

Transmode AB (publ)

Interim Report January-June 2014

April-June 2014

- Sales were SEK 250.0 (293.5) m, corresponding to a decrease of 14.8%, and by 19.6% adjusted for exchange rate fluctuations.
- Operating profit was SEK 21.9 (49.6) m, corresponding to an operating margin of 8.8% (16.9).
- Net profit was SEK 19.1 (40.4) m.
- Diluted and basic earnings per share were SEK 0.69 (1.45).
- Cash flow from operating activities was SEK 78.5 (-1.8) m.

January-June 2014

- Sales were SEK 481.3 (533.8) m, corresponding to a decrease of 9.8%, and by 14.0% adjusted for exchange rate fluctuations.
- Operating profit was SEK 43.4 (90.7) m, corresponding to an operating margin of 9.0% (17.0).
- Net profit was SEK 37.7 (72.3) m.
- Diluted and basic earnings per share were SEK 1.36 (2.60).
- Cash flow from operating activities was SEK 80.1 (57.9) m.

SEK m	Apr-Jun			Jan-Mar		Jan-Jun	Jan-Jun
	2014	2013	Change %	2014	Change %	2014	2013
Sales by region:							
EMEA	213.7	247.8	-13.8	192.7	10.9	406.4	436.3
Americas	31.0	30.5	1.8	29.8	4.2	60.8	77.2
APAC	5.3	15.2	-65.2	8.8	-39.4	14.1	20.3
Total Sales	250.0	293.5	-14.8	231.3	8.1	481.3	533.8
Operating profit	21.9	49.6	-55.7	21.5	2.4	43.4	90.7
Operating margin (%)	8.8	16.9		9.3		9.0	17.0
Profit for the period	19.1	40.4	-52.9	18.6	2.1	37.7	72.3
Diluted and basic earnings per share (SEK)	0.69	1.45	-52.8	0.67	2.2	1.36	2.60
Cash flow from operating activities	78.5	-1.8		1.6		80.1	57.9

CEO's Statement: Weak Quarter but Strategy for Profitable Growth Holds Firm

Sales in the quarter were SEK 250 m, down 14.8% on the second quarter of 2013. The decrease affected the operating margin for the quarter, which was 8.8%. Cash flow was strong at SEK 79 m.

The lower sales were mainly due to reduced activity amongst several of our largest EMEA customers. However, sales from other customers in EMEA increased, partly due to our sharper focus on partner sales. Sales in the Americas were up slightly compared to the previous quarter and year-on-year. It's pleasing that sales in Mexico increased compared to the previous quarter. Progress in the Americas is now positive and we foresee new business opportunities on this market.

I've met with several of our largest customers in EMEA during the quarter and I'm confident that we're in a strong position with them. I see no evidence of lost market share in these accounts and that the decline with several of these customers is due to lower investments in their metro networks at present. They are still increasing network capacity, but there are currently fewer new build-out projects, which has a negative impact on our sales in the short term.

In the longer term, I retain a positive view of our market, driven by strong underlying growth in metro network traffic. I've had extensive positive feedback from our customers regarding our recently launched high-density and low-power 10G and 100G solutions, which are optimized for metro networks. It's also pleasing that we've won our first order for our new 100G solution from a European customer in the period, as well as our first order for a iWDM-PON system from a US customer. iWDM-PON is our unique solution for extending WDM technology deeper into access networks, and a good example of the innovative, niche-oriented solutions we use to develop our business and reach new customers. It's very positive that our new products have been well received by existing and potential new customers alike, which inspires me with confidence for the future.

Naturally, I'm not satisfied with the sales and profit for the quarter, and as part of the continuous improvement of operations we're now carefully reviewing our priorities and costs to secure long-term high profitability and ensure our continued focus on product development and market expansion.

We have a strong position with our key customers and given our new and competitive products, we continue to be well positioned in the market as a whole. I remain confident in our strategy for profitable growth focusing on geographical expansion, innovative products and efficient operations.

Karl Thedén
Chief Executive Officer

Transmode in Brief

Transmode is a global provider of packet-optical networking solutions that enable fixed line and mobile network operators to cost-effectively address the capacity needs created by the rapid growth in video and data traffic. These solutions are important building blocks in next-generation high-speed optical networks that support services such as broadband backhaul, mobile data backhaul, video delivery services and cloud computing. Transmode's solutions are designed to increase the capacity, flexibility and functionality of metro and regional networks and are based on Wavelength Division Multiplexing (WDM) and transport technologies such as Ethernet. Transmode's Native Packet Optical 2.0 architecture gives customers key advantages such as cost efficient Ethernet services, ultra-low latency, low power consumption and future-proof network design.

Transmode is headquartered in Stockholm, Sweden and is listed on the NASDAQ OMX Stockholm Exchange (TRMO). Since 2000, the company has installed more than 45,000 systems for over 550 fixed and mobile network operators, service providers, large enterprises and public institutions in over 50 countries across the globe.

For additional information about Transmode, please visit www.transmode.com

Significant Events in the Quarter

Transmode delivered a packet-optical metro-core and access network to Universiti Teknologi Malaysia (UTM). The network will provide innovative optical research opportunities for the university's researchers and students.

The company won its first order for the recently launched 100G solution from a European customer in the quarter. We also received our first order for iWDM-PON, an innovative access solution, from a US customer.

In connection with the Big Telecom Event in the US, Transmode launched a new muxponder for Mobile Fronthaul that enables mobile operators to migrate to C-RAN (centralized/cloud radio access networks). The muxponder has been evaluated and type-approved in tests conducted by Orange Labs, a division of a leading European operator.

Transmode also presented the new 100G and high density solutions at a number of other industry conferences in the quarter, including Sviaz Expocomm, ANGACOM and WDM & Next Generation Optical networking in Europe, CommunicAsia in Singapore, and UTC Telecom in the US.

Transmode published its sustainability report based on the Global Reporting Initiative's GRI G3.1 level C guidelines.

Sales

April-June 2014

Sales in the quarter were SEK 250.0 (293.5) m, down 14.8% year-on-year. Adjusted for exchange rate fluctuations, the decrease was 19.6%.

EMEA contracted by 13.8% and by 19.4% adjusted for exchange rate fluctuations. A number of Transmode's largest customers in the region have fewer build-out projects at present, which means reduced investment. Sales to other customers in the region showed good growth in the quarter.

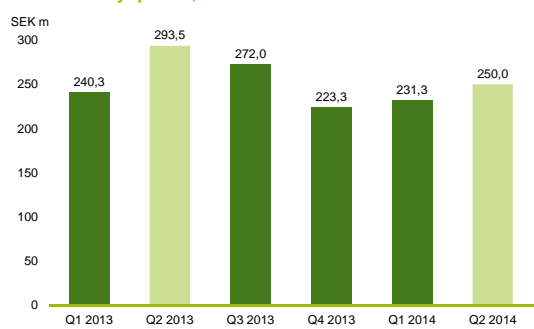
Sales increased by 1.8% in the Americas (North and South America), or by 1.4% adjusted for exchange rate fluctuations. In Mexico, the regulatory situation stabilized and sales increased somewhat. We're continuing to introduce a series of changes within the framework of our new regional organizational structure in order to secure new customers and develop existing business.

In APAC, where individual projects can cause greater quarterly fluctuations, sales decreased by 65.2% to SEK 5.3 m, or by 65.4% adjusted for exchange rate fluctuations.

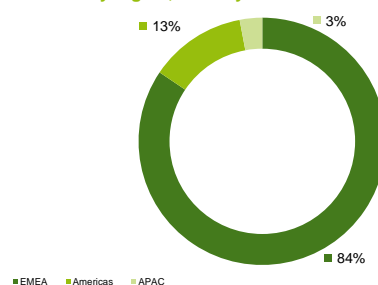
January-June 2014

Sales in the period were SEK 481.3 (533.8) m, corresponding to a year-on-year decrease of 9.8%. Adjusted for exchange rate fluctuations, the decrease was 14.0%. Sales in EMEA decreased by 6.9%, or 11.9% adjusted for exchange rate fluctuations. The downturn was mainly driven by lower volumes from several of our largest customers in the region. In the Americas, sales decreased by 21.2%, or 21.5% adjusted for exchange rate fluctuations. The decrease in the Americas mainly relates to North America, while progress in South America was positive. In APAC, sales decreased by 30.9% or 31.2% adjusted for exchange rate fluctuations.

Total sales by quarter, Q1 2013 - Q2 2014



Total sales by region, January-June 2014



Total sales by region

SEK m	Apr-Jun		Jan-Jun		Jan-Jun Change %
	2014	2013	2014	2013	
EMEA	213.7	247.8	406.4	436.3	-6.9
Americas	31.0	30.5	60.8	77.2	-21.2
APAC	5.3	15.2	14.1	20.3	-30.9
Total Sales	250.0	293.5	481.3	533.8	-9.8

Results of Operations

April-June 2014

Gross profit for the quarter was SEK 123.6 (148.8) m, corresponding to a gross margin of 49.5% (50.7). The gross margin reduction is due to reclassification of manufacturing-related development expenses of 0.5

percentage points, and to a combination of exchange rate differences and the product and customer mix. Gross profit in the second quarter of 2013 would have been SEK 16.7 m higher after adjustments for exchange rate fluctuations against the SEK.

Operating expenses for the quarter, excluding other income and other operating expenses, were SEK 98.3 (97.8) m. Development expenses of SEK 21.6 (9.9) m were capitalized in the period and depreciation and amortization of capitalized development expenses was SEK 7.4 (4.3) m. All in all, despite staff increases, mainly in the second half of 2013, and unfavorable exchange rates, improved cost control meant that we were able to limit cost increases in the quarter.

Other operating expenses are largely net currency losses of SEK 3.5 (1.4) m, of which losses on currency contracts was SEK 7.4 (6.7) m and gains on the translation of balances with customers and suppliers of SEK 3.9 (5.3) m.

The operating profit for the quarter was SEK 21.9 (49.6) m, corresponding to an operating margin of 8.8% (16.9).

January-June 2014

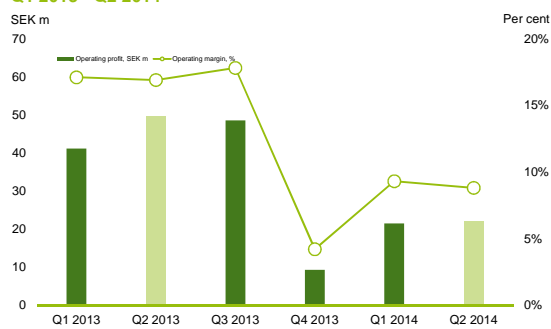
Gross profit for the first half-year 2014 was SEK 237.2 (270.4) m, and gross margin was 49.3% (50.7). Gross profit for the corresponding period in the previous year would have been SEK 24.2 m higher after adjustments for exchange rate fluctuations against the SEK.

Operating expenses for the period, excluding other income and other operating expenses, were SEK 190.5 (178.8) m. Development expenses of SEK 41.3 (22.4) m were capitalized in the period, and amortization of capitalized development expenses was SEK 14.8 (8.2) m. Adjusted for the capitalization and amortization of development expenses, research and development expenditure increased to SEK 103.9 (87.5) m, or by 18.7% on the corresponding period of 2013.

Other operating expenses of SEK 3.3 (0.9) mainly consist of losses on currency contracts of SEK 7.8 (2.2) m and gains on the translation of balances with customers and suppliers of SEK 4.6 (1.3).

The operating profit for the period was SEK 43.4 (90.7) m, and the operating margin was 9.0% (17.0).

Operating profit and operating margin by quarter, Q1 2013 - Q2 2014



Cash Flow, Investments and Financial Position

January-June 2014

Cash flow from operating activities was SEK 80.1 (57.9) m. Cash flow improved despite the decline in Profit/loss after financial items, mainly because of lower working capital. Working capital at the end of the period was SEK 75.8 (132.7) m.

Investments in property, plant and equipment in the period were SEK 4.3 (2.7) m. Investments in intangible assets in the form of capitalized development expenses were SEK 41.3 (22.4) m.

SEK 180.1 (50.0) m of dividends was paid in the second quarter, of which SEK 130.2 m relates to extra dividend. In the period, the company repurchased treasury shares under its incentive program for SEK 3.3 (0.5) m, of which SEK – (0.5) m in the second quarter.

Total cash flow for the first half-year was SEK -149.6 (-18.0) m.

Transmode's cash and cash equivalents were SEK 284.0 (357.2) at the end of June. Arranged credit facilities were SEK 12.0 (12.0) m, of which SEK 3.1 (-) m were utilized for bank guarantees issued.

As of 30 June 2014, the company had currency forward contracts on commitments to sell currency of EUR 28.6 m at an average spot rate of SEK/EUR 9.01, and GBP 1.7 m at an average spot rate of SEK/GBP 10.75. The fair value of currency forward contracts is recognized as other current assets and other current liabilities.

Fair value of derivative instruments

SEK m	30 Jun 2014	30 Jun 2013	31 Dec 2013
Other current assets	-	-	-
Other current liabilities	-6.6	-4.6	-2.7
Net asset/(liability)	-6.6	-4.6	-2.7

Currency forward contracts are recognized in valuation hierarchy tier 2 in accordance with IFRS 13. For other financial instruments, fair value corresponds to book value.

Equity and the Transmode Share

Consolidated equity was SEK 558.0 (654.8) m at the end of the quarter. The total number of shares was 27,788,676 as of 30 June 2014. Transmode acquired a total of 79,440 treasury shares. This brings the total number of outstanding shares to 27,709,236.

The consolidated equity/assets ratio was 68.4% (71.8) at the end of the quarter.

Employees

Transmode had 288 (265) employees as of 30 June 2014, compared to 284 at the end of 2013. The average number of employees in the first half-year 2014 was 288 (264) compared to 270 for the full-year 2013.

The increase in the number of employees year-on-year largely relates to hirings in the product and sales departments.

Transactions with Related Parties

There were no significant transactions with related parties in the first half-year 2014.

Risks and Uncertainty Factors

Transmode's operations are exposed to certain risks that can affect its operations, results of operations or financial position to a lesser or greater extent.

Transmode has an established process for identifying risks and decision-making relating to risk management.

Transmode's Annual Report for 2013 describes the company's risk exposure from perspectives including market, operations, customers and finances. In Transmode's assessment, since the presentation of the Annual Report, no additional significant risks and uncertainty factors have arisen that could be expected to affect the company. However, the macroeconomic situation has meant that the exchange rate against the SEK for our most important currencies, GBP, USD and EUR, has been, and may remain, volatile.

The political situation in Eastern Europe has not had an impact on our business, but we are monitoring progress closely.

Parent Company

The parent company, Transmode AB, is primarily a holding company, which holds and manages shares in subsidiaries and also sells certain group-wide services to subsidiaries. At the end of June 2014, the parent company had 14 (13) employees.

Parent company sales were SEK 11.5 (10.1) m in the first half-year 2014, all of which relate to invoicing of services sold to subsidiaries. Operating profit/loss was SEK -2.7 (-4.9) m. At the end of the reporting period, parent company cash and cash equivalents were SEK 35.2 (111.3) m.

Annual General Meeting

The AGM on 10 April re-elected Board members Torbjörn Nilsson, Helena Nordman-Knutson, Tom Nyman, Axel Roos, Kevin Taylor, Gerd Tenzer and Roland Thornton. The AGM elected Tom Nyman as Chairman of the Board.

The AGM approved the Board of Directors' proposal of a dividend to shareholders of SEK 6.50 per share, of which SEK 1.80 is ordinary dividend and SEK 4.70 extra dividend.

The AGM approved the Board of Directors' proposal for a long-term incentive program. This involves the creation of a long-term share savings program for all employees of Transmode .

The AGM also approved the Board of Directors' proposal to authorize the Board to decide on purchases of treasury shares on NASDAQ OMX Stockholm, corresponding to a maximum of 1% of all the shares of the company, and on the transfer of a maximum of 136,457 treasury shares to participants in the program.

Incentive Program

In April, the AGM resolved to adopt the Board of Directors' proposal for a long-term incentive program in the form of a share saving program for all employees. Assuming a personal investment in Transmode shares is made, participants in the program will be granted Transmode shares free of charge approximately three years after the initial investment, provided certain terms and conditions are met. The program was introduced to employees in the quarter.

In the first half-year, the company repurchased treasury shares for SEK 3.3 (0.5) m on NASDAQ OMX Stockholm, of which SEK - (0.5) m in the second quarter.

Accounting Policies

This Interim Report has been prepared in accordance with IFRS (International Financial Reporting Standards) as endorsed by the EU Commission for application in the EU. This Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. For a description of the group's accounting policies and definitions of certain terms, please refer to the Annual Report 2013. The policies applied are essentially unchanged on the previous year.

The parent company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and RFR 2, Accounting for Legal Entities. In most cases, this implies that the parent company applies the same IFRS/IAS as in the Consolidated Accounts, albeit subject to certain exemptions as stated in the Consolidated Accounts for 2013.

New and revised IFRSs that have become effective after 1 January 2014 have not had any effect on Transmode's financial position and results of operations.

Significant Events after the End of the Reporting Period

There were no significant events after 30 June 2014.

Seasonality

Transmode experiences some seasonal effect on the company's sales from quarter to quarter. In recent years, like many other companies in the telecom industry, Transmode's sales have often tended to be lower in the first quarter and higher in the fourth quarter. However, the division of sales between quarters is primarily controlled by the large customers' purchasing patterns.

Operating expenses are also sequentially low in the third quarter, due to the majority of vacations being taken.

Outlook

Transmode's market is driven by the underlying increase in data traffic driven by video applications, business services, cloud services and mobile broadband. Accordingly, there is a continued need for investment in equipment that increases the capacity of optical fiber networks. At present, there is nothing to suggest that these underlying drivers are weakening.

Since several of our largest customers in EMEA currently have fewer new build-out projects in metro networks, sales will be negatively affected in the short term.

Reporting Dates

- Interim Report, January-September:
22 October 2014
- Financial Statement 2014:
February 2015

Invitation to Press and Analysts' Conference Call

Transmode AB will host a conference call (in English) for investors, analysts and the media on 17 July at 9.00 a.m. where Karl Thedéen, CEO, and Johan Wilsby, CFO, will present and comment on Transmode's Interim Report. To participate, call +44 (0)207 6602080, or alternatively the Swedish no. +46 (0)8 51999361, and state "Transmode conference call" a few minutes before the scheduled start. The conference call and the presentation will also be streamed live on Transmode's website: <http://www.transmode.com/sv/investerare/rapporter/delarsrapporter>. The presentation will also be available on the company's website after the conference concludes.

Financial Statements

Condensed Consolidated Income Statement

SEK m	Apr-Jun		Jan-Jun		Jul 2013-	Jan-Dec
	2014	2013	2014	2013	Jun 2014	2013
Sales	250.0	293.5	481.3	533.8	976.6	1,029.1
Cost of goods and services provided	-126.4	-144.7	-244.1	-263.4	-488.3	-507.6
Gross profit	123.6	148.8	237.2	270.4	488.3	521.5
Other income	0.0	0.0	0.0	0.0	0.9	0.9
Research and development expenses	-40.0	-39.4	-76.4	-73.3	-158.7	-155.6
Selling expenses	-48.8	-47.3	-94.8	-86.6	-187.9	-179.7
Administrative expenses	-9.5	-11.1	-19.3	-18.9	-35.4	-35.0
Other operating expenses	-3.4	-1.4	-3.3	-0.9	-6.0	-3.6
Operating profit	21.9	49.6	43.4	90.7	101.2	148.5
Net financial income / expenses	2.1	2.0	4.1	1.5	9.6	7.0
Profit before tax	24.0	51.6	47.5	92.2	110.8	155.5
Taxes	-4.9	-11.2	-9.8	-19.9	-22.1	-32.2
Profit for the period	19.1	40.4	37.7	72.3	88.7	123.3
Attributable to:						
Equity holders of the parent company	19.1	40.4	37.7	72.3	88.7	123.3
Average no of shares before dilution ('000)	27,709	27,788	27,719	27,788	27,747	27,782
Basic earnings per share (SEK)	0.69	1.45	1.36	2.60	3.20	4.44
Average no of shares after dilution ('000)	27,709	27,788	27,719	27,788	27,747	27,782
Diluted earnings per share (SEK)	0.69	1.45	1.36	2.60	3.20	4.44
Operating profit above includes						
– Amortization of intangible fixed assets	-9.0	-5.5	-17.9	-10.6	-36.0	-28.7
– Depreciation of tangible fixed assets	-2.3	-1.8	-4.5	-3.6	-8.6	-7.7

Condensed Consolidated Statement of Comprehensive Income

SEK m	Apr-Jun		Jan-Jun		Jul 2013-	Jan-Dec
	2014	2013	2014	2013	Jun 2014	2013
Profit for the period	19.1	40.4	37.7	72.3	88.7	123.3
Other comprehensive income						
Items that can be subsequently reversed in the Income Statement						
Translation differences	0.3	0.2	0.3	0.0	0.3	0.0
Income tax relating to components of other comprehensive income	–	–	–	–	–	–
Other comprehensive income for the period, net of tax	0.3	0.2	0.3	0.0	0.3	0.0
Total comprehensive income for the period	19.4	40.6	38.0	72.3	89.0	123.3
Attributable to:						
Equity holders of the parent company	19.4	40.6	38.0	72.3	89.0	123.3

Condensed Consolidated Statement of Financial Position

SEK m	30 Jun 2014	30 Jun 2013	31 Dec 2013
ASSETS			
Goodwill	88.4	88.4	88.4
Capitalized development expenses	114.3	78.4	87.8
Other intangible assets	7.7	8.2	10.3
Tangible fixed assets	24.5	21.2	24.9
Deferred tax asset	2.2	1.2	2.2
Other financial assets	5.5	3.0	5.3
Total non-current assets	242.6	200.4	218.9
Inventories	92.6	101.0	85.9
Accounts receivable	165.4	215.6	184.7
Other current assets	31.3	37.7	33.8
Cash and cash equivalents	284.0	357.2	431.5
Total current assets	573.3	711.5	735.9
TOTAL ASSETS	815.9	911.9	954.8
EQUITY AND LIABILITIES			
Equity	558.0	654.8	702.4
Deferred tax liability	39.2	30.5	33.9
Provisions	5.1	4.9	4.9
Total long-term liabilities	44.3	35.4	38.8
Accounts payable	102.7	119.9	103.0
Provisions	13.6	19.8	16.6
Other current liabilities	97.3	82.0	94.0
Total current liabilities	213.6	221.7	213.6
TOTAL EQUITY AND LIABILITIES	815.9	911.9	954.8

Condensed Consolidated Statement of Cash Flows

SEK m	Apr-Jun		Jan-Jun		Jul 2013-	Jan-Dec
	2014	2013	2014	2013	Jun 2014	2013
Profit after financial items	24.0	51.6	47.5	92.2	110.8	155.5
Non-cash items	10.5	3.8	18.5	15.6	35.9	33.0
Income tax paid	-6.3	-6.3	-12.6	-13.1	-25.3	-25.8
Cash flow from operating activities before changes in working capital	28.2	49.1	53.4	94.7	121.4	162.7
Changes in working capital	50.3	-50.9	26.7	-36.8	75.5	12.0
Cash flow from operating activities	78.5	-1.8	80.1	57.9	196.9	174.7
Acquisitions of intangible and tangible assets	-25.5	-12.1	-46.1	-25.1	-83.5	-62.5
Change in other financial assets	-0.1	0.0	-0.2	-0.3	-2.5	-2.6
Cash flow from investing activities	-25.6	-12.1	-46.3	-25.4	-86.0	-65.1
Purchases of treasury shares	-	-0.5	-3.3	-0.5	-7.6	-4.8
Dividend to equity holders of the parent	-180.1	-50.0	-180.1	-50.0	-180.1	-50.0
Cash flow from financing activities	-180.1	-50.5	-183.4	-50.5	-187.7	-54.8
Increase / decrease in cash and cash equivalents	-127.2	-64.4	-149.6	-18.0	-76.8	54.8
Cash and cash equivalents at the beginning of the period	410.1	421.1	431.5	376.8	357.2	376.8
Exchange rate differences in cash and cash equivalents	1.1	0.5	2.1	-1.6	3.6	-0.1
Cash and cash equivalents at the end of the period	284.0	357.2	284.0	357.2	284.0	431.5

Condensed Statement of Changes in Equity

SEK m	Apr-Jun		Jan-Jun		Jul 2013-	Jan-Dec
	2014	2013	2014	2013	Jun 2014	2013
Opening balance	718.2	664.5	702.4	632.8	654.8	632.8
Total comprehensive income for the period	19.4	40.6	38.0	72.3	89.0	123.3
Share-based payment	0.5	0.2	1.0	0.2	1.9	1.1
Purchases of treasury shares	-	-0.5	-3.3	-0.5	-7.6	-4.8
Dividend to equity holders of the parent	-180.1	-50.0	-180.1	-50.0	-180.1	-50.0
Closing balance	558.0	654.8	558.0	654.8	558.0	702.4

Key ratios

SEK m / %	Apr-Jun		Jan-Jun		Jul 2013-	Jan-Dec
	2014	2013	2014	2013	Jun 2014	2013
Sales by region (SEK m):						
EMEA	213.7	247.8	406.4	436.3	828.5	858.4
Americas	31.0	30.5	60.8	77.2	107.3	123.7
APAC	5.3	15.2	14.1	20.3	40.8	47.0
Total Sales	250.0	293.5	481.3	533.8	976.6	1,029.1
Gross profit (SEK m)	123.6	148.8	237.2	270.4	488.3	521.5
Operating profit (SEK m)	21.9	49.6	43.4	90.7	101.2	148.5
Profit for the period (SEK m)	19.1	40.4	37.7	72.3	88.7	123.3
Working capital (SEK m)	75.8	132.7	75.8	132.7	75.8	90.9
Net cash (SEK m)	284.5	357.7	284.5	357.7	284.5	432.0
Cash flow from operating activities (SEK m)	78.5	-1.8	80.1	57.9	196.9	174.7
Sales, change in (%)	-14.8	8.6	-9.8	5.6	-6.0	1.8
Gross margin (%)	49.5	50.7	49.3	50.7	50.0	50.7
Operating margin (%)	8.8	16.9	9.0	17.0	10.4	14.4
Profit margin (%)	7.6	13.8	7.8	13.5	9.1	12.0
Working capital/sales (%)	11.5	10.6	11.5	10.6	11.5	10.6
Equity/assets ratio (%)	68.4	71.8	68.4	71.8	68.4	73.6
No of shares at end of period ('000)	27,789	27,789	27,789	27,789	27,789	27,789
No of shares the outstanding warrants confer the right to at the end of the period ('000)	-	-	-	-	-	-

For definitions of key ratios, please refer to the Annual Report for 2013, which is available at the company's website: www.transmode.com.

Condensed Parent Company Income Statement

SEK m	Apr-Jun		Jan-Jun		Jul 2013-	Jan-Dec
	2014	2013	2014	2013	Jun 2014	2013
Sales	5.6	5.9	11.5	10.1	21.5	20.1
Administrative expenses	-7.0	-9.4	-14.2	-15.0	-25.9	-26.7
Other operating income and expenses	0.0	0.0	0.0	0.0	0.3	0.3
Operating profit/loss	-1.4	-3.5	-2.7	-4.9	-4.1	-6.3
Net financial income / expenses	0.8	53.4	2.0	54.5	124.6	177.1
Profit/loss after financial expenses	-0.6	49.9	-0.7	49.6	120.5	170.8
	0.2	0.5	0.2	0.6	-1.1	-0.7
Profit/loss for the period	-0.4	50.4	-0.5	50.2	119.4	170.1

Condensed Parent Company Balance Sheet

SEK m	30 Jun 2014	30 Jun 2013	31 Dec 2013
Assets			
Financial fixed assets	468.6	466.5	467.7
Total non-current assets	468.6	466.5	467.7
Other current assets	12.5	6.2	122.5
Cash and cash equivalents	35.2	111.3	110.0
Total current assets	47.7	117.5	232.5
Total assets	516.3	584.0	700.2
Equity and liabilities			
Equity	507.0	573.3	689.9
Provisions	1.7	1.9	1.5
Other current liabilities	7.6	8.8	8.8
Total current liabilities	7.6	8.8	8.8
Total liabilities and equity	516.3	584.0	700.2
Pledged assets	None	None	None
Contingent liabilities	None	None	None

The Board of Directors and CEO hereby certify that this Interim Report gives a true and fair view of the group's operations, sales, results of operations and financial position. The information presented

corresponds to fact and no material omissions have been made that could affect the presentation of the group and parent company in the accounts.

Stockholm, Sweden, 16 July 2014

Tom Nyman
Chairman of the Board

Torbjörn Nilsson
Board member

Helena Nordman-Knutson
Board member

Axel Roos
Board member

Kevin Taylor
Board member

Gerd Tenzer
Board member

Roland R. Thornton
Board member

Karl Thedéen
Chief Executive Officer

This Report has been subject to a summary review by the company's auditors.

This information is mandatory for Transmode AB (publ) to publish pursuant to the Swedish Securities Markets Act and/or the Swedish Financial Instruments Trading Act. The information was submitted for publication at 8.00 a.m. on 17 July 2014.

This is a translation of the Swedish original. In case of any inconsistency between the Swedish and English version, the Swedish version shall prevail.

For more information please contact

Ola Elmeland, VP Marketing & Communications
ola.elmeland@transmode.com
+46 (0)8 506 88271

Report of Review of Interim Financial Information

Introduction

We have reviewed this report for the period 1 January 2014 to 30 June 2014 for Transmode AB. The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, Sweden, 16 July 2014

PricewaterhouseCoopers AB

Johan Engstam
Authorised Public Accountant