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TRANSMODE (UK) LTD

17 SEP 2013

This is a translated copy of the original Swedish Annual Report
The Board of Directors and Chief Executive Officer of

Transmode Holding AB

Corporate Identity Number 556588-9101

hereby present the

Annual Report

for the financial year January 1 - December 31, 2012

I hereby certify that this is a true copy of the original.

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Contents

2 Directors' Report

16 Accounts
16 Consolidated Income Statement
16 Consolidated Statement of Comprehensive Income
17 Consolidated Statement of Financial Position
18 Consolidated Statement of Cash Flows
19 Consolidated Changes in Equity
20 Parent Company Income Statement
20 Parent Company Statement of Comprehensive Income
21 Parent Company Balance Sheet
22 Parent Company Cash Flow Statement
23 Parent Company Changes in Equity

24 Notes
Note 1 Corporate information
Note 2 1 Basis of Preparation of Consolidated Accounts and Annual Accounts
Note 2 2 Significant Accounting Judgments and Estimates
Note 2 3 Estimation and Judgment Uncertainty
Note 2 4 Parent Company Accounting Principles
Note 3 Sales
Note 4 Other Income and Other Operating Expenses
Note 5 Expenses by Category
Note 6 Auditors' Fees
Note 7 Employee Benefits
Note 8 Depreciation, Amortization and Impairment
Note 9 Financial Income and Expenses
Note 10 Taxes
Note 11 Earnings per Share
Note 12 Dividends
Note 13 Tangible Fixed Assets
Note 14 Intangible Fixed Assets
Note 15 Impairment Test of Goodwill
Note 16 Other Financial Assets
Note 17 Share warrants
Note 18 Inventories
Note 19 Accounts Receivable
Note 20 Other Current Receivables
Note 21 Prepaid Expenses and Accrued Income
Note 22 Cash and Cash Equivalents
Note 23 Share Capital and Reserves
Note 24 Interest-bearing Loans and Borrowings
Note 25 Other Provisions
Note 26 Pensions
Note 27 Accounts Payable and Other Current Liabilities
Note 28 Accrued Expenses and Deferred Income
Note 29 Commitments, Pledged Assets and Contingent Liabilities
Note 30 Transactions with Related Parties
Note 31 Financial Risk Management
Note 32 Financial Instruments
Note 33 Participations in Group Companies

54 Multi-year Summary

55 Definitions

Directors' Report

The Board of Directors of Transmode Holding AB hereby submits the following Annual Accounts and Consolidated Accounts for the financial year January 1, 2012 - December 31, 2012 Unless specifically stated otherwise, all amounts in the Directors' Report are stated in millions of Swedish kronor (SEK m) The information in brackets is for the previous year

The Group's Operating Activities and Structure

Transmode is a global provider of packet-optical networking solutions that enable fixed and mobile network operators to cost-effectively address the capacity needs created by the rapid growth in video and data traffic Transmode's solutions serve as important building blocks in next-generation, high-speed optical networks that support services such as fixed and mobile broadband, video delivery services and cloud computing

Transmode's solutions increase the capacity, flexibility and functionality of metro and regional networks, and are based on Wavelength Division Multiplexing (WDM) and various transport technologies, such as Ethernet Transmode's "Native Packet Optical 2 0" architecture, creates key advantages for customers such as cost-efficient Ethernet services, extremely low latency, low power consumption and future-proof network design

Transmode has installed more than 40,000 systems since 2000 for over 500 fixed and mobile operators, cable TV operators, Internet service providers and large enterprises and public institutions in more than 45 countries globally Infonetics Research currently estimates that Transmode's main market of metro WDM equipment will grow by an average of 11% in 2011-2016

Transmode conducts its operations from its head quarters in Stockholm, Sweden, where product development, production, marketing, sales, aftermarket support, logistics, administration and corporate management are located Transmode also has local resources in the UK, Germany, Poland, the Netherlands, Italy, Spain, France, Russia, Malaysia, Finland, Mexico, Thailand and Japan, as well as a support and service center in Dallas, US The company sells direct to end-customers and via resellers

At year-end 2012, Transmode had 269 employees, an increase of 41 on year-end 2011 Most of the increase relates to the product development, sales and supply departments

Transmode's share (TRMO) has been quoted on NASDAQ OMX Stockholm since May 2011

For more information on the company and a technical glossary, see www transmode com

Significant Events in the Financial Year

Geographical Expansion
Independent analyst Infonetics Research estimates that Transmode's core market of Metro WDM equipment, worth some USD 4 9 bn, grew by some 1% worldwide measured in US dollars in 2012 This should be set against Transmode's sales increase of 10 2%, or 10 4% after adjusting for exchange rate fluctuations

In 2012, Transmode added sales resources to all of its three regions, EMEA, the Americas and APAC Sales via NEC increased in the year, and the company did business in all regions jointly with NEC

Customers
Since 2000, Transmode has delivered to a total of over 500 network operators worldwide, and the company delivered to 311 network operators in 46 countries in the year The accounts announced in 2012 include FMV of Sweden, XO Communications of the US and T-Mobile Austria

Product Development
In 2012, Transmode launched a series of new, innovative products and solutions The company continued to launch new Ethernet products and also strengthened its offering of products and solutions that enhance network flexibility Products to enable information to be transmitted at 40 and 100 Gbit/s per wavelength were also launched in the fall Transmode continued to hire staff for developing software and hardware, and in total, research and development expenses were 12 9% (12 6) of sales in 2012

Other
Transmode received several awards in the year The company received the Global Telecom Business Innovation Award jointly with UK customer Virgin Media Business, Sweden's *Stora Exportpriset* ('Great Export Prize'), Swedish Telecom Vendor of the Year, and Sweden's *Guldmobil* ('Gold Mobile') in the category Company of the year

Transmode opened a support and service centre in Dallas, US in the year, which will provide a delivery service, tech support and training backed by Sweden

Ownership Structure

At the end of the financial year, Transmode Holding AB's share capital was SEK 5,557,735, divided between 27,788,676 shares with a quotient value of SEK 0 20

According to Euroclear Sweden, the shareholders of Transmode Holding AB as of December 31, 2012 were

Shareholders[1]	No of Outstanding Shares	Proportion of Equity and Votes, %
Pod Investment AB	9,223,140	33 2%
Lannebo fonder	3,436,126	12 4%
Swedbank Robur fonder	2,333,070	8 4%
Nordea Bank Norge Nominee	2,042,842	7 3%
Nordea Investment Funds	1,459,029	5 2%
SEB Investment Management	796,651	2 9%
AMF - Forsakring och Fonder	620,834	2 2%
MSIL IPB Client Account	550,856	2 0%
Handelsbanken Fonder AB RE JPMEL	524,371	1 9%
Riksbankens Jubileumsfond	520,000	1 9%
Others	6,281,757	22 6%
Total	27,788,676	100 0%

[1] Foreign banks and other nominees may be registered for one or more clients, which may imply that the actual value of shares is not stated

For more information on share capital, refer to Note 23

Sales and Results of Operations

Sales
Sales amounted to SEK 1,010 9 (916 9) m in 2012, which is growth of 10 2% (31 1) on 2011 Adjusted for exchange rate fluctuations, growth was 10 4% (38 4)

The increase was primarily in the Americas, where sales increased by 49 2%, and by 44 1% adjusted for exchange rate fluctuations Sales in EMEA increased by 4 6%, and by 5 5% adjusted for exchange rate fluctuations In APAC, which is still in a build-up phase, and where individual projects can cause more fluctuations between periods, sales decreased by 14 6%, and by 16 5% adjusted for exchange rate fluctuations

In 2012, invoicing to the company's five largest customers, and where applicable, collections of several customers within the same group, represented 62 3% (58 1) of total invoicing, and the direct sales share was 77 6% (78 1) The indirect sales share via NEC continued to increase

Results of Operations
Gross profit for 2012 amounted to SEK 498 8 (462 9) m and gross margin was 49 3% (50 5) Overall, exchange rate fluctuations against the Swedish krona had a negative effect on gross profit of SEK 11 9 m net

Operating expenses, excluding other revenues and other operating expenses, were SEK 329 4 (296 7) m in 2012 The increase is primarily a result of the company's continued expansion At the end of December 2012, the company had 269 (228) employees Development expenses of SEK 42 7 (26 4) m were capitalized, and amortization of capitalized development expenses was SEK 18 2 (15 8) m

Adjusted for the capitalization and amortization of development expenses, expenditure for research and development increased to SEK 155 0 (126 3) m, or by 22 7% on 2011

Other income of SEK 1 3 (2 2) m, mainly consists of net exchange rate gains of SEK 0 7 (1 6) m, of which gains on currency contracts were SEK 5 1 m (1 5 loss) and losses on the translation of balances with customers and suppliers of SEK 4 4 m (3 1 profit) Of other operating expenses in 2011, SEK 19 1 m were expenses related to the company's IPO on NASDAQ OMX Stockholm

Operating profit for the period was SEK 170 7 (149 1) m and operating margin was 16 9% (16 3) Excluding expenses related to the company's IPO on NASDAQ OMX Stockholm, operating profit in 2011 was SEK 168 2 m, or 18 3%

Profit for the year was SEK 139 2 (116 3) m, a 19 7% increase

In 2012, as in 2011, the company did not have any significant transactions with related parties

Cash Flow and Investments

Cash flow from operating activities was SEK 176 7 (139 4) m in 2012 This includes payments of SEK 3 7 (15 1) m made relating to the company's IPO on NASDAQ OMX Stockholm Working capital at the end of the year was SEK 99 2 (81 6) m In absolute terms, the year-on-year increase in working capital relates mainly to a decrease in accounts payable and other current liabilities, partly reduced by decreased accounts receivable

Investments in tangible fixed assets in the year were SEK 9 8 (18 1) m The lower investment level in 2012 is due to the majority of investments in 2011 relating to relocation of the company's operations to new premises in Stockholm Investments in intangible fixed assets in the form of capitalized development expenses were SEK 42 7 (26 4) m

After dividend paid of SEK 41 7 (29 8) m and the proceeds from the new share issue in tandem with conversion of warrants of SEK 3 6 (23 2) m, total cash flow for the period was SEK 84 6 (88 1) m

In 2011, the company utilized all deductible loss carry-forwards for which deferred tax assets were reported at year-end 2010 Accordingly, in 2012, the company was in a tax position that affected cash flow negatively

Cash and Cash Equivalents, Financing

The group's cash and cash equivalents were SEK 376 8 (293 8) m at year-end 2012 Considering the company's good financial position, the previously arranged credit facility of SEK 30 m was not extended

As in 2011, there were no interest-bearing liabilities to credit institutions or for finance leases at year-end 2012

Research and Development (R&D)

Transmode developed a series of new products and solutions in 2012 so it can address new applications and markets As previously, product development largely focused on higher capacity and increased coverage, greater flexibility, integrated Ethernet functionality and WDM access The development of a management and maintenance system for Transmode products was additional

Regarding increased capacity, the company launched products to enable the transmission of information at speeds of 40 and 100 Gbit/s per wavelength in metro and regional networks Transmode's 100 Gbit/s solution builds on a industry standard, can be used in existing networks and combined with products for 1 and 10 Gbit/s

To achieve greater flexibility in networks, during the year, Transmode launched a wavelength-Independent "colorless" ROADM product, thus enhancing its offering in flexible optical networks

Transmode's Ethernet products are based on its Native Packet Optical architecture that enables customers to transport Ethernet traffic cost-efficiently In this segment, Transmode launched its second-generation architecture in the year, ready to use new protocols such as MPLS-TP and OTN

The TNM (Transmode Network Manager) initiative continued, with the focus on simplifying usage of Ethernet services and increasing the flexibility of networks Resource planning, configuring services in several layers (Ethernet and optical) and simple fault-finding are some other keys segments that save time and cost for customers Transmode launched an enhanced solution under the Enlighten™ brand name in the year This includes a network planning tool and enhanced functionality to include third-party software

To participate in and support Swedish research projects within broadband communications, Transmode renewed its membership of SICT Center IBBC, a center of excellence at the ACREO contract research institute Transmode is also a member of TM Forum, a trade organization promoting standardization in the management and maintenance segment, and MEF, which standardizes and certifies Ethernet products The company also became a member of the ONF (Open Networking Foundation) in the year, which conducts standardization work relating to SDA (Software Defined Architecture)

Quality and Environment

Transmode develops, manufactures, markets and sells high-quality packet-optical networking solutions that enable its customers to cost-effectively address capacity constraints in networks Transmode will address, and endeavor to exceed, its customers' and other stakeholders' standards, needs and expectations

Transmode's quality management system has ISO 9001 2008 and ISO 14001 2004 certification This means that operations are controlled, monitored and continuously improved through regular reporting to management

Transmode works systematically and proactively to reduce the company's environmental impact, and since 2009, has been measuring the company's yearly emissions of greenhouse gases in accordance with the Greenhouse Gas Protocol, the most internationally widespread tool to identify, quantify and manage emissions of greenhouse gases Transmode endeavors to secure leadership in measuring, following up and reducing its energy consumption Low energy consumption is also a key criterion for developing Transmode's products, because this means reduced environmental impact and lower cost for customers

Transmode has been a member of the UN Global Compact since June 2011 This means the company is affiliated to the Compact's principles on human rights, labor law issues, countering discrimination, labor terms, the environment and combating corruption Transmode implemented a whistleblower function and Code of Conduct in 2012, based on the ten principles of the Global Compact The company also continued implementation of its Supplier Conduct Principles Additionally, the company compiled and published its first Sustainability Report, which reviews its CSR-related activities in 2011, according to Global Reporting Initiatives guidelines, GRI G3 1 for level C

Transmode conducted its yearly customer satisfaction survey, and in 2012 achieved a improved customer satisfaction index of 80 (79) on a 1-100 scale, that again is a world class result according to the analysis company CFI Group

Human Resources

Transmode's continued expansion in 2012 meant that by December 31, the company had 269 employees, up by 41 (31) since December 2011 Most of this increase relates to the product development, sales and supply departments The average number of full-time employees in 2012 was 255, against 217 in 2011

The employee satisfaction survey conducted in 2012 resulted in a global ESI (Employee Satisfaction Index) of 77 (76), a very positive outcome according to the company's collaboration partner (the average for comparable companies is 60-65)

The salary and remuneration guidelines for senior managers of the group approved by the AGM 2012 are stated in Note 30 The guidelines that the Board of Directors is proposing to the AGM 2013 are essentially consistent with the guidelines approved in 2012.

Operating Risks and Uncertainty Factors

Operating Risks
In its operations, Transmode is exposed to certain risks that can affect its business, earnings or financial position Transmode has established a process for the identification of risks and for decisions regarding their management The company's most important risks, and how they are managed, are reviewed below

The company's market is changing rapidly, and competition is intense Thus, the company's capacity to anticipate market needs and to modify its technology solutions accordingly, is of central significance to its continued success This is why Transmode has dedicated product management and marketing resources to monitor market trends to ensure the fastest possible market introduction of the company's products, and that such products satisfy customer standards and needs

The sales cycle of Transmode's products to new customers is fairly lengthy, while its advance planning for orders from existing customers is short However, Transmode has a broad customer base, which is highly stable, and a significant portion of the company's total sales are sourced from regular repeat orders from existing customers Transmode diversifies risks further through its end-customers operating different business models and being active on differing geographical markets, which also counteracts a small number of customers representing a fairly high share of sales

By the nature of its operations, Transmode is dependent on its capacity to hire and retain skilled staff Therefore, the company endeavors to be an attractive employer, with a good working environment and employment terms on market levels

Transmode is also dependent on a limited group of external suppliers of components and product assembly Transmode reduces this dependency by retaining its core technology skills in-house and endeavoring to collaborate with alternative suppliers

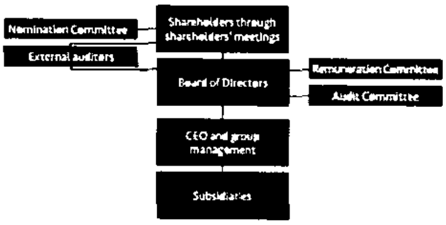
Operations are also dependent on smooth-functioning IT infrastructure, partly for the company's ongoing research and development, but also to ensure an effective delivery process Accordingly, IT security is a high priority and Transmode has contingency planning for disruptions due to unforeseen events in the form of predetermined continuity plans These continuity plans also cover other parts of operations at the head office in Stockholm, which in combination with insurance cover, are intended to mitigate the negative effect of potential disruptions

Financial Risks and Risk Management
Through its international operations, Transmode is exposed to financial risks, which are managed according to policies prepared by the Board of Directors Exposure primarily consists of funding, credit and currency risks For information on financial risks and risk management, see Note 31 of the Annual Accounts and under "Internal Control over Financial Reporting" in the Corporate Governance Report

Corporate Governance Report

Transmode Holding AB (publ) is a public company with subsidiaries in seven countries whose shares have been trading on NASDAQ OMX Stockholm since May 2011 The foundation of governance of the company primarily consists of external regulation in Sweden and foreign countries, an established corporate governance structure and internal regulations and policies

Transmode's Corporate Structure



Examples of external regulations that influence the corporate governance of Transmode

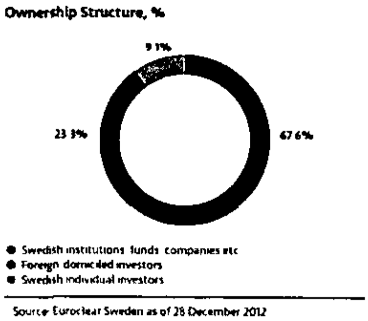
- The Swedish Companies Act (SFS 2005 551)
- The Swedish Code of Corporate Governance (available at www bolagsstyrning se)
- NASDAQ OMX Stockholm's Rules for Issuers (available at www nasdaqomx com)

Examples of internal regulations that influence the corporate governance of Transmode

- Articles of Association
- The rules of procedure of the Board of Directors with CEO's instructions and Board Committees' rules of procedure
- Ethical guidelines
- Accounting Manual
- Corporate Communication and Finance Policies

Transmode does not comply with the Swedish Code of Corporate Governance in only one respect, namely rule 2 4, which stipulates that a Board member should not be Chairman of the Nomination Committee In Transmode's case, Board member Tom Nyman has been appointed Chairman of the Nomination Committee, justified by the Nomination Committee considering that it is natural for a representative of the largest shareholder, Pod Investment AB, to also be Chairman of the Nomination Committee because participation in the Nomination Committee is a central component of exercising ownership

Shareholders
As of December 31, 2012, Transmode had some 1,900 shareholders, which held a total of 27,788,676 shares of the company



(foreign banks and other nominees may be recorded for one or more customers which may imply that the actual holder of the share is not stated)

Shareholders' Meeting
Shareholders exercise their right of influence over the company through entitlement to vote and take decisions at shareholders' meetings, partly at the annual meeting of shareholders, the Annual General Meeting (AGM), or at Extraordinary General Meetings (EGMs) The AGM of Transmode is held in the Stockholm region within six months of the end of the financial year, i e before the end of the month of June EGMs can be summoned by the Board of Directors, the company's auditors or on demand by holders of at least 10% of the shares The AGM resolves on issues including

- Adoption of the Annual Accounts
- Appropriation of the company's profit or loss
- Discharging the Board members and CEO from liability
- Electing the Board of Directors and Chairman of the Board
- Electing the auditors
- Remuneration of the Board of Directors and Auditors
- Guidelines for remunerating senior managers
- Other important issues, such as amendments of the articles of association and Nomination Committee

Annual General Meeting
The AGM on April 16, 2012 re-elected Kent Sander as Chairman of the Board and Eva Lindqvist, Torbjorn Nilsson, Tom Nyman, Axel Roos and Gerd Tenzer as Board members In addition, Kevin Taylor, President of British Telecom Asia Pacific, was elected as a Board member Directors' fees were resolved of SEK 325,000 to the Chairman Kent Sander, SEK 300,000 to Board member Kevin Taylor, SEK 250,000 to Board member Gerd Tenzer and SEK 200,000 each to Board members Eva Lindqvist, Torbjorn Nilsson, Tom Nyman and Axel Roos In addition, the Chairman was authorized to allocate SEK 180,000 for committee work if considered appropriate The higher fees for foreign Board members is due to the greater time taken for them because they are domiciled in Germany, Gerd Tenzer, and Hong Kong, Kevin Taylor

In addition, in accordance with the Board of Directors' proposal, the AGM resolved on a dividend of SEK 1 50 per share, or a total of SEK 41 7 m

Complete minutes are available at the company's website, www transmode com under "Corporate Governance "

Nomination Committee
The Nomination Committee procedure adopted at the AGM in April 2012 means that

- The company should have a Nomination Committee consisting of four members
- The members of the Nomination Committee should be appointed by each of the three largest shareholders that wish to appoint such member and the Chairman of the Board
- The Nomination Committee's term of office extends until a new Nomination Committee is appointed
- Unless the members agree otherwise, the Chairman of the Nomination Committee should be the member appointed by the largest shareholder
- The Nomination Committee should be constituted based on shareholder statistics as of the final banking day of August 2012 and other shareholder information available to the company at this date The names of the appointed members of the Nomination Committee and the shareholders they represent should be published as soon as they are appointed, although at the latest six months prior to the AGM

If, during the Nomination Committee's term of office, one or more of the shareholders that have appointed members of the Nomination Committee is no longer one of the three largest shareholders in terms of the number of votes, the members appointed by these shareholders should make their places available and the shareholder(s) that has (have) become one of the three largest shareholders should be entitled to appoint their members Unless there are special circumstances, no amendments to the composition of the Nomination Committee should take place if only marginal changes in the numbers of votes have occurred or if the change happens later than three months prior to the Meeting

The complete nomination procedure of the Nomination Committee is stated on the company's website www transmode com under "Corporate Governance " Based on the above nomination process, on 12 October 2012, Transmode reported that the company's Nomination Committee for the AGM 2013 has the following members Mats J Andersson (appointed by Nordeas Fonder), Johan Lannebo (appointed by Lannebo Fonder), Tom Nyman (appointed by Pod Investment AB) and the Chairman, Kent Sander The Nomination Committee has appointed Tom Nyman as its Chairman

The primary duty of the Nomination Committee is to prepare proposals on the following matters to be submitted to the AGM 2013 for decision

- Proposal for the Chairman of the AGM
- Proposal for the Board of Directors
- Proposal for the Chairman of the Board
- Proposal for fees and other remuneration for Board work to each of the Board members and remuneration for committee work
- Proposal for auditors
- Proposal for fees to auditors
- Proposal for a nomination procedure for the AGM 2014

Board of Directors
After the shareholders, Transmode's Board of Directors is the company's chief decision-making body According to Transmode's Articles of Association (see www transmode com under "Corporate Governance"), the company's Board of Directors should consist of a minimum of three and a maximum of eight members

The duties of the Board of Directors are formalized primarily by the Swedish Companies Act, the Swedish Code of Corporate Governance and the Board of Directors' rules of procedure that are adopted at least once per year by the Board The Board has overall responsibility for the company's organization and administration of the company's affairs, and has the duty of setting strategies and objectives The Board of Directors should approve internal control instruments in the form of policies and instructions, for example, and should ensure that the company has adequate internal controls The Board of Directors' other duties include

- Responsibility for the company's organization and administration of the company's affairs
- Ongoing evaluation of the company and its financial position
- Ensuring that the company's organization is designed so that book-keeping, management of funds and financial circumstances otherwise are satisfactorily controlled
- Continuously verify that delegated duties can be performed
- Evaluate operational management and supervise succession planning

- Decide on acquisitions and divestments of operations and other major investments
- Determine the division of responsibility between the Board of Directors and committees and Chief Executive Officer
- Present written instructions for when and how information that is necessary to evaluate the company's financial position should be gathered and reported
- Adopt instructions for Remuneration Committee and the Audit Committee and approve significant assignments for the Chief Executive Officer outside the company hand
- Conduct a risk identification process for the company on a yearly basis

The Chairman of the Board is responsible for the Board of Directors fulfilling its obligations and duties as above in accordance with applicable laws and ordinances

According to the rules of procedure, the Board of Directors should hold at least five Board meetings over and above the Board meeting following election The Chairman of the Board is responsible for more meetings being held if necessary The Chief Executive Officer and the group's Chief Financial Officer normally attend Board meetings and other members of Group Management participate depending on the agenda of the meeting

In 2012, the work of the Board was primarily focused on items including product and business strategy, the organization, identifying risks and international expansion, primarily in the Americas and APAC Permanent items on the Board of Directors' agenda include business conditions and financial updates

Each year, the Board of Directors conducts an appraisal of the work of the Board of Directors and the Chairman of the Board This appraisal illuminates the working methods and orientation of the work of the Board of Directors and the access to, and need for, special competence on the Board of Directors Where necessary, the Board of Directors gains assistance from external resources for the appraisal process The results of the appraisal process are reported to the Board of Directors, Nomination Committee and Remuneration Committee, and provides support for nomination work for the composition and remuneration of the Board of Directors

The Chairman of the Board is responsible for setting an agenda for each Board meeting and for satisfactory decision-support material being prepared and distributed by the Chief Executive Officer to the members in good time before the meeting The Chairman leads the Board meeting and ensures that all members have been offered the opportunity to express their opinions In addition, the Chairman ensures that opinions presented and decisions reached are reflected accurately in the Board minutes After having verified the minutes, the Chairman ensures that the minutes are approved and distributed to all members The Chairman is also responsible for following up that decisions taken are executed The Chairman of the Board should also ensure that the members undergo the necessary training and ongoing education, and for potential contacts with the company's principal owners

Committees
There are two Committees within the Board of Directors, the Remuneration Committee and the Audit Committee

The Remuneration Committee
The Remuneration Committee, which is appointed by the Board of Directors, has three members. Kent Sander, who is Chairman, Torbjörn Nilsson and Tom Nyman. The Board of Directors has approved instructions, which stipulate that the members of the Remuneration Committee must be non-affiliated to Transmode and its management, with the exception of the Chairman of the Board if he/she is a member of the Remuneration Committee Torbjorn Nilsson, Tom Nyman and Kent Sander are all non-affiliated to Transmode and its management Normally, the Remuneration Committee holds one meeting per year The Chief Executive Officer normally attends Nomination Committee meetings

The Nomination Committee is responsible for consulting on and discussing matters regarding salary, bonus, pension, severance pay and incentive programs for the Chief Executive Officer and other senior managers that report directly to the Chief Executive Officer The Nomination Committee is also responsible for

- Submitting proposals to the Board of Directors for resolution by the AGM on principles regarding remuneration and other employment benefits for senior managers
- Monitoring and following up on initiated programs are being complied with and having their intended effect
- Performing other duties that the Board of Directors assigns to the Remuneration Committee

The Chairman of the Nomination Committee is responsible for minutes being taken at meetings, their approval and distribution, and that there is ongoing reporting to the Board of Directors

The Audit Committee

The Audit Committee, which is appointed by the Board of Directors, has three members Tom Nyman, who is Chairman, Eva Lindqvist and Kent Sander The Board of Directors has adopted instructions that stipulate that a majority of the members of the Audit Committee must be non-affiliated to Transmode and its management In addition, at least one of the members of the Audit Committee, who is non-affiliated to the company and its management, must also be non-affiliated to the company's major shareholders and possess auditing or accounting competence Both Eva Lindqvist and Kent Sander are non-affiliated to Transmode, its management and the company's major shareholders, and all members are considered to possess auditing or accounting competence

Normally, the Audit Committee holds at least four meetings per year Normally, the group's Chief Financial Officer attends Audit Committee meetings and the company's auditors attend when necessary

The primary duties of the Audit Committee are to consult on matters related primarily to the audit, accounting, financial information, the company's risk situation and internal control system, and has responsibilities including

- Supporting the nomination and election of external auditors and evaluating the results of the audit and the external auditors' independence
- Verifying the consistency of accounting principles with generally accepted auditing standards, applicable laws and ordinances
- Monitoring end scrutinizing internal controls and discussing their effectiveness
- Consulting on the annual evaluation of potential needs for an internal audit function
- Discussing the principles of risk evaluation and risk management and the scope and focus of audit work, with the external auditors and senior managers
- Meet with external auditors at least once per year without senior managers being present
- Perform other duties that the Board of Directors assigns the Audit Committee

The Chairman of the Audit Committee is responsible for minutes being taken at meetings, their approval and distribution, and that there is ongoing reporting to the Board of Directors

Composition of the Board of Directors and its Committees, April 2012 - April 2013

Name	Elected Yr	Non-affiliated*	Board	Rem Comm	Aud Comm	Remun ***
Kent Sander	2009	Yes	Chairman	Chairman	Member	SEK 385,000
Torbjorn Nilsson	2010	Yes	Member	Member	-	SEK 210,000
Tom Nyman****	2005	No[1)]	Member	Member	Chairman	SEK 270,000
Eva Lindqvist	2008	Yes	Member	-	Member	SEK 240,000
Axel Roos****	2011**	No[2)]	Member	-	-	SEK 200,000
Gerd Tenzer ****	2008	Yes	Member	-	-	SEK 250,000
Kevin Taylor	2012	Yes	Member			SEK 300,000

* All members are non-affillated to the company and its senior managers according to the definition of the Swedish Code of Corporate Governance, point 4 4 Non-affiliation in the table above reflects non-affiliation to major shareholders according to the definition in the Swedish Code of Corporate Governance, point 4 5
** Deputy Board member since 2005
*** Refers to the period from the AGM 2012 to the AGM 2013, including remuneration for committee work, where applicable
**** Remuneration paid to a German company wholly owned by Gerd Tenzer, and to Pod Investment AB for Tom Nyman and Axel Roos

1) Tom Nyman is an employee of Pod Investment AB, which holds 33 2% of the shares of Transmode as of December 31, 2012 Tom Nyman Holding AB, a company owned by Tom Nyman, holds 10 0% of the shares of Pod Investment AB
2) Axel Roos an employee of Pod Investment AB, which holds 33 2% of the shares of Transmode as of December 31, 2012 Gravhögen AB, a company owned by Axel Roos, holds 10 0% of the shares of Pod Investment AB

Board Members' Attendance in 2012

Name	Board Meetings*	Remuneration Committee	Audit Committee
Kent Sander	9/9	2/2	7/7
Torbjorn Nilsson	9/9	1/1**	
Tom Nyman	9/9	2/2	7/7
Eva Lindqvist	7/9		7/7
Axel Roos	9/9		
Gerd Tenzer	8/9		
Kevin Taylor	3/8**		

* Including 2 telephone conferences but excluding per capsulam meetings In 2011, the corresponding numbers were 18 Board meetings including 10 telephone conferences
** Elected in April 2012, the number of meetings is the number after election

For information on each Board members' holdings of shares and options, age and other assignments etc , see page 59 in the printed Annual Report

Chief Executive Officer and Group Management
The Chief Executive Officer (CEO) Karl Thedéen leads daily work and is responsible for operations being run in accordance with the Board of Directors' guidelines and instructions Over and above Board meetings, the CEO maintains regular contacts, primarily with the Chairman of the Board, and also other Board members, regarding the company's progress and financial position For example, on two occasions, the CEO met Board member Kevin Taylor in Asia Over and above informal meetings, the CEO and management held a total of 31 (28) meetings where minutes were taken in 2012

For information on each member of Group Management's shareholdings, age and other assignments etc , refer to page 60-61 in the printed Annual Report

Audit
The AGM 2009 elected audit firm PricewaterhouseCoopers (PwC) as auditor with Ulf Pettersson as Auditor-in-Charge for a four-year period until the AGM 2013 Ulf Pettersson was born in 1959, has been an Authorized Public Accountant since 1990, and has been the company's auditor since 2005 Accordingly, in accordance with the Swedish Annual Accounts Act ("auditor's term of office"), a new Auditor-in-Charge must be appointed at the AGM 2013

Ulf Pettersson regularly meets the Audit Committee, on 5 (3) occasions in 2012, and reports his observations from the audit to the whole Board of Directors at least once per year At that time, the auditor also meets the Board of Directors without the attendance of management

In March 2012, PwC presented its Audit Report for Transmode Holding AB (publ) for the audit of the Annual Accounts, the Consolidated Accounts and the accounting records and the Board of Directors' and Chief Executive Officer's administration of the company In addition, PwC conducted a summary review of the company's Interim Report for the period January-June 2012 Moreover, in fall 2012, PwC conducted its annual audit of the company's administration and internal controls and a preparatory review of the annual financial statements for 2012 The audit of annual accounting documentation for legal entities outside Sweden is conducted in accordance with legal requirements and other applicable regulations of each country

Internal Control over Financial Reporting
The primary purpose of internal control is to ensure compliance with applicable laws and ordinances In addition, internal control is intended to ensure that financial reporting provides a high level of reliability of the company's financial position, and thus constitutes good supporting data for shareholders, the Board of Directors, Group Management and other decision-makers in the company In addition, internal control should ensure that the company's operations are organized and conducted in a way that enables significant risks to be identified and managed so that losses and embezzlement of assets is avoided This so that financial and other operational goals can be achieved

The Board of Directors of Transmode bears overall responsibility for preparing an effective system of internal controls Responsibility for maintaining an effective daily control environment is delegated to the Chief Executive Officer, who in turn, has delegated functionally specific responsibility to other managers of the group

Responsibilities and authorizations are defined in documents including policies, manuals, authorization manuals and procedural descriptions, for example, the following documents approved by the Board of Directors "Instructions for the Chief Executive Officer," "Rules of Procedure for the Board of Directors," "Financial Manual" and "IT, Finance and Corporate Communication Policies " With laws and other external regulations, the aforementioned internal guidelines are the control environment that all Transmode employees shall comply with

Control Activities
Apart from the audit conducted by the external auditor and monitoring of the internal control environment, an internal follow-up and inspection of the company's main processes according to internal guidelines is conducted regularly The internal follow-up is conducted by staff specifically trained for the purpose within the auspices of the company's ISO certification, and then always, by staff from outside the inspected function In addition, regular verification of certification authorization is conducted through automated IT checks or by accounting staff

Monitoring operations and variance analysis is conducted at all levels in the company, from cost centre level by each cost centre manager to group level by the group's central accounting and controller functions Inspections are facilitated by centralization of operations, through means including all invoicing to customers being from Sweden, and that basically all assets being held in the Swedish operation with a joint accounting organization

The risks within each functional manager's area of responsibility are regularly discussed by group management and primarily reported to the Audit Committee, and subsequently, by the Board of Directors The risks are compiled and presented on what is termed a "risk map," a three-dimensional representation grouping each risk depending on its "likelihood," "effect" and "action taken " Normally, the "risk map" is a discussion point for Audit Committee meetings, and is the basis for reporting at Board meetings

In accordance with the Swedish Code of Corporate Governance, each year, the Board of Directors evaluates the potential need for an internal audit function Again in 2012, the Board of Directors' judgment was that against the background of factors including the aforementioned control activities, the company's size and limited complexity, a dedicated internal audit function is not necessary or economically justifiable

Financial Reporting end Communication
Group management follows the company's financial progress continuously, and the Board of Directors does so monthly with the aid of a structured reporting process of monthly financial statements and key ratios, and reviews at Board meetings Estimates against the company's targets and market expectations, i e compared to the analysts that regularly monitor the company, are also presented and discussed at Board meetings

Internal reporting is primarily conducted at customer, product, geographical and functional levels Responsibility for following up against predetermined targets primarily rests with the controller function in collaboration with the sales organization for customer and regional levels, in collaboration with the product development and research and development functions for product levels and in collaboration with each functional manager for functional levels From the company's perspective, the risks and opportunities for different customers are equivalent, and accordingly, internally and externally, the company only reports gross profit and operating profit for a single segment, i e for the company overall The company's Chief Executive Officer is responsible for these profit levels

The company's Interim Reports and Annual Report are discussed firstly by the Audit Committee before decision by the Board of Directors The presentation and content of external information is controlled by factors including the Swedish Companies Act, international standards, the listing agreement with NASDAQ OMX Stockholm and the corporate communication policy adopted by the Board of Directors

Parent Company

Parent company Transmode Holding AB owns and manages shares in subsidiaries and also sells certain intra-group services to subsidiaries At year-end 2012, the parent company had 13 (10) employees

In 2012, parent company sales were SEK 20 0 (22 4) m, all invoicing of services sold to subsidiaries In 2011, administrative expenses included SEK 19 1 m of non-recurring expenses relating to the company's IPO on NASDAQ OMX Stockholm Operating loss was SEK -5 7 (-22 2) m

The parent company's profit for the year was SEK 0 6 (36 3) m

At the end of the reporting period, the parent company held SEK 116 7 (100 3) m of cash and cash equivalents

Significant Events after the End of the Financial Year

Since year-end 2012, the company has reported that it has delivered 100 Gbit/s equipment to several metro and regional networks FNE-Finland Oy has installed this equipment and the first order from a customer in North America has also been received

Transmode also announced that SpringNet, a US vendor of high-speed services for metro networks, has upgraded its optical network using Transmode's TM-series and its technology for ROADM-based flexible optical networks

Transmode has been certified by the Metro Ethernet Forum (MEF) for the new Carrier Ethernet 2 0 (CE 2 0) standard, which enables advanced Ethernet services

After the end of the reporting period, Transmode recruited Ingrid Nordmark as its new Vice President of R&D and Johan Wilsby as its new CFO The company also appointed its current UK & Ireland Vice President of Sales Mark Burton as its new Vice President of Sales for Europe

Dividend

The Board of Directors has decided to propose a dividend of SEK 1 80 (1 50) per share to the AGM, corresponding to a total of SEK 50 0 (41 7) m This dividend corresponds to 36% (36) of profit for the year

According to the dividend policy approved by Transmode's Board of Directors, Transmode's goal is to pay yearly dividends over time that amount to 25-50% of profit for the year for the previous financial year

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 need for investment in equipment that increases the capacity of optical fiber networks At present, there is nothing to suggest that the underlying drivers are weakening However, due to macroeconomic concerns primarily in Europe, the company did note some market slowdown in the second half-year 2012, as previously reported However, in recent months, there has been some recovery, but the company is continuing to monitor the market closely

Proposed Appropriation of Profits of Transmode Holding AB

The following funds are at the disposal of the Annual General Meeting (SEK)

Share premium reserve	126,990,122
Retained profits	-42,621,420
Profit for the year	619,766
Total	84,988,468

The Board of Directors proposes that the funds at the disposal of the Annual General Meeting are appropriated as follows

- dividend of SEK 1 80 per share, total	50,019,617
- carried forward	34,968,851
Total	84,988,468

Because the Board of Directors is proposing that the AGM on April 15, 2013 resolves on a dividend of SEK 1 80 per share, the Board of Directors hereby makes the following statements in accordance with chap 18 § 4 of the Swedish Companies Act

The Board of Directors considers that there is full coverage for the company's restricted equity after the proposed distribution of profits The Board of Directors considers that the proposed dividend to shareholders is justifiable in terms of the parameters stated in chap 17 § 3 second and third paragraphs of the Swedish Companies Act (concerning the nature, scope and risks of operations and need to strengthen the Balance Sheet, liquidity and financial position otherwise)

The Board of Directors judges that the company's and the group's equity after the proposed distribution of profits will be sufficient in relation to the nature, scope and risks of operations In this context, the Board considers factors including the company's and group's historical performance, budgeted performance, investment plans and economic conditions

The proposed dividend represents 59% of the parent company's non-restricted equity and 9% and 8% of the parent company's and group's total equity respectively The company's and group's equity/assets ratio is good in the context of prevailing circumstances in the sector Against this background, considering the group's need for investment and liquidity according to its adopted plans, the Board thinks that the company and group will continue to retain strong balance sheets also after the dividend is paid

The Board has also considered other known circumstances that may be significant to the company's and group's financial position and that are not considered within the above framework Accordingly, no circumstances have arisen that would imply that the proposed dividend does not appear justifiable

Regarding the company's results of operations and financial position otherwise, the reader is referred to the following Income Statements and Balance Sheets with associated notes The Annual Accounts and Consolidated Accounts were approved for issue by the Board of Directors on March 22, 2013 The Parent Company and Consolidated Income Statement and Balance Sheet will be subject to adoption at the Annual General Meeting on April 15, 2013

Board of Directors' Certification and Signatures

The undersigned hereby certify that the Consolidated Accounts and Annual Accounts have been prepared in accordance with IFRS (International Financial Reporting Standards) as endorsed by the EU and generally accepted accounting practice, and give a true and fair view of the group's and the company's financial position and profits, and that the Group Directors' Report and Directors' Report give a true and fair view of the progress of the group's and company's operations, financial position and results of operations, and review the essential risks and uncertainty factors facing the companies in the group

Stockholm, Sweden, March 22, 2013

Kent Sander Chairman of the Board	Eva Lindqvist Board member
Torbjorn Nilsson Board member	Tom Nyman Board member
Axel Roos Board member	Kevin Taylor Board member
Gerd Tenzer Board member	Karl Thedéen Chief Executive Officer

Our Audit Report was presented on March 23, 2013

PricewaterhouseCoopers AB

Ulf Pettersson
Authorized Public Accountant

Consolidated Income Statement

For the financial year as of December 31

SEK m	Note	2012	2011
Sale of goods		961 7	872 5
Sale of services		49 2	44 4
Total sales	3	**1,010.9**	**916.9**
Cost of goods and services provided	5	-521 1	-454 0
Gross profit		**498.8**	**462.9**
Other income	4	1 3	2 2
Research and development costs		-130 5	-115 8
Selling expenses		-166 0	-148 9
Administrative expenses		-32 0	-32 0
Other operating expenses	4	0 0	-19 3
Operating profit/loss	5, 6, 7, 8	**170.7**	**149.1**
Financial income	9	6 6	5 9
Financial expenses	9	-0 4	-0 2
Net financial income/expenses		**6.2**	**5.7**
Taxes	10	-37 7	-38 5
Profit for the year		**139 2**	**116.3**
Attributable to			
Equity holders of the parent company		139 2	116 3
Earnings per share	11		
– basic		5 02	4 47
– diluted		5 01	4 26

Consolidated Statement of Comprehensive Income

For the financial year as of December 31

SEK m	Note	2012	2011
Profit for the year		**139.2**	**116.3**
Other comprehensive income			
Translation difference		-0 1	-0 1
Other comprehensive income for the period, net after tax		**-0.1**	**-0.1**
Total comprehensive income for the period		**139.1**	**116.2**
Attributable to			
Equity holders of the parent company		139 1	116 2

Consolidated Statement of Financial Position

as of December 31

SEK m	Note	2012	2011
ASSETS			
Fixed assets			
Intangible assets	14		
Goodwill	15	88 4	88 4
Capitalized development expenses		64 2	39 7
Technology		10 6	15 3
		163.2	**143.4**
Tangible assets	13		
Leasehold improvements		2 2	2 3
Machinery and equipment		19 9	16 9
		22.1	**19.2**
Financial assets			
Deferred tax asset	10	1 2	0 8
Other financial assets	16	2 6	1 2
		3.8	**2.0**
Total non-current assets		**189.1**	**164.6**
Current assets			
Inventories	18	99 4	97 8
Accounts receivable	19	150 4	166 4
Other current receivables	20	27 4	25 6
Prepaid expenses and accrued income	21	8 1	6 7
Cash and cash equivalents	22	376 8	293 8
Total current assets		**662.1**	**590.3**
TOTAL ASSETS		**851.2**	**754.9**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company	12, 17, 23		
Share capital		5 6	5 5
Unregistered share capital		-	0 0
Other contributed capital		646 0	642 5
Translation difference		-0 9	-0 8
Accumulated profit or loss		-17 9	-115 4
Total equity		**632.8**	**531.8**
Long-term liabilities	24		
Other provisions	25, 26	4 4	4 2
Deferred tax liability	10	27 9	4 0
Total long-term liabilities		**32.3**	**8.2**
Current liabilities			
Accounts payable	27	93 0	110 2
Tax liability		0 5	11 2
Provisions	25	21 2	11 4
Other current liabilities	27	11 4	13 7
Accrued expenses and deferred income	28	60 0	68 4
Total current liabilities		**186.1**	**214.9**
TOTAL EQUITY AND LIABILITIES		**851.2**	**754.9**

For information on the group's pledged assets and contingent liabilities, see Note 29

Consolidated Statement of Cash Flows
as of December 31

SEK m	Note	2012	2011
Cash flow from operating activities			
Profit/loss after financial items		176 9	154 8
Adjustment for non-cash items			
Depreciation and amortization		29 6	25 4
Profit/loss from disposals and retirements of non-current assets		0 2	0 2
Change in provisions		10 1	6 6
Net financial income/expense		-6 2	-5 6
Interest paid		-0 1	-0 3
Interest received		7 8	5 5
Other received/paid financial income/expense		-0 4	0 0
Income tax paid		-33 8	-0 5
Cash flow from operating activities before changes in working capital		**184.1**	**186.1**
Increase(-)/decrease(+) in inventories		-1 7	-27 9
Increase(-)/decrease(+) in trade receivables		13 2	-81 5
Increase(+)/decrease(-) in trade payables		-18 9	62 7
Cash flow from operating activities		**176.7**	**139.4**
Cash flow from investing activities			
Acquisitions of intangible assets	14	-42 7	-26 4
Acquisitions of tangible assets	13	-9 8	-18 1
Change in other financial assets		-1 5	-0 2
Cash flow from investing activities		**-54.0**	**-44.7**
Cash flow from financing activities			
New share issue		3 6	23 2
Repurchase of options		-	0 0
Dividend to equity holders of the parent company		-41 7	-29 8
Cash flow from financing activities		**-38.1**	**-6.6**
Increase/decrease in cash and cash equivalents		**84.6**	**88.1**
Cash and cash equivalents, at beginning of year		293 8	206 0
Exchange rate difference in cash and cash equivalents, at beginning of year		-1 6	-0 3
Cash and cash equivalents, at end of year		**376.8**	**293.8**

Consolidated Changes in Equity

SEK m	Share Capital	Un-registered Share Capital	Other Contributed Capital	Translation Difference	Accumulated Profit/loss	Total Equity
Opening balance January 1, 2011	**4.9**	**-**	**619.9**	**-0 7**	**-201.9**	**422.2**
Total comprehensive income for the period	**-**	**-**	**-**	**-0.1**	**116.3**	**116.2**
Transactions with shareholders						
New share issue	-	0 0	0 0	-	-	0 0
New share issue in progress	0 6	-	22 6	-	-	23 2
Repurchase of options	-	-	0 0	-	-	0 0
Dividend	-	-	-	-	-29 8	-29 8
Total transactions with shareholders	**0.6**	**0.0**	**22.6**	**-**	**-29.8**	**-6.6**
Closing balance December 31, 2011	**5.5**	**0.0**	**642.5**	**-0.8**	**-115.4**	**531.8**
Opening balance January 1, 2012	**5.5**	**0.0**	**642.5**	**-0.8**	**-115.4**	**531.8**
Total comprehensive income for the period	**-**	**-**	**-**	**-0.1**	**139.2**	**139.1**
Transactions with shareholders						
Registration of share capital	0 0	0 0	-	-	-	0 0
New share issue	0 1	-	3 5	-	-	3 6
Dividend to parent company's shareholders	-	-	-	-	-41 7	-41 7
Total transactions with shareholders	**0.1**	**0.0**	**3.5**	**-**	**-41.7**	**-38.1**
Closing balance December 31, 2012	**5.6**	**-**	**646 0**	**-0.9**	**-17.9**	**632.8**

Parent Company Income Statement

for the financial year as of December 31

SEK m	Note	2012	2011
Sale of services		20 0	22 4
Total sales		**20.0**	**22.4**
Other income	4	0 6	0 0
Administrative expenses		-26 3	-44 6
Operating profit/loss	6, 7	**-5.7**	**-22.2**
Financial income	9	6 8	71 5
Financial expenses	9	0 0	0 0
Net financial income/expenses		**6.8**	**71.5**
Taxes	10	0 5	-13 0
Profit for the year		**0.6**	**36.3**

Parent Company Statement of Comprehensive Income

For the financial year as of December 31

SEK m	Note	2011	2010
Profit for the year		**0.6**	**36.3**
Other comprehensive income		-	-
Total comprehensive income for the period		**0.6**	**36.3**

Parent Company Balance Sheet
as of December 31

SEK m	Note	2012	2011
ASSETS			
Fixed assets			
Financial assets			
Participations in group companies	33	369 4	369 4
Receivables from group companies		95 7	95 7
Deferred tax asset	10	0 3	0 7
Other financial assets		0 8	0 6
Total non-current assets		**466.2**	**466 4**
Current assets			
Accounts receivable		0 0	-
Receivables from group companies		2 3	68 7
Other current receivables		0 0	0 0
Prepaid expenses and accrued income		0 5	0 1
Cash and cash equivalents		116 7	100 3
Total current assets		**119.5**	**169.1**
TOTAL ASSETS		**585.7**	**635.5**
EQUITY AND LIABILITIES			
Equity	17, 23		
Restricted equity			
Share capital		5 6	5 5
Unregistered share capital		-	0 0
Statutory reserve		482 9	482 9
		488.5	**488.4**
Non-restricted equity			
Share premium reserve		127 0	123 5
Profit/loss brought/carried forward		-42 6	-37 2
Profit for the year		0 6	36 3
		85.0	**122.6**
Total equity		**573.5**	**611.0**
Provisions			
Other provisions		1 6	3 4
Total provisions		**1 6**	**3.4**
Current liabilities			
Accounts payable		1 2	4 8
Tax liabilities		-	5 0
Other current liabilities		2 1	2 5
Accrued expenses and deferred income	28	7 3	8 8
Total current liabilities		**10.6**	**21.1**
TOTAL EQUITY AND LIABILITIES		**585.7**	**635.5**

Pledged assets and contingent liabilities

Pledged assets	None	None
Contingent liabilities	None	None

Parent Company Cash Flow Statement

as of December 31

SEK m	Note	2012	2011
Cash flow from operatıng actıvıties			
Profit/loss after financıal ıtems		1 1	49 3
Adjustment for non-cash ıtems			
Change ın provısıons		-1 8	0 6
Net financıal ıncome/expense		-6 8	-71 5
Interest paıd		0 0	0 0
Interest receıved		5 4	6 5
Other paıd/receıved financıal ıncome/expense		0 0	-
Income taxes paıd		-4 8	-
Cash flow from operatıng actıvıtıes before changes in workıng capıtal		**-6.9**	**-15.1**
Increase(-)/decrease(+) ın trade receıvables		67 3	7 6
Increase(+)/decrease(-) ın trade payables		-5 7	6 5
Cash flow from operatıng actıvıtıes		**54.7**	**-1.0**
Cash flow from ınvestıng actıvıtıes			
Change ın other financıal assets		-0 2	-0 1
Cash flow from investıng actıvıties		**-0.2**	**-0.1**
Cash flow from financıng actıvıtıes			
Repurchase of optıons		-	0 0
New share ıssue		3 6	23 2
Dıvıdend		-41 7	-29 8
Cash flow from financing actıvıtıes		**-38.1**	**-6.6**
Decrease ın cash and cash equivalents		**16.4**	**-7.7**
Cash and cash equıvalents, at begınnıng of year		100 3	108 0
Exchange rate dıfference ın cash and cash equıvalents		0 0	0 0
Cash and cash equıvalents, at end of year		**116.7**	**100.3**

Parent Company Changes in Equity

SEK m	Share-Capital	Unreg Share Capital	Statutory Reserve	Share Premium Reserve	Accum-ulated Profit/loss	Total Equity
Opening balance January 1, 2011	**4.9**	**-**	**482.9**	**100.9**	**-7.4**	**581.3**
Profit for the year	-	-	-	-	36 3	36 3
Total recognized income and expenses	**-**	**-**	**-**	**-**	**36.3**	**36.3**
Transactions with shareholders						
New share issue	0 6	-	-	22 6	-	23 2
New issue in progress	-	0 0	-	0 0	-	0 0
Repurchase of options	-	-	-	0 0	-	0 0
Dividend	-	-	-	-	-29 8	-29 8
Total transactions with shareholders	**0.6**	**0.0**	**-**	**22.6**	**-29.8**	**-6.6**
Closing balance December 31, 2011	**5.5**	**0.0**	**482.9**	**123 5**	**-0.9**	**611.0**

SEK m	Share-Capital	Unreg Share Capital	Statutory Reserve	Share Premium Reserve	Accum-ulated Profit/loss	Total Equity
Opening balance January 1, 2012	**5.5**	**0.0**	**482 9**	**123.5**	**-0.9**	**611.0**
Profit for the year	-	-	-	-	0 6	0 6
Total recognized income and expenses	**-**	**-**	**-**	**-**	**0.6**	**0.6**
Transactions with shareholders						
Registration of share capital	0 0	0 0	-	-	-	0 0
New share issue	0 1	-	-	3 5	-	3 6
Dividend	-	-	-	-	-41 7	-41 7
Total transactions with shareholders	**0.1**	**0.0**	**-**	**3.5**	**-41.7**	**-38.1**
Closing balance December 31, 2012	**5.6**	**-**	**482.9**	**127.0**	**-42.0**	**573 5**

Note 1 Corporate Information

The Consolidated Accounts of Transmode Holding AB (556588-9101) for the financial year 2012 were approved for issue in accordance with a decision by the Board of Directors on March 22, 2013 Transmode Holding AB is a limited company incorporated and domiciled in Stockholm, Sweden Transmode has its head quarters in Stockholm and is listed on NASDAQ OMX Stockholm (TRMO)

Transmode is a global provider of packet-optical networking solutions that enable fixed and mobile network operators to cost-effectively address the capacity needs created by the rapid growth in video and data traffic Transmode's solutions increase the capacity, flexibility and functionality of metro and regional networks, and are based on Wavelength Division Multiplexing (WDM) and various transport technologies, such as Ethernet Transmode's "Native Packet Optical 2 0" architecture, creates key advantages for customers such as cost-efficient Ethernet services, extremely low latency, low power consumption and future-proof network design

Since 2000, the company has installed more than 40,000 systems for over 500 fixed and mobile operators, cable TV operators, Internet service providers and large enterprises and public institutions in over 45 countries worldwide

Note 2.1 Basis of Preparation of the Consolidated Accounts and Annual Accounts

The Consolidated Accounts and Annual Accounts have been prepared according to the cost method apart from financial assets and liabilities, which have been measured at fair value

The Consolidated Accounts are presented in Swedish kronor, and all values are stated in millions of Swedish kronor, SEK m, unless otherwise indicated

Statement of Compliance

The Consolidated Accounts have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Groups and IFRS (International Financial Reporting Standards) as endorsed by the EU

The parent company Annual Accounts have been prepared in accordance with the Swedish Annual Accounts Act and RFR 2, Accounting for Listed Legal Entities, implying the parent company reporting in accordance with the same principles as the group subject to the exemptions stated in "parent company accounting principles"

New and Revised Standards Applied by the Group

A review of the standards and interpretation statements on existing standards that have been published and are obligatory for the group for financial years starting January 1, 2012 or later follows These standards and amendments have not been applied in advance The review covers those standards and interpretation statements that management considers relevant for the group but have not yet had any effect on the group as of the reporting date

None of the IFRS or IFRIC interpretation statements that are mandatory for the first time for the financial year that started on January 1, 2012 had any material effect on the group

Standards, Amendments and Interpretation Statements on Existing Standards where the Amendment Has Not Yet Come into Effect and Has Not Been Applied in Advance by the Group

IAS 1, "Presentation of Financial Statements" the standard states that those items recognized in "other comprehensive income" should be presented, divided into two groups The division is based on whether the items may come to be reclassified to the Income Statement or not The group intends to apply these amendments for the financial year that starts on January 1, 2013 These amendments will imply additional sub-headings under other comprehensive income

IFRS 9, "Financial Instruments" (published November 2009) This standard will replace IAS 39, "Financial Instruments Recognition and Measurement " IFRS 9 introduces two new requirements for the recognition and measurement of financial assets, and will probably affect the group's reporting of financial assets The group intends to adopt these amendments by no later than the financial year that starts January 1, 2015, and has not yet evaluated their effects

IFRS 10 "Consolidated Financial Statements" is based on existing principles were it identifies control as the decisive factor to determine whether a company should be included in the Consolidated Accounts The standard offers further guidance on determining control when it is hard to judge The group intends to adopt IFRS 10 for the financial year that starts January 1, 2014, and has not yet evaluated its effects

IFRS 12, "Disclosure of Interests in Other Entities" covers disclosure requirements for subsidiaries, "collaborative arrangements", associated companies and non-consolidated structured companies The group intends to adopt these amendments by no later than the financial year that starts on January 1, 2014, and has not yet evaluated their effects

IFRS 13 "Fair Value Measurement" is intended to make fair value measurements more consistent and less complex through the Standard containing a precise definition and a common source in IFRS for fair value measurement and associated disclosures This standard offers guidance on fair value measurement for all types of assets and liabilities, financial and non-financial This standard, which is largely the same between IFRS and US GAAP, does not expand the application for when fair value should be applied, but provides guidance on how it should be applied when other IFRS already require or permit fair value measurement The group will apply these amendments for the financial year that starts January 1, 2013 This standard will involve further disclosures on financial instruments

Several other amendments of standards and new statements have been published, but at present, they are not judged to have any impact on the company's financial statements

Note 2.2 Significant Accounting Judgments and Estimates

Estimation and Judgment Uncertainty

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that may imply a significant risk of causing a material adjustment of carrying amounts of assets and liabilities within the next financial year are discussed below

Capitalized Development Expenses

The company capitalizes its development expenses from the financial year 2008 onwards in accordance with IAS 38 In product development there is primarily an inherent risk of whether development will result in future revenues The company makes regular assessments of projects on an aggregate level Capitalized development expenses are amortized during product's estimated economic lives, although subject to a maximum of 7 years The carrying amount of capitalized development expenses as of December 31, 2012 was SEK 64 2 (39 7) m See Note 14

Inventory Obsolescence

Inventory is reported at the lower of cost, in accordance with the first in first out (FIFO) method, and net realizable value The estimated net realizable value includes management's consideration of outdated items, over-stocking, physical damage, inventory lag-time, handling and other selling costs If the estimated net realizable value is lower than historical cost, a valuation allowance for inventory obsolescence is established The total inventory value, net of inventory obsolescence is SEK 99 4 (97 8) m as of December 31, 2012 The provision for obsolescence amounts to SEK 22 5 (23 4) m See Note 18

Credit Loss Reserves

The establishment of credit loss reserves on accounts receivable is dependent on estimates including assumptions regarding past dues, repossession rates and the recovery rate on underlying collateral As of December 31, 2012, Transmode's total credit loss reserve was SEK - (0 1) m See Note 19

Note 2.3 Summary of Significant Accounting Principles

Consolidation

All subsidiaries are entities whose financial and operating principles the group is authorized to control Generally the parent company has 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 Subsidiaries are fully consolidated from the date on which control is transferred to the group They are de-consolidated from the date that control ceases

The purchase method of accounting is used to recognize the acquisition of subsidiaries by the group The transferred remuneration for an acquisition consists of the fair value of assets submitted as payment and liabilities arising or taken over as of the transfer date Transaction expenses attributable to acquisitions are expensed as they arise For each acquisition, the group decides if all holdings with non-controlling influence in the acquired company are reported at fair value or the holding's proportional share of the acquired company's net assets The amount whereby the transferred remuneration, potential holdings with non-controlling influence and fair value at the acquisition date of previous shareholdings exceeds the fair value of the group's share of the identifiable net assets is reported as goodwill If the transferred remuneration is less than the fair value of the net assets acquired, the difference is recognized directly in the Income Statement

All intra-group balances, revenues, profits and losses from intra-group transactions are fully eliminated

Foreign Currency Translation

The Consolidated Accounts are presented in Swedish kronor (SEK), which is the company's functional and presentation currency Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency Transactions in foreign currencies are initially reported at the functional currency rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the reporting date All differences are recognized in the Income Statement as follows

- Translation of accounts receivable, accounts payable and currency forward contracts is recognized in operating profit or loss
- Translation of currency forward contracts relating to operating items is recognized in operating profit or loss
- Translation of currency forward contracts relating to financial items is recognized in net financial income/expense
- Translation of other monetary assets and liabilities is recognized in net financial income/expense

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions

The results of operations and financial position of all group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows

- Assets and liabilities for each balance sheet presented are translated at the closing day rate
- Income and expense for each income statement are translated at average exchange rates
- All exchange differences are recognized as a separate component of equity and in the Statement of Comprehensive Income

Revenue Recognition

Revenue covers the fair value of what has been received or will be received for sold goods and services in the group's operating activities Revenues are recognized excluding VAT, returns and discounting and after eliminating intragroup sales

Revenue is recognized to the extent that it is probable that the economic rewards will flow to the group and the revenue can be reliably measured The following specific recognition criteria must also be met before revenue is recognized

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred income tax assets are recognized for all deductible temporary differences and unutilized tax losses, to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences and the carrying amount of un-utilized tax credits and un-utilized tax losses can be utilized except

- if the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the reported profit nor taxable profit or loss, and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized Unrecognized deferred income tax receivables are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date

Income tax relating to items recognized directly in equity or other comprehensive income is recognized in equity or other comprehensive income and not in the Income Statement

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the transferred remuneration of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities Following initial recognition, goodwill is measured at cost less any accumulated impairment losses Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired

For the purpose of impairment testing, from the acquisition date, goodwill acquired in a business combination is allocated to each of the group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the group are assigned to those units or groups of units Each unit or group of units to which the goodwill is so allocated

- represent the lowest level within the group at which the goodwill is monitored for internal management purposes, and
- is not larger than a segment based on the group's primary segment reporting

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates Estimating the recoverable amount requires the group to estimate expected future cash flows from the cash-generating unit based on assumptions on revenues, operating margin, capital tied-up and an appropriate discount rate to compute the present value of these cash flows When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, impairment is recognized Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, goodwill is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained

Sale of Goods

Revenue is recognized when the significant risks and rewards associated with ownership of the goods have passed to the buyer, which usually occurs on delivery according to the applicable delivery terms and conditions If a buyer is entitled to return goods, a judgment of the likelihood of this occurring is made Based on this judgment, revenues are recognized either on delivery or when the right of return ceases

Rendering Services

Revenues from service arrangements are recognized, allocated equally by month in the period that each agreement applies

Revenues from other services are recognized according to the percentage of completion method considering the degree of completion Stage of completion depends upon the service provided, i e measured with reference to labor hours incurred to date as a percentage of total estimated labor hours for each contract Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable In cases of doubtful debt, the full loss is immediately expensed

Government Assistance

Government subsidies are recognized as revenue when there is reasonable certainty that the company satisfies the conditions for receiving the subsidy

Interest Income

Interest income is recognized as interest accrues using the effective interest method, that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset

Segment Reporting

Operating segments should be reported in the same way as internal reporting to the chief operating decision-maker In Transmode, this party has been identified as the company's Chief Executive Officer The CEO mainly monitors the company's operations at customer and product levels From Transmode's perspective, the risks and opportunities are similar for its various customers, which means that Transmode has a single segment

Operations are conducted from the starting-point of Sweden, from where all invoicing to customers is executed and where basically all assets are located

Income Statement Classified by Function

Transmode reports research & development, selling and administrative expenses Each function includes its own direct expenses as well as an allocated part of common expenses The cost of goods sold and services rendered includes direct costs and an allocated part of common costs connected with the generation of revenue Amortization of the intangible assets Technology and Capitalized Development Expenses is included in Research & Development Expenses and amortization of the intangible asset Customer Relations is included in Selling Expenses

Taxes

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities The tax rates and tax laws utilized to compute the amount are those that are enacted or substantively enacted by the reporting date

Deferred Tax

Deferred tax is stated on temporary differences between the tax bases of assets and liabilities at the reporting date and their carrying amounts for financial reporting purposes

Deferred tax liabilities are recognized for all taxable temporary differences, except

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and

Intangible Fixed Assets apart from Goodwill

Intangible fixed assets acquired separately are initially recognized at cost The cost of intangible fixed assets acquired in a business combination is the fair value as at the date of acquisition Following initial recognition, intangible fixed assets are carried at cost less any accumulated amortization and any accumulated impairment losses

An intangible fixed asset originating from development expenses of products for commercial or internal use is reported on the basis of the product judged to be technically and economically sound until the product is ready for commercial launch or starts usage in the company The capitalized development expenses are primarily internally generated, and consist of direct expenses incurred for labor and the related portion of indirect expenses The amortization of capitalized development expenses starts coincident with the commercial launch, or when the product comes into internal use

The economic lives of intangible fixed assets, excluding goodwill, are assessed to be finite, amortized over economic life and assessed for impairment whenever there is an indication that the intangible fixed asset may be impaired The amortization period and the amortization method for an intangible fixed asset are reviewed at least at each financial year-end Changes in the expected economic life or the expected pattern of consumption of future economic rewards embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates

Gains or losses arising from derecognizing an intangible fixed asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Income Statement when the asset is derecognized

Tangible Fixed Assets

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment in value Expenditure that arises after acquisition is included in the carrying amount of the asset only to the extent it is likely that the group will receive significant future economic benefits from the asset Depreciation is calculated on a straight-line basis over the economic life of assets

The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable

A tangible fixed asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal Any gain or loss arising on derecognizing the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement in the year the asset is derecognized

The residual values and economic lives are reviewed, and adjusted if appropriate, at least at each financial year-end

Impairment of Intangible Assets and Property, Plant and Equipment apart from Goodwill

The group assesses whether there is an indication that an asset may be impaired at each reporting date If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, if the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset Impairment losses of continuing operations are recognized in the Income Statement

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased If such indication exists, the recoverable amount is estimated A previously recognized impairment loss is reversed only if there has been a change in the estimates utilized to determine the asset's recoverable amount since the impairment loss was recognized Goodwill impairment cannot be reversed If that is the case, the carrying amount of the asset is increased to its recoverable amount That increased amount cannot exceed the carrying amount that would have been determined otherwise, net of depreciation, had no impairment loss been recognized for the asset in prior years

Such reversal is recognized in the Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining economic life

Financial Instruments

When financial assets are recognized initially, they are measured at fair value less directly attributable transaction costs apart from for financial assets, which are measured at fair value in the Income Statement where transaction expenditure is immediately expensed The group determines the classification of its financial assets on initial recognition

Loans and Accounts Receivable to Maturity
Loan receivables and account receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market Such assets are carried at amortized cost in ensuing periods Gains and losses are recognized in the Income Statement when the loans and receivables are derecognized or impaired The group primarily holds financial assets in this category

Derivative Instruments Measured at Fair Value via the Income Statement
Derivative instruments are measured at fair value via the Income Statement and consist of currency forward contracts used to limit the risk from exchange rate fluctuations The actual value of derivative instruments is reported as Other current receivables or Other current liabilities Value increases and decreases on derivatives are reported as revenues or expenses respectively in operating profit/loss or in net financial income/expense depending on the purpose of the derivative instrument and whether its usage relates to a trading item or a financial item Exchange gains and exchange losses are reported net in operating profit/loss The Company has not applied hedge accounting when utilizing currency forward contracts

Accounts Receivable to Maturity
Accounts receivable, which have standard payment terms of 30 days, adjusted for local market conditions, are recognized at the original invoiced amount less a provision for uncollectable amounts A reserve is reported when there are strong indications that the group will not be able to obtain payment Non-performing receivables are written off when it is definitively determined that no payment will be received

Cash and Cash Equivalents at Fair Value via the Income Statement
Cash and cash equivalents in the Balance Sheet consist of cash at bank or in hand, and short-term deposits with an original maximum maturity of three months

In the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash according to the above definition net of outstanding overdraft facilities

Interest-bearing Loans to Maturity
All loans and borrowings are initially recognized at the fair value of the consideration received After initial recognition, interest-bearing loans and borrowings are subsequently recognized at amortized cost

Other Assets

Borrowing Costs
Borrowing costs directly attributable to the purchase, completion or production of a qualifying asset are capitalized as a part of the cost of the asset Other borrowing costs are charged to profit as an expense for the period to which they relate

Inventories
Inventory is reported at the lower of cost, in accordance with the first in first out (FIFO) method, and net realizable value

Lease Arrangements

Determination of whether an arrangement is or contains a lease is based on the circumstances of the arrangement and requires a judgment of whether fulfillment of the arrangement is dependent on usage of a certain asset and confers entitlement to use the asset

The Group as Lessee
Finance lease arrangements, which in principle, transfer all risks and rewards relating to ownership of the leased item to the group, are capitalized when the lease arrangement is entered at the fair value of the leased item, or if it is lower, the present value of minimum lease payments

Capitalized leased assets are depreciated over the shorter of the asset's estimated useful lives and the lease term, unless it is reasonably certain that the group will take over ownership at the end of the lease

Operating lease payments are recognized as an expense in the Income Statement on a straight-line basis over the lease term

Provisions

Provisions are recognized when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic rewards will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation When the group expects some or all of the provision to be reimbursed, for example in an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain The expense relating to any provision is presented in the Income Statement net of any reimbursement If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability Where discounting is utilized, the increase in the provision due to the passage of time is recognized as a borrowing cost

Pensions and Other Post-employment Benefits

In the group there are mainly defined contribution pension plans The group has one defined benefit plan, which is a multi-employer plan

Defined Contribution Plans
The group's payments relating to defined contribution plans are reported as an expense during the period the employee has rendered services to which the contribution relates

Defined Benefit Plan
Pension obligations for employees in Sweden are vested partly through insurance with Alecta According to pronouncement UFR 3 Issued by the Swedish Financial Reporting Board (*Rådet for finansiell rapportering*) the plan is to be classified as a multi-employer defined benefit plan Transmode does not have access to such information that makes it possible to report this plan as a defined benefit plan The ITP pension plan that is vested through insurance with Alecta is therefore reported as a defined contribution plan

Share-based Payment Transactions

There are equity settled option schemes For all option schemes, the participants have paid fair value for the options, hence the programs have no effect on the profit or loss of the Transmode group

Earnings per Share

Basic earnings per share are calculated by dividing the profit/loss attributable to equity holders of the parent company by the weighted average number of ordinary shares in issue during the year

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares for the dilution effect of all potential shares Potential dilution effects arise through warrants issued For the warrants, a calculation is made in order to determine the number of shares that could have been acquired at fair value, determined as the closing price on the reporting date according to NASDAQ OMX Stockholm, based on the monetary value of the subscription rights attached to outstanding warrants The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants Dilution effects are only considered when they have an adverse effect on earnings per share See Note 11

Note 2.4 Parent Company Accounting Principles

The difference in accounting principles in the parent company's Annual Accounts and the Consolidated Accounts are due to the fact that the parent company must observe the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities The accounting principles of the parent company that differ from the group's are reviewed below Apart from differences in accounting principles, there are some differences in disclosure requirements, which to some extent, limit disclosures regarding the parent company

Shares in Subsidiaries

Shares in subsidiaries are carried in the Balance Sheet at cost less any impairment charges An impairment test is conducted if there is an indication that recoverable value is less than book value

Group Contributions and Shareholders' Contributions

Group contributions are reported in accordance with RFR 2 Group contributions received are recognized according to the same principles as dividends received from subsidiaries, i e as financial income Group contributions paid are recognized as an increase in participations in subsidiaries, or depending on the relationship between accounting and taxation, in the Income Statement Shareholders' contributions paid are recognized as an increase in participations in subsidiaries A judgment is then made of whether participations in subsidiaries are impaired

Presentation of Equity

In the parent company's financial statements, equity is divided into restricted and non-restricted equity due to the stipulation in the Swedish Annual Accounts Act, which is not required under IFRS Accordingly, there is no division in the Consolidated Accounts

Note 3 Sales

Group	2012	2011
Sweden	86 2	93 4
EMEA excluding Sweden	721 4	678 4
Americas	185 6	124 4
APAC	17.7	20.7
Total	1,010.9	916.9

There are 3 (2) customers that each represent over 10% of total sales Together, these customers' share amounts to 475 (34) of total sales 'Customer' means a legal entity, and where applicable, a collection of legal entities in the same group

There are 3 (4) countries that each represent over 10% of total sales Together, sales to these customers amount to some 53% (61) of total sales

Note 4 Other Income and Other Operating Expenses

Group	2012	2011
Other income		
Exchange gains/losses on balances with customers and suppliers	-4 4	3 1
Exchange gains/losses on currency contracts	5 1	-1 5
Other	0.6	0.6
Total	1.3	2.2
Other operating expenses		
Expenses, IPO	-	-19 1
Other	0.0	-0 2
Total	0.0	-19.3

Parent Company	2012	2011
Other income		
Exchange gains/losses on balances with customers and suppliers	0 0	0 0
Other	0 6	0 0
Total	0.6	0.0

Note 5 Expenses by Category

Group	2012	2011
Cost of goods and services provided[1)]	476 3	423 4
Other expenses	124 1	127 1
Personnel expenses	254 2	220 5
Depreciation and amortization of intangible assets and property, plant and equipment	29.6	25.4
Total operating expenses, gross	884.2	796.4
Capitalization of development expenses	-42.7	-26.4
Total operating expenses, net	841.5	770.0

[1)] Cost of goods sold and services provided according to Income Statement classified by function reduced by allocated expenses of SEK 35 8 (30 6) m

Note 6 Auditors' Fees

Group	2012	2011
PricewaterhouseCoopers		
Audit assignment	0 7	0 9
Auditing services over and above audit assignment[1]	0 4	1 9
Tax advisory services	0 1	0 1
Other services	0 1	0 0
Total, PricewaterhouseCoopers	1.3	2.9
The MGroup		
Audit assignment	0 1	0 1
Auditing services over and above audit assignment	-	0 0
Tax advisory services	0 0	-
Other services	0 3	0 3
Total, MGroup	0.4	0.4
Total	1.7	3.3

Parent company	2012	2011
PricewaterhouseCoopers		
Audit assignment	0 3	0 2
Auditing services over and above audit assignment[1]	0 3	1 9
Tax advisory services	0 1	0 0
Other services	0 1	0.0
Total, PricewaterhouseCoopers	0.8	2.1

[1] Of auditing over and above the audit assignment, SEK 0 0 (1 6) m are expenses relating to the company's IPO on NASDAQ OMX Stockholm

Auditing means the auditor's reimbursement for the statutory audit, i e the work necessary to submit the Audit Report This also includes fees for audit advisory services provided in tandem with the audit assignment

In principle, auditing services over and above the audit assignment relate to quality-assurance services in accordance with the Swedish Auditors' Act This Act stipulates that auditing activities are partly the review of administration or accounting information to be conducted according to constitution, statute or contract and should result in a report or other documentation intended for parties other than the client, and advisory services ensuing from observations from a review assignment

Tax advisory services are evident from the statement itself Other services means advisory services that are not related to any of the stated services assignments

The Accounts of group company Transmode (UK) Ltd were audited for 2011 but not 2012, because the company invoked exemption from auditing in the UK in accordance with S479A of the Companies Act 2006

Note 7 Employee Benefits

Ave. Number of Employees

Group	2012	Of which Men	2011	Of which Men
Sweden	220	78%	190	79%
UK	12	100%	10	100%
Germany	7	100%	8	100%
USA	15	87%	8	88%
Italy	1	100%	1	100%
Group total	255	80%	217	82%

Parent company	2012	Of which Men	2011	Of which Men
Sweden	11	36%	9	44%
Parent company total	11	36%	9	44%

Division between the Sexes, Group (incl. Subsidiaries) for Board Members and other Senior Managers

	2012	Of which Men	2011	Of which Men
Board members apart from CEO	7	86%	8	88%
Chief Executive Officer and other Senior managers	8	88%	8	88%
Group total	15	87%	16	88%

Salary and Other Benefits, Social Security Contributions

Group	2012 Salary and Benefits	Social Security Contributions	2011 Salary and Benefits	Social Security Contributions
	173 2	68 4	154 8	57 3
(of which pension expenses)[1]		*(19 9)*[1]		*(16 2)*[1]

[1] No pension expenses relate to the Board of Directors for 2012 or 2011

Parent company	2012 Salary and Benefits	Social Security Contributions	2011 Salary and Benefits	Social Security Contributions
	11 9	6 6	14 3	5 9
(of which pension expenses)		*(2 3)*		*(2 1)*

Salary and Benefits by Chief Executive Officer, Board of Directors and Other Employees

Group	2012 CEO and Board	Other Employees	2011 CEO and Board	Other Employees
	5 2	168 0	6 3	148 5

For more information, see Note 30

Parent company	2012 CEO and Board	Other Employees	2011 CEO and Board	Other Employees
	5 2	6 7	6 3	8 0

Incentive Schemes

At the end of the financial year, the group had not issued any share warrants to the Board of Directors and employees compared to 8,270,881 share warrants in 2011 Of the share warrants outstanding at year-end 2011, notification of conversion has been received for 904,000 share warrants, of which payment has also been received for 154,000 For more information, see Note 17

Note 8 Depreciation, Amortization and Impairment

Group	2012	2011
Depreciation and amortization per asset		
Capitalized development expenses	18 2	15 8
Technology	4 7	4 7
Leasehold improvements	0 6	0 3
Machinery and equipment	6 1	4,6
Total	29,6	25,4

	2012	2011
Depreciation and amortization by function		
Cost of goods and services provided	0 9	0 7
Research and development expenses	26 8	23 3
Selling expenses	1 6	1 3
Administration expenses	0.3	0.1
Total	29.6	25.4

Note 9 Financial Income and Expenses

Group	2012	2011
Financial income		
Interest income	8 3	6 2
Exchange losses	-1.7	-0.3
Total	6.6	5.9
Financial expenses		
Other interest and financial expenses	0 0	-0 2
Exchange gains/losses	-0.4	0.0
Total	-0.4	-0.2

Parent company	2012	2011
Financial income		
Interest income	3 1	2 0
Interest income from group companies	2 7	4 5
Group contribution received[1]	1 0	65 0
Exchange losses	0.0	0.0
Total	6.8	71.5

[1] Group contribution received from subsidiary Transmode Systems AB

Financial expenses		
Other interest expenses and financial expenses	0 0	0 0
Exchange gains/losses	0 0	-
Total	0.0	0.0

Note 10 Taxes

Group

The components of tax expenses for the financial years are

	2012	2011
Current tax		
Tax on profit for the year	-25 6	-10 9
Tax attributable to previous year	1 0	0 1
Deferred tax		
Occurrence and reversal of temporary differences	-19 5	-29 0
Tax related to business combinations	1 2	1 3
Effect of changes in Swedish corporation tax rate	5 2	-
Total tax	-37.7	-38.5

Reconciliation between tax expense and recognized profits multiplied by the Swedish tax rate for the financial years as of December 31 is as follows

	2012	2011
Recognized profit before tax	176.9	154 8
Tax calculated on Swedish enacted tax rate, 26 3% (26 3)	-46 5	-40 7
Tax attributable to previous year	1 0	0 1
Utilized loss carry-forwards previously not recognized	-	0 1
Non-taxable income	0 0	-0 6
Non-deductible expenses	-0 8	-0 9
Effect of higher/lower tax rates for foreign subsidiaries	0 0	0 1
Tax effect of amortization of goodwill arising from the purchase of the net assets of group companies	3 4	3 4
Deductible deficits for which no deferred tax asset is recognized	0 0	-
Restatement of deferred tax—change in Swedish corporation tax rate	5.2	-
Tax recognized in the Consolidated Income Statement	-37.7	-38.5

Current tax rate	2012	2011
Sweden	26 3%	26 3%
UK	20 0%	20 0%
Singapore	17 0%	17 0%
USA	40 0%	35 7%
Canada	26 5%	28 0%
Italy	31 4%	31 4%
Germany	30 5%	30 5%

Deferred tax assets are attributable to the following

Deferred tax asset	2012	2011
Other provisions for pensions	0 2	0 3
Other	1.0	0.5
Total	1.2	0.8

	2012	2011
Opening balance, January 1	0 8	29 8
Loss carry-forwards	-	-28 3
Tax on provisions for pensions for the year	-0 1	0 1
Other	0 7	-0 8
Effect of changes in Swedish corporation tax rate	-0.2	-
Closing balance, December 31	1.2	0.8

Deferred tax liability	2012	2011
Capitalized development expenses	14 1	-
Technology	2 3	4 0
Untaxed reserves	11.5	-
Total	27.9	4.0

	2012	2011
Opening balance, January 1	4 0	5 3
Tax on capitalized development expenses	16 9	-
Tax on untaxed reserves	13 7	-
Tax on the year's amortization of technology	-1 3	-1 3
Effect of changes in Swedish corporation tax rate	-5.4	-
Closing balance, December 31	27.9	4.0

The group has no deductible loss carry-forwards At year-end 2011, the group had deductible loss carry-forwards in Transmode Holding AB and Transmode Systems AB of SEK 107 6 m, equivalent to a deferred tax asset of SEK 28 3 m In 2011, all loss carry-forwards were offset against taxable profits

There are no tax consequences for the company upon potential dividends to shareholders

Parent Company

Deferred tax asset	2012	2011
Other provisions for pensions	0 2	0 2
Other	0 1	0 5
Total	0.3	0.7

	2012	2011
Opening balance, January 1	0 7	9 0
Loss carry-forwards	-	-8 3
Tax on provisions for pensions for the year	0 0	0 1
Other	-0 4	-0 1
Closing balance, December 31	0.3	0.7

Note 11 Earnings per Share

	2012	2011[1]
Profit attributable to equity holders of the parent company	139 2	116 3
Weighted average number of outstanding ordinary shares used to calculate basic earnings per share (000)	27,724	26,000
Adjustments for		
– assumed exercise of stock options (000)	65	1,338
Weighted average number of outstanding ordinary shares used to calculate diluted earnings per share (000)	27,789	27,338
Basic earnings per share	5 02	4 47
Diluted earnings per share	5 01	4 26

[1] An EGM on April 7, 2011 resolved to conduct a reverse split of the company's share in the ratio of 1 20, whereby 20 existing shares were consolidated into one new share Based on a resolution by the EGM, all the company's share classes, ordinary and preference shares, were converted to shares in tandem with the company's IPO on NASDAQ OMX Stockholm on May 27, 2011

Note 12 Dividends

	2012	2011
Dividend paid on shares	-41 7	-29 8
	-41.7	-29.8

The Board of Directors is proposing to the Annual General Meeting 2013 that dividends of SEK 1 80 per share are paid corresponding to a total of SEK 50 0 m

Note 13 Tangible Fixed Assets

December 31, 2011

	Leasehold Improvement	Machinery and Equipment
January 1, 2011		
Cost	-	26 3
Cumulative depreciation	-	-20.2
Carrying amount	-	6.1
January 1, 2011, opening carrying amount	-	6 1
Purchases	2 6	15 5
Disposals and retirements	-	-0 1
Depreciation for the year	-0 3	-4 6
December 31, 2011, closing carrying amount	2.3	16.9
December 31, 2011		
Cost	2 6	38 5
Cumulative depreciation	-0 3	-21 6
Carrying amount	2.3	16.9

No impairment losses were taken in 2011 Obsolescence in the year reduced cost by SEK 3 3 m and cumulative depreciation by SEK 3 2 m, -0 1 net

December 31, 2012

	Leasehold Improvement	Machinery and Equipment
December 31, 2012		
Cost	2 6	38 5
Cumulative depreciation	-0.3	-21 6
Carrying amount	2.3	16.9
January 1, 2012, opening carrying amount	2 3	16 9
Purchases	0 5	9 3
Disposals and retirements	-	-0 2
Depreciation for the year	-0.6	-6.1
December 31, 2012, closing carrying amount	2.2	19.9
December 31, 2012		
Cost	3 1	46 4
Cumulative depreciation	-0.9	-26.5
Carrying amount	2.2	19.9

No impairment losses were taken in 2012 Retirements in the year reduced cost by SEK 1 4 m and cumulative depreciation by SEK 1 2 m, SEK -0 2 m net

The estimated economic lives of other assets are as follows	2012	2011
Leasehold improvements	5 yr	5 yr
Machinery and equipment	3 – 5 yr	3 – 5 yr

Note 14 Intangible Fixed Assets

December 31, 2011

	Goodwill	Capitalized Dev. Exp.	Technology
January 1, 2011			
Cost	88 4	37 1	47 0
Cumulative amortization	-	-8.0	-27 0
Carrying amount	88.4	29.1	20.0
January 1, 2011, opening carrying amount	88 4	29 1	20 0
Acquisitions	-	26 4	-
Amortization in the year	-	-15 8	-4 7
December 31, 2011, closing carrying amount	88.4	39.7	15.3
December 31, 2011			
Cost	88 4	63 5	47 0
Cumulative amortization	-	-23.8	-31.7
Carrying amount	88.4	39.7	15.3

No impairment losses or retirements were taken in 2011

December 31, 2012

	Goodwill	Capitalized Dev. Exp.	Technology
January 1, 2012			
Cost	88 4	63 5	47 0
Cumulative amortization	-	-23.8	-31.7
Carrying amount	88.4	39.7	15.3
January 1, 2012, opening carrying amount	88 4	39 7	15 3
Acquisitions	-	42 7	-
Amortization in the year	-	-18.2	-4.7
December 31, 2012, closing carrying amount	88.4	64.2	10.6
December 31, 2012			
Cost	88 4	106 2	47 0
Cumulative amortization	-	-42 0	-36.4
Carrying amount	88.4	64.2	10.6

No impairment losses or retirements were taken in 2012

The economic lives of reported assets are estimated as follows	2012	2011
Technology	10 yr	10 yr
Capitalized development expenses	3 yr	3 yr

Transmode acquired Lumentis AB in 2005 Intangible fixed assets attributable to Technology and Customer Relations were identified when valuing the company Technology is amortized on a straight-line basis over 10 years, which is the economic life assessed by the Board of Directors Capitalized development expenses are amortized over the product's assessed useful life, although a maximum of 7 years For reported assets in 2011 and 2012, assessed useful life is 3 years

Note 15 Impairment Test of Goodwill

Goodwill acquired in business combinations is allocated to a cash-generating unit, which is synonymous with Transmode's only business segment, optical networking solutions The carrying amount of goodwill is allocated as follows

	2012	2011
Optical networking solutions	88 4	88.4
Total goodwill	88.4	88.4

The impairment test for Transmode's cash-generating unit is based on calculated value in use As in the previous year, the cash flow forecast utilized in the impairment test 2012 is based on the financial targets communicated, which have been approved by management and the Board of Directors

Expected market growth and Transmode's opportunities to increase market shares were used when preparing these forecasts In the impairment test, the growth rate utilized to extrapolate cash flows after year 2016 is 3 0% (3 0) A discount rate of 9 8% (10 0) before tax was utilized when calculating the present value of cash flow The interest rate is judged to reflect the specific risks in the market segment that the company operates in

A sensitivity analysis was conducted on the impairment tests through individual changes to assumptions and progress regarding sales, operating margin and discount rates through

- The yearly forecast sales growth reduced by 50% or
- Yearly forecast operating margin reduced by 25% or
- Yearly forecast discount rate increased by 25%

After the sensitivity analysis of the impairment test was conducted, a substantial surplus value still remains without any impairment

Note 16 Other Financial Assets

December 31, 2011	Deposits Paid	Blocked Bank Funds	Endowment Insurance	Total
Opening balance, January 1, 2011	-	0 5	0 7	1 2
Released funds	-	0 0	-	0 0
Deposited premiums	-	-	0 1	0 1
Change in value	-	-	-0 1	-0 1
Interest received	-	0.0	-	0.0
Closing balance, December 31, 2011	-	0.5	0.7	1.2

December 31, 2012	Deposits Paid	Blocked Bank Funds	Endowment Insurance	Total
Opening balance, January 1, 2012	-	0 5	0 7	1 2
Released funds	-	0 0	-	0 0
New deposits	1 1	-	-	1 1
Deposited premiums	-	-	0 3	0 3
Change in value	-	-	0 0	0 0
Interest received	-	0.0	-	0.0
Closing balance, December 31, 2012	1.1	0.5	1.0	2.6

Blocked bank funds are collateral for bank guarantees issued

Note 17 Share Warrants

The final subscription date for the now-expired share warrant programs was April 30, 2012 Accordingly, since this date, there are no outstanding share warrants, so the following statement applies exclusively to expired share warrant programs

Share warrants for Board Members and Employees

The AGM in April 2009 authorized the Board of Directors to decide on the issue of a maximum of 55,000,000 share warrants with the right to subscribe for a maximum of 55,000,000 ordinary shares for certain Board members and employees of the company on one or more occasions in the period until the AGM 2010, waiving shareholders' preferential rights

The offered granting and terms and conditions of the share warrants of the option plan 2009 I were delivered to participants in May 2009 In June 2009, the Board of Directors took a decision to issue a total of 43,071,858 share warrants to the participants in the option plan

The offered granting and terms and conditions of the share warrants of the option plan 2009 II were delivered to participants in June 2009 In July 2009, the Board of Directors took a decision to issue a total of 4,966,280 share warrants to the participants in the option plan

All the share warrants in the above option plans, totaling 48,038,138, were subscribed at a subscription price of SEK 0 03 per share warrant, with entitlement to subscribe for a total of 48,038,138 ordinary shares at an exercise price of SEK 0 45 per ordinary share The subscription period for the option plan 2009 I was the period October 2009 to April 30, 2012 Subscription for shares in the option plan 2009 II was possible in the period April 1-30, 2012, coincident with and after a possible initial public offering of the company's share and other periods that the Board of Directors was entitled to decide on Otherwise, the terms and conditions of the options were the same for both plans

The price of the share warrants was based on assessed market value, proceeding from a price calculated by an external valuer by applying the Black & Scholes valuation model As an individual un-listed share, volatility was assessed as above the Stockholm Stock Exchange average for the OMX Index over recent years before the option plan Because the price of the share warrants is judged to correspond to the assessed fair value, consolidated profit was not charged at granting However, provisioning was conducted for social security contributions on an ongoing basis in accordance with each country's regulations

Input data used in the valuation of plans 2009 I and 2009 II

Expected dividend, SEK	0 00
Volatility	30%
Term, years	3 0
Share price at grant date, SEK	0 30
Annual risk-free interest	3 2%
Exercise price, SEK	0 45

In the subscription period, Transmode held an option to re-purchase the share warrants at market value if the holder's employment terminated before subscription was consummated

In accordance with existing share warrant terms, due to the dividends paid by Transmode in 2010, the above 2010 exercise price was restated from SEK 0 45 to SEK 0 30 per ordinary share

An EGM on April 7, 2011 resolved to conduct a reverse split of the company's share in the ratio of 1 20, whereby 20 existing shares were consolidated into one new share Accordingly, in accordance with the terms and conditions of the share warrants, the subscription price and the number of shares each share warrant conferred entitlement to subscribe for were restated, whereupon each share warrant entitled the holder to subscribe for 0 05 new shares at a subscription price of SEK 6 00 per share

Holdings and changes in share warrants in the 2009 I plan are as follows

	2012	2011
January 1	6,052,258	43,007,858
Forfeited	-18	-92
Exercised	-6,052,258	-36,955,508
December 31	-	6,052,258

Holdings and changes in share warrants in the 2009 II plan are as follows

	2012	2011
January 1	1,285,320	4,674,280
Forfeited	-30,000	-
Exercised	-1,255,320	-3,388,960
December 31	-	1,285,320

The AGM 2010 resolved to extend the Board of Directors' authorization from the AGM 2011 for the remaining share warrants up to an aggregate maximum of 55,000,000, in the period before the AGM 2009

The offered granting and terms and conditions of the share warrants in the 2009 III option plan were delivered to participants in February 2010 In May 2010, the Board of Directors took the decision to issue a maximum total of 2,900,000 share warrants to participants in the option plan

The offered granting and terms and conditions of the share warrants in the 2009 IV option plan were delivered to participants in May 2010 In May 2010, the Board of Directors took the decision to issue a maximum total of 3,995,000 share warrants to participants in the option plan

All the share warrants in the 2009 III – IV option plans, totaling 6,895,000, were subscribed at a subscription price of SEK 0 10 per share warrant, with entitlement to subscribe for a total of 6,895,000 ordinary shares at an exercise price of SEK 0 75 per ordinary share The subscription period for the option plan 2009 III was the period May 2010 to April 30, 2012 Subscription for shares in the option plan 2009 IV was possible in the period April 1-30, 2012, coincident with and after a possible initial public offering of the company's share and other periods that the Board of Directors could decide Otherwise, the terms and conditions of the options were the same for both plans

The price of the share warrants was based on assessed market value, proceeding from a price calculated by an external valuer by applying the Black & Scholes valuation model As an individual un-listed share, volatility was assessed as above the Stockholm Stock Exchange average for the OMX Index over recent years before the option plan Because the price of the share warrants is judged to correspond to the assessed fair value, consolidated profit was not charged at granting However, provisioning was conducted for social security contributions on an ongoing basis in accordance with each country's regulations

Input data used in the valuation of the 2009 III and 2009 IV plans

Expected dividend, SEK	0 00
Volatility	30%
Term, years	2 4
Share price at grant date, SEK	0 66
Annual risk-free interest	2 5%
Exercise price, SEK	0 75

In the subscription period, Transmode held an option to re-purchase the share warrants at market value if the holder's employment terminated before subscription is consummated

In accordance with existing share warrant terms, due to the dividends paid by Transmode in 2010, the above exercise price was restated from SEK 0 75 to SEK 0 60 per ordinary share in 2010

An EGM on April 7, 2011 resolved to conduct a reverse split of the company's share in the ratio of 1 20, whereby 20 existing shares were consolidated into one new share Accordingly, in accordance with the terms and conditions of the share warrants, the subscription price and the number of shares each share warrant conferred entitlement to subscribe for were restated, whereupon each share warrant entitled the holder to subscribe for 0 05 new shares at a subscription price of SEK 12 00 per share

Holdings and changes in share warrants in the 2009 III plan are as follows

	2012	2011
January 1	220,000	2,400,000
Exercised	-220,000	-2,180,000
December 31	-	220,000

Holdings and changes in share warrants in the 2009 IV plan are as follows

	2012	2011
January 1	2,105,000	3,995 000
Granted		
Re-purchased	-	-250,000
Exercised	-2,105,000	-1,640,000
December 31	-	2,105,000

Share Warrants Issued to Lenders

In 2006, 3,517,760 share warrants were issued to European Partners II Leveraged Venture Leasing Company Limited ("EVP") coincident with entering a finance leasing arrangement with EVP (then Kreos Capital) These share warrants conferred entitlement to subscribe for 3,517,760 class E preference shares, or the corresponding number of ordinary shares if Transmode Holding AB's shares had been listed, at an exercise price of SEK 1 1785 per share The terms of the options also gave the holder the possibility of utilizing potential value growth of the options as part-payment for shares upon subscription
Subscription was permitted in the period from February 7, 2006 to the earliest of

i) February 7, 2016,
ii) The fifth anniversary of the listing of Transmode Holding AB's shares or,
iii) The day holders of at least 90% of all Transmode Holding AB's shares accept an offering on market terms to transfer their shares of the company in a single transaction

In 2006, 1,972,846 share warrants were issued to Proventus AB and Kreos Capital (formerly "EVP") each, totaling 3,945,692 share warrants, coincident with raising a venture capital loan from Proventus AB These options conferred entitlement to subscribe for a total of 3,945,692 class E preference shares, or the corresponding number of ordinary shares if Transmode Holding AB's shares had been listed, at an exercise price of SEK 1 1785 per ordinary share The terms of the options also gave the holder the possibility of utilizing potential value growth of the options as part-payment for shares upon subscription

Subscription was permitted in the period from August 3, 2006 to the earliest of

i) August 3, 2016,
ii) The fifth anniversary of the listing of Transmode Holding AB's shares or,
iii) The day holders of at least 90% of all Transmode Holding AB's shares accept an offering on market terms to transfer their shares of the company in a single transaction

In accordance with existing share warrant terms, due to the dividends paid by Transmode in 2010 and 2011, which the above options, totaling 7,463,452 entitled subscription to, have been restated to a total of 13,994,715 shares Simultaneously, the exercise price has been restated to SEK 0 6285 per share

An EGM on April 7, 2011 resolved to conduct a reverse split of the company's share in the ratio of 1 20, whereby 20 existing shares were consolidated into one new share Based on a resolution by the EGM, all the company's share classes, ordinary and preference shares, were converted to shares in tandem with the company's IPO on NASDAQ OMX Stockholm Accordingly, in accordance with the terms and conditions of the share warrants, the subscription price and the number of shares each share warrant conferred entitlement to subscribe for were restated, whereupon each share warrant entitled the holder to subscribe for 0 093755 new shares at a subscription price of SEK 12 57 per share

The finance lease arrangement and venture capital loan were fully amortized before 2010.

Holdings and changes in outstanding share warrants to lenders are as follows

	2012	2011
January 1	-	7,463,452
Forfeited	-	-10
Exercised	-	-7,463,442
December 31	-	-

Note 18 Inventories

Inventories of SEK 99 4 (97 8) m comprise finished goods, products in progress and raw materials

Expensed impairment losses on inventories amount to SEK 1 6 (9 1) m Impairment losses have been conducted for established and assessed obsolescence The expense is included in cost of goods and services provided in the Income Statement

No impairment losses were reversed in the years 2011 - 2012

Provisioning to obsolescence reserve is based on age and rate of turnover and amounts to SEK 22 5 (23 4) m X

	2012	2011
Raw materials	21 1	9 7
Products in progress	5 3	9 9
Finished goods	95 5	101 6
Obsolescence	-22.5	-23.4
Total	99.4	97.8

Note 19 Accounts Receivable

	2012	2011
Accounts receivable	150 4	166 5
Less provision for bad debt	-	-0.1
Accounts receivable, net	150.4	166.4

Changes in the provision for bad debt in the years 2011 to 2012 are stated in the following table

	2012	2011
Opening balance, January 1	-0 1	-1 8
Reversed unutilized amounts	0 1	1 8
New provision for bad debt	-	-0.1
Closing balance, December 31	-	-0.1

An age analysis of the group's outstanding accounts receivable as of December 31, for 2011 and 2012 is stated in the following table The amounts exclude debt written off Net accounts receivable thus correspond to the maximum credit risk for the group in addition to that provisioned in the financial statements The group has no pledges as collateral for these credit risks

	2012	2011
Non-overdue accounts receivable	137 5	148 0
Overdue by 1 – 30 days	12 4	12 8
Overdue by 31 – 90 days	2 2	-1 0
Overdue by 91 – 180 days	0 4	6 0
Overdue by over 180 days	-2 1	0 6
Accounts receivable, net	150.4	166.4

Note 20 Other Current Receivables

	2012	2011
Income taxes recoverable	8 7	0 0
Sales tax recoverable	13 3	19 5
Other receivables	5.4	6.1
Total	27.4	25.6

Note 21 Prepaid Expenses and Accrued Income

	2012	2012
Prepaid rent	2 5	2 2
Prepaid staff-related insurance policies	0 8	0 8
Prepaid licensing expenses	1 7	1 8
Accrued interest income	1 3	0 7
Accrued income	0 3	0 2
Other prepaid expenses	1 5	1 0
Total	8.1	6.7

Note 22 Cash and Cash Equivalents

	2012	2011
Cash and cash equivalents	376 8	293.8
Total	376.8	293.8

Cash and cash equivalents include bank balances that accrue interest at varying rates, based on daily deposit rates and fixed-term, investments in securities, etc accruing interest as agreed from time to time

The fair value of cash and cash equivalents is the same as book value

Note 23 Share Capital and Reserves

Share Capital
As of December 31, 2012, there are 27,788,676 shares of Transmode Holding AB with a quotient value of SEK 0 20 All shares are fully paid-up

	No of Shares	Share Capital	Unregistered Share Capital	Other Paid-up Capital	Total
January 1, 2011	487,981,740	4 9	-	619 9	624 8
Repurchase of options	-	-	-	0 0	0 0
New issue for equalization	20	0 0	-	-	0 0
Reverse split	-463,582,672	-	-	-	-
New issue on conversion of share warrants	2,907,960	0 6	-	22 6	23 2
New share issue in progress	-	0 0	0.0	-	0.0
December 31, 2011	27,307,048	5.5	0.0	642.5	648.0
January 1, 2012	27,307,048	5 5	0 0	642 5	648 0
Registration of new share issue	7,700	0 0	0 0	-	0 0
New issue on conversion of share warrants	473,928	0 1	-	3.5	3.6
December 31, 2012	27,788,676	5.6	-	646.0	651.6

Option plans
The company had no outstanding share warrants as of December 31, 2012 More information in Note 17

Other reserves
Other reserves consist of translation differences of SEK -0 9 (-0 8) m attributable to equity in foreign subsidiaries

Note 24 Long-term Liabilities

Items within long-term liabilities are reviewed in Notes 10, 25 and 26

Bank Credits/Factoring Customer Invoices
As of December 31, 2011, the company had an unutilized credit facility of SEK 30 0 m Considering the company's good financial position, this credit facility has not been extended

Note 25 Other Provisions

December 31, 2011	Pensions	Guarantees	Compensation, Founders	Other	Total
January 1, 2011	0 8	7 7	3 2	1 3	13.0
Additional provisions	0 2	8 3	-	1 4	9 9
Utilized in the year	-	-2 9	-1 5	-	-4 4
Reversed unutilized amounts	-	-2 8	-	-	-2.8
Change in value	-0.1	-	-	-	-0.1
December 31, 2011	0.9	10.3	1.7	2.7	15.6
Short-term	-	7 2	1 7	2 5	11 4
Long-term	0.9	3 1	-	0 2	4 2
Total	0.9	10.3	1.7	2.7	15.6

December 31, 2012	Pensions	Guarantees	Compensation, Founders	Other	Total
January 1, 2012	0 9	10 3	1 7	2 7	15 6
Additional provisions	0 2	16 4	-	1 3	17 9
Utilized in the year	-	-3 7	-0 8	-1 3	-5 8
Reversed unutilized amounts	-	-1 9	-	-	-1 9
Change in value	-0 2	-	-	-	-0 2
December 31, 2012	0.9	21.1	0.9	2.7	25.6
Short-term	-	18 0	0 9	2 3	21 2
Long-term	0.9	3.1	-	0.4	4.4
Total	0.9	21.1	0.9	2.7	25.6

Provisions for Pensions

Provisions for pensions relate to an endowment insurance for the CEO that is described in more detail in Note 26

Provisions for Guarantees

The provision relates to expected expenditure for guarantee commitments to customers Partly for commitments relating to specific customer projects and partly for general commitments according to standard agreements, but also for expected expenditure of a goodwill nature The provision is based on historical and forward-looking information regarding expenses and guarantee periods, for example The majority of the guarantee expenses during the remaining guarantee period are expected to occur within the next 12 months and is thus recognized as a short-term provision That portion of guarantee expenses expected to occur after 12 months is recognized as a long-term provision

Provision for Compensation to Founders

This provision relates to expected compensation to founders of Transmode Systems AB and Transmode Holding AB This compensation was agreed coincident with Transmode Holding AB acquiring Transmode Systems AB The payment for the company is expected within 12 months from the founders potentially selling shares in Transmode Holding AB Payment will be conducted at one or more occasions depending on when and how many shares are sold on each occasion The first payment was made in the fourth quarter of 2012 and a second payment was made in 2012

Other Provisions

Other provisions primarily consist of commitments linked to rights of return for customers Expected expenses are measured in accordance with the rules for onerous contracts as the difference between the initial sales price and the net realizable value

Note 26 Pensions

Commitments for old-age and survivors' pensions for salaried employees in Sweden are vested through an insurance policy with Alecta According to pronouncement UFR 3 issued by the Swedish Financial Reporting Board, this is a multi-employer defined benefit plan For the financial year 2012, the group did not have access to such information that makes it possible to report this plan as a defined benefit plan Thus the ITP pension plan secured through insurance with Alecta is reported as a defined contribution plan Expenditure for pension policies in the year insured with Alecta amount to SEK 12 7 (9 7) m Alecta's surplus can be distributed to policy-holders and/or insured parties At year-end 2012, Alecta's surplus expressed as its collective consolidation ratio was 129% (113) The collective consolidation ratio comprises the market value of Alecta's assets as a percentage of its insurance commitments, calculated according to Alecta's actuarial calculation assumptions, which are not consistent with IAS 19

As part of his pension plan, the Chief Executive Officer has chosen an endowment insurance held by Transmode Holding AB This policy is recognized as a financial asset The expected pension payments and employer's contributions on it are stated as a long-term provision

Commitments for foreign pensions are reported in accordance with local regulations in each country

Note 27 Accounts Payable and Other Current Liabilities

	2012	2011
Accounts payable	93 0	110 2
Advances from customers	1 2	1 6
VAT liability	1 2	1 6
Social security contributions and employee withholding taxes	7 6	8 6
Other current liabilities	1.4	1.9
Total	104.4	123.9

Accounts payable are non interest-bearing and normally settled on their stated due date, usually within 30 - 60 days from invoice date See Note 30 for liabilities to related parties Other current liabilities are non interest-bearing and settled within 12 months

Note 28 Accrued Expenses and Deferred Income

Group	2012	2011
Accrued personnel expenses	34 1	37 2
Prepaid income	5 9	9 1
Other accrued expenses	20 0	22.1
Total	60.0	68.4

Parent Company	2012	2011
Accrued personnel expenses	5 8	7 5
Other accrued expenses	1.5	1.3
Total	7.3	8.8

Note 29 Commitments, Pledged Assets and Contingent Liabilities

Operating Lease Commitments—the Group as Lessee

The group has entered commercial lease arrangements regarding premises The lease arrangements have differing terms, indexation clauses and extension options Future minimum lease payments for irrevocable operating lease arrangements as of December 31 are as follows

	2012	2011
Within one year	12 5	8 4
After more than one year but within five years	30 0	38 3
After more than five years	0.1	-
Total	42.6	46.7
Expenses for operating lease commitments	9 2	9 1

Pledged Assets

	2012	2011
Blocked funds	0.5	0.5
Total	0.5	0.5

Floating Charge

	2012	2011
Priority 1	8 6	9 0
Priority 2	3 0	3 0
Priority 3	25 9	26 8
Total	37.5	38.8

Of outstanding floating charges, the company holds SEK 25 9 (26 8) m

Pledges

The group's endowment insurance, which is part of the pension plan for the Chief Executive Officer, is pledged The pledgee is the Chief Executive Officer

Contingent Liabilities
The group has no contingent liabilities requiring any disclosure for the years 2011 and 2012

Note 30 Transactions with Related Parties

The Consolidated Accounts include the financial statements of Transmode Holding AB and the subsidiaries in the following table

	Corporate ID No.	Country	Equity Holding
Directly owned subsidiaries			
– Transmode Systems AB	556587-0028	Sweden	100%
Indirectly owned subsidiaries			
– Transmode Incentive AB	556599-4596	Sweden	100%
– Transmode Systems Inc	3457703	USA	100%
– Transmode (UK) Ltd	4968653	UK	100%
– Transmode Systems Germany GmbH	00724618305	Germany	100%
– Transmode Systems Asia Pte Ltd	200413703N	Singapore	100%
– Transmode Systems Canada Inc	6562281	Canada	100%
– Transmode Systems Italy S r l	06189330969	Italy	100%

No subsidiaries were incorporated in 2011 or 2012

Transmode Holding AB is the group parent company

Transactions with Related Parties
The company conducted transactions with related parties amounting to SEK -0 6 (-0 2) m in the year This expense wholly relates to Directors' fees and fees for committee work to companies wholly or partly owned by three Board members, which are included in the following table

Salary and Benefits to Senior Managers

2012	Basic Salary/ Director's Fee[1]	Performance-related Pay	Pension Expense	Other Benefits	Total
Chairman of the Board					
—Kent Sander[1]	0 4	-	-	-	0 4
Other Board members					
—Axel Roos	0 2	-	-	-	0 2
—Eva Lindqvist	0 2	-	-	-	0 2
—Gerd Tenzer	0 2	-	-	-	0 2
—Kevin Taylor	0 2	-	-	-	0 2
—Tom Nyman	0 2	-	-	-	0 2
—Torbjorn Nilsson	0 2	-	-	-	0 2
Chief Executive Officer	2 4	1 2	0 7	-	4 3
Other senior managers					
(7 people)	9.4	2.9	3.0	0 2	15 5
Total	13.4	4.1	3.7	0.2	21.4

2011	Basic Salary/ Director's Fee[1]	Performance-related Pay	Pension Expense	Other Benefits	Total
Chairman of the Board					
—Kent Sander	0 4	-	-	-	0 4
Other Board members					
—Gerd Tenzer	0 2	-	-	-	0 2
—Eva Lindqvist	0 3	-	-	-	0 3
—Torbjorn Nilsson	0 2	-	-	-	0 2
Chief Executive Officer	2 2	3 0	0 6	-	5 8
Other senior managers					
(7 people)	8 4	5.1	2.4	-	15 9
Total	11.7	8.1	3.0	-	22.8

[1] Including total fees for committee work of SEK 0 2 (0 1) m

Chief Executive Officer
The Chief Executive Officer took up his position in March 2007 Basic annual salary is SEK 2 4 (2 2) m Maximum performance-related pay is 120% (120) of basic annual salary Pension is defined contribution and amounts to 28% (28) of basic annual salary Upon termination initiated by the employee, a notice period of six months applies, and upon termination initiated by the company, a notice period of six months applies For termination initiated by the company, extra remuneration of six months' salary may be payable if certain conditions are satisfied

Other Senior Managers
Other senior managers have maximum performance-related pay portion of 30-50% of basic annual salary with the exception of one person who has a maximum of 120% of the same base One senior manager has a defined-contribution pension amounting to 30% of basic annual salary Other senior managers' pensions are based on the ITP pension plan For the group consisting of other senior managers, notice periods are between three and nine moths for termination initiated by themselves For termination initiated by the company, notice periods are between three and nine months Certain senior managers also have additional remuneration corresponding to a maximum of six months' salary In no case does total basic remuneration during notice periods, including additional remuneration, exceed 12 months' salary

Note 31 Financial Risk Management

Financial Risk Factors
The group has various financial assets and liabilities such as accounts receivable, accounts payable and other assets and liabilities that arise in operating activities In addition, the group's financial assets and liabilities primarily comprise bank balances In 2005 to 2010, the capital structure was altered from being exclusively owner financed to being primarily funded via equity since 2011

Through its operations, the group is exposed to various financial risks, market risks (including interest risks on cash flows and currency risk), credit risks and liquidity risks

The Board of Directors has prepared a finance policy for overall financial risk management and for specific segments including financial risks within the group The Board of Directors has delegated responsibility for ongoing observance of its policy to the group management The management of financial risk factors, regarding currency forward contracts, customer credit and the investment of surplus liquidity, is conducted centrally at the group's accounting function in Sweden according to guidelines adopted by the Board of Directors

Generally, considering global economic conditions, financial risks are considered to have been relatively unchanged at year-end 2012 compared to year-end 2011 Nor, apart from volatile exchange rates, has the group been directly affected by this

Interest Risks on Cash Flow
The group's interest-bearing assets, in the form of bank balances, increased by SEK 83 0 m in 2012 after dividend paid of SEK 41 7 m

The company did not have any borrowings from credit institutions in the year, and accordingly, the group's exposure to interest risks as of the reporting date consists of bank balances exclusively According to the prevailing finance policy, the Board of Directors takes decisions on interest fixings for each individual major funding facility based on a general risk assessment According to the current policy, at least 50% of potential new borrowings should have fixed interest for at least three years In the years 2011 and 2012, the group did not use any interest derivatives

The following table illustrates how changes in interest rates on the net of interest-bearing assets and liabilities with variable interest, with all other variables unchanged, would have affected consolidated profit before tax

Sensitivity analysis for changes in interest rates	2012	2011
Change in Basis Points	+/-100	+/-100
Effect on Profit before Tax, SEK m (approx)	+/-3	+/-2

Currency Risk
The group has business with counterparties in countries other than Sweden Accordingly, the group is exposed to transaction exposure where exchange rates between the transaction currency and Transmode's functional currency (SEK) change over time Currency risks arise when future business transactions or recognized assets

or liabilities are expressed in another currency, usually EUR, GBP and USD, which is not the entity's functional currency, which almost exclusively means Swedish kronor (SEK) for the Transmode group

The group's ambition is to attempt to control its cash flows in foreign currencies by matching payments made and received Bank balances are usually almost exclusively in SEK, whereupon cash exposure is limited in terms of currency risk

According to its finance policy, unmatched net flows can be hedged using financial derivatives However, with the aim of reducing certain short-term effects of fluctuations in exchange rates, in 2011 and 2012, the Board of Directors decided that parts of accounts receivable and anticipated accounts receivable denominated in EUR and GBP and parts of the expected net outflow, of goods purchases less good sales, denominated in USD should be hedged by currency forward contracts according to the adopted policy

At year-end 2012, the company had currency forward contracts regarding commitments to sell currencies totaling EUR 12 2 m at an average spot rate of SEK/EUR 8 54 and a total of GBP 1 2 m at a spot rate of SEK/GBP 10 71 The remaining maturity of outstanding currency forward contracts was less than 12 months and has been classified as other current receivables and other current liabilities

Fair value of derivative instruments	2012	2011
Other current receivables	0 2	2 6
Other current liabilities	-0.9	-1.4
Net receivable/(liability)	-0.7	1.2

For those transactions made in EUR, GBP and USD, the following table illustrates how exchange rate variations, all other variables unchanged, would have affected consolidated profit before tax, excluding the effect of currency forward contracts

Effect on Profit before Tax from a Change in the Exchange Rate	2012	2011
Change in exchange rate	+/-1%	+/-1%
EUR	SEK +/-4 m	SEK +/-4 m
GBP	SEK +/-3 m	SEK +/-2 m
USD	SEK -/+1 m	SEK -/+1 m

The effect of translation differences on consolidated equity is marginal because operations and net investments in foreign subsidiaries are limited

Credit Risk

Primarily, the group's end-customers are network operators, services providers, corporations and public institutions in Europe and North America Sales to end-customers are mainly direct, but also through resellers Outstanding accounts receivable are monitored continuously, and the group's exposure to credit risks is judged to be fairly low, as in the previous year The need for provisioning of doubtful debt is effected continuously at customer level The maximum credit risk for accounts receivable is the same as the carrying amount stated in Note 19 This Note also provides an age analysis of overdue accounts receivable for which payment had not been received as of the reporting date At year-end 2012, the company had no provisions for doubtful debt compared to SEK 0 1 m in the previous year As in 2011, there was no bad debt in 2012

The group has a large number of customers, although a small number of them represent a relatively high share of outstanding accounts receivable. The company has no credit insurance for outstanding accounts receivable The following summary states the share of total accounts receivable attributable to the five customers with the largest outstanding balances as of the reporting date, December 31

Concentration of Accounts Receivable as of December 31	2012	2011
Total accounts receivable	150 4	166 4
Of which 5 largest customers[1]	95 9	128 8
Of which 5 largest customers[1] share of total accounts receivable	63 8%	77 4%

[1] Legal entity, and where applicable, collection of legal entities in the same group

The credit risk on cash and cash equivalent receivables is judged as low because in accordance with the finance policy surplus liquidity can only be deposited in bank accounts and time-finite investment at banks in Sweden

Liquidity Risk

The group has surplus liquidity, which is continuously deposited in bank accounts and on fixed-term deposits A maximum of 25% of the fixed-term investments have longer maturities than six months, although never exceeding 12 (6) months However, full flexibility in terms of liquidity can be achieved by cancelling outstanding fixed-term investments in advance, at low cost

The group's policy is to maintain a liquidity reserve of a minimum of 8% of the forthcoming 12 month's sales The group management also monitors forecasts of the group's liquidity reserves in the short and long term Considering the company's good financial position, the previously arranged SEK 30 m credit facility has not been extended

The following table illustrates maturities of the group's financial liabilities based on contracted terms

As of December 31, 2012	<1 year	>1 year
Accounts payable	93 0	-
Other liabilities[1]	71 4	-

As of December 31, 2011	<1 year	>1 year
Accounts payable	110 2	-
Other liabilities[1]	82 1	-

[1] Includes other current liabilities and accrued expenses and deferred income

Managing Capital Risks

In 2007 and until mid-2009, the group was largely financed by equity and interest-bearing loans The group has monitored and analyzed this capital continuously on the basis of changes in items including net debt, equity/assets ratio and cash flow The general objective of capital risk management has been to ensure the group's ability to continue its expansion and simultaneously maintain an optimal capital structure with the aim of limiting the cost of capital

To maintain or alter its capital structure, the group can pay out capital to shareholders or otherwise re-pay capital to shareholders According to the dividend policy approved by Transmode's Board of Directors, the goal is to propose a yearly dividend, which over time, amounts to between 25 and 50% of Transmode's profit for the year for the previous financial year In 2012, the company paid a total dividend to shareholders of SEK 41 7 (29 8) m The Board of Directors has decided to propose a dividend of SEK 50 0 m for the financial year 2012, corresponding to some 36% of profit for the year The group can also issue new shares or sell assets to alter its capital structure

The following table reviews the group's debt/equity ratio and equity/assets ratio in the years 2011 to 2012

	2012	2011
Interest-bearing loans	-	-
Shareholders' equity	632 8	531 8
Total assets	851 2	754 9
Debt/equity ratio	-	-
Equity/assets ratio	74 3%	70 4%

Note 32 Financial Instruments

Fair Values of Financial Instruments

There were no finance lease liabilities at the end of 2011 or 2012 For other financial instruments, such as accounts receivable, accounts payable and other assets and liabilities, carrying amounts are considered a close approximation of fair values, because their term is short

Derivative instruments are recognized at fair value via the Income Statement and are in tier 2 of the value measurement hierarchy

Classification of Financial Instruments

December 31, 2012	Loan Receivables and Accounts Receivable to Maturity	Assets Measured at Fair Value via the Income Statement
Other financial assets	2 6	-
Accounts receivable	150 4	-
Other current receivables	-	0 2
Cash and cash equivalents	376.8	-
Total assets	529.8	0.2

December 31, 2012	Financial Liabilities Recognized at Amortized Cost	Liabilities Measured at Fair Value via the Income Statement
Accounts payable	93 0	-
Other current liabilities	-	0 9
Accrued expenses	20 0	-
Total liabilities	113.0	0.9

December 31, 2011	Loan Receivables and Accounts Receivable to Maturity	Assets Measured at Fair Value via the Income Statement
Other financial assets	1 2	-
Accounts receivable	166 4	-
Other current receivables	-	2 6
Cash and cash equivalents	293 8	-
Total assets	461.4	2.6

December 31, 2012	Financial Liabilities Recognized at Amortized Cost	Liabilities Measured at Fair Value via the Income Statement
Accounts payable	110 2	-
Other current liabilities	-	1 4
Accrued expenses	22 1	-
Total liabilities	132.3	1.4

Note 33 Participations in Group Companies

Parent Company	2012	2011
Opening balance, January 1	369.4	369 4
Carrying amount at end of period	369.4	369.4

	Corporate ID Number	Country	Equity Holding	Book Value
Directly owned subsidiaries				
– Transmode Systems AB	556587-0028	Sweden	100%	369 4
Indirectly owned subsidiaries				
– Transmode Incentive AB	556599-4596	Sweden	100%	
– Transmode Systems Inc	3457703	USA	100%	
– Transmode (UK) Ltd	4968653	UK	100%	
– Transmode Systems Germany GmbH	00724618305	Germany	100%	
– Transmode Systems Asia Pte Ltd	200413703N	Singapore	100%	
– Transmode Systems Canada Inc	6562281	Canada	100%	
– Transmode Systems Italy S r l	06189330969	Italy	100%	

Multi-year Summary

	2012	2011	2010	2009	2008
Total sales (SEK m)	1,010 9	916 9	699 3	570 1	607 1
Gross profit (SEK m)	498 8	462 9	358 6	281 6	329 7
Adjusted EBITDA (SEK m)*	200 3	193 7	122 1	77 3	116 7
Adjusted operating profit/loss (SEK m)*	170 7	168 2	108 4	64 7	106 6
Operating profit/loss (SEK m)	170 7	149 1	107 6	57 4	104 9
Profit for the year	139 2	116 3	81 4	44 3	73 3
Working capital (SEK m)	99 2	81 6	47 6	58 1	144 0
Net cash (-)/net debt (+) (SEK m)	377 3	294 3	206 5	300 3	153 1
Cash flow from operating activities (SEK m)	176 7	139 4	133 6	154 9	69 5
Change in total sales (%)	10 2%	31 1%	22 7%	-6 1%	31 7%
Gross margin (%)	49 3%	50 5%	51 3%	49 4%	54 3%
Adjusted EBITDA margin (%)*	19 8%	21 1%	17 5%	13 6%	19 2%
Adjusted operating margin (%)*	16 9%	18 3%	15 5%	11 3%	17 6%
Operating margin (%)	16 9%	16 3%	15 4%	10 1%	17 3%
Profit margin (%)	13 8%	12 7%	11 6%	7 8%	12 1%
Working capital/total sales (%)	10 0%	8 4%	8 8%	13 4%	20 2%
Equity/assets ratio (%)	74 3%	70 4%	73 9%	78 7%	78 2%

* For 2008, 2009, 2010 and 2011 operating profit was adjusted by SEK 1 7 m, 7 3 m, 0 8 m and 19 1 m for expenses related to the company's IPO on NASDAQ OMX Stockholm

Definitions

Regions
Americas North and South America
EMEA Europe, Middle East and Africa
APAC Asia and Pacific region

Customers
Legal entity, and where applicable, a group of legal entities in the same group

Total sales
Income from sale of goods and services

Invoicing
Non-allocated income from sale of goods and services

Growth
Change in total sales
Change from the corresponding preceding period as a percentage of total sales

Earnings measures
EBITDA
Operating profit/loss before amortization and depreciation of intangible and tangible fixed assets

Margin measures
Gross margin
Gross profit as a percentage of total sales

EBITDA margin
Operating profit/loss before amortization and depreciation of intangible and tangible fixed assets (EBITDA) as a percentage of total sales

Operating margin
Operating profit/loss as a percentage of total sales

Profit margin
Profit for the year as a percentage of total sales

Capital structure
Working capital
Inventories, accounts receivable and other non interest-bearing current assets less accounts payable and other interest-free current liabilities The working capital percentage measurement is based on the average of data as of the end of each quarter for the last 12-month period (five measurements) and is stated as a percentage of total sales calculated on a rolling 12-month period

Net cash/net debt
Cash and cash equivalents and interest-bearing financial fixed assets less interest-bearing liabilities

Equity/assets ratio
Shareholders' equity as a percentage of total assets

Debt/equity ratio
Interest-bearing liabilities divided by equity

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Revisionsberättelse

Till årsstämman i Transmode Holding AB, org.nr 556588-9101

Rapport om årsredovisningen och koncernredovisningen

Vi har utfört en revision av årsredovisningen och koncernredovisningen för Transmode Holding AB för år 2012.

Styrelsens och verkställande direktörens ansvar för årsredovisningen och koncernredovisningen

Det är styrelsen och verkställande direktören som har ansvaret för att upprätta en årsredovisning som ger en rättvisande bild enligt årsredovisningslagen och en koncernredovisning som ger en rättvisande bild enligt International Financial Reporting Standards, såsom de antagits av EU, och årsredovisningslagen, och för den interna kontroll som styrelsen och verkställande direktören bedömer är nödvändig för att upprätta en årsredovisning och koncernredovisning som inte innehåller väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller på fel.

Revisorns ansvar

Vårt ansvar är att uttala oss om årsredovisningen och koncernredovisningen på grundval av vår revision. Vi har utfört revisionen enligt International Standards on Auditing och god revisionssed i Sverige. Dessa standarder kräver att vi följer yrkesetiska krav samt planerar och utför revisionen för att uppnå rimlig säkerhet att årsredovisningen och koncernredovisningen inte innehåller väsentliga felaktigheter.

En revision innefattar att genom olika åtgärder inhämta revisionsbevis om belopp och annan information i årsredovisningen och koncernredovisningen. Revisorn väljer vilka åtgärder som ska utföras, bland annat genom att bedöma riskerna för väsentliga felaktigheter i årsredovisningen och koncernredovisningen, vare sig dessa beror på oegentligheter eller på fel. Vid denna riskbedömning beaktar revisorn de delar av den interna kontrollen som är relevanta för hur bolaget upprättar årsredovisningen och koncernredovisningen för att ge en rättvisande bild i syfte att utforma granskningsåtgärder som är ändamålsenliga med hänsyn till omständigheterna, men inte i syfte att göra ett uttalande om effektiviteten i bolagets interna kontroll. En revision innefattar också en utvärdering av ändamålsenligheten i de redovisningsprinciper som har använts och av rimligheten i styrelsens och verkställande direktörens uppskattningar i redovisningen, liksom en utvärdering av den övergripande presentationen i årsredovisningen och koncernredovisningen.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Uttalanden

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av moderbolagets finansiella ställning per den 31 december 2012 och av dess finansiella resultat och kassaflöden för året enligt årsredovisningslagen. Koncernredovisningen har upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av koncernens finansiella ställning per den 31 december 2012 och av dess finansiella resultat och kassaflöden för året enligt International Financial Reporting Standards, såsom de antagits av EU, och årsredovisningslagen. En bolagsstyrningsrapport har upprättats. Förvaltningsberättelsen och bolagsstyrningsrapporten är förenlig med årsredovisningens och koncernredovisningens övriga delar.

Vi tillstyrker därför att årsstämman fastställer resultaträkningen och balansräkningen för moderbolaget och koncernen.

Rapport om andra krav enligt lagar och andra författningar

Utöver vår revision av årsredovisningen och koncernredovisningen har vi även utfört en revision av förslaget till dispositioner beträffande bolagets vinst eller förlust samt styrelsens och verkställande direktörens förvaltning för Transmode Holding AB för år 2012.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust, och det är styrelsen och verkställande direktören som har ansvaret för förvaltningen enligt aktiebolagslagen.

Revisorns ansvar

Vårt ansvar är att med rimlig säkerhet uttala oss om förslaget till dispositioner beträffande bolagets vinst eller förlust och om förvaltningen på grundval av vår revision. Vi har utfört revisionen enligt god revisionssed i Sverige.

Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat styrelsens motiverade yttrande samt ett urval av underlagen för detta för att kunna bedöma om förslaget är förenligt med aktiebolagslagen.

Som underlag för vårt uttalande om ansvarsfrihet har vi utöver vår revision av årsredovisningen och koncernredovisningen granskat väsentliga beslut, åtgärder och förhållanden i bolaget för att kunna bedöma om någon styrelseledamot eller verkställande direktören är ersättningsskyldig mot bolaget. Vi har även granskat om någon styrelseledamot eller verkställande direktören på annat sätt har handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Uttalanden

Vi tillstyrker att årsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

Stockholm den 23 mars 2013

PricewaterhouseCoopers AB

Ulf Pettersson

Auktoriserad revisor

Auditor's report

To the annual meeting of the shareholders of Transmode Holding AB, corporate identity number 556588-9101

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Transmode Holding AB for the year 2012

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards , as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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 company'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 and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act A corporate governance statement has been prepared The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Transmode Holding AB for the year 2012

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement has been prepared in accordance with the Annual Accounts Act

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit We conducted the audit in accordance with generally accepted auditing standards in Sweden

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year

Stockholm 23 March 2013

PricewaterhouseCoopers AB

Ulf Pettersson

Authorized Public Accountant

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