

Transmode AB (publ) Year-end Report 2014

October-December 2014

- Sales were SEK 255.7 (223.3) m, an increase of 14.5%, or 7.2% adjusted for exchange rate fluctuations.
- Operating profit was SEK 25.6 (9.3) m, including restructuring expenses, corresponding to an operating margin of 10.0% (4.2). Excluding restructuring expenses of SEK 2.5m, operating profit was SEK 28.1 m, and the operating margin was 10.9%.
- Net profit was SEK 21.4 (10.9) m.
- Basic and diluted earnings per share were SEK 0.77 (0.39).
- Cash flow from operating activities was SEK 39.7 (71.7) m.

January-December 2014

- Sales were SEK 930.0 (1,029.1) m, corresponding to a decrease of 9.6%, or 14.9% adjusted for exchange rate fluctuations.
- Operating profit was SEK 70.6 (148.5) m, including restructuring expenses, corresponding to an operating margin of 7.6% (14.4). Excluding restructuring expenses of SEK 8.9 m, operating profit was SEK 79.5 m, and the operating margin was 8.5%.
- Net profit was SEK 61.5 (123.3) m.
- Basic and diluted earnings per share were SEK 2.22 (4.44).
- Cash flow from operating activities was SEK 127.5 (174.7) m.
- The Board of Directors has decided to propose a dividend of SEK 1.95 (1.80) per share to the AGM. Previous year we also paid an extra dividend of SEK 4.70 per share.

SEK m	Oct-Dec			Jul-Sep		Jan-Dec	Jan-Dec
	2014	2013	Change %	2014	Change %	2014	2013
Sales by region:							
EMEA	195,3	192,9	1,1	159,3	22,6	761,0	858,4
Americas	48,8	24,3	101,1	25,4	92,1	135,0	123,7
APAC	11,6	6,1	92,9	8,3	39,8	34,0	47,0
Total Sales	255,7	223,3	14,5	193,0	32,5	930,0	1 029,1
Operating profit	25,6	9,3	171,6	1,6	1 445,1	70,6	148,5
Operating margin (%)	10,0	4,2		0,9		7,6	14,4
Profit for the period	21,4	10,9	96,1	2,4	781,1	61,5	123,3
Diluted and basic earnings per share (SEK)	0,77	0,39	96,5	0,09	781,1	2,22	4,44
Cash flow from operating activities	39,7	71,7		7,7		127,5	174,7

Strong Finish to 2014 - Back in Growth

Transmode brought 2014 to a strong finish with the company's highest ever quarterly order intake, and revenue gains of 14%. Sales in the quarter were SEK 256 m, and we grew on all markets, especially the Americas. Thanks to the combination of this growth and a sustained high gross margin of 52%, our operating margin recovered to 10%.

The stronger demand was primarily driven by our new 100G and 10G products. Their reception in the market was very positive, and some 20 customers, including several of our largest, have now placed orders for our 100G products.

Sales in the Americas grew to SEK 49 m in the quarter, or by 101% year on year. Much of this revenue increase is sourced from deliveries to several major existing accounts in the US and Mexico. We also reported new customers in this region such as Pangaea Networks, TekLinks and COMLINK, which was the first customer to deploy our new 100G products in the Americas.

Sales in EMEA were in line with the corresponding quarter of the previous year. Overall, revenues from our major accounts in this region saw some improvement in the quarter.

Progress in APAC was positive in the quarter, but remains dependent on projects. Our new 100G deal with Fiberail, via our new partner Nera Networks, was a great reference and contributed to the growth in the quarter.

Looking at the full year 2014, I am not satisfied with the decline in annual sales. However, I am pleased about the increase in our service and software sales, higher sales via partners, the high demand for our new products, positive progress in the Americas and our turnaround in the fourth quarter. Our customer base expanded by over 30 new accounts in the year, which is also positive. The previously announced rationalization program has reduced our cost base, and given us new scope to make selective investments in segments where we see growth potential.

In terms of the year-2014 results, then in the context of our three financial targets, I note that our sales were down for the full year 2014. Accordingly, we think that we will not meet our target to grow faster than the market, but will offer a definitive view in our Annual Report. Additionally, our operating margin for 2014 of 8%, is a good number from a sector perspective, even if it is somewhat below our profitability target of 12% over a business cycle. As a result of Transmode's good cash flow and continued strong financial position, the Board has decided to propose a dividend of SEK 1.95 per share to the AGM, which is above Transmode's long-term target of paying 25-50% of previous year earnings as dividends.

I am still very confident about 2015 and see great growth potential on all markets, especially in the Americas, where we are making very positive progress. Our new compact and energy-efficient 100G and 10G products have attracted a positive reception, and they are in high demand. I also note that the positive trend we have seen in partner and services sales will keep contributing to positive progress in 2015.

With our strong finish to 2014, and the highest quarterly order intake in Transmode's history, we are back in growth.

Karl Thedéen
Chief Executive Officer

Significant Events in the Quarter

At the WDM-PON Forum in the US, Transmode announced that RST Global Communications was building new digital high-capacity optical access networks based on its iAccess solution and iWDM-PON technology.

Pangaea Networks of the US has upgraded its optical networks with equipment from Transmode's TM-series. This new packet optical network replaces its existing optical network, and will allow Pangaea Networks to offer customer-specific and robust high-capacity services rapidly to business customers in the New York region.

In the quarter, Transmode delivered a DWDM network to TekLinks in the US. This network will be utilized for high-capacity links between TekLinks' data center and its customers, to offer scalable bandwidth.

Jointly with local partner Nera Networks, Transmode has upgraded Fiberail's packet optical network for 100G, so it can deliver high-capacity links in Malaysia.

Transmode joined the OpenDaylight project, a collaborative project for open source code that promotes Software Defined Networking (SDN) and Network Functions Virtualization (NFV).

Transmode conducted its APAC Technology Tour in the quarter, arranging customer events in Kuala Lumpur, Tokyo and Hong Kong.

Transmode received Telecom Asia Readers' Optical Innovation Award in the quarter for developing the market's first fully pluggable 100G metro solution with coherent optics.

Sales

October-December 2014

Sales in the quarter were SEK 255.7 (223.3) m, an increase of 14.5% year on year. Adjusted for exchange rate fluctuations, the increase was 7.2%.

Sales in EMEA increased by 1.1% or decreased by 4.3% adjusted for exchange rate fluctuations. Demand from Transmode's largest customers in the region improved somewhat, both sequentially and year-on-year.

Sales increased by 101.1% in the Americas (North and South America), or by 76.7% adjusted for exchange rate fluctuations. The high sales increase in the Americas is mainly due to large-scale deliveries on several major existing accounts in the US and Mexico.

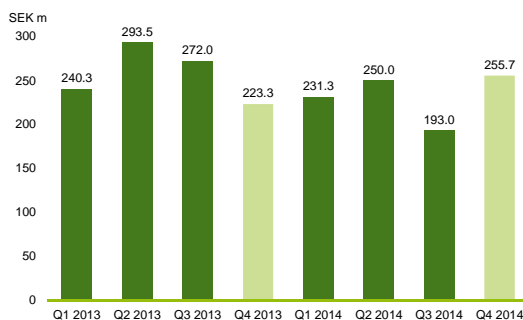
In APAC, which is more project dependent and thus subject to quarterly fluctuations, sales increased by 92.9% to SEK 11.6 m, or by 69.5% adjusted for

exchange rate fluctuations. Agreements with new major partners in the region were a contributor.

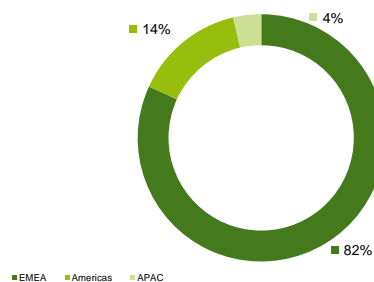
January-December 2014

Sales in the period were SEK 930.0 (1,029.1) m, a year-on-year decrease of 9.6%. Adjusted for exchange rate fluctuations, the decrease was 14.9%. Sales in EMEA decreased by 11.4%, or 16.8% adjusted for exchange rate fluctuations. The downturn is mainly driven by lower revenue from our largest customers in the region, but sales via partners are in growth. In the Americas, sales increased by 9.2%, or 4.9% adjusted for exchange rate fluctuations. The increase in the Americas is sourced from North and South America, and is mainly driven from major existing accounts. In APAC, sales decreased by 27.7%, or 30.8% adjusted for exchange rate fluctuations mainly due to us running fewer projects with our largest customer in this region in 2014.

Total sales by quarter, Q1 2013 – Q4 2014



Total sales by region, January-December 2014



Total sales by region

SEK m	Oct-Dec		Jan-Dec		Jan-Dec Change %
	2014	2013	2014	2013	
EMEA	195.3	192.9	761.0	858.4	-11.4
Americas	48.8	24.3	135.0	123.7	9.2
APAC	11.6	6.1	34.0	47.0	-27.7
Total Sales	255.7	223.3	930.0	1,029.1	-9.6

Results of Operations

October-December 2014

Gross profit for the quarter was SEK 133.7 (113.4) m, corresponding to a gross margin of 52.3% (50.8). The increased gross margin is due to a combination of exchange rate fluctuations and an altered product mix. Gross profit in the fourth quarter of the previous year would have been SEK 6.6 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 107.5 (102.6) m. These expenses include restructuring expenses of SEK 2.5 (-) m. Development expenses of SEK 16.6 (14.5) m were capitalized in the period, and amortization of capitalized development expenditure was SEK 9.4 (8.1) m. Headcount decreased as a result of the cost and efficiency program. The average number of employees increased compared to the fourth quarter of 2013 and, in combination with unfavorable exchange rates, these factors contributed to higher operating expenses.

The positive progress of sales, and very high order intake in the quarter, meant higher variable remuneration in sales-related expenses. Transmode is maintaining cost control consistent with the previously reported program, but has simultaneously commenced selective investments in segments where there is growth.

Other operating expenses are largely net currency losses of SEK 0.7 (2.4) m, of which losses on currency contracts were SEK 6.5 (5.4) m and gains on balances with customers and suppliers of SEK 5.8 (3.0) m.

Operating profit for the quarter was SEK 25.6 (9.3) m, corresponding to an operating margin of 10.0% (4.2).

January-December 2014

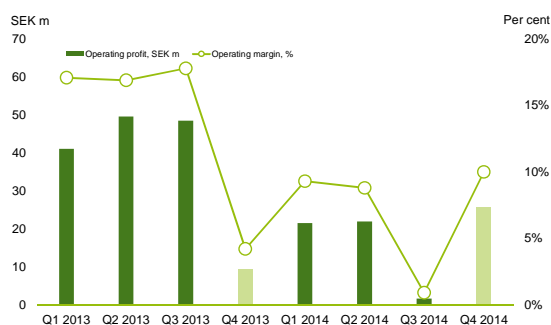
Gross profit including restructuring expenses of SEK 2.1 (-) m for January - December 2014 was SEK 471.2 (521.5) m, and gross margin was 50.7% (50.7). Gross profit for the corresponding period of the previous year would have been SEK 51.2 m higher

after adjustments for exchange rate fluctuations against the SEK.

Operating expenses for the period, excluding other income and other operating expenses, were SEK 395.7 (370.3) m. These expenses include restructuring expenses of SEK 6.8 (-) m. Development expenses of SEK 70.3 (47.5) m were capitalized in the year, and amortization of capitalized development expenses was SEK 30.8 (23.9) m. Adjusted for the capitalization and amortization of development expenses, research and development expenditure increased to SEK 197.3 (179.2) m, or by 10.1% year on year. Headcount decreased as a result of the cost and efficiency program. The average number of employees increased compared to the fourth quarter of 2013 and, in combination with unfavorable exchange rates, these factors contributed to higher operating expenses.

Other operating expenses of SEK 5.0 (3.6) m mainly consist of losses on currency contracts of SEK 14.1 (10.0) m and gains on the translation of balances with customers and suppliers of SEK 9.3 (6.4) m. Operating profit for the period was SEK 70.6 (148.5) m, and the operating margin including restructuring expenses was 7.6% (14.4).

Quarterly operating profit and operating margin Q1 2013 – Q4 2014



Cash Flow, Investments and Financial Position

January-December 2014

Cash flow from operating activities was SEK 127.5 (174.7) m in the year. Despite profit/loss after financial items decreasing, 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 year was SEK 78.2 (90.9) m.

Investments in property, plant and equipment in the year were SEK 11.6 (10.5) m. Investments in

intangible assets were SEK 72.5 (52.0) m, of which capitalized development expenses were SEK 70.3 (47.5) m, and software licenses for Transmode's new products were SEK 2.2 (4.5) m.

In the year, the company made SEK 3.3 (4.8) m of treasury share purchases in its incentive program.

Total cash flow for the period, including a dividend of SEK 180.1 (50.0) m for January - December, was SEK -140.6 (54.8) m.

Transmode's cash and cash equivalents were SEK 294.8 (431.5) m at the end of December. Arranged credit facilities were SEK 12.0 (12.0) m, of which SEK 3.9 (7.2) m were utilized for bank guarantees issued.

As of 31 December 2014, the company had currency forward contracts on commitments to sell currency of EUR 16.6 m at an average spot rate of SEK/EUR 9.29 and GBP 4.4 m at an average spot rate of SEK/GBP 11.83. The fair value of currency forward contracts is recognized as other current assets and other current liabilities.

Fair value of derivative instruments

SEK m	31 Dec 2014	31 Dec 2013
Other current assets	-	-
Other current liabilities	-5.0	-2.7
Net asset/(liability)	-5.0	-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 583.0 (702.4) m at the end of December 2014. The total number of shares was 27,788,676 as of 31 December 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 68.9% (73.6) at the end of 2014.

Employees

Transmode had 281 (284) employees as of 31 December 2014. Only a small number of the employees affected by the cost and efficiency program were still employed as of 31 December. The average number of employees in the year was 288 (270).

Cost and efficiency program

As previously announced, Transmode is executing a cost and efficiency program designed to increase profitability and enable 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. The staff reductions were completed in early-October, other savings are being executed, and this program will generate its main effect in 2015. In tandem with the savings measures, Transmode has now also commenced selective investments in segments where there is growth.

Operating profit/loss was charged with SEK 8.9 (-) m in the year, of which SEK 2.1 (-) was cost of goods and services provided and SEK 6.8 (-) m of operating expenses. The total expense of this program has not exceeded the previously communicated estimate of SEK 10.0 m.

Transactions with Related Parties

There were no significant transactions with related parties in 2014.

Risks and Uncertainty Factors

Transmode's operations are exposed to certain risks that can affect its business, 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 December 2014, the parent company had 12 (14) employees.

Parent company sales were SEK 22.0 (20.1) m, all of which relate to invoicing of services sold to subsidiaries. Operating profit/loss was SEK -6.3 (-6.3) m. At the end of the reporting period, parent company held cash and cash equivalents of SEK 34.4 (110.0) 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

Transmode has announced that regional operator COMLINK in the US has begun to supply services for 100Gbit/s using Transmode's TM-Series.

In the first quarter of 2015, Ola Elmeland, Transmode's VP Marketing & Communications, will be leaving Transmode for a new appointment outside the telecom sector. CFO Johan Wilsby will assume responsibility for Transmode's investor relations.

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 computing 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.

Annual General Meeting

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

Annual Report

Transmode's Annual Report will be available by 26 March at the company's website, www.transmode.com.

Dividends

As a result of Transmode's good cash flow and continued strong financial position, the Board has decided to propose a dividend of SEK 1.95 (1.80) per share, corresponding to a total of SEK 54.2 (50.0) m, for the financial year 2014. The dividend corresponds to 88 % (41) of net profit for 2014.

According to the dividend policy adopted by Transmode's Board, Transmode's target is to deliver a yearly dividend that amounts to between 25 and 50% of net profit for the previous financial year over time. In accordance with this dividend policy, when proposing a dividend for a financial year, the Board of Directors should consider Transmode's investment need, financial need and liquidity needs, and Transmode's financial targets.

After the proposed dividend, the Board of Directors and CEO regard the company as still having a very strong financial position and cash position, which create the prospects of the company being able to fulfill its future commitments, as well as its operational and strategic plans for investment in product development and market expansion.

Reporting Dates

- Interim Report, January-March, 29 April 2015
- Interim Report, April-June, 16 July 2015
- Interim Report, July-September, 22 October 2015

Invitation to Press and Analysts' Conference Call

Transmode AB will host a conference call (in English) for investors, analysts and the media on 5 February 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)203 428 1406, or alternatively the Swedish no. +46 (0)8 566 42690, 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	Oct-Dec		Jan-Dec	
	2014	2013	2014	2013
Sales	255.7	223.3	930.0	1,029.1
Cost of goods and services provided	-122.0	-109.9	-458.8	-507.6
Gross profit	133.7	113.4	471.2	521.5
Other income	0.1	0.9	0.1	0.9
Research and development expenses	-41.4	-46.5	-157.8	-155.6
Selling expenses	-55.9	-49.1	-199.1	-179.7
Administrative expenses	-10.2	-7.0	-38.8	-35.0
Other operating expenses	-0.7	-2.4	-5.0	-3.6
Operating profit	25.6	9.3	70.6	148.5
Net financial income / expenses	1.7	2.8	6.8	7.0
Profit before tax	27.3	12.1	77.4	155.5
Taxes	-5.9	-1.2	-15.9	-32.2
Profit for the period	21.4	10.9	61.5	123.3
Attributable to:				
Equity holders of the parent company	21.4	10.9	61.5	123.3
Average no of shares before dilution ('000)	27,709	27,769	27,714	27,782
Basic earnings per share (SEK)	0.77	0.39	2.22	4.44
Average no of shares after dilution ('000)	27,709	27,769	27,714	27,782
Diluted earnings per share (SEK)	0.77	0.39	2.22	4.44
Operating profit above includes				
– Amortization of intangible fixed assets	-11.1	-9.4	-39.4	-28.7
– Depreciation of tangible fixed assets	-2.6	-2.1	-9.5	-7.7

Condensed Consolidated Statement of Comprehensive Income

SEK m	Oct-Dec		Jan-Dec	
	2014	2013	2014	2013
Profit for the period	21.4	10.9	61.5	123.3
Other comprehensive income				
Items that can be subsequently reversed in the Income Statement				
Translation differences	0.1	0.2	1.1	0.0
Income tax relating to components of other comprehensive income	–	–	–	–
Other comprehensive income for the period, net of tax	0.1	0.2	1.1	0.0
Total comprehensive income for the period	21.5	11.1	62.6	123.3
Attributable to:				
Equity holders of the parent company	21.5	11.1	62.6	123.3

Condensed Consolidated Statement of Financial Position

SEK m	31 Dec 2014	31 Dec 2013
ASSETS		
Goodwill	88.4	88.4
Capitalized development expenses	125.1	87.8
Other intangible assets	6.1	10.3
Tangible fixed assets	26.8	24.9
Deferred tax asset	3.4	2.2
Other financial assets	5.9	5.3
Total non-current assets	255.7	218.9
Inventories	89.0	85.9
Accounts receivable	168.6	184.7
Other current assets	37.6	33.8
Cash and cash equivalents	294.8	431.5
Total current assets	590.0	735.9
TOTAL ASSETS	845.7	954.8
EQUITY AND LIABILITIES		
Equity	583.0	702.4
Deferred tax liability	40.7	33.9
Provisions	5.1	4.9
Total long-term liabilities	45.8	38.8
Accounts payable	96.9	103.0
Provisions	11.6	16.6
Other current liabilities	108.4	94.0
Total current liabilities	216.9	213.6
TOTAL EQUITY AND LIABILITIES	845.7	954.8

Condensed Consolidated Statement of Cash Flows

SEK m	Oct-Dec		Jan-Dec	
	2014	2013	2014	2013
Profit after financial items	27.3	12.1	77.4	155.5
Non-cash items	19.2	6.4	50.2	33.0
Income tax paid	7.2	-8.5	-11.8	-25.8
Cash flow from operating activities before changes in working capital	53.7	10.0	115.8	162.7
Changes in working capital	-14.0	61.7	11.7	12.0
Cash flow from operating activities	39.7	71.7	127.5	174.7
Acquisitions of intangible and tangible assets	-20.1	-23.3	-84.1	-62.5
Change in other financial assets	-0.3	-1.4	-0.6	-2.6
Cash flow from investing activities	-20.4	-24.7	-84.7	-65.1
Purchases of treasury shares	–	-3.8	-3.3	-4.8
Dividend to equity holders of the parent	–	–	-180.1	-50.0
Cash flow from financing activities	–	-3.8	-183.4	-54.8
Increase / decrease in cash and cash equivalents	19.3	43.2	-140.6	54.8
Cash and cash equivalents at the beginning of the period	274.7	387.1	431.5	376.8
Exchange rate differences in cash and cash equivalents	0.8	1.2	3.9	-0.1
Cash and cash equivalents at the end of the period	294.8	431.5	294.8	431.5

Condensed Statement of Changes in Equity

SEK m	Oct-Dec		Jan-Dec	
	2014	2013	2014	2013
Opening balance	561.6	694.7	702.4	632.8
Total comprehensive income for the period	21.5	11.1	62.6	123.3
Share-based payment	-0.1	0.4	1.4	1.1
Purchases of treasury shares	–	-3.8	-3.3	-4.8
Dividend to equity holders of the parent	–	–	-180.1	-50.0
Closing balance	583.0	702.4	583.0	702.4

Key ratios

SEK m / %	Oct-Dec		Jan-Dec	
	2014	2013	2014	2013
Sales by region (SEK m):				
EMEA	195.3	192.9	761.0	858.4
Americas	48.8	24.3	135.0	123.7
APAC	11.6	6.1	34.0	47.0
Total Sales	255.7	223.3	930.0	1,029.1
Gross profit (SEK m)	133.7	113.4	471.2	521.5
Operating profit (SEK m)	25.6	9.3	70.6	148.5
Profit for the period (SEK m)	21.4	10.9	61.5	123.3
Working capital (SEK m)	78.2	90.9	78.2	90.9
Net cash (SEK m)	295.3	432.0	295.3	432.0
Cash flow from operating activities (SEK m)	39.7	71.7	127.5	174.7
Sales, change in (%)	14.5	-11.1	-9.6	1.8
Gross margin (%)	52.3	50.8	50.7	50.7
Operating margin (%)	10.0	4.2	7.6	14.4
Profit margin (%)	8.4	4.9	6.6	12.0
Working capital/sales (%)	9.7	10.6	9.7	10.6
Equity/assets ratio (%)	68.9	73.6	68.9	73.6
No of shares at end of period ('000)	27,789	27,789	27,789	27,789
No of outstanding shares at end of period ('000)	27,709	27,742	27,709	27,742

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	Oct-Dec		Jan-Dec	
	2014	2013	2014	2013
Sales	5.5	3.3	22.0	20.1
Administrative expenses	-7.7	-4.9	-28.3	-26.7
Other operating income and expenses	0.0	0.3	0.0	0.3
Operating profit/loss	-2.2	-1.3	-6.3	-6.3
Net financial income / expenses	56.0	121.6	59.0	177.1
Profit/loss after financial expenses	53.8	120.3	52.7	170.8
	-0.9	-1.1	-0.7	-0.7
Profit/loss for the period	52.9	119.2	52.0	170.1

Condensed Parent Company Balance Sheet

SEK m	31 Dec 2014	31 Dec 2013
Assets		
Financial fixed assets	469.3	467.7
Total non-current assets	469.3	467.7
Other current assets	68.5	122.5
Cash and cash equivalents	34.4	110.0
Total current assets	102.9	232.5
Total assets	572.2	700.2
Equity and liabilities		
Equity	559.9	689.9
Provisions	2.0	1.5
Other current liabilities	10.3	8.8
Total current liabilities	10.3	8.8
Total liabilities and equity	572.2	700.2
Pledged assets	None	None
Contingent liabilities	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, 4 February 2015

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 5 February 2015.

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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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 more information about Transmode, visit www.transmode.com