

Infinera Corporation
GAAP to Non-GAAP Reconciliation
(In thousands, except per share amounts)
(Unaudited)

Three Months Ended March 28, 2009

	<u>GAAP</u>	<u>Stock Comp⁽¹⁾</u>	<u>Non-GAAP</u>
Revenue			
Product and ratable revenue	\$ 60,617	\$ -	\$ 60,617
Services revenue	5,963	- (a)	5,963
Total revenue	66,580	-	66,580
Cost of revenue	46,610	(945) (d)	45,665
Gross profit	19,970	945	20,915
Gross margin	30.0%		31.4%
Operating expenses	43,284	(5,791)	37,493
Loss from operations	(23,314)	6,736	(16,578)
Other income (expense), net	(896)	-	(896)
Loss before provision for income taxes	(24,210)	6,736	(17,474)
Provision for income taxes	118	-	118
Net loss	\$ (24,328)	\$ 6,736	\$ (17,592)
Net loss per common share:			
Basic	\$ (0.26)		\$ (0.19)
Diluted	\$ (0.26)		\$ (0.18) *
Weighted average shares used in computing net loss per common share:			
Basic	94,275		94,275
Diluted	94,275		97,592 *

⁽¹⁾ See footnote to the Condensed Consolidated Statements of Operations for a summary of the effects of stock-based compensation related to employees and non-employees for the three months ended March 28, 2009.

* Diluted shares used to calculate net loss per share on a non- GAAP basis provided for informational purposes only.

Infinera Corporation
GAAP to Adjusted GAAP Reconciliation
(In thousands, except per share data)
(Unaudited)

Three Months Ended December 27, 2008

	<u>GAAP</u>	<u>Deferral Adjustments</u>	<u>Adjusted GAAP Results</u>	<u>Adjusted GAAP Stock Comp</u>	<u>Adjusted GAAP Excluding Stock Comp</u>
Revenue					
Product and ratable revenue	\$ 92,288	\$ (13,102) (b)	\$ 79,186	\$ -	\$ 79,186
Services revenue	7,056	-	7,056	-	7,056
Total revenue	99,344	(13,102)	86,242	-	86,242
Cost of revenue	61,378	(4,951) (e)	56,427	(904) (f)	55,523
Gross profit	37,966	(8,151)	29,815	904	30,719
Gross margin	38%				36%
Operating expenses	44,930	-	44,930	(4,930) (f)	40,000
Income (loss) from operations	(6,964)	(8,151)	(15,115)	5,834	(9,281)
Other income (expense), net	(428)	-	(428)	-	(428)
Income (loss) before income taxes	(7,392)	(8,151)	(15,543)	5,834	(9,709)
Provision for (benefit from) income taxes	(704)	-	(704)	-	(704)
Net income (loss)	\$ (6,688)	\$ (8,151)	\$ (14,839)	\$ 5,834	\$ (9,005)
Net income (loss) per common share:					
Basic	\$ (0.07)				\$ (0.10)
Diluted	\$ (0.07)				\$ (0.09) *
Weighted average shares used in computing net income (loss) per common share:					
Basic	93,449				93,449
Diluted	93,449				97,167 *

* Diluted shares used to calculate net loss per share on an Adjusted GAAP basis provided for informational purposes only.

Infinera Corporation
GAAP to Non-GAAP Invoiced Shipment Reconciliation
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 29, 2008				
	GAAP	Deferral Adjustments	Invoiced Shipments	Non-GAAP Stock Comp	Non-GAAP Invoiced Shipments Excluding Stock Comp
Revenue					
Product and ratable revenue	\$ 136,514	\$ (42,747) (c)	\$ 93,767	\$ -	\$ 93,767
Services revenue	1,739		1,739	-	1,739
Total revenue	138,253	(42,747)	95,506	-	95,506
Cost of revenue	76,686	(23,022) (e)	53,664	(1,141) (f)	52,523
Gross profit	61,567	(19,725)	41,842	1,141	42,983
Gross margin	45%				45%
Operating expenses	36,993	-	36,993	(3,575) (f)	33,418
Income (loss) from operations	24,574	(19,725)	4,849	4,716	9,565
Other income (expense), net	4,180	-	4,180	-	4,180
Income (loss) before provision for income taxes	28,754	(19,725)	9,029	4,716	13,745
Provision for income taxes	1,160	-	1,160	-	1,160
Net income (loss)	<u>\$ 27,594</u>	<u>\$ (19,725)</u>	<u>\$ 7,869</u>	<u>\$ 4,716</u>	<u>\$ 12,585</u>
Net income (loss) per common share:					
Basic	<u>\$ 0.30</u>				<u>\$ 0.14</u>
Diluted	<u>\$ 0.29</u>				<u>\$ 0.13</u>
Weighted average shares used in computing net income					
(loss) per common share:					
Basic	<u>91,250</u>				<u>91,250</u>
Diluted	<u>96,692</u>				<u>96,692</u>

Use of Non-GAAP, Invoiced Shipments and Adjusted GAAP Information:

As described below, Infinera uses various non-GAAP, invoiced shipments and adjusted GAAP financial measures to supplement our condensed consolidated financial statements presented on a GAAP basis. We believe these adjustments are appropriate to enhance an overall understanding of our underlying financial performance and also our prospects for the future and are considered by management for the purpose of making operational decisions. In addition, these results are the primary indicators management uses as a basis for our planning and forecasting of future periods. The presentation of this additional information is not meant to be considered in isolation or as a substitute for net income or basic and diluted net income per share prepared in accordance with GAAP. Non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles and are subject to limitations.

Our usage of these non-GAAP, invoiced shipments and adjusted GAAP measures are further explained below:

- Prior to the second quarter of 2008, in order to supplement our condensed consolidated financial statements presented on a GAAP basis, Infinera used invoiced shipment measures of operating results, net income and net income per share, which are adjusted to reflect invoiced shipments and exclude non-GAAP stock-based compensation and warrant revaluation expenses. Invoiced shipment measures reflected GAAP results adjusted for changes in our deferred revenue and deferred cost of inventory balances from the prior period. These adjustments to our GAAP results were made to provide both management and investors with an understanding of Infinera's underlying operating results and trends as they would have been reflected had we established vendor specific objective evidence (VSOE) of fair value for our service offerings and not been required to recognize revenue ratably.

- Effective April 2008, we had established VSOE of fair value for most of our service offerings. From the second quarter of 2008 to the fourth quarter of 2008, we have used adjusted GAAP measures of operating results, net income and net income per share. Adjusted GAAP results reflected our GAAP results reduced for amounts released from deferred revenue and deferred cost of inventory balances recorded prior to the second quarter of 2008 and previously reported in our invoiced shipment results. Deferred services and deferred ratable and product revenue and cost amounts recorded after March 29, 2008 were not adjusted and were recognized on a GAAP basis in arriving at the adjusted GAAP results. We presented these non-GAAP measures of operating results, net income and net income per share, which included adjusted GAAP results and excluded non-GAAP stock-based compensation expense for these periods.

- Beginning in the first quarter of 2009, we will use non-GAAP financial measures, which reflect our GAAP results and exclude stock-based compensation related expenses. All material deferred revenue and deferred cost of inventory balances recorded prior to the second quarter of 2008 and previously reported in our invoiced shipment results have been recog

- (a) As described above, no adjustments have been made to our GAAP revenue as recorded in our condensed consolidated statements of operations for the period ended March 28, 2009.

The table below provides a breakdown of our deferred revenue balance as recorded on our balance sheet as of March 28, 2009 for informational purposes only:

Deferred Revenue	Three Months Ended March 28, 2009			
	Pre Mar 29, 2008 Ratable and Product Revenue	Post Mar 29, 2008 Ratable and Product Revenue	Services	Total
(In thousands)				
Beginning balance	\$ 8,650	\$ 4,177	\$ 9,580	\$ 22,407
Additions to deferred revenue	-	209	5,453	5,662
Amortization to revenue	(1,944)	(945)	(4,586)	(7,475)
Ending balance	<u>\$ 6,706</u>	<u>\$ 3,441</u>	<u>\$ 10,447</u>	<u>\$ 20,594</u>
Change in deferred revenue balance	<u>\$ (1,944)</u>	<u>\$ (736)</u>	<u>\$ 867</u>	<u>\$ (1,813)</u>

- (b) Adjustment amount represents the release of ratable and product deferred revenue amounts related to periods prior to March 29, 2008 as these amounts have been previously reported as invoiced shipments. No adjustment has been made for changes in deferred services revenue as these amounts relate to future service deliverables and are appropriately deferred. Deferred ratable and product amounts recorded after March 29, 2008 have not been adjusted as these amounts are recognized on a GAAP basis in arriving at the adjusted GAAP results.

The deferred revenue adjustments recorded above are reconciled to the deferred revenue balance on our balance sheet in the table below:

Deferred Revenue	Three Months Ended December 27, 2008			
	Pre Mar 29, 2008 Ratable and Product Revenue	Post Mar 29, 2008 Ratable and Product Revenue	Services	Total
(In thousands)				
Beginning balance	\$ 21,752	\$ 4,296	\$ 6,408	\$ 32,456
Additions to deferred revenue	-	1,086	7,577	8,663
Amortization to revenue	(13,102)	(1,205)	(4,405)	(18,712)
Ending balance	<u>\$ 8,650</u>	<u>\$ 4,177</u>	<u>\$ 9,580</u>	<u>\$ 22,407</u>
Change in deferred revenue balance	<u>\$ (13,102)</u>	<u>\$ (119)</u>	<u>\$ 3,172</u>	<u>\$ (10,049)</u>

- (c) Adjustment amount represents the release of ratable and deferred product revenue amounts related to periods prior to March 29, 2008 as these amounts have been previously reported as invoiced shipments. No adjustment has been made for changes in deferred services revenue as these amounts relate to future service deliverables and are appropriately deferred.

The deferred revenue adjustments recorded above are reconciled to the deferred revenue balance on our balance sheet in the table below:

Deferred Revenue	Three Months Ended March 29, 2008		
	Ratable and Product Revenue	Services Revenue	Total
(In thousands)			
Beginning balance	\$ 174,437	\$ -	\$ 174,437
Additions to deferred revenue	29,639	4,561	34,200
Amortization to revenue	(72,386)	(756)	(73,142)
Ending balance	<u>\$ 131,690</u>	<u>\$ 3,805</u>	<u>\$ 135,495</u>
Change in deferred revenue balance	<u>\$ (42,747)</u>	<u>\$ 3,805</u>	<u>\$ (38,942)</u>

- (d) No adjustments, other than the exclusion of stock-based compensation expense, as described above have been made to our GAAP cost of revenue as recorded in our condensed consolidated statements of operations for the period ended March 28, 2009.

The table below provides a breakdown of our deferred inventory cost balance as recorded on our balance sheet as of March 28, 2009 for informational purposes only:

Deferred Inventory Cost	Three Months Ended March 28, 2009		
	Pre Mar 29, 2008 Ratable and Product Cost	Post Mar 29, 2008 Ratable and Product Cost	Total
(In thousands)			
Beginning balance	\$ 3,221	\$ 1,016	\$ 4,237
Additions to deferred cost of revenue	-	1	1
Amortized to cost of revenue	(419)	(317)	(736)
Ending balance	<u>\$ 2,802</u>	<u>\$ 700</u>	<u>\$ 3,502</u>
Change in deferred inventory cost balance	<u>\$ (419)</u>	<u>\$ (316)</u>	<u>\$ (735)</u>

- (e) Adjustment amount represents the release of ratable and deferred product cost amounts related to periods prior to March 29, 2008 as these amounts have been previously included as invoiced shipments. Deferred ratable and product amounts recorded after March 29, 2008 have not been adjusted as these amounts are recognized on a GAAP basis in arriving at the adjusted GAAP results.

The deferred cost of inventory adjustments recorded above are reconciled to the deferred cost of inventory balance on our balance sheet in the table below:

	Three Months Ended December 27, 2008			Three Months Ended
	Pre Mar 29, 2008 Ratable and Product Cost	Post Mar 29, 2008 Ratable and Product Cost	Total	March 29, 2008
Deferred Inventory Cost				Total
(In thousands)				
Beginning balance	\$ 8,172	\$ 1,120	\$ 9,292	\$ 81,622
Additions to deferred cost of revenue	-	32	32	11,162
Amortized to cost of revenue	(4,951)	(136)	(5,087)	(34,184)
Ending balance	<u>\$ 3,221</u>	<u>\$ 1,016</u>	<u>\$ 4,237</u>	<u>\$ 58,600</u>
Change in deferred inventory cost balance	<u>\$ (4,951)</u>	<u>\$ (104)</u>	<u>\$ (5,055)</u>	<u>\$ (23,022)</u>

- (f) Excluded amount represents stock-based compensation expense on a non-GAAP basis. Stock-based compensation is a non-cash expense accounted for in accordance with the fair value recognition provisions of Statement of Financial Accounting Standards No. 123(R). While this is a large component of our expense, we believe investors want to evaluate our financial results both including and excluding the effects of stock-based compensation expense in order to compare our financial performance with that of other companies and between time periods.

The stock-based compensation expense excluded from cost of revenue is a non-GAAP financial measure and is reconciled to the corresponding GAAP amount in the table below:

	Three Months Ended	
	December 27, 2008	March 29, 2008
(In thousands)		
GAAP stock-based compensation in cost of revenue	\$ 308	\$ 208
GAAP stock-based compensation in cost of revenue - amortization from balance sheet	739	1,150
Stock-based compensation not deferred to deferred inventory cost	-	215
Stock-based compensation previously recognized on invoiced shipment basis	(143)	(432)
Non-GAAP stock-based compensation in cost of revenue	<u>\$ 904</u>	<u>\$ 1,141</u>