

INFINERA CORP
Form 425
August 03, 2015

1
| © 2015 Infinera
Establishes an End-to-End Optical Leader
Transmode Investor Briefing
August 2015
Filed by Infinera Corporation Pursuant to Rule 425
Under the Securities Act of 1933
Subject
Company:
Transmode
AB
(Commission File No. 001-33486)
Infinera
Transmode
Combination

2

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Safe Harbor

This presentation contains "forward-looking" statements that involve risks, uncertainties and assumptions. If the risks or uncertainties or the assumptions prove incorrect, our results may differ materially from those expressed or implied by such forward-looking statements other than statements of historical fact could be deemed forward-looking, including, but not limited to, any projections of information, including statements about revenue growth, the potentially accretive nature of the transaction and similar statements about market liquidity following the transaction; any statements about historical results that may suggest trends for our business; the plans, strategies, and objectives of management for future operations; any statements of expectation or belief regarding future markets or market size, technology developments, or enforceability of our intellectual property rights; and any statements of assumption of any of the items mentioned.

These statements are based on estimates and information available to us at the time of this presentation and are not guarantees of performance. These risks and uncertainties include, but are not limited to, the risk that Transmode shareholders fail to tender their Transmode's outstanding shares, that any other closing conditions are not satisfied, and that the transaction may not close; the risk that Infinera's businesses will not be integrated successfully; the risk that synergies will not be realized or realized to the extent expected; that the combined company will not realize on its financing or operating strategies; the risk that litigation in respect of either company or the transaction could arise; the risk that disruption caused by the combined company would make it difficult to maintain certain strategic risks of competitive responses and shifts in the market; delays in the release of new products; fluctuations in customer demand, trends, and changes in the macro economic market. These risks and uncertainties also include those risks and uncertainties disclosed

document and the supplement to the offer document filed with the Swedish Financial Supervisory Authority and in the Registrars Form S-4 filed with the SEC, those risks and uncertainties identified under the heading "Risk Factors" in the Infinera Quarterly Report for the quarter ended June 27, 2015 filed with the SEC, and those risks and uncertainties identified in any subsequent reports filed with the SEC. Our SEC filings are available on our website at www.infinera.com and the SEC's website at www.sec.gov. We assume no obligation and do not currently intend to, update any such forward-looking statements.

3

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Overview of Infinera

Transaction Rationale

Advantages for Stakeholders

Deal Logic

Industry Evolution

Why a Fair Deal for Transmode

Investors

Deal Mechanics

Agenda

5

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Infinera is an Optical leader

Innovator & Long Haul DWDM Leader

Founded 2000, IPO as INFN 2007

Uses unique Photonic Integrated Circuits (PICs)

DWDM platforms, Intelligent Transport Networks

400+ Patents Filed/Granted

#1 Optical company rated by Infonetics 2014

Global

~1,600 employees

Headquarters Sunnyvale, CA, USA

Global presence
Infinera Engineering Locations

Infinera's Journey

2005: Shipped 10G PIC-based DTN, rapidly reaches \$100M

2008: #1 market share in NA LH*

2007: 10G wave market leader (47%)*, completed IPO

2010: Leapfrogs 40G, invests in 100G

2000: Infinera founded, promised to do the impossible: PICs

2014: #1 in 100G WDM, ex China*

2012: Shipped 500G PIC-based DTN-X

2004: Introduced industry's first large scale PIC

2014: Introduced Cloud Xpress for Metro Cloud

* Dell Oro

DWDM Long Haul Vendor Table 2015

6 | © 2015 Infinera

Infinera Today

A leader in Intelligent Transport Network solutions

145 customers in 73 countries; 62 DTN-X customers

Diversified customer base across multiple verticals

-

17 Tier 1s globally

-

3 of top 4 Internet Content Providers

-

4 of top 5 NA Cable/MSOs

-

Multiple top Wholesale and Enterprise Carriers

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INFN Outpacing Other SP Networking Players

Source: Public financial records; in \$USD; Some companies have not reported as of June 2015

2.6X Rev

Growth

over CIEN

82%

31%

Infinera enters

100G Long Haul

Revenue Growth: Quarterly Trailing 13 month revenue

8

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-20%

0%

20%

40%

60%

80%

100%

Jun '12
Sep '12
Dec '12
Mar '13
Jun '13
Sep '13
Dec '13
Mar '14
Jun '14
Sep '14
Dec '14
Mar '15
Jun '15
INFN
TRMO
CIEN
JNPR
CSCO
ADV
ERIC
ALU

Infinera

Financial
Performance

Source: Infinera Financial Reporting

*Wall Street consensus as of July 27, 2015

**Dell Oro Group 2014 Optical Transport Report

*** Figures are Non-GAAP (reconciliation to GAAP numbers may be found at www.Infinera.com)

Recent 20+% growth

2013: 24%; 2014: 23%; 2015e:25%*

Q2 15 Performance***

\$207.3 million revenue

47.4% gross margin

\$25.7 million net income

Q3 15 Company Outlook

\$210-\$220 million
Strong Balance Sheet

Nearly \$310 million net cash at
end of Q2 15

Cash Flow from Operations
(last 4 quarters) = \$116 million

\$668

FY14

\$544

FY13

\$438

FY12

\$405

FY11

2014 vs 2013

23% YoY Growth

~2x Market growth **

Revenue

\$832e*

FY15

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Differentiated Financial Performance

Source: Public financial statements, ALU = Entire business

YoY Revenue Growth, %

(Last 12 months as of June 2015)

20

10

0

-10

50

40

30

Gross Margin, %

June 2015

Transmode

Ciena

ALU

Cyan

MRV

Adva
Infinera
30
10
| © 2015 Infinera

Transaction Rationale:
Advantages for Stakeholders

11

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Infinera + Transmode

End-to-End
portfolio, \$15.3B market*

Accelerate
100G market momentum

Technology leadership in Photonics, Packet-Optical,
ASICs and Network Management

Complementary
customers
and
geographies

Common
philosophy
of

profitable
growth

Shared culture and
talent driving product excellence

Expected non-GAAP EPS accretive in 2016

Culture

Technology

Customers

Financials

*Source: Infonetics

Q4 2014 Market Forecast for 2019

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Compatible Philosophies

Customer First

Top-rated for Services and Support

Product Excellence

#1 100G WDM Worldwide, ex-China

#1 Packet-Optical EMEA

Unique differentiated technologies

Profitability Focus

Market leading Operating & Gross Margins

Culture + Talent + Business + Technology

Source: Infonetics 2014, Dell Oro 2014

A Transaction Good for All Stakeholders

Investors

Allows combined company to address \$15.3B DWDM TAM (2019)

Combines two of the most profitable companies in the industry

Expected accretive to non-GAAP EPS in 2016; neutral to slightly dilutive 2H 15

Customers

Combined company would be able to deliver an End-to-End product portfolio

Shared culture of customer first, strong technology and product excellence

Scale of combined company allows for further investment in technologies to
accelerate & broaden differentiation

Employees

&

Community

Ability to develop compelling solutions with strong combined knowledge base

Deal synergies are revenue-based, not on cost cutting

Intent to invest in Transmode and Swedish engineering talent pool

Source of TAM: Infonetics 2014

14

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Deal Logic:

15

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Metro
Edge
Metro
Access
Metro Aggregation
Metro
Core
Cloud
LH Core
Cloud Xpress
Sliceable Photonics
ePIC-500
oPIC-100
DTN-X
XTC4/10
XTC4
2015
Addresses \$15.3B (2019) Transport Market

Source: Infonetics Q4 2014 Market Forecast

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Delivering a Leading End-to-End Portfolio

Complementary Customers

*Source: Infonetics 2014, Dell Oro 2014

Common

17

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Leverage Strengths, Cross-Sell, New Mkts

#1

Packet-Optical

EMEA*

Strength in cable, wireless back/front haul,

Ethernet services

Revenue Growth

Opportunity

#1 100G WDM WW ex-China*

Leader

in

ICP,

NA

Cable,
Wholesale
&
Ent.
First mover in Metro Cloud for ICPs

Infinera + Transmode enter Top 5 in WDM
Source: Dell Oro Optical Report Jan 2015
Cross-selling and revenue synergies
create opportunity to go higher
18 | © 2015 Infinera
Global Metro + LH WDM (2014)

Product

Mix*

Geographic

Mix**

Complementary Market Offerings

Metro 8%

Metro 100%

APAC

4%

Americas

14%

APAC

4%

APAC

4%

* Based on 2015 Wall Street revenue estimates. Infinera Metro incorporates Wall Street estimate of \$30-60 million for Cloud Xpress; **Geographic mix as of FY14

19 | © 2015 Infinera

Long-Haul

92%

Metro

~20%

Americas

68%

EMEA

28%

EMEA

82%

Americas

76%

EMEA

20%

20
| © 2015 Infinera
Industry Evolution

WDM Supplier Evolution

End-End

Suppliers

Long-Haul

Specialists

Metro

Specialists

Circa 2000-2002

Today

Consolidation towards end-to-end WDM suppliers underway

21

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Moving from 10G to 100G = Greater Complexity

Alternative

Solution

Coherent IC

(Electronics)

FlexCoherent

Processor (FCP)

Coherent

ASIC

3

rd

Photonics

(Optical)

3

rd

Gen PIC:

500G WDM-on-a-chip

500G Capacity

Example

1 module = less space/power

5 modules = more power, space & cost

10G

100G: Increasing advantage for vertically integrated suppliers

22

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10G
100G
Infinera Estimates
23
| © 2015 Infinera
Optics
45%
ASICs
11%
PCB/other
44%
Optics
77%
DSP/ASICs
8%
PCB/other
15%
Key to Long-Term Differentiation Cost Structure
Infinera Optics/ASICs + Transmode Metro = Competitive advantage

24
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Why
a
Fair
Deal
for
Transmode
Investors

Quarterly Sales Growth Comparison

USDm

SEKm

(3)

Infinera

231

250

193

256

289

311

0

300

600

900

1,200

1,500

1,800

Q1 2014

Q2 2014
Q3 2014
Q4 2014
Q1 2015
Q2 2015
SEKm
Transmode
In SEK (As Reported)
-4%
-15%
-29%
15%
25%
24%
Constant Currency
-7%
-20%
-35%
7%
11%
13%
Growth (Y/Y)
Growth (Y/Y)
143
165
174
186
187
207
923
1,090
1,203
1,378
1,554
1,746
0
200
400
600
800
1,000
1,200
1,400
1,600
1,800
0
40
80
120
160

200
240
280
Q1 2014
Q2 2014
Q3 2014
Q4 2014
Q1 2015
Q2 2015
USD
SEK
In USD (As Reported)

15%
20%
22%
34%
31%
25%
Constant Currency
14%
19%
22%
36%
35%
28%

1.
Source: Transmode Quarterly Reports

2.
Source: Infinera
Quarterly Reports; constant currency growth uses the same foreign exchange rates that were in effect during the corresponding period in the prior year

3.
Represents Infinera revenue converted to SEK based on average exchange rate during the corresponding quarter.
Morgan Stanley Analysis

25
| © 2015 Infinera

1
2
2
1

Quarterly Sales Growth Comparison (Cont d)

Source: Company Quarterly Reports; TRMO and ADVA converted to USD at average SEK / USD and EUR / USD exchange corresponding quarter

- 15%
- 20%
- 22%
- 34%
- 31%
- 25%
- (4%)
- (15%)
- (33%)
- 1%
- (3%)
- (3%)
- 18%
- 10%
- 12%
- 1%

(1%)

11%

5%

17%

10%

5%

29%

(28%)

(23%)

(29%)

46%

1Q 2014

2Q 2014

3Q 2014

4Q 2014

1Q 2015

2Q 2015

(50%)

(30%)

(10%)

10%

30%

50%

INFN

TRMO

CIEN

ADVA

CYAN

Y-o-Y Growth (in USD), %

Sales Growth of Key Comparables in USD

N.A.

Morgan Stanley Analysis

89%

1%

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IFRS
(as reported)
Adjusted
(1)
EBITDA
119.5
EBITDA (IFRS)
119.5
Less: Amortized R&D
(33.0)
Less: Cap R&D Adjustment
(70.3)
Less: Depreciation / Other
(15.9)
EBITDA (Adjusted)
49.2
EBIT
70.6
Less: Depreciation

(15.9)

Margin (%)

7.6%

EBIT (Adjusted)

33.3

Margin (%)

3.6%

IFRS to GAAP Adjustments

2014 (SEKm)

Transmode reports based on IFRS, which allows for capitalization of development expenses (i.e. expenses not deducted for calculating EBITDA)

When adjusting for capitalized R&D, which is not allowed under US GAAP, Transmode's EBITDA and EBIT margins are lower
Morgan Stanley Analysis

4.5x

3.1x

1.6x

1.4x

3.4x

2.9x

0.0

1.0

2.0

3.0

4.0

5.0

INFN

CYAN

CIEN

ADVA

TRMO

Original

Consideration

TRMO

Capped

Cash

EV/Revenue -

2014

EV/EBITDA -

2014

36.5x

N.M.

16.2x
32.7x
26.4x
64.1x
22.8x
55.4x
0

15
30
45
60
75

INFN
CYAN
CIEN
ADVA

61.4x
N.M.
48.0x
N.M.
56.6x
109.3x
49.7x
96.0x

0
20
40
60
80
100
120

INFN
CYAN
CIEN
ADVA

P/E -
2014

TRMO

Capped Cash

TRMO

Original

Consideration

IFRS

Adjusted

(1)

IFRS

Adjusted

(1)

TRMO

Capped Cash

TRMO
Original
Consideration
IFRS
Adjusted
(1)
IFRS
Adjusted
(1)
1.

After adjusting for the capitalization of R&D, which is not allowed under US GAAP. Original Consideration Alternative implied value of SEK

125.25 as of July 31, 2015, based on INFN
share price of USD 23.94 and SEK/USD of 8.6294
(Transmode

shareholders receive SEK
107.05 in cash for ~26.2% of shares and 0.6376 INFN
shares for ~73.8% of shares).

Capped Cash Alternative equal to SEK 110 per share.

Source: Data derived from company annual reports; ADVA
adjusted for R&D capitalization, which is not allowed under
US GAAP. Market data as of July 31, 2015.

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Valuation Comparison 2014

EV/Op CF -

2014

82.7x

N.M.

40.1x

22.0x

37.3x

144.9x

32.3x

125.4x

0

30

60

90

120

150

INFN

CYAN

CIEN

ADVA
 EV/EBIT -
 2014
 53.5x
 N.M.
 23.6x
 N.M.
 44.6x
 94.6x
 38.6x
 81.9x
 0
 20
 40
 60
 80
 100
 INFN
 CYAN
 CIEN
 ADVA
 Morgan Stanley Analysis
 IFRS
 (as reported)
 Adjusted
 (1)
 EBITDA
 119.5
 EBITDA (IFRS)
 119.5
 Less: Amortized R&D
 (33.0)
 Less: Cap R&D Adjustment
 (70.3)
 Less: Depreciation / Other
 (15.9)
 EBITDA (Adjusted)
 49.2
 EBIT
 70.6
 Less: Depreciation
 (15.9)
 Margin (%)
 7.6%
 EBIT (Adjusted)
 33.3
 Margin (%)
 3.6%
 IFRS to GAAP Adjustments
 2014 (SEKm)

TRMO

Capped Cash

IFRS

Adjusted

(1)

TRMO

Original Consideration

IFRS

Adjusted

(1)

TRMO

Capped Cash

IFRS

Adjusted

(1)

TRMO

Original Consideration

IFRS

Adjusted

(1)

1.

After adjusting for the capitalization of R&D, which is not allowed under US GAAP. Original Consideration Alternative implied value of SEK

125.25 as of July 31, 2015, based on INFN

share price of USD 23.94 and SEK/USD of 8.6294

(Transmode

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107.05 in cash for ~26.2% of shares and 0.6376 INFN

shares for ~73.8% of shares).

Capped Cash Alternative equal to SEK 110 per share.

Source: Data derived from company annual reports; ADVA adjusted for R&D capitalization, which is not allowed under US GAAP. Market data as of July 31, 2015.

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Valuation Comparison 2014 (cont d)

33.9x
N.M.
18.9x
31.9x
29.4x
39.2x
25.8x
34.4x
0
10
20
30
40
50
INFN
CYAN
CIEN
ADVA
22.4x

N.M.

9.7x

16.9x

16.3x

25.1x

14.1x

21.7x

0

6

12

18

24

30

INFN

CYAN

CIEN

ADVA

Transmode reports based on IFRS, which allows for capitalization of development expenses (i.e. expenses not deducted for calculating EBITDA)

When adjusting for capitalized R&D, which is not allowed under US GAAP, Transmode's EBITDA and EBIT margins are lower

IFRS (as reported)

Adjusted

(3)

EBITDA

193.9

EBITDA (IFRS)

193.9

Less: Amortized R&D

(1)

(30.9)

Less: Cap R&D Adjustment

(68.2)

(1)

Less: Depreciation

(14.9)

EBITDA (Adjusted)

125.7

EBIT

148.1

Less: Depreciation

(14.9)

Margin (%)

13.0%

EBIT (Adjusted)

110.8

Margin (%)

9.7%

IFRS to GAAP Adjustments -

2015 (SEKm)

1.

Assumes capitalized R&D adjustment of SEK

68.2 based on (a) the estimated amortization of capitalized R&D of

SEK

30.9 (assumes same proportion of depreciation and amortization as in 2014) and (b) the increase in capitalized development costs of SEK

37.3 (assumed equal to 2014 amount).

2.

ADVA

adjusted for R&D capitalization, which is not allowed under US GAAP

3.

After adjusting for the capitalization of R&D, which is not allowed under US GAAP

Morgan Stanley Analysis

3.6x

2.1x

1.4x

1.1x

2.8x

2.4x

0.0

1.0

2.0

3.0

4.0

INFN

CYAN

CIEN

ADVA

TRMO

Original

Consideration

TRMO

Capped

Cash

EV/Revenue -

2015

EV/EBITDA -

2015

P/E -

2015

TRMO

Capped Cash

TRMO

Original
Consideration
IFRS
Adjusted
(3)
IFRS
Adjusted
(3)
(2)
TRMO
Capped Cash
TRMO
Original
Consideration
IFRS
Adjusted
(3)
IFRS
Adjusted
(3)
(2)

Source: Based on analyst estimates as of July 31, 2015. Market data as of July 31, 2015.

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Valuation Comparison 2015

EV/Op CF -

2015

28.1x

N.M.

24.0x

27.6x

20.1x

32.8x

17.4x

28.4x

0

10

20

30

40

INFN

CYAN

CIEN

ADVA

EV/EBIT -

2015

28.6x

N.M.

14.2x

24.9x

21.3x

28.5x

18.4x

24.6x

0

10

20

30

40

INFN

CYAN

CIEN

ADVA

Morgan Stanley Analysis

TRMO

Capped Cash

IFRS

Adjusted

(3)

TRMO

Original Consideration

IFRS

Adjusted

(3)

TRMO

Capped Cash

IFRS

Adjusted

(3)

TRMO

Original Consideration

IFRS

Adjusted

(3)

(2)

(2)

IFRS to GAAP Adjustments -

2015 (SEKm)

IFRS (as reported)

Adjusted

(3)

EBITDA

193.9

EBITDA (IFRS)

193.9

Less: Amortized R&D

(1)

(30.9)

Less: Cap R&D Adjustment

(68.2)

(1)

Less: Depreciation

(14.9)

EBITDA (Adjusted)

125.7

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148.1

Less: Depreciation

(14.9)

Margin (%)

13.0%

EBIT (Adjusted)

110.8

Margin (%)

9.7%

1.

Assumes capitalized R&D adjustment of SEK

68.2 based on (a) the estimated amortization of capitalized R&D of

SEK

30.9 (assumes same proportion of depreciation and amortization as in 2014) and (b) the increase in capitalized development costs of SEK

37.3 (assumed equal to 2014 amount).

2.

ADVA

adjusted for R&D capitalization, which is not allowed under US GAAP

3.

After adjusting for the capitalization of R&D, which is not allowed under US GAAP

Source: Based on analyst estimates as of July 31, 2015. Market data as of July 31, 2015.

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Valuation Comparison 2015 (cont d)

Cyan /
Ciena

(2)

Cyan /
Ciena

(2)

Cyan /
Ciena

(2)

Comparison of Transaction Premiums

1.

As disclosed

2.

As calculated based on market data from Bloomberg

3.

At Announce based on TRMO

implied value of Original Consideration alternative as of April 8, 2015 compared to the applicable metric for the period ending

4.

Current based on TRMO

implied value of Original Consideration alternative as of July 31, 2015 compared to applicable metric for the period ending April 30, 2015

1-Month VWAP
3-Month VWAP
6-Month VWAP
Spot
Morgan Stanley Analysis
Alcatel /
Nokia
(2)
Transmode
/ Infinera
(2)
Original Consideration
Alcatel /
Nokia
(2)
Alcatel /
Nokia
(2)
Cyan /
Ciena
(2)
Alcatel /
Nokia
(2)
At Announce
(1)(3)
Current
(4)
Transmode
/ Infinera
(2)
Original Consideration
At Announce
(1)(3)
Current
(4)
Transmode
/ Infinera
(2)
Original Consideration
At Announce
(1)(3)
Current
(4)
Transmode
/ Infinera
(2)
Original Consideration
At Announce

(1)(3)

Current

(4)

31

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20%

41%

11%

16%

0%

10%

20%

30%

40%

50%

60%

70%

80%

32%

55%

28%

21%

0%

10%

20%

30%

40%

50%

60%

70%

80%

46%

72%

44%

43%

0%

10%

20%

30%

40%

50%

60%

70%

80%

13%

32%

(2%)

30%

0%

10%

20%
30%
40%
50%
60%
70%
80%

Offer Performance Post Announcement
SEK

Value Per Share

Original Offer Value

(Ex-Dividend): SEK107.05

125.25

1.

Implied Value of Original Offer based on daily closing prices of Infinera
and daily SEK/USD exchange rate from Riksbank

2.

Capped Cash Alternative assumes no pro rata reduction

Infinera Q2 Earnings

July 22

Morgan Stanley Analysis

Original Offer Value

Implied Market Value of Original Offer

(1)

Capped Cash Alternative

(2)

Capped Cash Alternative:

SEK 110.00

Unaffected TRMO

Price:

(Ex-Dividend) SEK94.55

32

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94

98

102

106

110

114

118

122

126

8-Apr-15

22-Apr-15

6-May-15

20-May-15

3-Jun-15

17-Jun-15

1-Jul-15

15-Jul-15

1-Aug-15

12-Aug-15

nd

Offer Performance vs Major Indexes

Since Offer Announcement

% of April 8, 2015 price

Indexed Value Per Share

1.

Implied Value of Original Offer based on daily closing prices of Infinera
and daily SEK/USD exchange rate from Riksbank

Morgan Stanley Analysis

NASDAQ

Implied Market Value of Original Offer

(1)

32.5%

(3.5%)

(9.4%)

2.6%

NASDAQ OMX

Index

NASDAQ OMX

Tech Index

31-Jul-15

33

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80%

90%

100%

110%

120%

130%

140%

8-Apr-15

22-Apr-15

6-May-15

20-May-15

3-Jun-15

17-Jun-15

1-Jul-15

15-Jul-15

Offer Performance vs Major Indexes

2015 Year-To-Date

% of January 2, 2015 price

Indexed Value Per Share

Morgan Stanley Analysis

NASDAQ

Transmode

(1)

63.9%

16.6%

5.2%

8.5%

NASDAQ OMX

Index

NASDAQ OMX

Tech Index

INFN Q2 Results

Announcement

(7/23//2015)

Announcement

(4/8/2015)

1.

Implied Value of Original Offer based on daily closing prices of Infinera
and daily SEK/USD exchange rate from Riksbank

34

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90%

100%

110%

120%

130%

140%

150%

160%

170%

2-Jan-15

24-Jan-15

15-Feb-15

9-Mar-15

31-Mar-15

22-Apr-15

14-May-15

5-Jun-15

27-Jun-15

31-Jul-15

Analysts Views on Infinera

Broker

Target Price

Rating

Jefferies

\$30.00

Buy

Barrington

\$30.00

Buy

MKM Partners

\$27.00

Buy

JP Morgan

\$26.00

Buy

Deutsche Bank

\$28.00

Buy

Stifel Nicolaus

\$27.00

Buy

Juda Group

\$24.00

Buy

William

Blair

No target

Outperform

Goldman Sachs

\$24.00

Hold

Wedbush

\$18.00

Hold

Needham

No

target

Hold

Consensus Target Price = \$27.00

Price (7/31/15) = \$23.94

35

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Significant Increase in Liquidity

1.

Assumes sell-down at 20% of average daily volume traded (based on assumption that future trading volume similar to YTD volume)

2.

Based on January 1, 2015 to April 8, 2015 average daily trading volume; market data from Bloomberg

Transmode YTD

Infinera YTD

Significant increase in Transmode's stock liquidity expected

Full liquidity

No single investor (x-POD) expected to hold more than 1 day of trading volume

ALL

investors (x-POD) expected to hold less than 8 days of trading volume

Option to select Capped Cash alternative if liquidity desired at closing

A 1% stake in Transmode

currently takes ~5 weeks to liquidate based on average volume, whereas post-transaction

the equivalent

stake would

take <1

day to

liquidate (1)

~70x

Greater

Liquidity

42K

Shares / Day

~SEK3.5

MM / Day

(~US\$408

K / Day)

~0.2% TSO

1.7MM

Shares / Day

~US\$28.5

MM / Day

~1.3% TSO

Average Trading Volume vs. Expected Post Deal

Morgan Stanley Analysis

36

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(2)

Deal Mechanics:
37
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1)
Cash / Stock Mix (the Original Consideration Alternative)

Not
subject
to
any
pro
ration
(shareholders
will
receive
SEK
107.05
in
cash
for
~26.20%

of
shares
and
~0.6376
shares
for
~73.80%
of
shares)

Implied
average
value
per
Transmode
share
of
SEK
110.54
as
of
June
26
and
SEK
125.25
as
of
July
31
(1)

Implied
values
will
change
daily
based
on
Infinera's
price
and
SEK/USD
exchange
rates

OR
2)
All-Cash (the Capped Cash Alternative)

What Can Shareholders Elect to Receive?

1.

Based on INFN

closing price and SEK/USD exchange rate of 8.2540 as of June 26 and SEK/USD exchange rate of 8.6294 as of July 31. June trading

day

before

announcement

of

Infinera's

enhanced

offer.

See

Offer

Document

dated

July

7,

2015

at

www.infinera.se

for

additional

details.

Component

Average

INFN Share Price

Exchange

Value / TRMO

Share

Value / TRMO

USD

SEK

x

Ratio

=

Share (SEK)

x

Split

=

Share (SEK)

As of June 26

Stock

21.24

175.31

0.6376

111.78

73.80%

82.49

Cash

--

--

--

107.05

26.20%

28.05

110.54

As of July 31

Stock

23.94

206.59

0.6376

131.72

73.80%

97.20

Cash

--

--

--

107.05

26.20%

28.05

125.25

38

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Fixed amount of SEK 110 in cash, subject to pro ration

Shareholders will receive 100% cash if total cash elected in the Offer (from both elections) is less than ~SEK 2.1Bn

If total cash elected (from both elections) is more than ~SEK 2.1Bn, then shareholders will receive all-cash for a portion of the from 70% to 100%), and will receive Infinera shares for the remainder

All shares electing the Original Consideration Alternative (the cash / stock mix) will be allocated the full associated cash amounts (i.e., equivalent to SEK

28.05 per share)

For shares electing the Capped Cash Alternative:

Table below illustrates the consideration per Transmode share based on the percentage electing Capped Cash

(1)

:

How Does the Pro Ration Work?

Applicable for Cash Capped Alternative

1.

Assumes 100% of shares tendered. Based on INFN closing price and SEK/USD exchange rate of 8.2540 as of June 26 and SEK/USD 8.6294 exchange rate as of July 31. June 26 was the last trading day before announcement of Infinera s

enhanced offer. See Offer Document dated July 7, 2015 at
www.infinera.se

for additional details.

% of Shares Receiving

Average Value /

% Electing

Cash

Stock

TRMO Share (SEK)

Capped Cash

(SEK 110.00)

(0.6376 Shares)

As of June 26

As of July 31

50%

100.0%

0.0%

110.00

110.00

Shares Electing

60%

99.7%

0.3%

110.01

110.07

Capped Cash

70%

89.1%

10.9%

110.19

112.37

Alternative

80%

81.1%

18.9%

110.34

114.10

90%

74.9%

25.1%

110.45

115.44

100%

70.0%

30.0%

110.53

116.51

% of Shares Receiving

Average Value /

Shares Electing

Cash
Stock
TRMO Share (SEK)
Original Consideration
(SEK 107.05)
(0.6376 Shares)
As of June 26
As of July 31
Alternative
26.2%
73.8%
110.54
125.25
39

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If the additional cash underlying the shares electing the all-cash alternative results in total cash paid in the Offer of less than SEK 110, shareholders will receive 100% cash at SEK 110

If the additional cash underlying the shares electing the all-cash alternative would result in total cash paid in the Offer of more than SEK 110, shareholders will receive:

SEK 110 per share in cash for as many shares as possible subject to the cap of SEK 2.1Bn

Shares not receiving SEK 110 per share in cash will receive ~0.6376 Infinera shares per Transmode share

This communication is neither an offer to purchase nor a solicitation of an offer to sell any shares. This communication is for informational purposes only. The exchange offer for shares of Transmode AB will not be made to, nor will exchanges be accepted from, or on behalf of, any jurisdiction in which the making of the exchange offer or the acceptance thereof would not comply with the laws of that jurisdiction. The acceptance period for the exchange offer for shares of Transmode described in this communication has not commenced.

In connection with the proposed combination of Infinera and Transmode, Infinera has filed an offer

document
and
supplement
to
the
offer

document with the Swedish Financial Supervisory Authority and a prospectus and a Registration Statement on Form S-4 with t
Shareholders of Transmode should read the above referenced documents and materials carefully because they contain important
about the transaction.

Shareholders of Transmode may obtain free copies of these documents and materials, any amendments or supplements thereto

documents
containing
important
information
about

Infinera
and
the
transaction,

once
such
documents
and
materials

are
filed
or
furnished,
as

applicable, with the SEC, through the website maintained by the SEC at www.sec.gov. Copies of the documents and materials

Infinera will also be available free of charge on Infinera's website at www.infinera.com

under the heading "SEC Filings" in the "Company Investor

Relations

portion
of

Infinera's
website.

More
information
about

the
exchange
offer,
including

the
formal
announcement

of
the
offer,

the
offer

document and supplement to the offer document filed with and approved by the Swedish Financial Supervisory Authority, can
www.infinera.se.

Disclaimer

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Thank You
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