

## Transmode Holding AB (publ)

# Interim Report January – June 2011

### April – June 2011

- Sales were SEK 215.6 (184.8) m, corresponding to an increase of 16.7% and by 26.5% adjusted for currency effects.
- Operating profit was SEK 26.7 (30.4) m and operating margin was 12.4% (16.5%). Adjusted operating profit was SEK 37.1 (30.4) m and adjusted operating margin was 17.2% (16.5%), after adjustments for expenses of SEK 10.4 m attributable to Transmode's IPO on NASDAQ OMX Stockholm.
- Net profit was SEK 22.2 (23.6) m.
- Earnings per share after dilution were SEK 0.81 (0.94\*).
- Cash flow from operating activities was SEK 16.9 (-16.4) m.

### January – June 2011

- Sales were SEK 396.7 (324.5) m, corresponding to an increase of 22.3% and by 33.3% adjusted for currency effects.
- Operating profit was SEK 34.9 (51.3) m and operating margin was 8.8% (15.8%). Adjusted operating profit was SEK 53.6 (51.3) m and adjusted operating margin was 13.5% (15.8%), after adjustments for expenses of SEK 18.7 m attributable to Transmode's IPO on NASDAQ OMX Stockholm.
- Net profit was SEK 28.6 (39.6) m.
- Earnings per share after dilution were SEK 1.06 (1.57\*).
- Cash flow from operating activities was SEK 19.5 (24.2) m.

\* Earnings per share after dilution has been converted for 2010, see page 9.

**CEO's Statement: Strong Second Quarter with Sustained Profitable Growth**

Sales increased by nearly 17% in the second quarter year on year and by just over 26% adjusted for currency effects. Growth in the quarter was driven by sustained strong trend in EMEA. First half-year sales in the Americas are in line with the previous year in local currency terms. Activity levels are high and contracts with three new customers were signed in the US in the second quarter, meaning that overall we foresee good growth prospects in the Americas in the second half-year.

Gross margin in the second quarter were close to 53%, just over 6 percentage points up on the first quarter of the year. This is due to a more favorable customer and product mix, continued product cost reductions, slightly higher service sales and slightly more favorable exchange rates.

Transmode's listing on NASDAQ OMX Stockholm was a milestone in the company's progress. The publicity surrounding the IPO raised our profile amongst investors and customers alike. Excluding the costs of the IPO, operating profit was just over SEK 37 m in the second quarter, corresponding to an operating margin of 17%.

The launch of Switched Video Transport consolidated our position in the video traffic transport area and the first installation is currently underway with a European cable TV operator.

Our objectives to grow faster than the market with an operating margin of 12% or more over a business cycle remains.

Overall, on the basis of a strong first half-year I am confident that we will meet these targets in 2011.

Karl Thedéen  
CEO

**Transmode in Brief**

Transmode is a global provider of packaged optical networking solutions designed to enable fixed and mobile network operators to cost-effectively address capacity constraints 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 are based on Wavelength Division Multiplexing (WDM) and packet optical transport technologies which are designed to increase the capacity, flexibility and functionality of regional optical networks. Transmode's unique concept Intelligent WDM (iWDM™) provides key advantages to customers in the form of extremely low delay, low power consumption and innovative network design.

Transmode's head offices are located in Stockholm and the Transmode share is listed on NASDAQ OMX, Stockholm (TRMO). Transmode has installed more than 20,000 systems since 2000 with over 300 fixed and mobile telecom operators, cable TV operators, Internet service providers and large corporations and public institutions in more than 40 countries globally. For more information about Transmode, visit [www.transmode.com](http://www.transmode.com)

## Significant Events in the Quarter

Transmode was listed on NASDAQ OMX Stockholm on 27 May. Approximately half of the shares sold in connection with listing were acquired by Swedish institutional investors, approximately one third by international investors and approximately 15% to private investors in Sweden.

In order to approach the Japanese market and develop business relations with global reseller NEC, Transmode has employed a Country Director in Tokyo. Another event in APAC is that Transmode's products gained approval to be connected to the Chinese telecoms network.

Transmode took part in the CommunicAsia trade fair in Singapore in the quarter, as well as participating in a number of international seminars in London, Cannes, New York, Monaco and elsewhere. Transmode launched its Switched Video Transport solution for video traffic at the ANGA cable TV trade fair in Frankfurt. The solution was well received by sector analysts and customers and the first installation is currently underway with a European cable TV operator. The solution was included in Transmode's general release of new products that was completed in June 2011.

Transmode employed Dan Rydberg as Vice President of Operations & Customer Services in June, a position that he has held on a consulting basis since the beginning of the year. Dan Rydberg has a broad background from other Swedish international companies, Getinge, SKF and Ericsson.

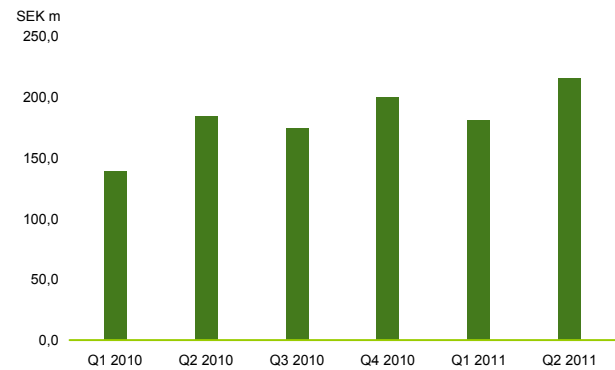
## Sales

### April – June 2011

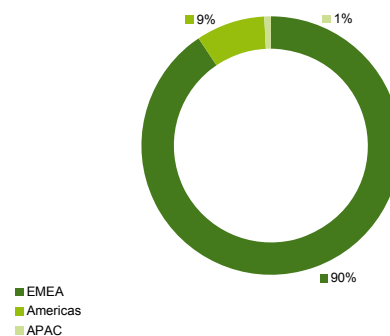
Sales were SEK 215.6 (184.8) m in the period, corresponding to year-on-year growth of 16.7%. Adjusted for currency effects, growth was 26.5 %.

Revenue growth remained positive in EMEA, increasing by 23.4% and by 31.3% after adjusting for currency effects. Sales fell by 22.8% in the Americas and by 6.5% after adjusting for currency effects. APAC is still in a build-up phase and sales are significantly affected by individual projects, however, sales grew by 11.6% and by 35.1% after adjusting for currency effects.

### Total sales by quarter from Q1 2010 – Q2 2011



### Total sales by region January—June 2011



### January – June 2011

Sales in the period were SEK 396.7 (324.5) m, corresponding to growth of 22.3% compared to the corresponding period in the previous year. Adjusted for currency effects growth was 33.3%.

Sales in EMEA increased by 28.7% and by 38.8 adjusted for currency effects. Sales declined by 12.5% in the Americas, and increased by 3.2% after adjusting for currency effects. Sales fell by 49.9% in APAC and by 43.2% after adjusting for currency effects.

## Results of Operations

### April – June 2011

Gross profit for the second quarter 2011 was SEK 114.1 (96.8) m and gross margin 52.9% (52.4%). Overall, the appreciation of the Swedish krona had a negative net effect on gross profit of SEK 4.5 m.

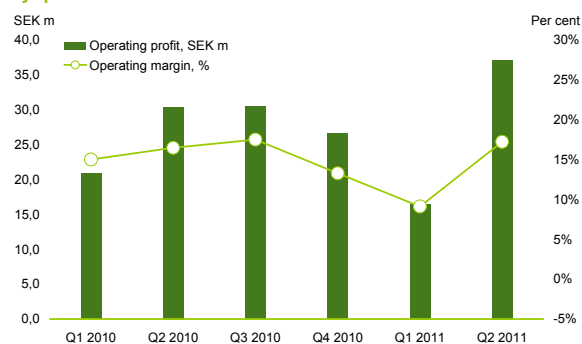
Operating expenses for the quarter, excluding other revenue and other operating expenses, were

SEK 75.2 (62.7) m. The increase is mainly a result of Transmode's continued expansion and recruitment, in sales and product development. Development expenses of SEK 6.0 (5.0) m were capitalized in the period and capitalized development expenses of SEK 3.0 (1.7) m were amortized.

Other operating expenses include SEK 10.4 (-) m relating to non-recurring expenses from Transmode's IPO on NASDAQ OMX Stockholm. The remaining other operating expenses comprise net currency losses on foreign exchange contracts of SEK -2.9 m and transactions with customers and suppliers of SEK 1.1 m. For the corresponding period of 2010, these currency effects were a loss of SEK -2.7 m and a profit of SEK 1.2 m respectively and a net SEK -1.5 m was included in other income. Other operating expenses in the second quarter 2011 comprised consulting fees.

Operating profit for the second quarter was SEK 26.7 (30.4) m and operating margin was 12.4% (16.5%). Excluding expenses associated with Transmode's IPO on NASDAQ OMX Stockholm, operating profit was SEK 37.1 (30.4) m, or 17.2% (16.5%).

#### Adjusted operating profit\* and adjusted operating margin\* by quarter Q1 2010 – Q2 2011



\* Adjusted for expenses in the period Q4 2010 – Q2 2011 attributable to Transmode's IPO on NASDAQ OMX Stockholm.

#### January—June 2011

Gross profit for the first half-year 2011 was SEK 198.1 (170.0) m and gross margin was 49.9% (52.4%). Overall, the appreciation of the Swedish krona had a net negative effect on gross profit of SEK 13.1 m.

Operating expenses, excluding other revenue and other operating expenses, were SEK 140.3 (118.1) m in the period. Transmode had 215 (181) employees at the end of June 2011. Development expenses of SEK 13.0 (10.8) m were capitalized in the period and capitalized development expenses of SEK 6.0 (2.5) m were amortized.

Other operating expenses include SEK 18.7 (-) m relating to non-recurring expenses from Transmode's IPO on NASDAQ OMX Stockholm. The remaining other operating expenses are mainly currency losses on foreign exchange contracts of SEK 4.6 m. Other operating expenses in the first half of 2010 comprise consulting fees incurred in the second quarter. Other operating income in the first half-year 2010 comprises net currency gains on foreign exchange contracts of SEK 6.2 m and on transactions with customers and suppliers of SEK -4.6 m. Operating profit for the period was SEK 34.9 (51.3) m and operating margin was 8.8% (15.8%). Excluding expenses associated with Transmode's IPO on NASDAQ OMX Stockholm, operating profit was SEK 53.6 (51.3) m, or 13.5% (15.8%).

## Cash Flow, Investments and Financial Position

### January – June 2011

Cash flow from operating activities was SEK 19.5 (24.2) m in the period, of which SEK 16.9 (-16.4) m in the second quarter 2011. This includes payments of SEK 7.0 (-) m in the second quarter relating to Transmode's IPO on NASDAQ OMX Stockholm. Working capital was SEK 75.5 (92.7) m at the end of the first half-year compared to SEK 47.6 m at year-end 2010.

Investments in tangible fixed assets were SEK 14.8 (2.2) m in the first half-year. The year-on-year increase relates almost exclusively to investments for the relocation of Transmode's operations to new premises in Stockholm. Investments in intangible assets in the form of capitalized development expenses were SEK 13.0 (10.8) m.

After dividends paid of SEK 29.8 (55.0) m and payment received from the new issue in connection with conversion of share warrants of SEK 21.4 (0.6) m, total cash flow for the first half-year was SEK 16.8 (-42.5) m. Transmode's cash and cash equivalents were SEK 188.8 (255.8) m and unutilized credit facilities received SEK 30.0 (30.0) m at the end of June.

As of 30 June 2011, Transmode was party to currency forward contracts regarding commitments to sell currencies totaling EUR 14.3 m at an average spot rate of SEK/EUR 8.88, a total of GBP 3.6 m at an average spot rate of SEK/GBP 10.34 and a total of EUR 1.6 m at a spot rate of USD/EUR 1.44. Transmode was also party to currency forward contracts for commitments to purchase currency of a total USD 1.7 m at an average spot rate of SEK/USD 6.56.

### Equity and the Transmode Share

Consolidated equity was SEK 442.4 (525.9) m at the end of the first half-year 2011, against SEK 422.2 m at the end of 2010. The total number of shares was 26,926,320 and the number of outstanding share warrants, excluding 1,106,000 share warrants held by the company, was 17,277,163 at the end of June. Given full exercise of all outstanding share warrants, excluding those held by the company, Transmode's total number of shares would increase by 863,858 (20 share warrants confer the right to subscription of one share) amounting to a total of 27,790,178 shares. As of the closing day, holders of a total of 1,952,920 share warrants had provided notification to subscribe

for 97,646 shares and paid SEK 0.7 m as subscription settlement which was posted to equity. If the remaining 15,324,243 share warrants are utilized, equity will increase by a further SEK 17.9 m.

The consolidated equity/assets ratio was 71.1% (77.7) at the end of the quarter against 73.9% at year-end 2010.

Transmode applied for listing on April 8 and the Transmode share was listed on NASDAQ OMX Stockholm on May 27.

### Employees

Transmode's total number of employees was 215 (181) as of 30 June 2011 against 197 at year-end 2010. The corresponding figures for the average number of employees were 212 (170) for the first half-year 2011 and 181 for the full year 2010. The increase in the number of employees largely relates to hirings in the development and sales departments.

### Transactions with Related Parties

There were no significant transactions with related parties in the first half-year 2011.

### Risks and Uncertainty Factors

Transmode's operations are exposed to certain risks that can affect its operations, results of operations or financial position to a lesser or greater extent. Transmode has established a process for identifying risks and decision-making relating to risk management.

Transmode's Annual Report 2010 describes the company's risk exposure from perspectives including market, operations, customers and finances. In Transmode's assessment, no additional significant risks and uncertainty factors have arisen that are expected to affect the company in the foreseeable future following the presentation of the Annual Accounts. However, in specific terms, the financial turbulence in Europe and North America has accelerated, which may affect investment levels amongst Transmode's customers. The financial turbulence has also implied that the Swedish krona has been and may remain volatile. Some uncertainty also remains regarding lead times and potential shortages of components as a result of the Japan disaster in March 2011.

### Parent Company

The parent company, Transmode Holding AB, is primarily a holding company, which holds and manages shares in subsidiaries and also sells certain

intra-group services to subsidiaries. At the end of June 2011, the parent company had 8 (8) employees.

In the first half-year of 2011, parent company sales were SEK 9.9 (9.5) m, all of which relate to invoicing of services sold to subsidiaries. Administration expenses include SEK 18.7 m (-) relating to non-recurring expenses for Transmode's IPO on NASDAQ OMX Stockholm. Operating loss was SEK -17.3 (-1.9) m. At the end of the period, parent company cash and cash equivalents were SEK 79.6 (224.3) m, against SEK 108.0 m at the end of 2010.

### **Extraordinary General Meeting**

The EGM on 7 April 2011 resolved to conduct a 1:20 reverse split of the Transmode share, i.e. 20 existing shares are consolidated into a single share.

Furthermore, the EGM resolved to reassign Transmode as a public limited company and on the associated changes to the Articles of Association. The EGM also resolved to revise the Articles of Association to reflect the requirements on listed companies. The EGM resolved to convert all of Transmode's share classes, ordinary shares and preference shares, to shares in connection with Transmode's listing on NASDAQ OMX Stockholm.

### **Accounting Policies**

This Interim Report has been prepared in accordance with IFRS (International Financial Reporting Standards) as endorsed by the EU Commission for application in the EU. This Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. For a description of the group's accounting policies and definitions of certain terms, please refer to the Annual Report 2010. The policies applied are unchanged on the previous year.

The parent company's financial statements have been prepared in accordance with the Swedish

Annual Accounts Act and RFR 2, Accounting for Listed Legal Entities. In most cases, this implies that the parent company applies the same IFRS/IAS as in the Consolidated Accounts, albeit subject to certain exceptions as stated in the Consolidated Accounts for 2010.

New and revised IFRSs that have become effective after 1 January 2011 have not had any effect on Transmode's financial position and results of operations.

### **Significant Events After the End of the Interim Period**

No significant events have occurred after 30 June 2011.

### **Prospects**

The fundamental drivers of demand, namely the continued expansion of video and data traffic in telecom networks, continue. Accordingly, there is also a continued need to invest in equipment that increases the capacity of optical fiber networks. Transmode's long-term objective is to grow faster than the market with an operating margin of 12% or more over a business cycle.

On the basis of a strong first half-year, Transmode is confident of meeting these targets in 2011.

### **Reporting Dates**

- Interim Report January – September:  
27 October 2011
- Annual Financial Statement:  
23 February 2012

#### *Invitation to press and analysts' conference*

*Transmode Holding AB will hold a telephone conference (in English) for press and analysts on 20 July at 09:00 CEST. Karl Thedéen, CEO and Tomas Kihlstrand, CFO will present and comment on Transmode's half-year report for January—June 2011.*

*To participate, call +44 2076600948, or alternatively the Swedish no. +46 850110500, and enter the code 493701# a few minutes before the scheduled start. The conference and the presentation will also be streamed live on Transmode's website: <http://www.transmode.com/en/interim-reports/interim-reports>*

## Financial Statements

### Condensed Consolidated Income Statement

SEK m	Apr–Jun		Jan–Jun		Jul 2010-	Jan–Dec
	2011	2010	2011	2010	Jun 2011	2010
Sales	215.6	184.8	396.7	324.5	771.5	699.3
Cost of goods and services provided	-101.5	-88.0	-198.6	-154.5	-384.8	-340.7
<b>Gross profit</b>	<b>114.1</b>	<b>96.8</b>	<b>198.1</b>	<b>170.0</b>	<b>386.7</b>	<b>358.6</b>
Other income	0.0	-1.5	0.0	1.6	2.6	4.2
Research and development expenses	-29.3	-23.8	-56.1	-43.9	-104.3	-92.1
Selling expenses	-38.1	-32.4	-68.7	-61.5	-138.1	-130.9
Administrative expenses	-7.8	-6.5	-15.5	-12.7	-28.7	-25.9
Other operating expenses	-12.2	-2.2	-22.9	-2.2	-27.0	-6.3
<b>Operating profit / loss</b>	<b>26.7</b>	<b>30.4</b>	<b>34.9</b>	<b>51.3</b>	<b>91.2</b>	<b>107.6</b>
Net financial income / expenses	1.4	0.5	1.6	0.3	0.6	-0.7
<b>Profit / loss before tax</b>	<b>28.1</b>	<b>30.9</b>	<b>36.5</b>	<b>51.6</b>	<b>91.8</b>	<b>106.9</b>
Taxes	-5.9	-7.3	-7.9	-12.0	-21.4	-25.5
<b>Profit / loss for the period</b>	<b>22.2</b>	<b>23.6</b>	<b>28.6</b>	<b>39.6</b>	<b>70.4</b>	<b>81.4</b>
<b>Attributable to:</b>						
Equity holders of the parent company	22.2	23.6	28.6	39.6	70.4	81.4
Average no of shares before dilution ('000)	25 343	24 399	24 874	24 399	24 636	24 399
Basic earnings per share (SEK)	0.87	0.97	1.15	1.62	2.86	3.34
Average no of shares after dilution ('000)	27 206	25 163	26 996	25 163	26 243	25 328
Diluted earnings per share (SEK) <sup>1</sup>	0.81	0.94	1.06	1.57	2.68	3.21
Operating profit / loss above includes						
– Amortization of intangible fixed assets	-4.1	-2.8	-8.3	-5.1	-13.8	-10.6
– Depreciation of tangible fixed assets	-1.1	-0.8	-1.9	-1.6	-3.5	-3.2

<sup>1</sup> The number of shares and Earnings per share have been converted for the periods in 2010, see page 9.

### Condensed Consolidated Statement of Comprehensive Income

SEK m	Apr–Jun		Jan–Jun		Jul 2010-	Jan–Dec
	2011	2010	2011	2010	Jun 2011	2010
<b>Profit / loss for the period</b>	<b>22.2</b>	<b>23.6</b>	<b>28.6</b>	<b>39.6</b>	<b>70.4</b>	<b>81.4</b>
<b>Other comprehensive income</b>						
Translation differences	0.0	0.0	0.0	-0.2	0.0	-0.2
Income tax relating to components of other comprehensive income	-	-	-	-	-	-
<b>Other comprehensive income for the period, net of tax</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.2</b>	<b>0.0</b>	<b>-0.2</b>
<b>Total comprehensive income for the period</b>	<b>22.2</b>	<b>23.6</b>	<b>28.6</b>	<b>39.4</b>	<b>70.4</b>	<b>81.2</b>
<b>Attributable to:</b>						
Equity holders of the parent company	22.2	23.6	28.6	39.4	70.4	81.2

### Condensed Consolidated Statement of Financial Position

SEK m	30 Jun 2011	30 Jun 2010	31 Dec 2010
<b>ASSETS</b>			
Goodwill	88.4	88.4	88.4
Capitalized development expenses	36.2	22.4	29.1
Other intangible assets	17.6	22.4	20.0
Tangible fixed assets	19.0	6.5	6.1
Deferred tax asset	21.3	43.2	29.8
Other financial assets	1.3	1.0	1.2
<b>Total non-current assets</b>	<b>183.8</b>	<b>183.9</b>	<b>174.6</b>
Inventories	72.8	54.2	75.5
Accounts receivable	151.3	162.4	93.1
Other current assets	25.3	20.4	21.9
Cash and cash equivalents	188.8	255.8	206.0
<b>Total current assets</b>	<b>438.2</b>	<b>492.8</b>	<b>396.5</b>
<b>TOTAL ASSETS</b>	<b>622.0</b>	<b>676.7</b>	<b>571.1</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>442.4</b>	<b>525.9</b>	<b>422.2</b>
Deferred tax liability	4.6	5.9	5.3
Provisions	1.1	0.7	0.9
<b>Total long-term liabilities</b>	<b>5.7</b>	<b>6.6</b>	<b>6.2</b>
Accounts payable	95.0	61.8	70.7
Provisions	12.7	13.0	12.1
Other current liabilities	66.2	69.4	59.9
<b>Total current liabilities</b>	<b>173.9</b>	<b>144.2</b>	<b>142.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>622.0</b>	<b>676.7</b>	<b>571.1</b>

### Condensed Consolidated Statement of Changes in Equity

SEK m	Apr–Jun		Jan–Jun		Jul 2010– Jun 2011	Jan–Dec 2010
	2011	2010	2011	2010		
<b>Profit/loss after financial items</b>	<b>28.1</b>	<b>30.9</b>	<b>36.5</b>	<b>51.6</b>	<b>91.8</b>	<b>106.9</b>
Non-cash items	6.1	4.4	10.1	9.4	12.7	12.0
Income tax paid	0.0	0.0	0.0	0.0	-0.4	-0.4
<b>Cash flow from operating activities before changes in working capital</b>	<b>34.2</b>	<b>35.3</b>	<b>46.6</b>	<b>61.0</b>	<b>104.1</b>	<b>118.5</b>
Changes in working capital	-17.3	-51.7	-27.1	-36.8	24.8	15.1
<b>Cash flow from operating activities</b>	<b>16.9</b>	<b>-16.4</b>	<b>19.5</b>	<b>24.2</b>	<b>128.9</b>	<b>133.6</b>
Change in blocked bank balances	-	0.8	-	0.8	-	0.8
Other investing activities	-10.1	-6.4	-27.9	-13.1	-40.0	-25.2
<b>Cash flow from investing activities</b>	<b>-10.1</b>	<b>-5.6</b>	<b>-27.9</b>	<b>-12.3</b>	<b>-40.0</b>	<b>-24.4</b>
New share issue and option premium	21.4	0.3	21.4	0.6	21.3	0.5
Dividend to equity holders of the parent	-	-55.0	-29.8	-55.0	-175.2	-200.4
<b>Cash flow from financing activities</b>	<b>21.4</b>	<b>-54.7</b>	<b>-8.4</b>	<b>-54.4</b>	<b>-153.9</b>	<b>-199.9</b>
<b>Increase / decrease in cash and cash equivalents</b>	<b>28.2</b>	<b>-76.7</b>	<b>-16.8</b>	<b>-42.5</b>	<b>-65.0</b>	<b>-90.7</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>160.3</b>	<b>332.5</b>	<b>206.0</b>	<b>299.0</b>	<b>255.8</b>	<b>299.0</b>
Exchange rate differences in cash and cash equivalents	0.3	0.0	-0.4	-0.7	-2.0	-2.3
<b>Cash and cash equivalents at the end of the period</b>	<b>188.8</b>	<b>255.8</b>	<b>188.8</b>	<b>255.8</b>	<b>188.8</b>	<b>206.0</b>

### Condensed Statement of Changes in Equity

SEK m	Apr–Jun		Jan–Jun		Jul 2010–	Jan–Dec
	2011	2010	2011	2010	Jun 2011	2010
<b>Opening balance</b>	<b>398.8</b>	<b>557.0</b>	<b>422.2</b>	<b>540.9</b>	<b>525.9</b>	<b>540.9</b>
Total comprehensive income for the period	22.2	23.6	28.6	39.4	70.4	81.2
New share issue and payment for options	21.4	0.3	21.4	0.6	21.3	0.5
Dividend to equity holders of the parent	-	-55.0	-29.8	-55.0	-175.2	-200.4
<b>Closing balance</b>	<b>442.4</b>	<b>525.9</b>	<b>442.4</b>	<b>525.9</b>	<b>442.4</b>	<b>422.2</b>

### Key ratios

SEK m / %	Apr–Jun		Jan–Jun		Jul 2010–	Jan–Dec
	2011	2010	2011	2010	Jun 2011	2010
Sales by region (SEK m):						
EMEA	193.3	156.6	358.9	278.8	673.8	593.7
Americas	20.5	26.6	34.8	39.8	88.9	93.9
APAC	1.8	1.6	3.0	5.9	8.8	11.7
<b>Total Sales</b>	<b>215.6</b>	<b>184.8</b>	<b>396.7</b>	<b>324.5</b>	<b>771.5</b>	<b>699.3</b>
Gross profit (SEK m)	114.1	96.8	198.1	170.0	386.7	358.6
Operating profit / loss (SEK m)	26.7	30.4	34.9	51.3	91.2	107.6
Adjusted operating profit / loss (SEK m) <sup>1</sup>	37.1	30.4	53.6	51.3	110.7	108.4
Profit / loss for the period (SEK m)	22.2	23.6	28.6	39.6	70.4	81.4
Working Capital (SEK m)	75.5	92.7	75.5	92.7	75.5	47.6
Net receivables (SEK m)	189.3	256.3	189.3	256.3	189.3	206.5
Cash flow from operating activities (SEK m)	16.9	-16.4	19.5	24.2	128.9	133.6
Sales, change in (%)	16.7%	30.0%	22.3%	20.5%	23.4%	22.7%
Gross margin (%)	52.9%	52.4%	49.9%	52.4%	50.1%	51.3%
Operating margin (%)	12.4%	16.5%	8.8%	15.8%	11.8%	15.4%
Adjusted operating margin (%) <sup>1</sup>	17.2%	16.5%	13.5%	15.8%	14.3%	15.5%
Profit margin (%)	10.4%	12.8%	7.2%	12.2%	9.1%	11.6%
Working capital/sales (%)	8.9%	9.5%	8.9%	9.5%	8.9%	8.8%
Equity/assets ratio (%)	71.1%	77.7%	71.1%	77.7%	71.1%	73.9%
No of shares at end of period ('000) <sup>2</sup>	26 926	24 399	26 926	24 399	26 926	24 399
No. of shares the outstanding warrants confer the right to at the end of the period ('000) <sup>2 3</sup>	864	2 920	864	2 920	864	3 077

<sup>1</sup> Other operating expenses were adjusted by SEK 10.3 (-) m relating to expenses associated with the listing of the Transmode share on NASDAQ OMX Stockholm in the period April–June 2011. The corresponding item was SEK 0.8 m for the full year 2010 and SEK 19.5 m for the period July 2010 – June 2011.

<sup>2</sup> In the second quarter of 2011 a 1:20 reverse split of the Transmode share was conducted, i.e. 20 existing shares are consolidated into a single share. Furthermore, all of Transmode's share classes, common shares and preference shares, were converted to non-preference shares in connection with the listing of the Transmode share on NASDAQ OMX Stockholm. In order to effect a comparison relating to the number of shares, earnings per share and related values, values for the 2010 periods have been converted to reflect the conditions applying at the end of June 2011. For earlier values for 2010, please refer to the table below on page 10.

<sup>3</sup> The number of share warrants at the end of June 2011 was 17,277,163 excluding 1,106,000 share warrants owned by Transmode. 20 share warrants confer the right to one share.

For definitions of key ratios, please refer to the Annual Report for 2010.

### Values 2010 before conversion

	Apr-Jun 2010	Jan-jun 2010	Jan-Dec 2010
No of shares of common stock at end of period ('000)	75 598	75 598	75 598
No of shares of preferred stock at end of period ('000)	412 384	412 384	412 384
No of options at end of period ('000)**	58 402	58 402	61 291
Average no of shares of common stock before dilution ('000)	75 598	75 598	75 598
Basic earnings per share (SEK)	0.260	0.420	0.868
Average no of shares after dilution ('000)	440 759	440 759	444 049
Diluted earnings per share (SEK) <sup>1</sup>	0.044	0.072	0.148

<sup>1</sup> Pursuant to IAS 33, calculations of earnings per share include deductions of SEK 3.9 m for cumulative interest on some shares of preference stock for the period April - June 2010, of SEK 7.8 m for the period January - June 2010 and of SEK 15.8 m for the year 2010.

### Parent Company Income Statement

SEK m	Apr-Jun		Jan-Jun		Jul 2010-	Jan-Dec
	2011	2010	2011	2010	Jun 2011	2010
<b>Sales</b>	<b>5.1</b>	<b>4.7</b>	<b>9.9</b>	<b>9.5</b>	<b>20.1</b>	<b>19.7</b>
Administrative expenses	-16.6	-7.6	-30.3	-12.8	-45.4	-27.9
Other operating income and expenses		0.0	0.0	0.0	0.1	0.1
<b>Operating profit / loss</b>	<b>-11.5</b>	<b>-2.9</b>	<b>-20.4</b>	<b>-3.3</b>	<b>-25.2</b>	<b>-8.1</b>
Net financial income / expenses	1.5	0.6	3.1	1.4	101.3	99.6
<b>Profit / loss after financial expenses</b>	<b>-10.0</b>	<b>-2.3</b>	<b>-17.3</b>	<b>-1.9</b>	<b>76.1</b>	<b>91.5</b>
Taxes	2.6	0.6	4.5	0.5	4.4	0.4
<b>Profit / Loss for the period</b>	<b>-7.4</b>	<b>-1.7</b>	<b>-12.8</b>	<b>-1.4</b>	<b>80.5</b>	<b>91.9</b>

### Parent Company Balance Sheet

SEK m	30 Jun 2011	30 Jun 2010	31 Dec 2010
<b>Assets</b>			
Financial fixed assets	479.2	417.9	474.6
<b>Total non-current assets</b>	<b>479.2</b>	<b>417.9</b>	<b>474.6</b>
Other current assets	23.2	1.2	11.5
Cash and cash equivalents	79.6	224.3	108.0
<b>Total current assets</b>	<b>102.8</b>	<b>225.5</b>	<b>119.5</b>
<b>Total assets</b>	<b>582.0</b>	<b>643.4</b>	<b>594.1</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>560.1</b>	<b>633.4</b>	<b>581.3</b>
<b>Provisions</b>	<b>3.3</b>	<b>1.7</b>	<b>2.9</b>
Other current liabilities	18.6	8.3	9.9
<b>Total current liabilities</b>	<b>18.6</b>	<b>8.3</b>	<b>9.9</b>
<b>Total liabilities and equity</b>	<b>582.0</b>	<b>643.4</b>	<b>594.1</b>
Pledged assets	inga	inga	inga
Contingent liabilities	inga	inga	inga

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

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

Stockholm, Sweden, 20 July 2011

Kent Sander  
Chairman

Simon Cornwell

Eva Lindqvist

Tom Nyman

Torbjörn Nilsson

Alex Rogers

Axel Roos

Gerd Tenzer

Karl Thedéen  
CEO

This Report has not been subject to a summary review by the company's auditors.

*This information is mandatory for Transmode Holding AB to publish pursuant to the Swedish Securities Markets Act and/or the Swedish Financial Instruments Trading Act. The information was submitted for publication at 08.00 a.m. CEST on Wednesday 20 July 2011.*

*For more information please contact*

*Ola Elmeland  
VP Marketing & Communications  
ola.elmeland @transmode.com  
+46 (0)8 506 88 271*

*Tomas Kihlstrand  
CFO  
tomas.kihlstrand@transmode.com  
+46 (0)8 527 675 53*