

Transmode Holding AB (publ) Interim Report January–September 2011

July–September 2011

- Sales were SEK 273.8 (174.4) m, corresponding to an increase of 57.0% and by 64.5% adjusted for exchange rate fluctuations.
- Operating profit was SEK 69.4 (30.5) m and operating margin was 25.3% (17.5%).
- Net profit was SEK 53.5 (22.1) m.
- Earnings per share after dilution were SEK 1.94 (0.88*).
- Cash flow from operating activities was SEK 31.4 (60.1) m.
- The new mobile backhaul contract with Virgin Media has resulted in significant deliveries already in the third quarter.

January–September 2011

- Sales were SEK 670.5 (498.9) m, corresponding to an increase of 34.4% and by 42.1% adjusted for exchange rate fluctuations.
- Operating profit was SEK 104.3 (81.8) m and operating margin was 15.6% (16.4%). Adjusted operating profit was SEK 123.0 (81.8) m and adjusted operating margin was 18.4% (16.4%), after adjustments for expenses of SEK 18.7 (–) m relating to Transmode's IPO on NASDAQ OMX Stockholm.
- Net profit was SEK 82.1 (61.7) m.
- Earnings per share after dilution were SEK 3.02 (2.45*).
- Cash flow from operating activities was SEK 50.9 (84.3) m.

* Earnings per share after dilution have been restated for 2010, see page 10.

CEO's Statement: Transmode's best quarter ever

In the third quarter of the year, sales increased to SEK 274 m, or by 57% year-on-year. It is especially pleasing that all three regions until September achieved good year-on-year growth. In EMEA, the increase was sharp thanks to the announced mobile backhaul contract with Virgin Media. However, sales in EMEA increased even excluding this contract. In the Americas, we've now recovered the somewhat slower start to the year and sales for the first nine months are now up nearly 39% on the same point of the previous year. APAC is also growing, and sales for the period are already in line with the region's total sales for 2010.

Overall, the company posted total operating profit of over SEK 69 m in the quarter, equating to an extraordinary operating margin of 25.3% - the highest in the company's history.

The gross margin for the third quarter was 49%. Compared to the second quarter, gross margin was negatively affected mainly due to the customer mix and the effects of high volumes and the rapid expansion of delivery capacity.

In the quarter, we also announced how our optical systems will be able to handle 100 Gbit/s per wavelength in a way that is tailored for metro and regional networks. Alongside the Virgin Media contract, this news was our focus at the Broadband World Forum in Paris in September.

Our market is driven by the underlying increase in data traffic driven by video applications, cloud services and mobile broadband. Accordingly, there is a continued need for investment in equipment that increases the capacity of optical fiber networks. At present, there is nothing to suggest that this driver is weakening. As for the economic turmoil, primarily in Europe, we have not seen any effect on our business. However, we are monitoring the development closely.

Karl Thedéen
Chief Executive Officer

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

Significant Events in the Quarter

In the quarter, Transmode announced the signing of a new eight-year agreement with Virgin Media on an Ethernet-based mobile backhaul network. The estimated value of this agreement is up to SEK 150 m in 2011 and 2012. Significant deliveries were made already in the third quarter, and we do not expect any further large-scale deliveries before 2012. There are also opportunities for extra sales over and above the aforementioned SEK 150 m, but this is dependent on progress on the UK telecom market in terms of mobile backhaul. One of the key reasons Transmode was selected was superior performance in mobile networks synchronization, which is one of the main challenges many mobile operators face when they migrate to packet-based data transport.

Transmode also announced strategies in two product areas. Optical networks are being continuously driven towards greater capacity and the next phase is to be able to transmit 100 Gbit/s on a single wavelength. 100 Gbit development can be approached in different ways. Transmode has selected a technological implementation that is optimized for metro and regional networks, i.e. the company's prime focus segments. The second announcement relates to how customers can utilize a combination of the company's active and passive products, which do not require power supply, to build flexible WDM-based access networks that reach companies, base stations or access points far out in networks. Transmode calls the solution iWDM-PON.

These announcements, combined with mobile backhaul, have been a consistent theme in several expos, seminars, customer and reseller events that the company conducted in the quarter.

Sales

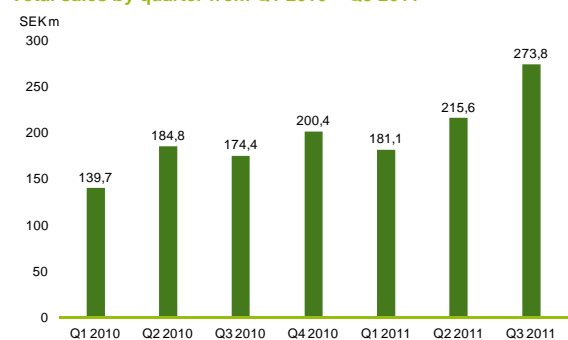
July–September 2011

Sales were SEK 273.8 (174.4) m in the period, corresponding to year-on-year growth of 57.0%. Adjusted for exchange rate fluctuations, growth was 64.5%.

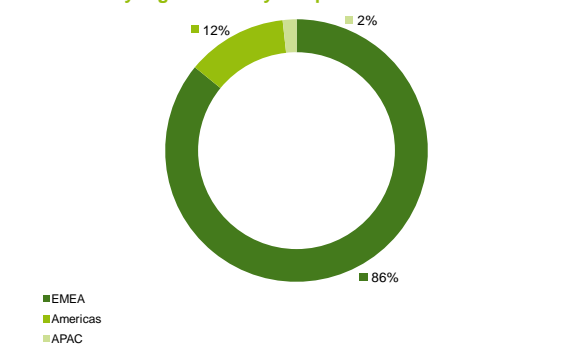
Revenue growth remained positive in EMEA, increasing by 41.5% and by 46.9% after adjusting for exchange rate fluctuations. The increase was sharp in EMEA thanks to the announced mobile backhaul contract with Virgin Media. However, sales in EMEA increased even excluding this contract. In the Americas, sales increased by 140.8% and by 170.3% after adjusting for exchange rate fluctuations. The

increase relates to existing and, for this year, new customers. In APAC, which is still in a build-up phase, several customers in Southeast Asia contributed to the increase of 830.7%, or 945.1% after adjusting for exchange rate fluctuations.

Total sales by quarter from Q1 2010 – Q3 2011



Total sales by region January–September 2011



Total sales by region

SEK m	Jul–Sep		Jan–Sep	
	2011	2010	2011	2010
EMEA	217.3	153.5	576.2	432.3
Americas	48.1	20.0	82.9	59.8
APAC	8.4	0.9	11.4	6.8
Total Sales	273.8	174.4	670.5	498.9

January–September 2011

Sales in the period were SEK 670.5 (498.9) m, corresponding to a growth of 34.4% compared to the corresponding period in the previous year. Adjusted for exchange rate fluctuations growth was 42.1%.

Sales in EMEA increased by 33.3% and by 39.8% adjusted for exchange rate fluctuations. Sales increased by 38.8% in the Americas, and increased by 54.4% after adjusting for exchange rate fluctuations. Sales increased by 66.0% in APAC and by 85.2% after adjusting for exchange rate fluctuations.

Results of Operations

July–September 2011

Gross profit for the third quarter 2011 was SEK 134.2 (88.0) m and gross margin 49.0% (50.5%). Overall, exchange rate fluctuations against the Swedish krona had a positive net effect on gross profit of SEK 0.7 m. As a result of high volumes and rapid expansion of delivery capacity, gross margins were negatively affected year on year.

Operating expenses for the quarter, excluding other revenue and other operating expenses, were SEK 67.9 (57.1) m. The increase is mainly a result of Transmode's continued expansion and hirings, mainly in product development and sales. Development expenses of SEK 5.0 (4.1) m were capitalized in the period and capitalized development expenses of SEK 3.8 (1.5) m were amortized.

Other revenue consists of net exchange rate gains on outstanding foreign exchange contracts of SEK –1.1 m and transactions with customers and suppliers of SEK 4.2 m. For the corresponding period of 2010, these exchange rate fluctuations were a gain of SEK 2.5 m and a loss of SEK 1.8 m respectively. Other operating expenses in the third quarter 2010 comprised consulting fees.

Operating profit for the third quarter was SEK 69.4 (30.5) m and operating margin was 25.3% (17.5%). Operating profit was not charged with any expenses relating to Transmode's IPO on NASDAQ OMX Stockholm in the third quarter.

January–September 2011

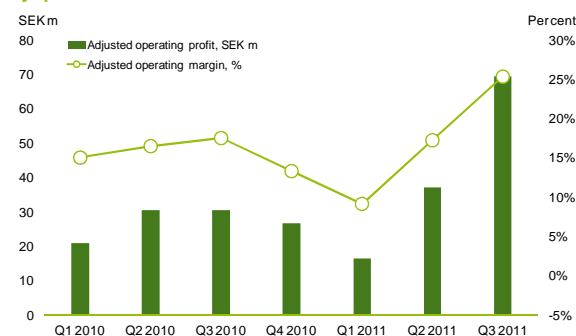
Gross profit for the first nine months of 2011 was SEK 332.3 (258.0) m and gross margin was 49.6% (51.7%). Overall, the appreciation of the Swedish krona had a net negative effect on gross profit of SEK 12.4 m.

Operating expenses, excluding other revenue and other operating expenses, were SEK 208.2 (175.2) m in the period. Transmode had 222 (192) employees at the end of September 2011. Development expenses of SEK 18.0 (14.9) m were capitalized in the period and capitalized development expenses of SEK 9.7 (4.0) 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, of SEK 1.1 m, are mainly the net of currency losses on foreign exchange contracts and exchange rate gains on transactions with customers and suppliers. Other operating expenses in the corresponding period of 2010 consist of consulting fees. Other operating revenue in the same period consists of the net of currency gains on foreign exchange contracts and currency losses on transactions with customers and suppliers.

Operating profit for the period was SEK 104.3 (81.8) m and operating margin was 15.6% (16.4%). Excluding expenses associated with Transmode's IPO on NASDAQ OMX Stockholm, operating profit was SEK 123.0 (81.8) m, or 18.4% (16.4%).

Adjusted operating profit* and adjusted operating margin* by quarter Q1 2010 – Q3 2011



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

Cash Flow, Investments and Financial Position

January–September 2011

Cash flow from operating activities was SEK 50.9 (84.3) m in the period, of which SEK 31.4 (60.1) m in the third quarter 2011. This includes payments of SEK 15.1 (–) m, of which SEK 8.1 (–) m in the quarter relating to Transmode's IPO on NASDAQ OMX Stockholm. Working capital was SEK 121.5 (66.4) m at the end of the quarter compared to SEK 47.6 m at year-end 2010. The increase relates mainly to accounts receivable as a result of high invoicing, primarily in the latter part of the third quarter.

Investments in tangible fixed assets were SEK 17.4 (3.1) m in the period. Most of the year-on-year increase relates 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 18.0 (14.9) m.

After dividends paid of SEK 29.8 (55.0) m and payment received from the new issue in tandem with conversion of share warrants of SEK 21.5 (0.7) m, total cash flow for the period was SEK 7.2 (12.8) m. Transmode's cash and cash equivalents were SEK 213.4 (309.7) m at the end of September and unutilized credit facilities received SEK 30.0 (30.0) m.

As of 30 September 2011, Transmode was party to currency forward contracts regarding commitments to sell currencies totaling EUR 13.9 m at an average spot rate of SEK/EUR 9.10, a total of GBP 8.6 m at an average spot rate of SEK/GBP 10.51 and a total of EUR 1.4 m at a spot rate of USD/EUR 1.45.

Equity and the Transmode Share

An Extraordinary General Meeting (EGM) on 7 April 2011 resolved to execute a 1:20 reverse share split, i.e. to combine 20 existing shares into one new share. Based on a resolution of the EGM, all the company's share classes, ordinary and preference shares, were reclassified to shares in tandem with the company's IPO on NASDAQ OMX Stockholm on 27 May 2011.

Consolidated equity was SEK 496.0 (548.1) m at the end of September 2011, against SEK 422.2 m at the end of 2010. The total number of shares was 27,037,786 and the number of outstanding share warrants, excluding 1,106,000 share warrants held by the company, was 15,047,830 at the end of the period. Given full exercise of all outstanding share warrants, excluding those held by the company,

Transmode's total number of shares would increase by 752,392 (20 share warrants confer entitlement to subscribe for one share) amounting to a total of 27,790,178 shares. As of the reporting date, holders of a total of 15,000 share warrants had applied to subscribe for 750 shares and paid SEK 0.0 m as subscription settlement which was posted to equity. If the remaining 15,032,830 share warrants are utilized, equity will increase by a further SEK 5.2 m.

The consolidated equity/assets ratio was 70.8% (79.1) at the end of the quarter against 73.9% at year-end 2010.

Employees

Transmode's total number of employees was 222 (192) as of 30 September 2011 against 197 at year-end 2010. The corresponding figures for the average number of employees were 214 (176) for the first three quarters of 2011 and 181 for the full year 2010. The increase in the number of employees largely relates to hirings in the product development and sales departments.

Transactions with Related Parties

There were no significant transactions with related parties in the period January–September 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 turmoil in Europe and North America has accelerated, which may affect investment levels amongst Transmode's customers. The financial turmoil has also implied that the Swedish krona has been and may remain volatile. There is also some, albeit reduced uncertainty, regarding lead times and potential shortages of components as a result of the Japan disaster in March 2011. We also have a new and similar uncertainty as a result of the flooding in Thailand. Furthermore, it is worth noting that risk

exposure for customer undertaking has increased as a result of high volumes and rapid expansion of delivery capacity.

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 September 2011, the parent company had 9 (8) employees.

In the first nine months of 2011, parent company sales were SEK 15.7 (13.7) 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 profit was SEK -20.3 (-4.8) m. At the end of the period, parent company cash and cash equivalents were SEK 94.8 (219.4) m, against SEK 108.0 m at the end of 2010.

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 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

In early October, Tom Nyman (of POD Venture Partners AB), Olle Nordström (of Amadeus Capital Partners Ltd.), Mats Andersson (of Nordea mutual funds) were appointed as members of the Nomination Committee with the Chairman of the Board Kent Sander.

The company has also announced that UPC Cablecom of Switzerland has selected Transmode's Switched Video Transport solution. This is an excellent reference within and outside the UPC group, which is present in more than ten European countries.

Outlook

Our market is driven by the underlying increase in data traffic driven by video applications, cloud services and mobile broadband. Accordingly, there is a continued need for investment in equipment that increases the capacity of optical fiber networks. At present, there is nothing to suggest that this driver is weakening. As for the economic turmoil, primarily in Europe, we have not seen any effect on our business. However, we are monitoring the development closely.

Annual General Meeting

Transmode's AGM 2012 will be held in Stockholm, Sweden on 16 April 2012.

Reporting Dates

Annual Financial Statement 2011
23 February 2012

Invitation to press and analysts' conference

Transmode Holding AB will hold a telephone conference (in English) for the press, investors and analysts on 27 October at 09:00 CEST. Karl Thedéen, CEO and Tomas Kihlstrand, CFO will present and comment on Transmode's Interim Report for January-September 2011.

To participate, call +44 (0)20 3003 2666, or alternatively the Swedish no. +46 (0)8 505 20424, and state "Transmode conference call" 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	Jul-Sep 2011	2010	Jan-Sep 2011	2010	Oct 2010- Sep 2011	Jan-Dec 2010
Sales	273.8	174.4	670.5	498.9	870.9	699.3
Cost of goods and services provided	-139.6	-86.4	-338.2	-240.9	-438.0	-340.7
Gross profit	134.2	88.0	332.3	258.0	432.9	358.6
Other income	3.1	0.8	0.0	2.4	0.4	4.2
Research and development expenses	-26.6	-20.7	-82.7	-64.6	-110.2	-92.1
Selling expenses	-34.3	-31.0	-103.0	-92.5	-141.4	-130.9
Administrative expenses	-7.0	-5.4	-22.5	-18.1	-30.3	-25.9
Other operating expenses	0.0	-1.2	-19.8	-3.4	-21.3	-6.3
Operating profit / loss	69.4	30.5	104.3	81.8	130.1	107.6
Net financial income / expenses	2.4	-1.6	4.0	-1.3	4.6	-0.7
Profit / loss before tax	71.8	28.9	108.3	80.5	134.7	106.9
Taxes	-18.3	-6.8	-26.2	-18.8	-32.9	-25.5
Profit / loss for the period	53.5	22.1	82.1	61.7	101.8	81.4
Attributable to:						
Equity holders of the parent company	53.5	22.1	82.1	61.7	101.8	81.4
Average no of shares before dilution ('000)	27 030	24 399	25 600	24 399	25 300	24 399
Basic earnings per share (SEK)	1.98	0.91	3.21	2.53	4.02	3.34
Average no of shares after dilution ('000)	27 675	25 163	27 225	25 163	26 874	25 328
Diluted earnings per share (SEK) ¹	1.94	0.88	3.02	2.45	3.79	3.21
Operating profit / loss above includes						
– Amortization of intangible fixed assets	-4.9	-2.7	-13.2	-7.8	-16.0	-10.6
– Depreciation of tangible fixed assets	-1.5	-0.8	-3.4	-2.4	-4.2	-3.2

¹ The number of shares and Earnings per share have been converted for the periods in 2010, see page 10.

Condensed Consolidated Statement of Comprehensive Income

SEK m	Jul-Sep 2011	2010	Jan-Sep 2011	2010	Oct 2010- Sep 2011	Jan-Dec 2010
Profit / loss for the period	53.5	22.1	82.1	61.7	101.8	81.4
Other comprehensive income						
Translation differences	0.0	0.0	0.0	-0.2	0.0	-0.2
Income tax relating to components of other comprehensive income	-	-	-	-	-	-
Other comprehensive income for the period, net of tax	0.0	0.0	0.0	-0.2	0.0	-0.2
Total comprehensive income for the period	53.5	22.1	82.1	61.5	101.8	81.2
Attributable to:						
Equity holders of the parent company	53.5	22.1	82.1	61.5	101.8	81.2

Condensed Consolidated Statement of Financial Position

SEK m	30 Sep 2011	30 Sep 2010	31 Dec 2010
ASSETS			
Goodwill	88.4	88.4	88.4
Capitalized development expenses	37.4	24.9	29.1
Other intangible assets	16.5	21.2	20.0
Tangible fixed assets	20.0	6.5	6.1
Deferred tax asset	2.9	36.1	29.8
Other financial assets	1.3	1.0	1.2
Total non-current assets	166.5	178.1	174.6
Inventories	76.3	75.8	75.5
Accounts receivable	209.5	102.0	93.1
Other current assets	34.5	27.5	21.9
Cash and cash equivalents	213.4	309.7	206.0
Total current assets	533.7	515.0	396.5
TOTAL ASSETS	700.2	693.1	571.1
EQUITY AND LIABILITIES			
Equity	496.0	548.1	422.2
Deferred tax liability	4.3	5.6	5.3
Provisions	1.1	0.7	0.9
Total long-term liabilities	5.4	6.3	6.2
Accounts payable	106.7	69.9	70.7
Provisions	14.9	12.8	12.1
Other current liabilities	77.2	56.0	59.9
Total current liabilities	198.8	138.7	142.7
TOTAL EQUITY AND LIABILITIES	700.2	693.1	571.1

Condensed Consolidated Statement of Cash Flows

SEK m	Jul-Sep 2011	2010	Jan-Sep 2011	2010	Oct 2010- Sep 2011	Jan-Dec 2010
Profit/loss after financial items	71,8	28,9	108,3	80,5	134,7	106,9
Non-cash items	9,1	4,0	19,2	13,4	17,8	12,0
Income tax paid	-0,2	0,0	-0,2	0,0	-0,6	-0,4
Cash flow from operating activities before changes in working capital	80,7	32,9	127,3	93,9	151,9	118,5
Changes in working capital	-49,3	27,2	-76,4	-9,6	-51,7	15,1
Cash flow from operating activities	31,4	60,1	50,9	84,3	100,2	133,6
Change in blocked bank balances	-	-	-	0,8	-	0,8
Other investing activities	-7,5	-4,9	-35,4	-18,0	-42,6	-25,2
Cash flow from investing activities	-7,5	-4,9	-35,4	-17,2	-42,6	-24,4
New share issue and option premium	0,1	0,1	21,5	0,7	21,3	0,5
Dividend to equity holders of the parent	-	-	-29,8	-55,0	-175,2	-200,4
Cash flow from financing activities	0,1	0,1	-8,3	-54,3	-153,9	-199,9
Increase / decrease in cash and cash equivalents	24,0	55,3	7,2	12,8	-96,3	-90,7
Cash and cash equivalents at the beginning of the period	188,8	255,8	206,0	299,0	309,7	299,0
Exchange rate differences in cash and cash equivalents	0,6	-1,4	0,2	-2,1	0,0	-2,3
Cash and cash equivalents at the end of the period	213,4	309,7	213,4	309,7	213,4	206,0

Condensed Statement of Changes in Equity

SEK m	Jul-Sep		Jan-Sep		Oct 2010-	Jan-Dec
	2011	2010	2011	2010	Sep 2011	2010
Opening balance	442.4	525.9	422.2	540.9	548.1	540.9
Total comprehensive income for the period	53.5	22.1	82.1	61.5	101.8	81.2
New share issue and payment for options	0.1	0.1	21.5	0.7	21.3	0.5
Dividend to equity holders of the parent	-	-	-29.8	-55.0	-175.2	-200.4
Closing balance	496.0	548.1	496.0	548.1	496.0	422.2

Key ratios

SEK m / %	Jul-Sep		Jan-Sep		Oct 2010-	Jan-Dec
	2011	2010	2011	2010	Sep 2011	2010
Sales by region (SEK m):						
EMEA	217.3	153.5	576.2	432.3	737.6	593.7
Americas	48.1	20.0	82.9	59.8	117.0	93.9
APAC	8.4	0.9	11.4	6.8	16.3	11.7
Total Sales	273.8	174.4	670.5	498.9	870.9	699.3
Gross profit (SEK m)	134.2	88.0	332.3	258.0	432.9	358.6
Operating profit / loss (SEK m)	69.4	30.5	104.3	81.8	130.1	107.6
Adjusted operating profit / loss (SEK m) ¹	69.4	30.5	123.0	81.8	149.6	108.4
Profit / loss for the period (SEK m)	53.5	22.1	82.1	61.7	101.8	81.4
Working Capital (SEK m)	121.5	66.4	121.5	66.4	121.5	47.6
Net receivables (SEK m)	213.9	310.2	213.9	310.2	213.9	206.5
Cash flow from operating activities (SEK m)	31.4	60.1	50.9	84.3	100.2	133.6
Sales, change in (%)	57.0%	57.3%	34.4%	31.2%	26.5%	22.7%
Gross margin (%)	49.0%	50.5%	49.6%	51.7%	49.7%	51.3%
Operating margin (%)	25.3%	17.5%	15.6%	16.4%	14.9%	15.4%
Adjusted operating margin (%) ¹	25.3%	17.5%	18.4%	16.4%	17.2%	15.5%
Profit margin (%)	19.6%	12.7%	12.2%	12.4%	11.7%	11.6%
Working capital/sales (%)	8.5%	8.9%	8.5%	8.9%	8.5%	8.8%
Equity/assets ratio (%)	70.8%	79.1%	70.8%	79.1%	70.8%	73.9%
No of shares at end of period ('000) ²	27 038	24 399	27 038	24 399	27 038	24 399
No. of shares the outstanding warrants confer the right to at the end of the period ('000) ^{2,3}	752	3 117	752	3 117	752	3 077

¹ In the third quarter, operating profit was not charged with any costs relating to the company's IPO on NASDAQ OMX Stockholm. Other operating expenses were adjusted by SEK 18.7 (-) m relating to expenses associated with the aforementioned IPO in January-September 2011. The corresponding item was SEK 0.8 m for the full year 2010 and SEK 19.5 m for the period October 2010 – September 2011.

² In the second quarter of 2011 a 1:20 reverse split of the Transmode share was conducted, i.e. 20 existing shares were combined 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. To enable comparisons regarding the number of shares, earnings per share and related values, these values for periods in 2010 have been restated to reflect the conditions applying at the end of June 2011. For earlier carrying amounts for 2010, please refer to the table on page 10.

³ The number of share warrants at the end of September 2011 was 15,047,830 excluding 1,106,000 share warrants held by Transmode. 20 share warrants confer the right to one share.

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

Values 2010 before conversion

	Jul-Sep 2010	Jan-Sep 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)**	62 333	62 333	61 541
Average no of shares of common stock before dilution ('000)	75 598	75 598	75 598
Basic earnings per share (SEK)	0.240	0.660	0.868
Average no of shares after dilution ('000)	440 759	440 759	444 049
Diluted earnings per share (SEK) ¹	0.041	0.113	0.148

¹ Pursuant to IAS 33, calculations of earnings per share include deductions of SEK 4.0 m for cumulative interest on some shares of preference stock for the period July–September 2010, of SEK 11.8 m for the period January–September 2010 and of SEK 15.8 m for the full year 2010.

Parent Company Income Statement

SEK m	Jul-Sep 2011	Jul-Sep 2010	Jan-Sep 2011	Jan-Sep 2010	Oct 2010- Sep 2011	Jan-Dec 2010
Sales	5.8	4.2	15.7	13.7	21.7	19.7
Administrative expenses	-5.7	-5.8	-36.0	-18.6	-45.3	-27.9
Other operating income and expenses	0.0	0.1	0.0	0.1	0.0	0.1
Operating profit / loss	0.1	-1.5	-20.3	-4.8	-23.6	-8.1
Net financial income / expenses	1.7	0.7	4.8	2.1	102.3	99.6
Profit / loss after financial expenses	1.8	-0.8	-15.5	-2.7	78.7	91.5
Taxes	-0.4	0.2	4.1	0.7	3.8	0.4
Profit / Loss for the period	1.4	-0.6	-11.4	-2.0	82.5	91.9

Parent Company Balance Sheet

SEK m	30 Sep 2011	30 Sep 2010	31 Dec 2010
Assets			
Financial fixed assets	478.8	422.0	474.6
Total non-current assets	478.8	422.0	474.6
Other current assets	4.5	1.7	11.5
Cash and cash equivalents	94.8	219.4	108.0
Total current assets	99.3	221.1	119.5
Total assets	578.1	643.1	594.1
Equity and liabilities			
Equity	561.6	632.9	581.3
Provisions	3.4	1.7	2.9
Other current liabilities	13.1	8.5	9.9
Total current liabilities	13.1	8.5	9.9
Total liabilities and equity	578.1	643.1	594.1
Pledged assets	None	None	None
Contingent liabilities	None	None	None

The Board of Directors and CEO hereby certify that this Interim Report gives a true and fair view of the group's 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, 26 October 2011

Karl Thedéen
Chief Executive Officer

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

This information is mandatory for Transmode 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 8:00 a.m. on Thursday 27 October 2011.

For more information please contact

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Report of Review of Interim Financial Information

We have reviewed this report for the period 1 January 2011 to 30 September 2011 for Transmode Holding AB. The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

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

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

Stockholm, 26 October 2011

PricewaterhouseCoopers AB

Ulf Pettersson
Authorised Public Accountant