

Transmode AB (publ)

Interim Report January-September 2014

July-September 2014

- Sales were SEK 193.0 (272.0) m, corresponding to a decrease of 29.0%, or 34.5% adjusted for exchange rate fluctuations.
- Operating profit was SEK 1.6 (48.5) m, including restructuring expenses, corresponding to an operating margin of 0.9% (17.8). Excluding restructuring expenses of SEK 6.4 m, operating profit was SEK 8.0 m, and the operating margin was 4.2%.
- Net profit was SEK 2.4 (40.1) m.
- Basic and diluted earnings per share were SEK 0.09 (1.44).
- Cash flow from operating activities was SEK 7.7 (45.1) m.

January-September 2014

- Sales were SEK 674.3 (805.8) m, corresponding to a decrease of 16.3%, or 21.1% adjusted for exchange rate fluctuations.
- Operating profit was SEK 45.0 (139.2) m, including restructuring expenses, corresponding to an operating margin of 6.7% (17.3). Excluding restructuring expenses of SEK 6.4 m, operating profit was SEK 51.4 m, and the operating margin was 7.6%.
- Net profit was SEK 40.1 (112.4) m.
- Basic and diluted earnings per share were SEK 1.45 (4.05).
- Cash flow from operating activities was SEK 87.8 (103.0) m.

SEK m	Jul-Sep			Apr-Jun		Jan-Sep	Jan-Sep
	2014	2013	Change %	2014	Change %	2014	2013
Sales by region:							
EMEA	159.3	229.2	-30.5	213.7	-25.4	565.7	665.5
Americas	25.4	22.2	14.2	31.0	-18.3	86.2	99.4
APAC	8.3	20.6	-59.8	5.3	55.9	22.4	40.9
Total Sales	193.0	272.0	-29.0	250.0	-22.8	674.3	805.8
Operating profit	1.6	48.5	-96.6	21.9	-92.5	45.0	139.2
Operating margin (%)	0.9	17.8		8.8		6.7	17.3
Profit for the period	2.4	40.1	-93.9	19.1	-87.2	40.1	112.4
Diluted and basic earnings per share (SEK)	0.09	1.44	-93.9	0.69	-87.2	1.45	4.05
Cash flow from operating activities	7.7	45.1		78.5		87.8	103.0

CEO's Statement: A Weak Quarter—Focus on Remedial Actions

Sales were down by 29.0% in the quarter to SEK 193.0 m. This decline affected our operating margin, which was 4.2%, excluding restructuring expenses of SEK 6.4 m. We have a strong gross margin of 52.0% and positive cash flow of SEK 7.7 m.

The combination of a weak second quarter with persistent low sales on our largest EMEA customers in the third quarter resulted in low profits. After conducting a close dialogue with these customers, my view is that we haven't lost market share with them, but rather, the decline is due to lower investments in their metro networks. However, more recently, we have seen signs of a greater willingness to invest from them, although I don't expect any rapid change, but rather, a gradual recovery. Sales from other EMEA customers were stable in the quarter. Sales in the Americas increased in this quarter, and I take a continued positive view of progress in this region.

To return to healthy profitability and growth, we've taken several measures. The cost and efficiency program we reported in the quarter is being executed, and will reduce our cost base by some SEK 40 m annually. Staff reductions concluded in early-October, while other savings are being executed, and this program will mainly generate its effect in 2015.

In tandem with this program, we focused and intensified our sales efforts. We executed some 20 demos of our new 100G products in the quarter, gaining very positive feedback from existing and potential new customers. It's clear that the investments we made in a new generation of products for 100 and 10 Gbit/s have given us a competitive product portfolio, especially in terms of typical metro attributes like power consumption, density and pricing. I see great business potential for these products in 2015.

To expand our customer base, we sustained our focus on our partner program, which is creating potential for new customers in the enterprise and alternative operator segment. We're seeing new business opportunities in the EMEA outside Northern Europe, so we've upscaled activities on some of these markets. In North America, we're increasing our focus on cable operators, where our successes in Europe with one of the world's largest cable operators Liberty Global make an excellent reference. That's why we conducted a major event at the Cable Tech Expo in Denver in the quarter. In conjunction with this our 100G solution was also highly rated in the BTR Diamond Awards. We're also continuing to invest with the aim of securing new large accounts, and are continuously advancing our positioning with them.

I'm still positive about our market, driven by underlying high traffic growth in metro networks. In combination with the measures we've taken, an attractive product portfolio and continued investments in developing our products and markets, I'm confident about 2015.

Karl Thedéen
Chief Executive Officer

About Transmode

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 executed a cost and efficiency program designed to increase profitability and enable continued investment in developing products and markets. See separate section for more information.

Transmode conducted several customer events across the Nordics in the quarter, as well as arranging its yearly partner conference, with NEC and Telindus winning the top awards of 'Best Customer Evolution' and 'Best Competitive Win.'

Transmode's 100G Metro solution was rated 4.5 out of 5.0 in the Broadband Technology Review Diamond Awards in conjunction with the SCTE Cable-Tec Expo in the US.

Transmode also arranged some 20 product demos across Europe and Asia for its new 100G Metro solution.

The Nomination Committee for the AGM 2015 was appointed in September. Its members are Axel Roos (Pod Investment AB), Johan Lannebo (Lannebo Fonder), Marianne Flink (Swedbank Robur Fonder) and Chairman of the Board Tom Nyman.

Sales

July-September 2014

Sales in the quarter were SEK 193.0 (272.0) m, down 29.0% year-on-year. Adjusted for exchange rate fluctuations, the decrease was 34.5%.

EMEA contracted by 30.5% and by 36.1% adjusted for exchange rate fluctuations. Transmode's largest customers in the region have fewer build-out projects at present, which means reduced investment in metro networks. Sales to other customers in the region were stable in year-on-year terms.

Sales increased by 14.2% in the Americas (North and South America), or by 7.7% adjusted for exchange rate fluctuations. The increase is related to both North and South America, and is a result of an enhanced regional organization.

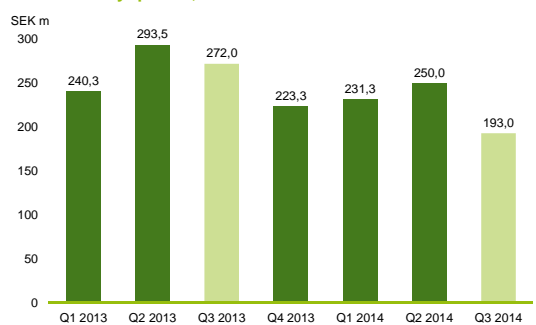
In APAC, where individual projects can cause greater quarterly fluctuations, sales decreased by 59.8% to SEK 8.3 m, or by 62.1% adjusted for exchange rate fluctuations.

January-September 2014

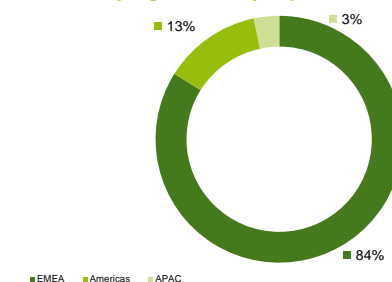
Sales in the period were SEK 674.3 (805.8) m, corresponding to a year-on-year decrease of 16.3%. Adjusted for exchange rate fluctuations, the decrease was 21.1%. Sales in EMEA decreased by 15.0%, or 20.4% adjusted for exchange rate fluctuations. The downturn is mainly driven by lower volumes from our largest customers in the region. In the Americas,

sales decreased by 13.3%, or 14.7% 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 45.4%, or 47.1% adjusted for exchange rate fluctuations mainly due to us running fewer projects with our largest customer in the region in 2014.

Total sales by quarter, Q1 2013 – Q3 2014



Total sales by region, January-September 2014



Total sales by region

SEK m	Jul-Sep		Jan-Sep		Jan-Sep Change %
	2014	2013	2014	2013	
EMEA	159.3	229.2	565.7	665.5	-15.0
Americas	25.4	22.2	86.2	99.4	-13.3
APAC	8.3	20.6	22.4	40.9	-45.4
Total Sales	193.0	272.0	674.3	805.8	-16.3

Results of Operations

July-September 2014

Gross profit for the quarter was SEK 100.3 (137.7) m, corresponding to a gross margin of 52.0% (50.6). Gross profit includes restructuring expenses of SEK 2.0 m, and excluding them, the gross margin would have been 53.0%. The increased gross margin is due to a combination of exchange rate fluctuations and product mix. Gross profit in the third quarter of 2013 would have been SEK 20.4 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 97.7 (88.9) m. These expenses include restructuring expenses of SEK 4.4 (-) m. Development expenses of SEK 12.4 (10.6) m were capitalized in the period, and amortization of capitalized development expenditure was SEK 8.8 (7.6) m. Despite staff increases, mainly in the second half of 2013, and unfavorable exchange rates, improved cost control meant that we had only limited cost increases in the quarter. However, the cost and efficiency program announced in the quarter did not generate any significant savings in the third quarter.

Other operating expenses are largely net currency losses of SEK 0.9 (0.3) m, of which gains on currency contracts were SEK 0.2 (2.4 loss) m and losses on the translation of balances with customers and suppliers of SEK 1.1 (2.1 gain) m.

January-September 2014

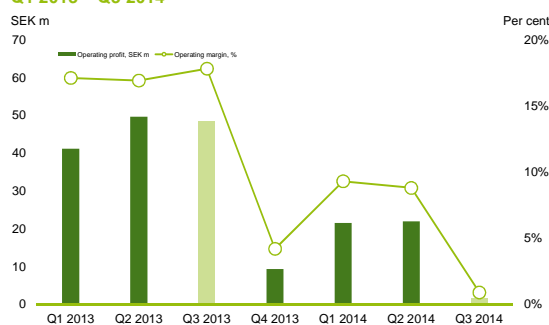
Gross profit including restructuring expenses of SEK 2.0 (-) m for the first three quarters 2014 was SEK 337.5 (408.1) m, and gross margin was 50.1% (50.6). Gross profit for the corresponding period of the previous year would have been SEK 44.6 m higher after adjustments for exchange rate fluctuations against the SEK.

Operating expenses for the period, excluding other income and other operating expenses, were SEK 288.2 (267.7) m. These expenses include restructuring expenses of SEK 4.4 (-) m. Development expenses of SEK 53.7 (33.0) m were capitalized in the period, and amortization of capitalized development expenses was SEK 22.0 (15.8) m. Adjusted for the capitalization and amortization of development expenses, research and development expenditure increased to SEK 148.1 (126.3) m, or by 17.2% on the corresponding period of 2013.

Other operating expenses of SEK 4.3 (1.2) m mainly consist of losses on currency contracts of SEK 7.6 (4.6) m and gains on the translation of balances with customers and suppliers of SEK 3.5 (3.4) m.

The operating profit for the period was SEK 45.0 (139.2) m, and the operating margin including restructuring expenses was 6.7% (17.3).

Quarterly operating profit and operating margin Q1 2013 – Q3 2014



Cash Flow, Investments and Financial Position

January-September 2014

Cash flow from operating activities was SEK 87.8 (103.0) m. Despite a significantly decreased profit after financial items, improvements in reduced working capital resulted in a more limited decrease to cash flow. Specifically, better payment terms helped reduce accounts receivable. Working capital at the end of the period was SEK 83.8 (138.9) m.

Investments in property, plant and equipment in the period were SEK 9.8 (6.2) m. Investments in intangible assets in the form of capitalized development expenses were SEK 53.7 (33.0) m.

In the period, the company purchased treasury shares in its incentive program for SEK 3.3 (1.0) m.

Total cash flow for the period, including a dividend of SEK 180.1 (50.0) m, was SEK -159.9 (11.6) m.

Transmode's cash and cash equivalents were SEK 274.7 (387.1) m at the end of September. Arranged credit facilities were SEK 12.0 (12.0) m, of which SEK 3.3 (-) m were utilized for bank guarantees issued.

As of 30 September 2014, the company had currency forward contracts on commitments to sell currency of EUR 18.2 m at an average spot rate of SEK/EUR 9.08. 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 Sep 2014	30 Sep 2013	31 Dec 2013
Other current assets	-	-	-
Other current liabilities	-1.8	-4.5	-2.7
Net asset/(liability)	-1.8	-4.5	-2.7

Currency forward contracts are recognized in valuation hierarchy level 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 561.6 (694.7) m at the end of the quarter. The total number of shares was 27,788,676 as of 30 September 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 71.0% (73.6) at the end of the quarter.

Employees

Transmode had 291 (279) employees as of 30 September 2014, compared to 284 at the end of 2013. Those employees affected by the cost-cutting and rationalization program remained employed as of 30 September. The average number of employees during the first nine months of 2014 was 289 (269), and 270 for the full year 2013.

The increase in the number of employees year on year largely relates to hirings in the product development department.

Cost and efficiency program

As previously announced, Transmode is executing a cost and efficiency program designed to increase profitability and ensure continued investments in products and market development. This program involves downscaling the cost base by some SEK 40 m annualized, and involves a combination of downsizing employed staff and consultants, as well as other savings. Staff reductions concluded in early-October, while other savings are being executed, and this program will generate its main effect in 2015.

In the third quarter, operating profit/loss was charged with SEK 6.4 (-) m, of which SEK 2.0 (-) was cost of goods and services provided and SEK 4.4 (-) m of operating expenses. Additional restructuring expenses will be charged to the fourth quarter. The total expense of this program will not exceed the communicated estimate of SEK 10.0 m.

Transactions with Related Parties

There were no significant transactions with related parties in the first nine months of 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 established a 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 September 2014, the parent company had 14 (13) employees.

Parent company sales were SEK 16.5 (16.8) m in the first nine months of 2014, all of which relate to invoicing of services sold to subsidiaries. Operating profit/loss was SEK -4.1 (-5.0) m. At the end of the reporting period, parent company cash and cash equivalents were SEK 36.3 (113.3) m.

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

At the WDM-PON forum in the US, Transmode announced that RST Global Communications had started to build new optical access networks based on Transmode's iAccess solution and iWDM-PON technology.

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 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 substantial 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.

Transmode's largest customers in EMEA currently have fewer new build-out projects, which means lower investment in metro networks. More recently we have seen signs of a greater willingness to invest from them. However, we do not anticipate any rapid change, but rather, a gradual recovery.

Annual General Meeting

Transmode's AGM 2015 will be held in Stockholm, Sweden on Thursday 16 April 2015.

Reporting Dates

- Financial Statement 2014:
5 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 22 October 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)207 660 2078, or alternatively the Swedish no. +46 (0)8 505 98261, 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	Jul-Sep		Jan-Sep		Oct 2013-	Jan-Dec
	2014	2013	2014	2013	Sep 2014	2013
Sales	193.0	272.0	674.3	805.8	897.6	1,029.1
Cost of goods and services provided	-92.7	-134.3	-336.8	-397.7	-446.7	-507.6
Gross profit	100.3	137.7	337.5	408.1	450.9	521.5
Other income	0.0	0.0	12.4	0.0	13.3	0.9
Research and development expenses	-40.0	-35.8	-116.4	-109.1	-162.9	-155.6
Selling expenses	-48.4	-44.0	-143.2	-130.6	-192.3	-179.7
Administrative expenses	-9.3	-9.1	-28.6	-28.0	-35.6	-35.0
Other operating expenses	-1.0	-0.3	-16.7	-1.2	-19.1	-3.6
Operating profit	1.6	48.5	45.0	139.2	54.3	148.5
Net financial income / expenses	1.0	2.7	5.1	4.2	7.9	7.0
Profit before tax	2.6	51.2	50.1	143.4	62.2	155.5
Taxes	-0.2	-11.1	-10.0	-31.0	-11.2	-32.2
Profit for the period	2.4	40.1	40.1	112.4	51.0	123.3
Attributable to:						
Equity holders of the parent company	2.4	40.1	40.1	112.4	51.0	123.3
Average no of shares before dilution ('000)	27,709	27,782	27,715	27,786	27,729	27,782
Basic earnings per share (SEK)	0.09	1.44	1.45	4.05	1.84	4.44
Average no of shares after dilution ('000)	27,709	27,782	27,715	27,786	27,729	27,782
Diluted earnings per share (SEK)	0.09	1.44	1.45	4.05	1.84	4.44
Operating profit above includes						
– Amortization of intangible fixed assets	-10.4	-8.7	-28.3	-19.3	-37.7	-28.7
– Depreciation of tangible fixed assets	-2.4	-2.0	-6.9	-5.6	-9.0	-7.7

Condensed Consolidated Statement of Comprehensive Income

SEK m	Jul-Sep		Jan-Sep		Oct 2013-	Jan-Dec
	2014	2013	2014	2013	Sep 2014	2013
Profit for the period	2.4	40.1	40.1	112.4	51.0	123.3
Other comprehensive income						
Items that can be subsequently reversed in the Income Statement						
Translation differences	0.7	-0.2	1.0	-0.2	1.2	0.0
Income tax relating to components of other comprehensive income	–	–	–	–	–	–
Other comprehensive income for the period, net of tax	0.7	-0.2	1.0	-0.2	1.2	0.0
Total comprehensive income for the period	3.1	39.9	41.1	112.2	52.2	123.3
Attributable to:						
Equity holders of the parent company	3.1	39.9	41.1	112.2	52.2	123.3

Condensed Consolidated Statement of Financial Position

SEK m	30 Sep 2014	30 Sep 2013	31 Dec 2013
ASSETS			
Goodwill	88.4	88.4	88.4
Capitalized development expenses	117.9	81.4	87.8
Other intangible assets	6.1	7.1	10.3
Tangible fixed assets	27.5	22.7	24.9
Deferred tax asset	2.2	1.1	2.2
Other financial assets	5.6	3.7	5.3
Total non-current assets	247.7	204.4	218.9
Inventories	93.2	87.0	85.9
Accounts receivable	124.5	224.4	184.7
Other current assets	51.1	40.9	33.8
Cash and cash equivalents	274.7	387.1	431.5
Total current assets	543.5	739.4	735.9
TOTAL ASSETS	791.2	943.8	954.8
EQUITY AND LIABILITIES			
Equity	561.6	694.7	702.4
Deferred tax liability	39.7	30.9	33.9
Provisions	5.0	4.8	4.9
Total long-term liabilities	44.7	35.7	38.8
Accounts payable	71.8	100.0	103.0
Provisions	11.5	20.6	16.6
Other current liabilities	101.6	92.8	94.0
Total current liabilities	184.9	213.4	213.6
TOTAL EQUITY AND LIABILITIES	791.2	943.8	954.8

Condensed Consolidated Statement of Cash Flows

SEK m	Jul-Sep		Jan-Sep		Oct 2013-	Jan-Dec
	2014	2013	2014	2013	Sep 2014	2013
Profit after financial items	2.6	51.2	50.1	143.4	62.2	155.5
Non-cash items	12.5	11.0	31.0	26.6	37.4	33.0
Income tax paid	-6.4	-4.2	-19.0	-17.3	-27.5	-25.8
Cash flow from operating activities before changes in working capital	8.7	58.0	62.1	152.7	72.1	162.7
Changes in working capital	-1.0	-12.9	25.7	-49.7	87.4	12.0
Cash flow from operating activities	7.7	45.1	87.8	103.0	159.5	174.7
Acquisitions of intangible and tangible assets	-17.9	-14.1	-64.0	-39.2	-87.3	-62.5
Change in other financial assets	-0.1	-0.9	-0.3	-1.2	-1.7	-2.6
Cash flow from investing activities	-18.0	-15.0	-64.3	-40.4	-89.0	-65.1
Purchases of treasury shares	–	-0.5	-3.3	-1.0	-7.1	-4.8
Dividend to equity holders of the parent	–	–	-180.1	-50.0	-180.1	-50.0
Cash flow from financing activities	0.0	-0.5	-183.4	-51.0	-187.2	-54.8
Increase / decrease in cash and cash equivalents	-10.3	29.6	-159.9	11.6	-116.7	54.8
Cash and cash equivalents at the beginning of the period	284.0	357.2	431.5	376.8	387.1	376.8
Exchange rate differences in cash and cash equivalents	1.0	0.3	3.1	-1.3	4.3	-0.1
Cash and cash equivalents at the end of the period	274.7	387.1	274.7	387.1	274.7	431.5

Condensed Statement of Changes in Equity

SEK m	Jul-Sep		Jan-Sep		Oct 2013-	Jan-Dec
	2014	2013	2014	2013	Sep 2014	2013
Opening balance	558.0	654.8	702.4	632.8	694.7	632.8
Total comprehensive income for the period	3.1	39.9	41.1	112.2	52.2	123.3
Share-based payment	0.5	0.5	1.5	0.7	1.9	1.1
Purchases of treasury shares	–	-0.5	-3.3	-1.0	-7.1	-4.8
Dividend to equity holders of the parent	–	–	-180.1	-50.0	-180.1	-50.0
Closing balance	561.6	694.7	561.6	694.7	561.6	702.4

Key ratios

SEK m / %	Jul-Sep		Jan-Sep		Oct 2013-	Jan-Dec
	2014	2013	2014	2013	Sep 2014	2013
Sales by region (SEK m):						
EMEA	159.3	229.2	565.7	665.5	758.6	858.4
Americas	25.4	22.2	86.2	99.4	110.5	123.7
APAC	8.3	20.6	22.4	40.9	28.5	47.0
Total Sales	193.0	272.0	674.3	805.8	897.6	1,029.1
Gross profit (SEK m)	100.3	137.7	337.5	408.1	450.9	521.5
Operating profit (SEK m)	1.6	48.5	45.0	139.2	54.3	148.5
Profit for the period (SEK m)	2.4	40.1	40.1	112.4	51.0	123.3
Working capital (SEK m)	83.8	138.9	83.8	138.9	83.8	90.9
Net cash (SEK m)	275.2	387.6	275.2	387.6	275.2	432.0
Cash flow from operating activities (SEK m)	7.7	45.1	87.8	103.0	159.5	174.7
Sales, change in (%)	-29.0	7.0	-16.3	6.1	-15.1	1.8
Gross margin (%)	52.0	50.6	50.1	50.6	50.2	50.7
Operating margin (%)	0.9	17.8	6.7	17.3	6.1	14.4
Profit margin (%)	1.3	14.8	5.9	13.9	5.7	12.0
Working capital/sales (%)	11.4	10.5	11.4	10.5	11.4	10.6
Equity/assets ratio (%)	71.0	73.6	71.0	73.6	71.0	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	Jul-Sep		Jan-Sep		Oct 2013-	Jan-Dec
	2014	2013	2014	2013	Sep 2014	2013
Sales	5.0	6.7	16.5	16.8	19.8	20.1
Administrative expenses	-6.4	-6.8	-20.6	-21.8	-25.5	-26.7
Other operating income and expenses	0.0	0.0	0.0	0.0	0.3	0.3
Operating profit/loss	-1.4	-0.1	-4.1	-5.0	-5.4	-6.3
Net financial income / expenses	1.0	1.0	3.0	55.5	124.6	177.1
Profit/loss after financial expenses	-0.4	0.9	-1.1	50.5	119.2	170.8
	0.0	-0.2	0.2	0.4	-0.9	-0.7
Profit/loss for the period	-0.4	0.7	-0.9	50.9	118.3	170.1

Condensed Parent Company Balance Sheet

SEK m	30 Sep 2014	30 Sep 2013	31 Dec 2013
Assets			
Financial fixed assets	469.1	467.0	467.7
Total non-current assets	469.1	467.0	467.7
Other current assets	10.8	6.5	122.5
Cash and cash equivalents	36.3	113.3	110.0
Total current assets	47.1	119.8	232.5
Total assets	516.2	586.8	700.2
Equity and liabilities			
Equity	507.1	574.1	689.9
Provisions	1.7	2.0	1.5
Other current liabilities	7.4	10.7	8.8
Total current liabilities	7.4	10.7	8.8
Total liabilities and equity	516.2	586.8	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, 21 October 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 not been reviewed 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 22 October 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

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