusted for outstanding stock options (000)	1,245,532	1,245,532
Diluted earnings per share (Euro cent)	-1,5	-2,4

During 2013, there were 622,768 thousand weighted average Class A Shares and 622,764 thousand weighted average Class B shares in issue (2012: 622,768 thousand Class A shares, 622,764 thousand Class B shares).

There are no subsequent events which could have an impact on the basic earnings per share or the diluted earnings per share.

Note 10 Intangible assets

Cost

€ 000	Goodwill	Customer relationships	Development cost	Others	Total
As at January 1, 2013	154,962	26,126	10,137	2,533	193,758
Investments	-	2	469	160	631
Acquisition of business	310	-	-	-	310
Disposal	-	-	-	-4	-4
Disposal of business*	-8,577	-	-	-28	-8,605
Exchange differences	-2,783	-503	-	2	-3,284
As at December 31, 2013	143,912	25,625	10,606	2,663	182,806

* For further information, see note 25

Amortization and impairment

As at January 1, 2013	-14,729	-21,016	-7,968	-2,124	-45,837
Amortization for the year	-	-1,941	-894	-179	-3,014
Impairment charge for the year	-21,125	-	-	-	-21,125
Disposal	-	-	-	4	4
Disposal of business*	2,688	-	-	19	2,707
Exchange differences	373	466	-	-46	793
As at December 31, 2013	-32,793	-22,491	-8,862	-2,326	-66,472
Net book value as at December 31, 2013	111,119	3,134	1,744	337	116,334

* For further information, see note 25

Cost

As at January 1, 2012	154,795	26,333	9,680	2,234	193,042
Investments	-	-	457	366	823
Reclassifications	50	-	-	-50	0
Exchange differences	117	-207	-	-17	-107
As at December 31, 2012	154,962	26,126	10,137	2,533	193,758

Amortization and impairment

As at January 1, 2012	-	-12,487	-6,854	-2,019	-21,360
Amortization for the year	-	-2,781	-1,114	-130	-4,025
Impairment charge for the year	-14,729	-5,912	-	-	-20,641
Exchange differences	-	164	-	25	189
As at December 31, 2012	-14,729	-21,016	-7,968	-2,124	-45,837
Net book value as at December 31, 2012	140,233	5,110	2,169	409	147,921

Note 10 Intangible assets (cont.)

Goodwill

Impairment testing for cash generating units containing goodwill

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 as reported in note 2.

The aggregate carrying amount of goodwill allocated to each unit after impairment is as follows:

€ 000	2013	2012
North Europe (CRM)	36,096	36,216
Central & South Europe (CRM)	1,395	1,131
Iberia & Latam (CRM)	10,121	10,120
North America & Asia Pacific (CRM)	41,621	43,046
CMS	21,886	49,720
Total*	111,119	140,233

* As explained in note 2, in 2013, the management changed the structure of the internal organization of the Group in a manner that has caused the composition of the Group reportable segments to change, compared to the prior financial year. Consequently, the carrying value of the goodwill allocated to each operating division has been modified compared to the prior financial year in order to reflect the new Group structure.

Value in use was determined by discounting the future cash flows generated from the continuing use of the units and it was concluded that the fair value less cost to sell did not exceed the value in use.

The calculation of the value in use was based on the following key assumptions:

Cash flows were projected based on past experience, actual operating results and the 3-year financial plans approved by the Board of Directors. Beyond the specifically forecasted period of three years, the Company extrapolates cash flows for the remaining years based on estimated constant growth rates ranging from 2.0% to 2.1% (2012: 1.75% to 2.25%) depending on management's understanding of the market in the region in which the unit is based. The anticipated annual revenue growth included in the cash-flow projections has been based on historical experience and expectations of future changes in the market conditions. Market conditions take into account the nature of risk within geographical markets and management's estimations of change within these markets. These rates do not exceed the average long-term growth rates for the relevant markets.

Post-tax discount rates ranging from 9.3% to 14.0% (2012: 9.6% to 14.7%) were applied in determining the recoverable amounts of the units. The discount rates were estimated based on past experience, industry average weighted cost of capital and Group's industry related beta adjusted to reflect management's assessment of specific risks related to the unit. While management applied post-tax discount rates to post-tax cash flows, it has concluded that the result were not materially different from applying pre-tax discount rates to pre-tax cash flows.

In general, the impairment tests for 2013 were to a large extent affected by the global economic slowdown and the continued revenue erosion which significantly reduced the estimated recoverable amounts of the different cash-generating units compared to prior year. In spite of the various recovery actions taken by the Company, the future development is still uncertain, including the development in market prices and demand, cost and efficiency development.

Based on the results of the testing, the management of the Group has recognized an impairment charge of €21,125 thousand in 2013 (2012: €14,729 thousand) in relation to the CMS segment.

Management has performed a sensitivity analysis on the key assumptions underlying the computation of the value in use of the segments using the following reasonably possible changes:

- a) discount rate : increase/decrease ranging from 0.5% to 1%
- b) long term growth rate : increase/decrease ranging from 0.5% to 1%
- c) EBITA margin variation : increase/decrease ranging from 1% to 2%

For North Europe, Central and South Europe, Iberia and Latam, and North America and Asia Pacific units: reasonably possible changes in key assumptions as above would not trigger an impairment loss to be recognized.

Customer relationships and development costs

Customer relationships mainly consist of intangible assets that were identified during the past acquisitions based on the discounted cash flows expected to be derived from the use and eventual sale of the asset, determined at the date of acquisition. As at December 31, 2013 these assets were tested for impairment. Based on the results of the testing, the management has recognised no impairment charge in 2013 (2012: €5,912 thousand).

Development costs consist of amounts identified by management where it is considered that technological and economical feasibility exists, usually determined by reference to the achievement of defined milestones according to an established project management model. These costs relate to development of assets for the use in the Group. As at December 31, 2013 these assets were tested for impairment. Based on the results of the testing, the management has recognised no impairment charge in 2013 (2012: nil).

Note 11 Property, plant and equipment

Cost

€ 000	Telephone switch	Fixtures and fittings	Computer hardware and software	Office improvements	Total
As at January 1, 2013	36,132	27,058	54,644	22,332	140,166
Investments	97	3,195	3,966	1,209	8,467
Disposals	-1,364	-1,992	-1,832	-1,994	-7,182
Disposal of business*	-3,144	-1,372	-4,348	-3,049	-11,913
Reclassifications	-6	184	-179	1	0
Exchange differences	-825	-379	-789	-388	-2,381
As at December 31, 2013	30,890	26,694	51,462	18,111	127,157

* For further information, see note 25.

Depreciation and impairment

As at January 1, 2013	-34,611	-23,801	-48,655	-18,581	-125,648
Depreciation for the year	-626	-1,575	-2,847	-1,061	-6,109
Disposals	1,295	1,895	1,661	1,975	6,826
Disposal of business*	3111	1363	4,246	2,477	11,197
Reclassifications	3	-50	45	2	0
Exchange differences	811	339	706	330	2,186
As at December 31, 2013	-30,017	-21,829	-44,844	-14,858	-111,548
Net book value as at December 31, 2013	873	4,865	6,618	3,253	15,609

* For further information, see note 25.

Cost

As at January 1, 2012	36,204	24,962	50,832	21,120	133,118
Investments	856	1,744	4,808	1,122	8,530
Disposals	-524	-255	-1,006	-540	-2,325
Reclassifications	-763	231	-106	-	-638
Exchange differences	359	376	116	630	1,481
As at December 31, 2012	36,132	27,058	54,644	22,332	140,166

Depreciation and impairment

As at January 1, 2012	-34,083	-22,202	-47,549	-16,898	-120,732
Depreciation for the year	-1,505	-1,592	-2,201	-1,761	-7,059
Disposals	504	255	1,005	528	2,292
Reclassifications	763	-17	106	-214	638
Exchange differences	-290	-245	-16	-236	-787
As at December 31, 2012	-34,611	-23,801	-48,655	-18,581	-125,648
Net book value as at December 31, 2012	1,521	3,257	5,989	3,751	14,518

Note 12 Trade receivables

€ 000	2013	2012
Trade receivables gross	99,692	91,612
Provision for impairment of trade receivables	-1,135	-1,785
Trade receivables net	98,557	89,827

Provision for impairment of trade receivables is as follows:

€ 000	2013	2012
As at January 1	-1,785	-2,905
Changes during the year		
-provisions made	-77	-102
-provisions used	63	1,182
-provisions reversed	45	57
-disposal of business*	616	-
Exchange differences	3	-17
As at 31 December	-1,135	-1,785

* For further information, see note 25

The following table provides an overview of the ageing of trade receivables:

€ 000	2013	2012
Nondue	91,669	86,341
31-60 days	4,185	1,814
61-90 days	655	393
91-120 days	108	584
>121 days	1,940	695
Total	98,557	89,827

The Group operates in several jurisdictions and payment terms vary upon this, and also vary on a client by client basis. Therefore, based upon the maximum payment terms, trade receivables of €6,888 thousand are past due more than 30 days but not provided for (2012: €3,486 thousand). These relates to a number of independent customers for whom there is no recent history of default. Details of credit risk are included in note 24.

Note 13 Other receivables

€ 000	2013	2012
VAT recoverable	2,160	3,848
Amount due from public authorities	3,028	8,019
CMS performance contracts	15,152	10,160
Other receivables	5,699	3,122
Total	26,039	25,149

Note 14 Cash and cash equivalents

€ 000	2013	2012
Cash	55,925	40,032
Restricted cash	2,437	2,568
Total	58,362	42,600

Note 15 Equity

Authorized capital

Number 000	2013	2012
Class A voting shares of €0.043 nominal value (2012: €0.043 nominal value)	710,000	710,000
Class B non-voting shares of €0.043 nominal value (2012: €0.043 nominal value)	710,000	710,000

Ordinary shares issued and fully paid

	Number 000	Value € 000
Class A shares		
As at January 1, 2013	622,768	26,779
Share capital increase/decrease	-	-
As at December 31, 2013	622,768	26,779

As at January 1, 2012	622,768	26,779
Share capital increase/decrease	-	-
As at December 31, 2012	622,768	26,779

	Number 000	Value € 000
Class B shares		
As at January 1, 2013	622,764	26,779
Share capital increase/decrease	-	-
As at December 31, 2013	622,764	26,779

As at January 1, 2012	622,764	26,779
Share capital increase/decrease	-	-
As at December 31, 2012	622,764	26,779

Total as at December 31, 2013	1,245,532	53,558
Total as at December 31, 2012	1,245,532	53,558

As of December 31, 2013 the share capital amounts to €53,558 thousand (December 31, 2012: €53,558 thousand). The share capital is divided into 622,768 thousand Class A voting shares (December 31, 2012: 622,768 thousand), with a nominal value of €0.043 each, and 622,764 thousand Class B non voting shares (December 31, 2012: 622,764 thousand), with a nominal value of €0.043 each; All shares are fully paid.

Note 15 Equity (cont.)

Share capital

Each Class A share has one vote attached and has the right to receive dividends as shown below. Each Class B share has no voting rights attached and has the right to receive dividends as shown below.

Dividends

Dividends may be paid in Euros or in the Company's shares or otherwise as the Board may determine in accordance with the provisions of the Luxembourg Companies Act. The Transcom WorldWide Class B Shares are entitled to the greater of (i) a cumulative preferred dividend corresponding to 5% of the nominal value of the Class B non voting shares in the Company; and (ii) 2% of the overall dividend distributions made in a given year. Any balance of dividends must be paid equally on each Transcom WorldWide Class A and Transcom WorldWide Class B Share.

No cumulative preferred dividend was paid to Class B shareholders in relation to the 2013 financial year. According to article 46 (2) of Luxembourg law on commercial companies dated 10 August 1915, as amended, Class B shareholders may obtain voting rights if, despite the existence of distributable profits, the Company does not distribute the preferred dividends for a period of two consecutive years. Given that there were no distributable profits in 2013 and in 2012, article 46 (2) is not applicable this year and Class B shareholders will therefore not receive voting rights. Class B shareholders' right to the preferred dividend is cumulative, even though there are no distributable profits available in a given year, the preferred dividend right continues to accrue, and Class B shareholders will have a right to recover their minimum preferred dividend right in future profitable years, even for the financial years in which there were no distributable profits available. The class B shareholders are entitled to annual cumulative preferred dividends for 2011, 2012 and 2013 totaling a minimum of €4,016 thousand. The Annual General Meeting to be held on May 28, 2014 will determine whether any dividends are to be paid.

Nature and purpose of reserves

Legal reserve

In accordance with statutory requirements in Luxembourg, the parent Company must maintain reserves not available for distribution. The parent Company is required under Luxembourg law to transfer 5% of its annual net profits to a restricted legal reserve until such reserve amounts to 10% of the subscribed share capital. Similar restrictions are applicable for some of the subsidiaries.

Retained earnings

The Luxembourg Companies Act provides that the parent Company's own earnings, after allocation to its legal reserve and after covering losses for previous years, shall be available for distribution to shareholders.

The shareholders have the authority to declare dividends, upon the recommendation of the Board of Directors, out of retained earnings of the parent Company subject to the Luxembourg Companies Act. The Articles provide the Board of Directors with the general authority to make dividend payments in advance of shareholder approval and to fix the amount and the payment date of any such advance dividend payment. Dividends declared by the Board of Directors are subject to the approval of the shareholders at the next general meeting of shareholders.

Equity-based payments reserves

The equity-based payments reserve is used to record the value of equity-settled payments provided to certain employees, including key management personnel, as part of their remuneration package (note 15).

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of subsidiaries reporting in a non-functional currency.

Treasury shares reserve

The treasury shares reserve is used to record purchases of the Company's own shares from the market.

Actuarial reserve

The pension reserve is used to record actuarial losses and gains on post employment benefit obligation plans (note 18).

The movement of other reserves during the year is as follows:

€ 000	Actuarial reserve	Treasury shares reserve	Other non dis- tributable reserve	Total other reserves
As at January 1, 2013	-349	-134	28,393	27,910
Other comprehensive income for the year, net of tax	-63	-	-	-63
Total comprehensive income for the year, net of tax	-63	-	-	-63
As at December 31, 2013	-412	-134	28,393	27,847
As at January 1, 2012	39	-134	28,393	28,298
Other comprehensive income for the year, net of tax	-388	-	-	-388
Total comprehensive income for the year, net of tax	-388	-	-	-388
As at December 31, 2012	-349	-134	28,393	27,910

Note 16 Share-based payments

Long-term incentive plan 2013 ("2013 LTIP")

The 2013-2016 LTIP was approved at the Annual General Meeting, held on 29 May 2013. This plan consists of two elements, a performance share plan ("performance element") and a matching share award plan ("loyalty element"). This LTIP was granted to Transcom's executives and the grant date was determined to be May 29, 2013.

The shares awarded are subject to market conditions based on the "total shareholder return", the accumulated normalized EBIT, the average normalized EBIT and average normalized seat utilization ratio under the performance element vest over a three year period, however that entitlement to shares based on fulfilment of the EBIT related conditions may also accrue on a year-for-year basis.

The achievement of a certain level of each condition, measured at each vesting date, yields a specific percentage of shares awarded to each employee at the grant date. The loyalty element requires eligible employees to invest a certain percentage of their salary in shares of the Company on the market in order to receive potential matching shares. The shares awarded under this plan vest at the end of a three year period.

The value of the plan is apportioned equally over the total period of the plan and charged as necessary through the income statement. The expense recognized in the consolidated income statement as at December 31, 2013 with respect to 2013 LTIP amounted to €23 thousand.

Long-term incentive plan 2012 ("2012 LTIP")

In May 2012, at the Annual General Meeting, the 2012-2015 LTIP was approved. This plan consists of two elements, a performance share plan ("performance element") and a matching share award plan ("loyalty element"). This LTIP was granted to Transcom's executives and the grant date was determined to be May 30, 2012.

The shares awarded under the performance element vest over a three year period, subject to market conditions based on the "total shareholder return", the average normalized EBIT and average normalized seat utilization ratio. The achievement of a certain level of each condition, measured at each vesting date, yields a specific percentage of shares awarded to each employee at the grant date. The loyalty element requires eligible employees to invest a certain percentage of their salary in shares of the Company on the market in order to receive potential matching shares. The shares awarded under this plan vest at the end of a three year period.

The value of the plan is apportioned equally over the total period of the plan and charged as necessary through the income statement. The expense recognized in the consolidated income statement as at December 31, 2013 with respect to 2012 LTIP amounted to €83 thousand (2012: €42 thousand).

Share option agreement

In 2006, the Company granted options to key management employees and executive officers of the Company to purchase shares in the Company. The options were granted for a fixed number of shares and at a fixed exercise price that was equal to the estimated fair market value on the date of grant. Each option vests in three equal parts: the first after one year, the second after two years and the third after three years. These share options vested on June 30, 2007, June 30, 2008 and June 30, 2009, and can be exercised up to June 30, 2012.

The right to exercise the share options expired on June 30, 2012 and no shares were granted, exercised, forfeited or cancelled during 2012. Accordingly, as of December 31, 2012 and December 31, 2013, the number of share options outstanding amounted to nil.

Movements during the year

The following table illustrates the number and movements in share awards during 2013.

	LTIP 2013	LTIP 2012
Outstanding at 1 January 2013	-	1,803,612
Granted during the year*	638,509	-
Cancelled during the year	-	-300,273
Outstanding at 31 December 2013	638,509	1,503,339

* Excluding investments made by some participants after Dec. 31, 2013 (due to regulatory requirements).

Note 17 Interest bearing liabilities

	2013	2012
Term loan - € 000	40,000	50,000
Revolving credit facility - € 000	39,000	15,000
Revolving credit facility - USD 22 000	15,952	16,674
Unamortized transaction costs	-571	-1,144
	94,381	80,530
Finance leases	60	209
Total	94,441	80,739

At December 31, 2013, the Company had a 3-year syndicated credit facility for an amount of €105 million divided into a €40 million term loan and a €55 million revolving credit facility. The interest rates are based on IBOR for non-Euro drawings and EURIBOR for Euro drawings plus margins which may vary based on the Transcom's Consolidated Net Debt to Consolidated EBITDA ratio at the end of each quarter. The facility was due to expire on October 18, 2014. The facility was multi-currency with elements denominated in Euros. The Company was committed under this agreement to maintain a number of covenants requiring certain financial ratios to be maintained within agreed limits in order to provide sufficient security to the lender. There was no breach of these covenants during the year. The loan was unsecured.

In December 2013 the credit facility was in the process of being refinanced with the existing lenders. The new facility, which was signed on January 22, 2014, is a 3-year syndicated credit facility of €103.8 million composed of three tranches; the first being a €40 million term loan expiring on January 21, 2017; the second being a €55 million revolving credit facility expiring also on January 21, 2017; whilst the third is a term loan expiring on October 21, 2014. Similar to the previous facility, interest rates are based on IBOR and EURIBOR for Euro drawings plus margins which may vary albeit based on the Transcom's Consolidated Gross Debt to Consolidated EBITDA ratio. The Company is also committed under this agreement to maintain certain financial ratios within agreed limits. The loan is unsecured.

As of December 31, 2013, an amount of €79 million and US\$ 22 million was drawn (December 31, 2012: €65 million and US\$ 22 million). The table above shows the drawn amounts in each of the currencies utilized by the Group. In addition, an equivalent of €2.5 million of the facility is utilized to cover the issuance of bank guarantees. An unused amount of €7.5 million on the revolving borrowing facility exists at December 31, 2013 (December 31, 2012: €21.7 million).

The fair value of borrowings equals their carrying amount, after unamortized transaction costs, as the interest rates are based on market rates.

The exposure of the Group's borrowings to interest rate changes is as follows:

€ 000	2013	2012
Less than six months	7,500	81,674
Between six and twelve months	87,452	-
Total	94,952	81,674

Note 18 Employee benefit obligations

The Group has employee benefit schemes in Italy and Philippines in relation to termination indemnity and defined benefit pensions. A full actuarial valuation was carried out to December 31, 2013 by a qualified, independent actuary.

Reconciliation to the statement of financial position

	2013		2012	
	Long-term rate of return expected at 31/12/13, %	Value at 31/12/13 € 000	Long-term rate of return expected at 31/12/12, %	Value at 31/12/12, € 000
Italy	-	-	-	-
Norway	-	-	2.2	1,329
Philippines	-	-	-	-
Market value of assets	-	-	-	1,329
Italy	-	2,147	-	2,069
Norway	-	-	-	2,094
Philippines	-	487	-	-
Present value of scheme liabilities	-	2,634	-	4,163
Italy	-	2,147	-	2,069
Norway	-	-	-	765
Philippines	-	487	-	-
Net scheme liability	-	2,634	-	2,834

Analysis of the amount charged to operating profit

€ 000	2013				2012		
	Italy	Norway	Philippines	Total	Italy	Norway	Total
Current service cost	-	-	102	102	-	226	226
Total operating charge	-	-	102	102	-	226	226

Analysis of the amount credited to other finance costs

€ 000	2013				2012		
	Italy	Norway	Philippines	Total	Italy	Norway	Total
Expected return on pension scheme assets	-	-	-	-	-	8	8
Interest on pension scheme liabilities	59	-	16	75	77	45	122
Total finance cost	59	-	16	75	77	53	130

The major assumptions used by the actuary for the calculation of the defined benefit pension scheme were:

%	Italy		Norway		Philippines
	2013	2012	2013	2012	2013
Rate of increase in salaries	2.0	2.0	-	3.3	3.0
Rate of increase in pensions in payment	-	2.0	-	-	-
Discount rate	3.8	4.3	-	2.2	6.0

The expected return on plan assets is equal to the weighted average return appropriate to each class of asset within the schemes.

Assumptions regarding future mortality experience are set in accordance with published statistics and experience in each territory.

Note 18 Employee benefit obligations (cont.)

Amount recognized in the statement of financial position – movement in deficit during the year

€ 000	2013				2012		
	Italy	Norway	Philippines	Total	Italy	Norway	Total
As at January 1	2,069	765	-	2,834	1,967	447	2,414
Movement in the year							
Current service cost and settlements	-	-	102	102	-	226	226
Interest cost	59	-	16	75	77	45	122
Contributions	-	-	277	277	-	-231	-231
Expected return on plan assets	-	-	-	-	-	8	8
Actuarial gains/losses	132	-	144	276	188	200	388
Benefits paid	-113	-	-	-113	-163	-	-163
Exchange difference	-	-	-52	-52	-	70	70
Cancellation*	-	-765	-	-	-	-	-
As at December 31	2,147	0	487	2,634	2,069	765	2,834

* During 2013, the Norway defined benefit pension plan has been cancelled and replaced by a defined contribution plan.

The Italian liability would increase with €33 thousand if the discount rate would be lowered by 5%. An increase with the same percentage would lower the liability with €32 thousand. If the inflation rate assumption in Italy would increase with 0.5% the liability should be €69 thousand lower, the correspondent decrease would lower the liability with €65 thousand.

The liability in the Philippines should increase with €84 thousand if the discount rate should be lowered by 1%. An increase with the same percentage would lower the liability with €69 thousand. If the inflation rate assumption in the Philippines would increase with 1% the liability would be €82 thousand lower, the correspondent decrease would lower the liability with €69 thousand.

Note 19 Provisions

€ 000	Onerous contracts	Legal claims	Restructuring	Others	Total
As at January 1, 2013	3,161	16,246	4,901	2,769	27,077
Changes during the year					
-provisions made	51	2,661	7,082	84	9,878
-provisions used	-2,187	-301	-7,756	-345	-10,589
-provisions reversed	-	-5,133	-	-4	-5,137
-reclassification	-1	-8,363	4	-829	-9,189
-disposal of business	-730	-2,552	-2,458	-1,340	-7,080
Exchange differences	-26	-78	-44	-11	-159
As at December 31, 2013	268	2,480	1,729	324	4,801

€ 000	Onerous contracts	Legal claims	Restructuring	Others	Total
As at January 1, 2012	12,209	18,575	6,869	3,341	40,994
Changes during the year					
-provisions made	-	4,845	4,954	375	10,174
-provisions used	-5,110	-5,874	-6,153	-747	-17,884
-provisions reversed	-3,938	-1,300	-769	-200	-6,207
As at December 31, 2012	3,161	16,246	4,901	2,769	27,077

Analysis of total provisions:

€ 000	2013	2012
Non-current	2,225	10,518
Current	2,576	16,559
Total	4,801	27,077

Provision which are not expected to be paid within the next 12 months have been classified as non-current liabilities.

Onerous contracts

The provision of onerous contracts is related to the disposal of 2 sites in France as well as a restructuring program from 2012. During 2013 most of this provision has been used. For further information see note 25.

Legal claims

This amount represents a provision with respect to claims brought against the Group by tax authorities in different jurisdictions. During the year, a reclassification of €9.2 million has been made of which the main part has been moved to Income tax liabilities in the balance sheet.

Restructuring and others

Please see note 25 for further details.

Note 20 Other liabilities

€ 000	2013	2012
VAT payable	7,942	7,747
Liabilities to public authorities	10,288	11,462
CMS client funds	8,493	1,507
Other current liabilities	11,208	4,010
Total	37,931	24,726

Note 21 Accrued expenses and prepaid income

€ 000	2013	2012
Accrued staff related expenses	30,328	30,145
Other accrued expenses	21,183	31,400
Deferred income	415	127
Total	51,926	61,672

Note 22 Commitments and 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. No provision has been recorded for these years.

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.

€ 000	2013	2012
Tax risks estimated with probable cash outflows and therefore provided for (note 19)	2,375	16,246
Tax risks estimated with less than probable cash outflows and therefore not provided for	-	17,600
Total tax exposure estimated by management	2,375	33,846

Guarantees

At December 31, 2013 the Group had outstanding bank guarantees for an amount of €3.6 million (2012: €13.0 million) with respect to performance and warranty guarantees mainly for the provision of services/ rental agreements. The Company is also supporting its subsidiaries through guarantees issued in the normal course of business.

Note 23 Investment in subsidiaries

Subsidiary	Country of incorporation	Domicile	2013 Capital/voting interest (%)	2012 Capital/voting interest (%)
Transcom WorldWide (Australia) Pty Ltd	Australia	Sydney	100	100
IS Forderungsmanagement GmbH	Austria	Linz	100	100
IS-Inkasso Service GmbH	Austria	Linz	100	100
Transcom WorldWide GmbH	Austria	Vienna	100	100
Transcom WorldWide Belgium S.A.	Belgium	Milmort	100	100
Transcom WorldWide (North America) Inc.	Canada	St.Catharine's	100	100
Transcom Insurance Agency Inc.	Canada	St.Catharine's	100	100
Transcom WorldWide Chile Limitada	Chile	Santiago de Chile	100	100
TWW Colombia SAS	Colombia	Cali	100	-
IS Inkasso Servis d.o.o.	Croatia	Osijek	100	100
Transcom WorldWide d.o.o.	Croatia	Osijek	100	100
Transcom WorldWide Czech Republic s.r.o.	Czech Republic	Praha	100	100
Transcom CMS A/S	Denmark	Albertslund	100	100
Transcom Denmark A/S	Denmark	Vordingborg	100	100
Transcom Eesti OÜ	Estonia	Tallinn	100	100
Transcom Finland OY	Finland	Helsinki	100	100
Transcom WorldWide (France) SAS*	France	Velizy Villacoublay	-	100
CIS International GmbH	Germany	Tönisvorst	100	100
IK Transcom Europe GmbH	Germany	Düsseldorf	100	100
Transcom CMS Forderungsmanagement GmbH*	Germany	Tönisvorst	-	100
Transcom WorldWide GmbH	Germany	Rostock	100	100
Transcom Halle GmbH	Germany	Halle	100	-
Transcom Rostock GmbH	Germany	Rostock	100	-
Transcom Services GmbH	Germany	Rostock	100	-
Transcom WorldWide (Hong Kong) Limited (in liquidation)	Hong Kong	Hong Kong	100	100
CEE Holding Kft.	Hungary	Budapest	100	100
Transcom Hungary Kft.	Hungary	Budapest	100	100
Transcom WorldWide SpA	Italy	Milan	100	100
SIA Transcom WorldWide Latvia	Latvia	Riga	100	100
Transcom WorldWide Vilnius UAB	Lithuania	Vilnius	100	100
Transcom WorldWide Luxembourg S.a.r.l.	Luxembourg	Howald	100	-
Transcom Europe Holding B.V.	The Netherlands	Amsterdam	100	100
Transcom WorldWide B.V.	The Netherlands	Groningen	100	100
CIS Concept AS	Norway	Oslo	100	100
Transcom Collection AS	Norway	Oslo	100	100
Transcom AS	Norway	Rolvsoy	100	100
Transcom Financial Services AS	Norway	Oslo	100	100
Transcom Norge AS	Norway	Rolvsoy	100	100
Transcom WorldWide Peru S.A.C.	Peru	Lima	100	100
NuComm International Philippines Inc. (under dissolution)	Philippines	Pasig City	100	100
Transcom WorldWide (Philippines), Inc.	Philippines	Pasig City	100	100
Transcom WorldWide (Philippines) Holding, Inc.	Philippines	Pasig City	100	100
Transcom WorldWide CMS Poland Sp. z o.o.	Poland	Wroclaw	100	100
Kancelaria Prawna Transcom Jolanta Żmijewska – Siadak sp. k.	Poland	Olsztyn	100	100
Transcom WorldWide Poland Sp. z o.o.	Poland	Olsztyn	100	100

Note 23 Investment in subsidiaries (cont.)

Subsidiary	Country of incorporation	Domicile	2013 Capital/voting interest (%)	2012 Capital/voting interest (%)
TWW Serviços de Helpline e de Atendimento Telefónico Lda	Portugal	Vila Nova de Famalicão	100	100
Transcom WorldWide Slovakia s.r.o.	Slovakia	Bratislava	100	100
Transcom WorldWide Spain S.L.U.	Spain	Madrid	100	100
Transcom Worldwide Global S.L.	Spain	Madrid	100	100
Stockholms Tolkförmedling AB	Sweden	Stockholm	100	100
Tolk- och språktjänst i Östergötland AB	Sweden	Norrköping	100	100
Transcom AB	Sweden	Karlskoga	100	100
Transcom Credit Management Services AB	Sweden	Karlskoga	100	100
Transvoice Sweden AB	Sweden	Karlskoga	100	100
Transcom WorldWide AB	Sweden	Stockholm	100	-
IS Inkasso Service GmbH	Switzerland	Rheineck	100	100
Transcom WorldWide AG	Switzerland	Zurich	100	100
Transcom WorldWide Tunisie Sarl	Tunisia	Tunis	100	100
Top Up Mortgages Limited**	United Kingdom	St Albans, Herts	100	100
Transcom WorldWide (UK) Limited**	United Kingdom	St Albans, Herts	100	100
Newman & Company Limited**	United Kingdom	Leeds	100	100
Cloud 10 Corp	United States	Denver	100	100
Transcom WorldWide (US) Inc.	United States	Delaware	100	100

* In 2013, the French subsidiary Transcom WorldWide France SAS was deconsolidated and the German subsidiary Transcom CMS Forderungsmanagement GmbH, was disposed. For further information, see note 25.

** The subsidiaries in United Kingdom are exempt from the requirements of the Companies Act 2006 relating to the audits of its respectively individual accounts.

Note 24 Financial instrument risk management objectives and policies

Like other businesses internationally operating, the Group is exposed to risks related to foreign exchange, interest rates and counterparties. This note describes the Group's objectives, policies and processes for managing these risks and the methods used to measure them. Further quantitative information with respect to these risks is presented throughout the financial statements.

The Group's principal financial liabilities comprise of bank loans, trade and other payables and accruals and deferred income. The main purpose of these instruments is to raise finance for the Group's operations. The Group has various financial assets consisting of trade and other receivables, prepayments and accrued income and cash and short term deposits which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk, credit/counterparty risk, foreign currency risk, and interest rate risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below. Unless stated in this note, there have been no substantive changes from the previous period in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks, or the methods used to measure them.

Management controls and procedures

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible, without unduly affecting the Group's competitiveness and flexibility. It has delegated the authority for designing and operating the associated processes to the Group's treasury department. As such, the Group's

liquidity, credit/counterparty, foreign exchange and interest rate risks are managed by the Group's treasury department under policies approved by the Board of Directors. Further details regarding these policies are set out below.

Risk exposures are monitored and reported to management on a quarterly basis, together with required actions when tolerance limits are exceeded.

For the presentation of market risks, IFRS 7 requires sensitivity analysis that shows the effects of hypothetical changes of relevant risk variables on the income statement and shareholders' equity. Transcom is exposed to liquidity risk and interest rate risk, the periodic effects of which are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments at the reporting date (cf below). It is assumed that the balance at the reporting date is representative for the year as a whole.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's revolving credit facility.

The interest is calculated on each loan under the facility agreement for each term as the aggregate of the Interbank offered rate (IBOR), plus a margin calculated on the basis of consolidated total net debt to consolidated EBITDA. As old loans expire and are replaced with new ones, the new interest rates may increase due to external or internal conditions, thereby increasing financial costs for the Group.

Interest rate risk is not hedged today, either through derivative financial instruments or otherwise.

Note 24 Financial instrument risk management objectives and policies (cont.)

The following table demonstrates the sensitivity to a possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

		2013	2012
	Increase/ decrease in basis points	Effect on profit before tax	Effect on profit before tax
Euro	10	-80	-65
US Dollar	10	-16	-17
Euro	-10	80	65
US Dollar	-10	16	17

Foreign exchange rates

Exchange rates is the risk that fluctuations in exchange rates will negatively affect the Group's income statement, balance sheet and/or cash flows. The most important currencies for Transcom Group, other than euro (EUR), are US Dollar, Swedish Krona, Norwegian Krona and Great Britain Pound. The following exchange rates have been used to translate transactions in foreign currency in the financial accounts:

Foreign exchange rates

Currency	2013		2012	
	Average rate	Closing rate	Average rate	Closing rate
US Dollar	1.33	1.38	1.29	1.32
Swedish Krona	8.66	8.86	8.68	8.58
Norwegian Krona	7.82	8.36	7.46	7.35
Great Britain Pound	0.85	0.83	0.81	0.82

Due to its activities in a large number of countries and currencies, the Group is subject to foreign exchange risks of two different types.

The first type of risk, transactional risk, may occur when the Group invoices clients in one currency and must pay its costs in another currency. Foreign exchange variations may lead to unexpected volatility of margins and deterioration or improvement of profitability and cash flow at the entity level. The Group seeks to minimise these movements by matching the currency of revenue with the currency of costs where possible, by negotiating pricing adjustments and/or indexation of contracts to foreign exchange rates, and by implementing hedging instruments on a case-by-case basis, under close supervision of the Board and Audit Committee. At closing of the 2013 and 2012 accounts, no hedging instruments are in place.

The second type of risk, translation risk, results from the conversion of assets, liabilities, revenues and costs denominated in non-reporting currencies, into the Group reporting currency, which is the Euro. In 2013, 54% (2012: 54%) of the Group's sales were denominated in currencies other than the presentation currency of the Group. The Board has decided not to hedge these exposures as they do not constitute a direct cash flow exposure.

The following table demonstrates the sensitivity of translation and transaction risks to a reasonably possible change in the currencies the Group is most exposed to, with all other variables held constant, of the Group's operating profit/loss and the impact on the profit/loss for the year. Exposures in other currencies have an immaterial impact.

	Increase/ decrease in Euro rate	2013		2012	
		Effect on Operating profit/loss	Effect on profit/ loss for the year	Effect on Operating profit/loss	Effect on profit/ loss for the year
US Dollar	10%	-252	889	131	-300
Swedish Krona	10%	-1,095	953	571	560
Norwegian Krona	10%	26	156	21	100
Great Britain Pound	10%	11	245	-125	-250
US Dollar	-10%	252	-889	-196	450
Swedish Krona	-10%	1,095	-953	-856	-840
Norwegian Krona	-10%	-26	-156	-32	-150
Great Britain Pound	-10%	-11	-245	187	375

Credit / Counterparty risk

With respect to credit risk arising from the financial assets of the Group, which comprise balances from credit sales and cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these instruments.

Prior to accepting new accounts and wherever practicable, credit checks are performed using a reputable external source. Credit risk is reviewed monthly by senior management based on the aged debt reports, and corrective action is taken if pre-agreed limits are exceeded. Bank counterparty risk is mitigated by concentrating the Group's cash management activity and cash balances with a limited number of top tier banks in each of the Group's regions.

The risk of default of a Client is considered to be limited based on historical default rates, credit checks and the fact that the Group deals with only a limited number of Clients. However, if needed, appropriate provisions are made in accordance with Group policy.

Further analysis on gross trade debtors, provisions and ageing of net trade debtors are provided in note 12. The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the statement of financial position.

Liquidity risk

Liquidity risk arises from the Group's management of its working capital as well as the finance charges and principal repayments on its debt instruments. In essence, it is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group monitors this risk using a consolidated cash flow model in order to identify peaks and needs in liquidity and identify benefits which can be attained by controlled placement and utilization of available funds.

A significant mitigating factor of the Group's liquidity risk is the unused proportion of the Revolving Credit facility agreement as disclosed in note 17, as well as other financing sources which may be implemented from time to time by the Group. The unused proportion of the Credit Facility as at December 31, 2013 was €7,5 million (December 31, 2012: €22,7 million).

Note 24 Financial instrument risk management objectives and policies (cont.)

The table below summarizes the maturity profile of the Group's financial assets and liabilities based on contractual undiscounted payments:

€ 000	2013			
	<1 year	1-5 years	Carrying amount	Fair value
Financial assets:				
Other receivables	-	1,143	1,143	1,143
Total non-current		1,143	1,143	1,143
Trade and other receivables	98,557	-	98,557	98,557
Other receivables incl. accrued income	38,659	-	38,659	38,659
Cash and cash equivalents	58,362	-	58,362	58,362
Total current financial assets	195,578	-	195,578	195,578
Total financial assets	195,578	1,143	196,721	196,721
Financial liabilities:				
Interest-bearing liabilities	-	16	16	16
Total non-current liabilities	-	16	16	16
Interest-bearing liabilities	94,425	-	94,425	94,425
Trade payables	25,562	-	25,562	25,562
Other liabilities incl. accrued expenses	69,893	-	69,893	69,893
Total current financial liabilities	189,880	-	189,880	189,880
Total financial liabilities	189,880	16	189,896	189,896

€ 000	2012			
	<1 year	1-5 years	Carrying amount	Fair value
Financial assets:				
Other receivables	-	1,350	1,350	1,350
Total non-current	-	1,350	1,350	1,350
Trade and other receivables	89,827	-	89,827	89,827
Other receivables incl. accrued income	56,981	-	56,981	56,981
Cash and cash equivalents	42,600	-	42,600	42,600
Total current financial assets	189,408	0	189,408	189,408
Total financial assets	189,408	1,350	190,758	190,758
Financial liabilities:				
Interest-bearing liabilities	-	70,572	70,572	70,572
Total non-current liabilities	-	70,572	70,572	70,572
Interest-bearing liabilities	10,167	-	10,167	10,167
Trade payables	23,123	-	23,123	23,123
Other liabilities incl. accrued expenses	62,055	-	62,055	62,055
Total current financial liabilities	95,345	-	95,345	95,345
Total financial liabilities	95,345	70,572	165,917	165,917

Capital management The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2013 and December 31, 2012.

The Group monitors capital using a return on capital employed ratio, which is profit before interest, tax and amortization divided by total assets less current liabilities. The Group's policy is to ensure that the ratio follows predicted patterns based on previous year's results, and is in accordance with forecasted results.

The table below summarizes the ratio as at December 31, 2013 and December 31, 2012.

€ 000	2013	2012
Profit/loss before interest, tax and amortization	18,498	6,901
Total assets	345,617	358,132
Current liabilities	-222,229	-138,465
Capital employed	123,388	219,667
Return on capital employed	14,99%	3,14%

Note 25 Significant disposals and restructuring

€ 000	Germany	France	Belgium	Total
Consideration received	9,000	-	650	9,650
Goodwill	-5,889	-	-	-5,889
Intangible assets	-	-9	-	-9
Property, plant and equipment	-485	-163	-68	-716
Investments	-212	-	-	-212
Receivables	-3,360	-2,011	-28	-5,399
Cash and cash equivalents	-1,405	-1,483	-	-2,888
Provisions	379	6,701	-	7,080
Other liabilities	2,874	6,191	-	9,065
Net carrying value of assets and liabilities disposed	-8,098	9,226	-96	1,032
Write-off of intercompany balances	-	-3,267	-	-3,267
Transaction costs	-1,981	-	-306	-2,287
Net capital gain/loss	-1,079	5,959	248	5,128
Consideration received	9,000	-	650	9,650
Cash and cash equivalents disposed	-1,405	-1,483	-	-2,888
Transaction costs	-1,981	-	-306	-2,287
Net cash flow from disposal of subsidiary	5,614	-1,483	344	4,475

On December 30 of 2013, Transcom announced the closing of the divestment of its German CMS company Transcom CMS Forderungsmanagement GmbH. The company had a turnover of €9.0 million in 2012. The disposal resulted in a loss amounting to €1.1 million.

In 2010, Transcom's Board of Directors approved the disposal of two French sites located in Roanne and Tulle. In April and June 2011, Transcom entered into a definitive agreement to divest these sites and transferred ownership of the site and its business. In August 2013, Transcom signed a €5.3 million settlement agreement, releasing the company from any further liabilities with respect to the liquidation of its former loss-making French subsidiary.

In the third quarter, 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.

Restructuring programs – 2013 and 2012

During the first quarter of 2013, the Group recorded €6.0 million in restructuring costs. These costs are mainly related to the settlement agreement connected with the closure of Transcom's former subsidiary in France, Transcom Worldwide (France) S.A.S. as well as the movement of Transcom's Head office from Luxembourg to Sweden.

During the fourth quarter of 2013, restructuring costs amounting to €1.0 million was recorded for the closure of the Norrköping site in Sweden and the Valdivia site in Chile.

During the second quarter of 2012, four sites in North America were closed and capacity was transferred to the Philippines. The cost to close these sites amounted to €5,270 thousand, out of which restructuring costs amounted to €3,699 thousand, other non-recurring costs amounted to €959 thousand and €612 thousand corresponded to write offs of tangible assets.

During the fourth quarter of 2012, the Group launched a restructuring program aiming at reorganizing central support teams. This program consisted of restructuring and non-recurring costs amounting to €1,870 thousand, of which restructuring costs amounted to €1,255 thousand and non-recurring costs amounted to €615 thousand.

Note 26 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits. The carrying value of recognized deferred tax assets as at December 31, 2013 was €4,784 thousand (2012: €3,540 thousand) (note 8).

(b) Provisions for bad and doubtful debts

The Group continually monitors provisions for bad and doubtful debts; however a significant level of judgment is required by management to determine appropriate amounts to be provided. Management reviews and ascertains each debt individually based upon knowledge of the client, knowledge of the sector and other economic factors, and calculates an appropriate provision considering the time that a debt has remained overdue. At December 31, 2013, the provision for bad and doubtful debts was €1,135 thousand (2012: €1,785 thousand) (note 12).

(c) Impairment of goodwill and intangible assets

The Company annually evaluates the carrying value of goodwill for potential impairment by comparing projected discounted cash flows (using a suitable discount rate) associated with such assets to the related carrying value. An impairment test is also carried out should events or circumstances change which may indicate that there may be need for impairment. An impairment loss would be recognized when the estimated future discounted cash flow generated by the asset is less than the carrying amount of the asset. An impairment loss would be measured as the amount by which the carrying value of the asset exceeds the recoverable amount.

The Group performed its annual impairment test of goodwill as at December 31, 2013. Please refer to note 10 for further details. In the year ended December 31, 2013, an impairment loss was recorded in connection with goodwill for an amount of €21,125 thousand (2012: €14,729 thousand), other intangible assets € nil (2012: €5,912 thousand). Changes in the assumptions and estimates used may have a significant effect on the income statement and statement of financial position. Please see note 10 for a sensitivity analysis of some of the assumptions made.

(d) Pension assumptions

The liabilities of the defined benefit pension schemes operated by the Group are determined using methods relying on actuarial assumptions and estimates. Details of the key assumptions are set out in note 18. The Group takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions and estimates used may have a significant effect on the income statement, statement of financial position and other comprehensive income.

Note 26 Critical accounting estimates and judgements (cont.)

(e) Provisions

The Group recognizes a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. The Group reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation, claim or assessment.

(f) Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 16.

Note 27 Related party transactions

Investment AB Kinnevik and subsidiaries are significant shareholders of the Group as well as Tele2 group, MTG group. Accordingly, these companies have been regarded as related parties to Transcom. Business relations between Transcom and all closely related parties are subject to commercial terms and conditions.

€ 000	2013	2012
<i>Revenues</i>		
Tele2 companies	104,917	104,372
MTG Group companies	15,721	3,065
Others	209	-
<i>Operating expenses</i>		
Tele2 companies	-1,566	-574
MTG Group companies	-	-12
Others	-303	-
<i>Trade receivables</i>		
Tele2 companies	17,959	18,548
MTG Group companies	865	481
Others	223	-
<i>Trade payables</i>		
Tele2 companies	-123	-241
MTG Group companies	-	-
Others	-241	-

Note 28 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, 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 multi-currency 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.

Independent auditor's report

To the Shareholders of
Transcom WorldWide S.A.
45, rue des Scillas
L-2529 Howald
Luxembourg

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated 29 May 2013, we have audited the accompanying consolidated financial statements of Transcom WorldWide S.A., which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated finan-

cial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Transcom WorldWide S.A. as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated directors' report (pages 39-41), which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements. The accompanying corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law with respect to the corporate governance statement (pages 27-33).

Ernst & Young
Société anonyme
Cabinet de révision agréé



Olivier LEMAIRE

Luxembourg, 10 April 2014

Financial calendar

April 25, 2014

First quarter earnings announcement

May 28, 2014

Annual General Meeting of shareholders in Luxembourg

July 17, 2014

Second quarter earnings announcement

October 23, 2014

Third quarter earnings announcement

February 2015

Fourth quarter earnings announcement

Contact

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