UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 7, 2018

INFINERA CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	001-33486	77-0560433
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

140 Caspian Court Sunnyvale, CA	94089
(Address of principal executive offices)	(Zip Code)

(408) 572-5200
(Registrant’s telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communication pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communication pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 **Results of Operations and Financial Condition.**

On August 7, 2018, Infinera Corporation (the “Company”) issued a press release announcing financial results for its second quarter ended June 30, 2018. The Company also posted on the Investor Relations section of its website (www.infinera.com) a CFO Commentary with respect to its second quarter ended June 30, 2018. Copies of the press release and CFO Commentary are furnished as Exhibits 99.1 and 99.2, respectively, to this Current Report on Form 8-K. Information on the Company’s website is not, and will not be deemed, a part of this report or incorporated into any other filings the Company makes with the Securities and Exchange Commission.

In accordance with General Instruction B.2 of Form 8-K, the information in Item 2.02 of this Current Report on Form 8-K, including Exhibit 99.1 and Exhibit 99.2, are being furnished under Item 2.02 and shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of the general incorporation language of such filing, except as shall be expressly set forth by specific reference in such a filing.

The press release and CFO Commentary furnished herewith as Exhibit 99.1 and Exhibit 99.2, respectively, refer to certain non-GAAP financial measures. A reconciliation of these non-GAAP financial measures to the comparable GAAP financial measures is contained in each exhibit.

Item 9.01	**Financial Statements and Exhibits.**
(d)	Exhibits.

Exhibit No.	**Description**
99.1	Press release dated August 7, 2018.
99.2	CFO Commentary dated August 7, 2018.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INFINERA CORPORATION

Date: August 7, 2018	By:	/s/ BRAD D. FELLER
		Brad D. Feller Chief Financial Officer

Exhibit 99.1

Infinera Corporation Reports Second Quarter 2018 Financial Results

Sunnyvale, Calif., August 7, 2018 - Infinera Corporation, provider of Intelligent Transport Networks, today released financial results for its second quarter ended June 30, 2018.

GAAP revenue for the quarter was $208.2 million compared to $202.7 million in the first quarter of 2018 and $176.8 million in the second quarter of 2017.

GAAP gross margin for the quarter was 40.5% compared to 40.5% in the first quarter of 2018 and 36.7% in the second quarter of 2017. GAAP operating margin for the quarter was (10.4)% compared to (12.2)% in the first quarter of 2018 and (22.9)% in the second quarter of 2017.

GAAP net loss for the quarter was $(21.9) million , or $(0.14) per share, compared to a net loss of $(26.3) million, or $(0.17) per share, in the first quarter of 2018, and net loss of $(42.8) million, or $(0.29) per share, in the second quarter of 2017.

Non-GAAP gross margin for the quarter was 43.9% compared to 43.7% in the first quarter of 2018 and 40.7% in the second quarter of 2017. Non-GAAP operating margin for the quarter was (0.7)% compared to (3.4)% in the first quarter of 2018 and (12.2)% in the second quarter of 2017.

Non-GAAP net loss for the quarter was $(1.3) million , or $ (0.01) per share, compared to a net loss of $(7.2) million, or $(0.05) per share, in the first quarter of 2018, and net loss of $(22.8) million, or $(0.15) per share, in the second quarter of 2017.

A further explanation of the use of non-GAAP financial information and a reconciliation of the non-GAAP financial measures to the GAAP equivalents can be found at the end of this release.

"In Q2, we delivered strong margins and our fifth consecutive quarter of revenue growth, as customers continued to adopt our next-generation products," said Tom Fallon, Infinera CEO. "In the second half, we expect to deploy several new opportunities that will drive multi-year growth. We believe adding Coriant's capabilities and extensive customer base to our vertically integrated operating model and refreshed product portfolio, will allow us to enter 2019 in a position of strength. I really like our opportunity and am very excited for what the future holds."

Financial Outlook

Infinera reaffirms the following expectations from its first quarter 2018 conference call on May 9, 2018:

- We continue to expect revenue in the second half of 2018 will be 2% to 4% higher than revenue in the first half of 2018. This expectation implies a revenue range in the second half of 2018 of approximately $420 million to $430 million and full fiscal year 2018 revenue growth of approximately 13% compared to the prior fiscal year.
- We continue to expect to achieve non-GAAP profitability in the fourth quarter of 2018.

For the quarter ending September 29, 2018:

We expect several new customer footprint deployments in the third quarter of 2018. We expect these new deployments will drive multi-year revenue growth and strong margins moving forward. However, as is typical with new deployments of network infrastructure, these will have lower margins initially.

- Revenue is expected to be $210 million +/- $10 million. This expectation implies 9% year-over-year growth at the midpoint.
- GAAP gross margin is expected to be 35% +/- 200 bps. Non-GAAP gross margin is expected to be 38% +/- 200 bps.
- GAAP operating expenses are expected to be $97 million +/- $2 million. Non-GAAP operating expenses are expected to be $86 million +/- $2 million.
- GAAP operating margin is expected to be approximately (12)%. Non-GAAP operating margin is expected to be approximately (3)%.
- GAAP EPS is expected to be $(0.16) +/- $0.02. Non-GAAP EPS is expected to be $(0.05) +/- $0.02.

Infinera's Financial Outlook does not include the potential impact of the pending Coriant acquisition, including any associated prospective debt financing and other significant transactions that may be completed after August 7, 2018. Actual results may differ materially from Infinera's Financial Outlook as a result of, among other things, the factors described under “Forward-Looking Statements” below.

Second Quarter 2018 Financial Commentary Available Online

A CFO Commentary reviewing Infinera's second quarter of 2018 financial results will be furnished to the SEC on Form 8-K and published on Infinera's Investor Relations website at investors.infinera.com. Analysts and investors are encouraged to review this commentary prior to participating in the conference call webcast.

Conference Call Information

Infinera will host a conference call for analysts and investors to discuss its second quarter 2018 results and its outlook for the third quarter of 2018 today at 5:00 p.m. Eastern Time (2:00 p.m. Pacific Time). Interested parties may join the conference call by dialing 1-866-373-6878 (toll free) or 1-412-317-5101 (international). A live webcast of the conference call will also be accessible from the Events & Webcasts section of Infinera’s website at investors.infinera.com. Replay of the audio webcast will be available at investors.infinera.com approximately two hours after the end of the live call.

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About Infinera

Infinera provides Intelligent Transport Networks, enabling carriers, cloud operators, governments and enterprises to scale network bandwidth, accelerate service innovation and automate optical network operations. Infinera’s end-to-end packet-optical portfolio is designed for long-haul, subsea, data center interconnect and metro applications. To learn more about Infinera visit www.infinera.com, follow us on Twitter @Infinera and read our latest blog posts at www.infinera.com/blog.

Forward-Looking Statements

This press release contains certain forward-looking statements based on current expectations, forecasts and assumptions that involve risks and uncertainties. Such forward-looking statements include, without limitation, Infinera’s expectations regarding the deployment of several new opportunities in the second half of 2018; Infinera’s ability to drive multi-year growth; Infinera’s expectations regarding its ability to enter 2019 in a position of strength; and Infinera's expectations regarding its financial outlook for the second half and third quarter of 2018. Forward-looking statements can also be identified by forward-looking words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “should,” “will,” and "would” or similar words. These statements are based on information available to Infinera as of the date hereof and actual results could differ materially from those stated or implied due to risks and uncertainties. The risks and uncertainties that could cause Infinera’s results to differ materially from those expressed or implied by such forward-looking statements include, the timing to consummate the proposed acquisition of Coriant; the parties’ ability to promptly and effectively integrate the businesses of Infinera and Coriant; the diversion of management time on issues related to the acquisition; the failure to consummate or any delay in consummating the acquisition for other reasons; delays in the development and introduction of new products or updates to existing products and market acceptance of these products; fluctuations in demand, sales cycles and prices for products and services, including discounts given in response to competitive pricing pressures, as well as the timing of purchases by Infinera's key customers; the effect that changes in product pricing or mix, and/or increases in component costs could have on Infinera’s gross margin; the effects of increased customer consolidation; Infinera’s ability to respond to rapid technological changes; aggressive business tactics by Infinera’s competitors; Infinera's reliance on single and limited source suppliers; Infinera's ability to adequately respond to demand as a result of the restructuring plan; Infinera’s ability to protect Infinera’s intellectual property; claims by others that Infinera infringes their intellectual property; the effect of global macroeconomic conditions on Infinera's business; war, terrorism, public health issues, natural disasters and other circumstances that could disrupt the supply, delivery or demand of Infinera's products; and other risks and uncertainties detailed in Infinera’s SEC filings from time to time. More information on potential factors that may impact Infinera’s business are set forth in its

Quarterly Report on Form 10-Q for the quarter ended on March 30, 2018 as filed with the SEC on May 10, 2018, as well as subsequent reports filed with or furnished to the SEC from time to time. These reports are available on Infinera's website at www.infinera.com and the SEC's website at www.sec.gov. Infinera assumes no obligation to, and does not currently intend to, update any such forward-looking statements.

Use of Non-GAAP Financial Information

In addition to disclosing financial measures prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP), this press release and the accompanying tables contain certain non-GAAP measures that exclude restructuring and related costs (credits), non-cash stock-based compensation expenses, amortization of debt discount on Infinera's convertible senior notes, amortization and impairment of acquired intangible assets, acquisition-related costs, and certain purchase accounting adjustments related to Infinera's acquisition of Transmode AB, which closed during the third quarter of 2015, along with related tax effects. For a description of these non-GAAP financial measures and a reconciliation to the most directly comparable GAAP financial measures, please see the section titled, "GAAP to Non-GAAP Reconciliations."

Infinera has included forward-looking non-GAAP information in this press release, including an estimate of certain non-GAAP financial measures for the third quarter of 2018 that exclude non-cash stock-based compensation expenses, and amortization of acquired intangible assets and related tax effects. Please see the section titled, "GAAP to Non-GAAP Reconciliations of Financial Outlook" below on specific adjustments. Infinera has also included an estimate of non-GAAP profitability for the fourth quarter of 2018 that excludes non-cash stock-based compensation expenses, and amortization of acquired intangible assets and related tax effects. Infinera is unable to provide a reconciliation of this non-GAAP financial measure to its corresponding GAAP measure on a forward-looking basis without unreasonable effort due to the overall high variability and low visibility of most of the foregoing items that have been excluded.

Infinera believes these adjustments are appropriate to enhance an overall understanding of its underlying financial performance and also its 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 its 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 loss, basic and diluted net loss per share, gross margin or operating margin 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.

A copy of this press release can be found on the Investor Relations page of Infinera's website at www.infinera.com.

Infinera Corporation
Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Revenue:				
Product	$ 175,288	$ 143,360	$ 346,917	$ 290,413
Services	32,939	33,461	63,991	61,930
Total revenue	208,227	176,821	410,908	352,343
Cost of revenue:				
Cost of product	110,857	100,302	218,522	199,634
Cost of services	13,039	11,687	25,870	23,821
Restructuring and related	26	—	43	—
Total cost of revenue	123,922	111,989	244,435	223,455
Gross profit	84,305	64,832	166,473	128,888
Operating expenses:				
Research and development	56,158	57,377	114,839	112,460
Sales and marketing	29,721	29,397	60,213	58,838
General and administrative	18,365	18,563	36,201	35,922
Restructuring and related	1,680	—	1,517	—
Total operating expenses	105,924	105,337	212,770	207,220
Loss from operations	(21,619)	(40,505)	(46,297)	(78,332)
Other income (expense), net:				
Interest income	629	862	1,526	1,613
Interest expense	(2,501)	(3,456)	(6,184)	(6,859)
Other gain (loss), net:	1,429	(252)	1,935	(382)
Total other income (expense), net	(443)	(2,846)	(2,723)	(5,628)
Loss before income taxes	(22,062)	(43,351)	(49,020)	(83,960)
Benefit from income taxes	(124)	(512)	(802)	(670)
Net loss	(21,938)	(42,839)	(48,218)	(83,290)
Net loss per common share - basic and diluted:	$ (0.14)	$ (0.29)	$ (0.32)	$ (0.57)
Weighted average shares used in computing net loss per common share - basic and diluted:	152,259	147,538	151,296	146,662

Infinera Corporation
GAAP to Non-GAAP Reconciliations
(In thousands, except percentages and per share data)
(Unaudited)

	Three Months Ended						Six Months Ended			
	June 30, 2018		March 31, 2018		July 1, 2017		June 30, 2018		July 1, 2017	
Reconciliation of Gross Profit:										
U.S. GAAP as reported	$ 84,305	40.5 %	$ 82,168	40.5 %	$ 64,832	36.7 %	$ 166,473	40.5 %	$ 128,888	36.6 %
Stock-based compensation (1)	2,039		994		2,071		3,033		3,902	
Amortization of acquired intangible assets (2)	4,943		5,341		5,035		10,284		9,915	
Acquisition-related costs (3)	—		—		6		—		46	
Restructuring and related (4)	26		17		—		43		—	
Non-GAAP as adjusted	$ 91,313	43.9 %	$ 88,520	43.7 %	$ 71,944	40.7 %	$ 179,833	43.8 %	$ 142,751	40.5 %
Reconciliation of Operating Expenses:										
U.S. GAAP as reported	$ 105,924		$ 106,846		$ 105,337		$ 212,770		$ 207,220	
Stock-based compensation (1)	10,005		9,989		10,309		19,994		19,355	
Amortization of acquired intangible assets (2)	1,487		1,607		1,515		3,094		2,983	
Acquisition-related costs (3)	—		—		16		—		322	
Restructuring and related (4)	1,680		(163)		—		1,517		—	
Intangible asset impairment (5)	—		—		—		—		252	
Non-GAAP as adjusted	$ 92,752		$ 95,413		$ 93,497		$ 188,165		$ 184,308	
Reconciliation of Loss from Operations:										
U.S. GAAP as reported	$ (21,619)	(10.4)%	$ (24,678)	(12.2)%	$ (40,505)	(22.9)%	$ (46,297)	(11.3)%	$ (78,332)	(22.2)%
Stock-based compensation (1)	12,044		10,983		12,380		23,027		23,257	
Amortization of acquired intangible assets (2)	6,430		6,948		6,550		13,378		12,898	
Acquisition-related costs (3)	—		—		22		—		368	
Restructuring and related (4)	1,706		(146)		—		1,560		—	
Intangible asset impairment (5)	—		—		—		—		252	
Non-GAAP as adjusted	$ (1,439)	(0.7)%	$ (6,893)	(3.4)%	$ (21,553)	(12.2)%	$ (8,332)	(2.0)%	$ (41,557)	(11.8)%
Reconciliation of Net Loss:										
U.S. GAAP as reported	$ (21,938)		$ (26,280)		$ (42,839)		$ (48,218)		$ (83,290)	
Stock-based compensation (1)	12,044		10,983		12,380		23,027		23,257	
Amortization of acquired intangible assets (2)	6,430		6,948		6,550		13,378		12,898	
Acquisition-related costs (3)	—		—		(4)		—		257	
Restructuring and related (4)	1,706		(146)		—		1,560		—	
Intangible asset impairment (5)	—		—		—		—		252	
Amortization of debt discount (6)	1,892		2,779		2,577		4,671		5,091	
Income tax effects (7)	(1,415)		(1,529)		(1,450)		(2,944)		(2,924)	
Non-GAAP as adjusted	$ (1,281)		$ (7,245)		$ (22,786)		$ (8,526)		$ (44,459)	
Net Loss per Common Share - Basic and Diluted:										
U.S. GAAP as reported	$ (0.14)		$ (0.17)		$ (0.29)		$ (0.32)		$ (0.57)	
Non-GAAP as adjusted	$ (0.01)		$ (0.05)		$ (0.15)		$ (0.06)		$ (0.30)	
Weighted Average Shares Used in Computing Net Loss per Common Share - Basic and Diluted:	152,259		150,333		147,538		151,296		146,662	

(1) Stock-based compensation expense is calculated in accordance with the fair value recognition provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 718, *Compensation – Stock*

Compensation effective January 1, 2006. The following table summarizes the effects of stock-based compensation related to employees and non-employees (in thousands):

	Three Months Ended			Six Months Ended	
	June 30, 2018	March 31, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Cost of revenue	$ 624	$ (122)	$ 834	$ 502	$ 1,558
Research and development	4,192	4,324	4,184	8,516	7,964
Sales and marketing	3,046	2,898	3,273	5,944	5,999
General and administration	2,767	2,767	2,852	5,534	5,392
	10,629	9,867	11,143	20,496	20,913
Cost of revenue - amortization from balance sheet*	1,415	1,116	1,237	2,531	2,344
Total stock-based compensation expense	$ 12,044	$ 10,983	$ 12,380	$ 23,027	$ 23,257

* Stock-based compensation expense deferred to inventory and deferred inventory costs in prior periods and recognized in the current period.

(2) Amortization of acquisition-related intangible assets consists of amortization of developed technology, trade names, and customer relationships acquired in connection with the Transmode acquisition. U.S. GAAP accounting requires that acquired intangible assets are recorded at fair value and amortized over their useful lives. As this amortization is non-cash, Infinera has excluded it from its non-GAAP operating expenses, gross margin and net income measures. Management believes the amortization of acquired intangible assets is not indicative of ongoing operating performance and its exclusion provides a better indication of Infinera's underlying business performance.

(3) Acquisition-related costs associated with the Transmode acquisition include legal, financial, employee retention costs and other professional fees incurred in connection with the transaction, including squeeze-out proceedings. These amounts have been adjusted in arriving at Infinera's non-GAAP results because management believes that these expenses are non-recurring, not indicative of ongoing operating performance and their exclusion provides a better indication of Infinera's underlying business performance.

(4) Restructuring and related costs (credits) are related to Infinera's plan to restructure its worldwide operations, which was implemented during the fourth quarter of 2017. Management has excluded the impact of these charges in arriving at Infinera's non-GAAP results as they are non-recurring in nature and its exclusion provides a better indication of Infinera's underlying business performance.

(5) Intangible asset impairment is associated with previously acquired intangibles, which Infinera has determined that the carrying value will not be recoverable. Management has excluded the impact of this charge in arriving at Infinera's non-GAAP results because it is non-recurring, and management believes that these expenses are not indicative of ongoing operating performance.

(6) Under GAAP, certain convertible debt instruments that may be settled in cash on conversion are required to be separately accounted for as liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's non-convertible debt borrowing rate. Accordingly, for GAAP purposes, Infinera is required to amortize as debt discount an amount equal to the fair value of the conversion option that was recorded in equity as interest expense on its $150 million in aggregate principal amount of 1.75% convertible debt issuance in May 2013 over the term of the notes. Interest expense has been excluded from Infinera's non-GAAP results because management believes that this non-cash expense is not indicative of ongoing operating performance and provides a better indication of Infinera's underlying business performance.

(7) The difference between the GAAP and non-GAAP tax is due to the net tax effects of the purchase accounting adjustments, acquisition-related costs and amortization of acquired intangible assets.

Infinera Corporation
Condensed Consolidated Balance Sheets
(In thousands, except par values)
(Unaudited)

	June 30, 2018	December 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 63,308	$ 116,345
Short-term investments	58,860	147,596
Accounts receivable, net of allowance for doubtful accounts of $869 in 2018 and $892 in 2017	148,026	126,152
Inventory	219,343	214,704
Prepaid expenses and other current assets	46,102	43,140
Total current assets	535,639	647,937
Property, plant and equipment, net	136,769	135,942
Intangible assets	71,795	92,188
Goodwill	179,165	195,615
Long-term investments	6,586	36,129
Other non-current assets	11,026	9,859
Total assets	$ 940,980	$ 1,117,670
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 80,345	$ 58,124
Accrued expenses	48,180	39,782
Accrued compensation and related benefits	44,352	45,751
Short-term debt	—	144,928
Accrued warranty	13,670	13,670
Deferred revenue	54,556	72,421
Total current liabilities	241,103	374,676
Accrued warranty, non-current	16,567	17,239
Deferred revenue, non-current	14,932	22,502
Deferred tax liability	16,247	21,609
Other long-term liabilities	14,719	16,279
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.001 par value		
Authorized shares - 25,000 and no shares issued and outstanding	—	—
Common stock, $0.001 par value		
Authorized shares - 500,000 as of June 30, 2018 and December 30, 2017		
Issued and outstanding shares - 152,940 as of June 30, 2018 and 149,471 as of December 30, 2017	153	149
Additional paid-in capital	1,450,136	1,417,043
Accumulated other comprehensive income (loss)	(21,984)	6,254
Accumulated deficit	(790,893)	(758,081)
Total stockholders' equity	637,412	665,365
Total liabilities and stockholders' equity	$ 940,980	$ 1,117,670

Infinera Corporation
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Six Months Ended	
	June 30, 2018	July 1, 2017
Cash Flows from Operating Activities:		
Net loss	$ (48,218)	$ (83,290)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	33,250	32,623
Non-cash restructuring and related credits	(81)	—
Amortization of debt discount and issuance costs	5,072	5,529
Impairment of intangible assets	—	252
Stock-based compensation expense	23,027	23,257
Other loss	167	320
Changes in assets and liabilities:		
Accounts receivable	(22,015)	27,629
Inventory	(8,703)	(12,700)
Prepaid expenses and other assets	(1,809)	(8,127)
Accounts payable	24,458	16,927
Accrued liabilities and other expenses	(14,617)	(12,503)
Deferred revenue	2,351	10,065
Net cash used in operating activities	(7,118)	(18)
Cash Flows from Investing Activities:		
Purchase of available-for-sale investments	(2,986)	(107,854)
Proceeds from sales of available-for-sale investments	23,114	3,998
Proceeds from maturities of investments	98,112	79,003
Purchase of property and equipment	(21,503)	(39,200)
Net cash provided by (used in) investing activities	96,737	(64,053)
Cash Flows from Financing Activities:		
Repayment of debt	(150,000)	—
Acquisition of noncontrolling interest	—	(471)
Proceeds from issuance of common stock	11,066	11,115
Minimum tax withholding paid on behalf of employees for net share settlement	(964)	(823)
Net cash provided by (used in) financing activities	(139,898)	9,821
Effect of exchange rate changes on cash and restricted cash	(2,218)	2,943
Net change in cash, cash equivalents and restricted cash	(52,497)	(51,307)
Cash, cash equivalents and restricted cash at beginning of period	121,486	177,580
Cash, cash equivalents and restricted cash at end of period (1)	$ 68,989	$ 126,273
Supplemental disclosures of cash flow information:		
Cash paid for income taxes, net of refunds	$ 2,210	$ 2,683
Cash paid for interest	$ 1,328	$ 1,316
Supplemental schedule of non-cash investing activities:		
Transfer of inventory to fixed assets	$ 1,684	$ 2,087

(1) Reconciliation of cash, cash equivalents and restricted cash to the condensed consolidated balance sheets:

	June 30, 2018	July 1, 2017
	(In thousands)	
Cash and cash equivalents	$ 63,308	$ 119,820
Short-term restricted cash	308	1,423
Long-term restricted cash	5,373	5,030
Total cash, cash equivalents and restricted cash	$ 68,989	$ 126,273

Infinera Corporation
Supplemental Financial Information
(Unaudited)

	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18
GAAP Revenue ($ Mil)	$185.5	$181.0	$175.5	$176.8	$192.6	$195.8	$202.7	$208.2
GAAP Gross Margin %	45.6%	38.1%	36.5%	36.7%	35.2%	24.1%	40.5%	40.5%
Non-GAAP Gross Margin % (1)	49.2%	41.8%	40.3%	40.7%	39.1%	37.5%	43.7%	43.9%
Revenue Composition:								
Domestic %	56%	53%	57%	63%	59%	53%	64%	58%
International %	44%	47%	43%	37%	41%	47%	36%	42%
Customers >10% of Revenue	2	2	1	3	2	1	2	2
Cash Related Information:								
Cash from Operations ($ Mil)	$5.2	($5.0)	$3.0	($3.0)	($20.9)	($1.0)	($14.1)	$7.0
Capital Expenditures ($ Mil)	$9.6	$10.4	$14.7	$24.5	$11.0	$7.8	$8.0	$13.5
Depreciation & Amortization ($ Mil)	$15.9	$15.7	$16.0	$16.6	$16.8	$16.6	$17.0	$16.3
DSOs	75	81	64	64	65	59	73	65
Inventory Metrics:								
Raw Materials ($ Mil)	$37.2	$33.2	$34.8	$36.7	$35.8	$27.4	$30.3	$30.5
Work in Process ($ Mil)	$65.5	$74.5	$81.1	$91.6	$84.3	$59.6	$66.5	$61.6
Finished Goods ($ Mil)	$128.8	$125.3	$118.0	$117.7	$122.7	$127.7	$119.1	$127.2
Total Inventory ($ Mil)	$231.5	$233.0	$233.9	$246.0	$242.8	$214.7	$215.9	$219.3
Inventory Turns (2)	1.6	1.8	1.8	1.7	1.9	2.3	2.1	2.1
Worldwide Headcount	2,262	2,240	2,245	2,272	2,296	2,145	2,084	2,070
Weighted Average Shares Outstanding (in thousands):								
Basic	143,850	144,770	145,786	147,538	148,777	149,412	150,333	152,259
Diluted	144,993	145,497	147,017	148,662	149,714	150,098	151,633	154,777

(1) Non-GAAP adjustments include restructuring and related costs, non-cash stock-based compensation expense, certain purchase accounting adjustments related to Infinera's acquisition of Transmode and amortization of acquired intangible assets. For a description of this non-GAAP financial measure, please see the section titled, “GAAP to Non-GAAP Reconciliations” of this press release for a reconciliation to the most directly comparable GAAP financial measures.

(2) Infinera calculates non-GAAP inventory turns as annualized non-GAAP cost of revenue before adjustments for restructuring and related costs, non-cash stock-based compensation expense, and certain purchase accounting adjustments, divided by the average inventory for the quarter.

Infinera Corporation
GAAP to Non-GAAP Reconciliation of Financial Outlook
(In millions, except percentages and per share data)
(Unaudited)

The following amounts represent the midpoint of the expected range:

	Q3'18 Outlook
Reconciliation of Gross Margin:	
U.S. GAAP	35 %
Stock-based compensation	1 %
Amortization of acquired intangible assets	2 %
Non-GAAP	38 %
Reconciliation of Operating Expenses:	
U.S. GAAP	$ 97
Stock-based compensation	(9)
Amortization of acquired intangible assets	(2)
Non-GAAP	$ 86
Reconciliation of Operating Margin:	
U.S. GAAP	(12)%
Stock-based compensation	5 %
Amortization of acquired intangible assets	4 %
Non-GAAP	(3)%
Reconciliation of Net Loss per Common Share:	
U.S. GAAP	$ (0.16)
Stock-based compensation	0.07
Amortization of acquired intangible assets	0.05
Income tax effects	(0.01)
Non-GAAP	$ (0.05)

Exhibit 99.2

CFO Commentary - Second Quarter 2018 Financial Results

The following metrics and commentary are provided by management and should be reviewed in conjunction with our second quarter 2018 financial results press release, available on the Investor Relations section of our website at http://investors.infinera.com.

Second Quarter 2018 Financial Results

GAAP

(In millions, except per share amounts and percentages)	Q2'18	Q1'18	Q2'17	Q/Q Change	Y/Y Change
Revenue	$ 208.2	$ 202.7	$ 176.8	3%	18%
Product	175.3	171.6	143.3	2 %	22 %
Service	32.9	31.1	33.5	6 %	(2)%
Gross margin %	40.5 %	40.5 %	36.7 %	0pts	3.8pts
Research and development	56.1	58.7	57.4	(4)%	(2)%
Sales and marketing	29.7	30.5	29.4	(3)%	1 %
General and administrative	18.4	17.8	18.5	3 %	(1)%
Restructuring and related	1.7	(0.2)	—	NMF	NMF
Total operating expenses	$ 105.9	$ 106.8	$ 105.3	(1%)	1%
Operating margin %	(10.4)%	(12.2)%	(22.9)%	1.8pts	12.5pts
Net loss	$ (21.9)	$ (26.3)	$ (42.8)	17 %	49 %
EPS	$ (0.14)	$ (0.17)	$ (0.29)	$ 0.03	$ 0.15

Non-GAAP

(In millions, except per share amounts and percentages)	Q2'18	Q1'18	Q2'17	Q/Q Change	Y/Y Change
Revenue	$ 208.2	$ 202.7	$ 176.8	3%	18%
Product	175.3	171.6	143.3	2 %	22 %
Service	32.9	31.1	33.5	6 %	(2)%
Gross margin %	43.9 %	43.7 %	40.7 %	0.2pts	3.2pts
Research and development	52.0	54.3	53.3	(4)%	(2)%
Sales and marketing	25.2	26.0	24.5	(3)%	3 %
General and administrative	15.6	15.1	15.7	3 %	(1)%
Total operating expenses	$ 92.8	$ 95.4	$ 93.5	(3%)	(1)%
Operating margin %	(0.7)%	(3.4)%	(12.2)%	2.7pts	11.5pts
Net loss	$ (1.3)	$ (7.2)	$ (22.8)	82 %	94 %
EPS	$ (0.01)	$ (0.05)	$ (0.15)	$ 0.04	$ 0.14

This CFO Commentary contains non-GAAP financial measures. The reconciliation of the GAAP to non-GAAP financial measures can be found at the end of this document.

Q2’18 Overview

In the second quarter of 2018, we delivered our fifth consecutive quarter of sequential revenue improvement as our next-generation products continued to be well received by customers. Revenue was slightly above the midpoint of our guidance, gross margin was at the high-end of guidance and EPS exceeded our guidance range. In the second quarter, we continued to demonstrate leverage in our operating model, growing revenue by 18% while reducing non-GAAP operating expenses by 1%, year-over-year.

In the first half of 2018 relative to the first half of 2017, we had strong leverage as well, growing revenue faster than expenses:

- Revenue grew 17%
- GAAP gross profit grew 29%; non-GAAP gross profit grew 26%
- GAAP operating expenses grew 3%; non-GAAP operating expenses grew 2%

Revenue:

In the second quarter of 2018, we continued to see strong customer adoption and revenue growth of our ICE4 and XTM II products. We continued to ramp the AOFX-1200 and shipped our first XT-3600s to customers, completing our full product refresh. We had another strong quarter in our cable vertical and saw relative strength from our Tier-1 vertical, which grew sequentially in all regions in the second quarter. Revenue of $208.2 million in the second quarter of 2018 was slightly above the midpoint of our guidance range of $203 million to $213 million. In the second quarter of 2018, ICE4 products continued to grow as a percentage of our overall mix, comprising more than 30% of product revenue. ICE4 growth was driven by purchases of our AOFX-1200, our upgraded 1.2 tb/s linecards for DTN-X, by existing cable and Tier-1 customers looking to add capacity to their network.

In the second quarter, services revenue of $32.9 million was up 6% sequentially driven by higher installation revenue and growth in maintenance services attributable to our ongoing expansion of our installed base of networks .

Our top five customers consisted of a cable operator, a domestic Tier-1, an international Tier-1, an ICP and a Tier-2 carrier. Our two greater than 10% of revenue customers in the second quarter of 2018 were a cable operator and a domestic Tier-1.

Geographies

North America (58% of total revenue):

- North America revenue performance in the second quarter was solid coming off a very strong first quarter. Revenue was up 8% year-over-year and down 6% sequentially, with spending from a key cable customer remaining robust. In addition, revenue from our Tier-1, Tier-2 and wholesale verticals (collectively, referred to in this document as “Service Providers”), grew sequentially, including spend from our largest Tier-1 customer growing sequentially but still lower relative to historical levels, as a result of its on-going integration.

International (42% of total revenue):

- **EMEA (30% of total revenue):** Our second quarter revenue results in EMEA were strong, with year-over-year growth of 30% and sequential growth of 5% driven by increased demand for our new ICE4 and XTM II products. During the quarter, we saw strength across all of our major end markets. Within ICPs, one of our largest customers continues to invest in data center expansion in the region, driving revenue in the quarter. We also saw strong spending from certain Tier-2 customers on long-haul and metro deployments.
- **APAC (10% of total revenue):** We enjoyed an exceptional quarter in APAC, with year-over-year growth of 47% and sequential growth of 119%. We continue to expect APAC will be a major growth region over the next few quarters, with encouraging signals that our new products will enable new multi-year opportunities, particularly in subsea and long-haul. Growth in Q2 was led by our largest customer in the region, a Tier-1 that not only utilizes our Instant Bandwidth technology extensively throughout its network but has also started investing substantially in ICE4 products . Excluding this customer, our broader Service Provider vertical also grew and ICPs were higher due to a large customer building out network in the region.
- **Other Americas (LATAM) (2% of total revenue):** Our LATAM business remained relatively weak in the second quarter as spending from one of our key customers in the region continued to be hindered by challenging political conditions.

Customer Verticals

- **Cable** spending remained robust in the second quarter, led by a customer that accounted for 23% of overall revenue and continued its investment in ICE4 solutions with deployments of our AOFX-1200 after significant XT-3300 deployments during the first quarter. We also enjoyed solid results from a handful of other customers, including recognizing our first XTM II revenues at our largest European metro customer in the second quarter.

- **Service Providers** were strong in the second quarter of 2018, driven by investments in our ICE4 and XTM II products. AOFX-1200 is already seeing strong adoption from Service Providers and there is strong interest in the recently released XT-3600.
- **ICP** results remained steady in the second quarter of 2018, slightly down sequentially. Our ICE4-based CX2 and XT-3300 products continue to be key drivers in this vertical as ICPs have been amongst the first adopters of our ICE4 products. We are seeing particular success internationally, as U.S.-based ICPs build out their data center infrastructures overseas.

Gross Margin (GAAP 40.5%; Non-GAAP 43.9%)

- Our gross margin on a GAAP basis in the second quarter of 2018 was flat on a sequential basis due to a continued strong mix skewed towards new products and Instant Bandwidth licenses. In addition, there were certain footprint-heavy deals that carry lower margins initially that slipped from the second quarter to the third quarter of 2018, which drove margins upward.
- Our gross margin on a non-GAAP basis in the second quarter of 2018 was stronger than expected, with our result coming in at the high - end of our guidance range of 40% to 44% , consistent with the GAAP gross margin discussion above.

Operating Expenses (GAAP $105.9 million; Non-GAAP $92.8 million)

- Our GAAP operating expenses in the second quarter of 2018 declined on a sequential basis as we continued to realize benefits from our modified cost structure stemming from the restructuring plan announced in the fourth quarter of 2017. This decline was somewhat offset by one-time restructuring expenses incurred in the quarter.
- Our non-GAAP operating expenses in the second quarter of 2018 came in largely as expected relative to our guidance range of $91 million to $95 million. In the quarter, we continued to make investments to bring our new products to market and in next-generation technologies. We also continued to execute on the restructuring plan that was announced in the fourth quarter of 2017, as evidenced by the 1% year-over-year decline in our non-GAAP operating expenses compared to revenue that was up 18% year-over-year.

Operating Margin (GAAP (10.4)%; Non-GAAP (0.7)%)

- Our operating margin for the second quarter of 2018 on a GAAP basis improved sequentially due to higher revenue and lower operating expenses .
- Our operating margin for the second quarter of 2018 on a non-GAAP basis was significantly better than our guidance of (3)% largely as a result of our strong gross margin result.

Earnings per Share (GAAP $(0.14); Non-GAAP $(0.01))

- EPS for the second quarter of 2018 on a GAAP basis improved significantly, largely due to higher revenue, lower operating expenses and lower interest expense stemming from the maturity of our $150 million convertible debt on June 1, 2018.
- EPS for the second quarter of 2018 on a non-GAAP basis was better than our midpoint guidance of ($0.05) primarily due to better than anticipated gross margin.

Balance Sheet and Cash Flow

(In millions)	Q2'18		Q1'18		Q2'17	
Cash, investments & restricted cash, net of debt principal of $150 million	$	129.3	$	138.3	$	183.3
Accounts receivable	$	148.0	$	161.5	$	123.9
Inventory	$	219.3	$	215.9	$	246.0
Cash provided by (used in) operations	$	7.0	$	(14.1)	$	(3.0)
Capital expenditures	$	13.5	$	8.0	$	24.5

- **Cash, investments and restricted cash, net of debt principal of $150 million,** declined $9.0 million in the second quarter of 2018 on a sequential basis. This decrease was driven by capital expenditures, stemming from required investments to support future technologies, partially offset by $7.0 of cash from operations. We also paid off our $150 million convertible debt in the quarter, which matured on June 1, 2018.
- **Net accounts receivable** in the second quarter of 2018 was down $13.5 million from the prior quarter primarily driven by strong collection efforts and our revenue in the prior quarter being back-end loaded.
- **Net inventory** grew $3.4 million in the second quarter of 2018 on a sequential basis as we continue to balance building our inventory of new products to meet anticipated customer demand with rationalizing our inventory levels of previous generation products.
- **Cash provided by operations** in the second quarter of 2018 was $7.0 million, as we narrowed our net loss, and benefitted from lower accounts receivable due to strong collections efforts and higher accounts payable due to the timing of payments.
- **Capital Expenditures** were $13.5 million, higher than typical due to investments to support future technologies.

Forward-Looking Statements

This CFO Commentary contains a forward-looking statement based on current expectations, forecasts and assumptions that involve risks and uncertainties. Such forward-looking statement includes, without limitation, our expectations that APAC will be a major growth region over the next few quarters. This statement is based on information available to us as of the date hereof and actual results could differ materially from those stated or implied due to risks and uncertainties. For a list of risks and uncertainties that could cause our results to differ materially from those expressed or implied by such forward-looking statement please refer to our second quarter of 2018 earnings release of the same date. More information on potential factors that may impact our business are set forth in its Quarterly Report on Form 10-Q for the quarter ended on March 30, 2018 as filed with the SEC on May 10, 2018, as well as subsequent reports filed with or furnished to the SEC from time to time. These reports are available on our website at www.infinera.com and the SEC's website at www.sec.gov. We assume no obligation to, and do not currently intend to, update any such forward-looking statements.

Use of Non-GAAP Financial Information

This CFO Commentary contains references to the following non-GAAP financial measures: gross margin, operating expenses, operating margin, net loss and EPS. To supplement our financial results presented on a GAAP basis, we use the non-GAAP measures indicated above, which exclude restructuring and related costs (credits), non-cash stock-based compensation expenses, amortization of debt discount on our convertible senior notes, amortization and impairment of acquired intangible assets, acquisition-related costs, and certain purchase accounting adjustments related to our acquisition of Transmode AB, which closed during the third quarter of 2015, along with related tax effects. 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 its 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 loss, basic and diluted net loss per share, gross margin or operating margin 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. For a description of these non-GAAP financial measures and a reconciliation to the most directly comparable GAAP financial measures, please see the section titled, “GAAP to Non-GAAP Reconciliations.”

Infinera Corporation
GAAP to Non-GAAP Reconciliations
(In thousands, except percentages and per share data)
(Unaudited)

	Three Months Ended						Six Months Ended			
	June 30, 2018		March 31, 2018		July 1, 2017		June 30, 2018		July 1, 2017	
Reconciliation of Gross Profit:										
U.S. GAAP as reported	$ 84,305	40.5 %	$ 82,168	40.5 %	$ 64,832	36.7 %	$ 166,473	40.5 %	$ 128,888	36.6 %
Stock-based compensation (1)	2,039		994		2,071		3,033		3,902	
Amortization of acquired intangible assets (2)	4,943		5,341		5,035		10,284		9,915	
Acquisition-related costs (3)	—		—		6		—		46	
Restructuring and related (4)	26		17		—		43		—	
Non-GAAP as adjusted	$ 91,313	43.9 %	$ 88,520	43.7 %	$ 71,944	40.7 %	$ 179,833	43.8 %	$ 142,751	40.5 %
Reconciliation of Operating Expenses:										
U.S. GAAP as reported	$ 105,924		$ 106,846		$ 105,337		$ 212,770		$ 207,220	
Stock-based compensation (1)	10,005		9,989		10,309		19,994		19,355	
Amortization of acquired intangible assets (2)	1,487		1,607		1,515		3,094		2,983	
Acquisition-related costs (3)	—		—		16		—		322	
Restructuring and related (4)	1,680		(163)		—		1,517		—	
Intangible asset impairment (5)	—		—		—		—		252	
Non-GAAP as adjusted	$ 92,752		$ 95,413		$ 93,497		$ 188,165		$ 184,308	
Reconciliation of Loss from Operations:										
U.S. GAAP as reported	$ (21,619)	(10.4)%	$ (24,678)	(12.2)%	$ (40,505)	(22.9)%	$ (46,297)	(11.3)%	$ (78,332)	(22.2)%
Stock-based compensation (1)	12,044		10,983		12,380		23,027		23,257	
Amortization of acquired intangible assets (2)	6,430		6,948		6,550		13,378		12,898	
Acquisition-related costs (3)	—		—		22		—		368	
Restructuring and related (4)	1,706		(146)		—		1,560		—	
Intangible asset impairment (5)	—		—		—		—		252	
Non-GAAP as adjusted	$ (1,439)	(0.7)%	$ (6,893)	(3.4)%	$ (21,553)	(12.2)%	$ (8,332)	(2.0)%	$ (41,557)	(11.8)%
Reconciliation of Net Loss:										
U.S. GAAP as reported	$ (21,938)		$ (26,280)		$ (42,839)		$ (48,218)		$ (83,290)	
Stock-based compensation (1)	12,044		10,983		12,380		23,027		23,257	
Amortization of acquired intangible assets (2)	6,430		6,948		6,550		13,378		12,898	
Acquisition-related costs (3)	—		—		(4)		—		257	
Restructuring and related (4)	1,706		(146)		—		1,560		—	
Intangible asset impairment (5)	—		—		—		—		252	
Amortization of debt discount (6)	1,892		2,779		2,577		4,671		5,091	
Income tax effects (7)	(1,415)		(1,529)		(1,450)		(2,944)		(2,924)	
Non-GAAP as adjusted	$ (1,281)		$ (7,245)		$ (22,786)		$ (8,526)		$ (44,459)	
Net Loss per Common Share - Basic and Diluted:										
U.S. GAAP as reported	$ (0.14)		$ (0.17)		$ (0.29)		$ (0.32)		$ (0.57)	
Non-GAAP as adjusted	$ (0.01)		$ (0.05)		$ (0.15)		$ (0.06)		$ (0.30)	
Weighted Average Shares Used in Computing Net Loss per Common Share - Basic and Diluted:	152,259		150,333		147,538		151,296		146,662	

(1) Stock-based compensation expense is calculated in accordance with the fair value recognition provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 718, *Compensation – Stock*

Compensation effective January 1, 2006. The following table summarizes the effects of stock-based compensation related to employees and non-employees (in thousands):

	Three Months Ended			Six Months Ended	
	June 30, 2018	March 31, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Cost of revenue	$ 624	$ (122)	$ 834	$ 502	$ 1,558
Research and development	4,192	4,324	4,184	8,516	7,964
Sales and marketing	3,046	2,898	3,273	5,944	5,999
General and administration	2,767	2,767	2,852	5,534	5,392
	10,629	9,867	11,143	20,496	20,913
Cost of revenue - amortization from balance sheet*	1,415	1,116	1,237	2,531	2,344
Total stock-based compensation expense	$ 12,044	$ 10,983	$ 12,380	$ 23,027	$ 23,257

* Stock-based compensation expense deferred to inventory and deferred inventory costs in prior periods and recognized in the current period.

(2) Amortization of acquisition-related intangible assets consists of amortization of developed technology, trade names, and customer relationships acquired in connection with the Transmode acquisition. U.S. GAAP accounting requires that acquired intangible assets are recorded at fair value and amortized over their useful lives. As this amortization is non-cash, Infinera has excluded it from its non-GAAP operating expenses, gross margin and net income measures. Management believes the amortization of acquired intangible assets is not indicative of ongoing operating performance and its exclusion provides a better indication of Infinera's underlying business performance.

(3) Acquisition-related costs associated with the Transmode acquisition include legal, financial, employee retention costs and other professional fees incurred in connection with the transaction, including squeeze-out proceedings. These amounts have been adjusted in arriving at Infinera's non-GAAP results because management believes that these expenses are non-recurring, not indicative of ongoing operating performance and their exclusion provides a better indication of Infinera's underlying business performance.

(4) Restructuring and related costs (credits) are related to Infinera's plan to restructure its worldwide operations, which was implemented during the fourth quarter of 2017. Management has excluded the impact of these charges in arriving at Infinera's non-GAAP results as they are non-recurring in nature and its exclusion provides a better indication of Infinera's underlying business performance.

(5) Intangible asset impairment is associated with previously acquired intangibles, which Infinera has determined that the carrying value will not be recoverable. Management has excluded the impact of this charge in arriving at Infinera's non-GAAP results because it is non-recurring, and management believes that these expenses are not indicative of ongoing operating performance.

(6) Under GAAP, certain convertible debt instruments that may be settled in cash on conversion are required to be separately accounted for as liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's non-convertible debt borrowing rate. Accordingly, for GAAP purposes, Infinera is required to amortize as debt discount an amount equal to the fair value of the conversion option that was recorded in equity as interest expense on its $150 million in aggregate principal amount of 1.75% convertible debt issuance in May 2013 over the term of the notes. Interest expense has been excluded from Infinera's non-GAAP results because management believes that this non-cash expense is not indicative of ongoing operating performance and provides a better indication of Infinera's underlying business performance.

(7) The difference between the GAAP and non-GAAP tax is due to the net tax effects of the purchase accounting adjustments, acquisition-related costs and amortization of acquired intangible assets.