



# Ciena Corporation

## Investor presentation

For the Quarter ended January 31, 2018

March 6, 2018

# Forward-looking statements and non-GAAP measures

Information in this presentation and related comments of presenters contain a number of forward-looking statements. These statements are based on current expectations, forecasts, assumptions and other information available to the Company as of the date hereof. Forward-looking statements include Ciena's long-term financial targets, prospective financial results, return of capital plans, business strategies, expectations about its addressable markets and market share, and business outlook for future periods, as well as statements regarding Ciena's expectations, beliefs, intentions or strategies regarding the future. Often, these can be identified by forward-looking words such as "target" "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "should," "will," and "would" or similar words.

Ciena's actual results, performance or events may differ materially from these forward-looking statements made or implied due to a number of risks and uncertainties relating to Ciena's business, including: the effect of broader economic and market conditions on our customers and their business; changes in network spending or network strategy by large communication service providers; seasonality and the timing and size of customer orders, including our ability to recognize revenue relating to such sales; the level of competitive pressure we encounter; the product, customer and geographic mix of sales within the period; supply chain disruptions and the level of success relating to efforts to optimize Ciena's operations; changes in foreign currency exchange rates affecting revenue and operating expense; the impact of the Tax Cuts and Jobs Act, changes in estimates of prospective income tax rates and any adjustments to Ciena's provisional estimates whether related to further guidance, analysis or otherwise; and the other risk factors disclosed in Ciena's Quarterly Report on Form 10-Q to be filed with the Securities and Exchange Commission (SEC) on March 7, 2018 and Ciena's Annual Report on Form 10-K filed with the SEC on December 22, 2017.

All information, statements, and projections in this presentation and the related earnings call speak only as of the date of this presentation and related earnings call. Ciena assumes no obligation to update any forward-looking or other information included in this presentation or related earnings calls, whether as a result of new information, future events or otherwise.

In addition, this presentation includes historical, and may include prospective, non-GAAP measures of Ciena's gross margin, operating expense, operating profit, EBITDA, net income, and net income per share. These measures are not intended to be a substitute for financial information presented in accordance with GAAP. A reconciliation of non-GAAP measures used in this presentation to Ciena's GAAP results for the relevant period can be found in the Appendix to this presentation. Additional information can also be found in our press release filed this morning and in our reports on Form 10-Q filed with the Securities and Exchange Commission.

With respect to Ciena's expectations under "Business Outlook for Q2 FY2018", Ciena is not able to provide a quantitative reconciliation of the adjusted (non-GAAP) gross margin and adjusted (non-GAAP) operating expense guidance measures to the corresponding gross profit and gross profit percentage, and operating expense GAAP measures without unreasonable efforts. Ciena cannot provide meaningful estimates of the non-recurring charges and credits excluded from these non-GAAP measures due to the forward-looking nature of these estimates and their inherent variability and uncertainty. For the same reasons, Ciena is unable to address the probable significance of the unavailable information.

# Q1 Fiscal 2018 key achievements

1

## Diversification and growth through market share gains

- Non-telco represented 35% of total revenue
- Direct webscale revenue was 15% of total revenue; \$65 million for Waveserver
- Submarine business was up 10% year over year
- APAC contributed 17% of total revenue, and grew 25% year over year

2

## Forcing the pace of innovation with next generation solutions

- 400G-capable WaveLogic Ai: 17 total customers
- Waveserver: 80 customers\*
- Blue Planet Domain Controller and Orchestration: revenue up nearly 3x year over year

3

## Delivering shareholder value and strengthening our balance sheet

- Share repurchase: Repurchased approximately 874,000 shares of common stock, for an aggregate of \$19.5 million\*
- Cash generation
  - Cash flow from operations: \$36 million
  - Free cash flow: \$10 million
- Stock Return for the quarter of 2% versus peer<sup>1</sup> average return of -2%

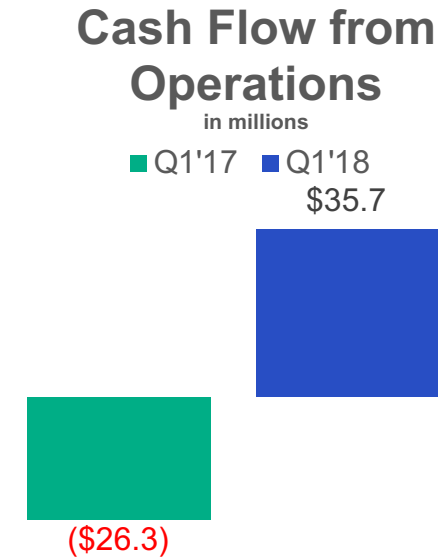
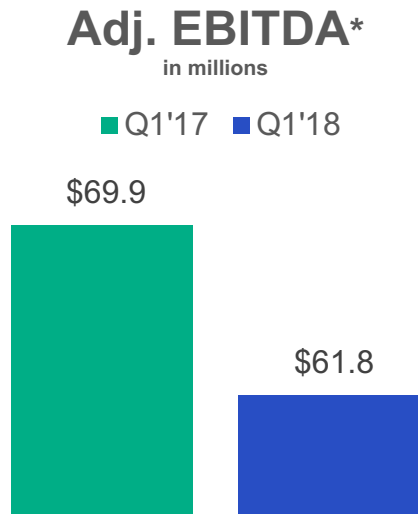
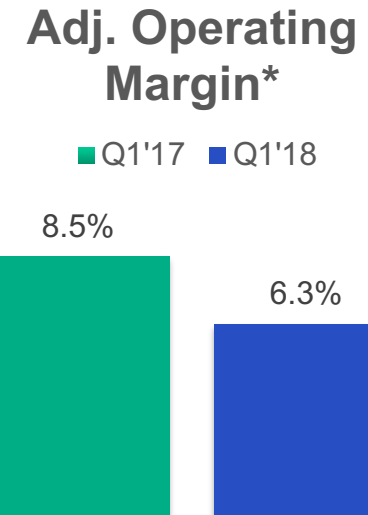
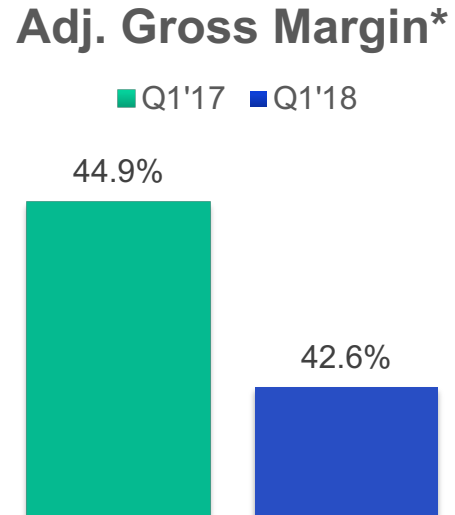
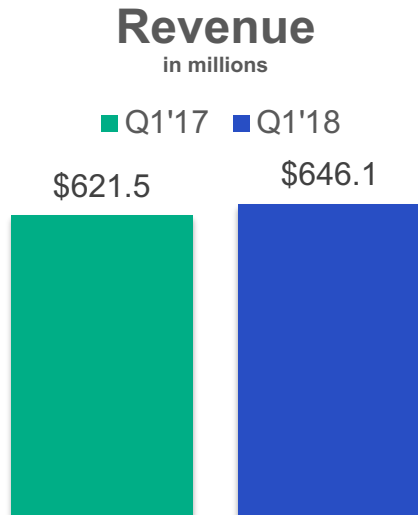
# Q1 Fiscal 2018 Financial Highlights

## Key Takeaways

- 1 Revenue of \$646.1 million
- 2 Adjusted Gross Margin of 42.6%\*
- 3 Adjusted Operating Expense of \$234.4 million\*
- 4 Adjusted Operating Margin of 6.3%\*
- 5 Adjusted EBITDA of \$61.8 million\*
- 6 Cash flow from Operations of \$35.7 million

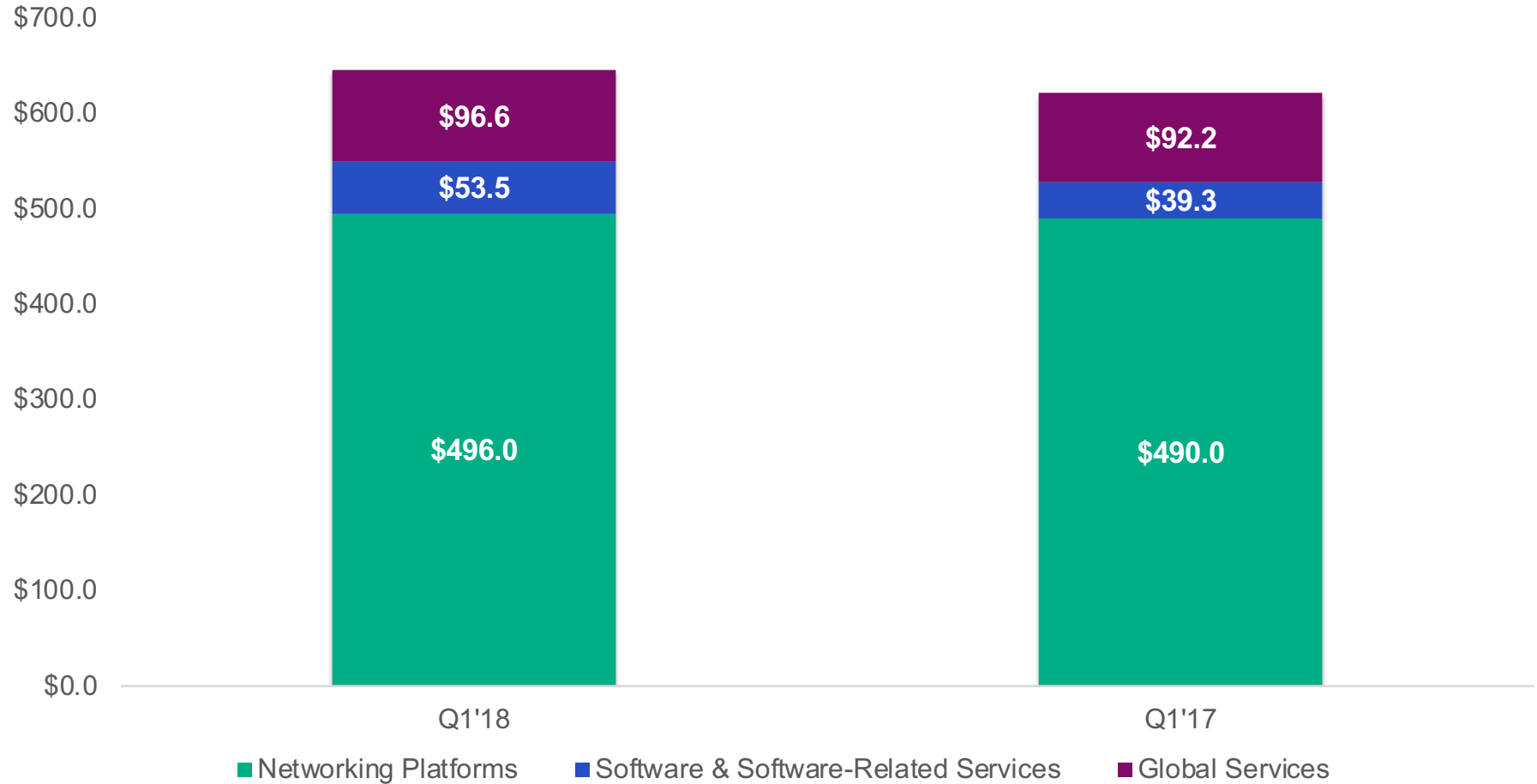
*\* A reconciliation of these non-GAAP measures to our GAAP results is included in the appendix to this presentation.*

# Q1 Fiscal 2018 Comparisons (Year-over-Year)



# Q1 Fiscal 2018 Comparisons (Revenue by Segment)

(in millions)



# Q1 Fiscal 2018 Revenue by Segment

(Amounts in millions)

	Q1 FY 2018		Q1 FY 2017	
	Revenue	%*	Revenue	%*
<b>Networking Platforms</b>				
Converged Packet Optical	\$427.4	66.1	\$417.8	67.2
Packet Networking	68.6	10.6	72.2	11.6
Total Networking Platforms	496.0	76.7	490.0	78.8
<b>Software and Software-Related Services</b>				
Software Platforms	29.6	4.6	17.0	2.7
Software-Related Services	23.9	3.7	22.3	3.6
Total Software and Software-Related Services	53.5	8.3	39.3	6.3
<b>Global Services</b>				
Maintenance Support and Training	56.0	8.7	55.0	8.9
Installation and Deployment	30.0	4.7	27.9	4.5
Consulting and Network Design	10.6	1.6	9.3	1.5
Total Global Services	96.6	15.0	92.2	14.9
<b>Total</b>	<b>\$646.1</b>	<b>100.0%</b>	<b>\$621.5</b>	<b>100.0%</b>

\* Denotes % of total revenue

# U.S. and International Revenue

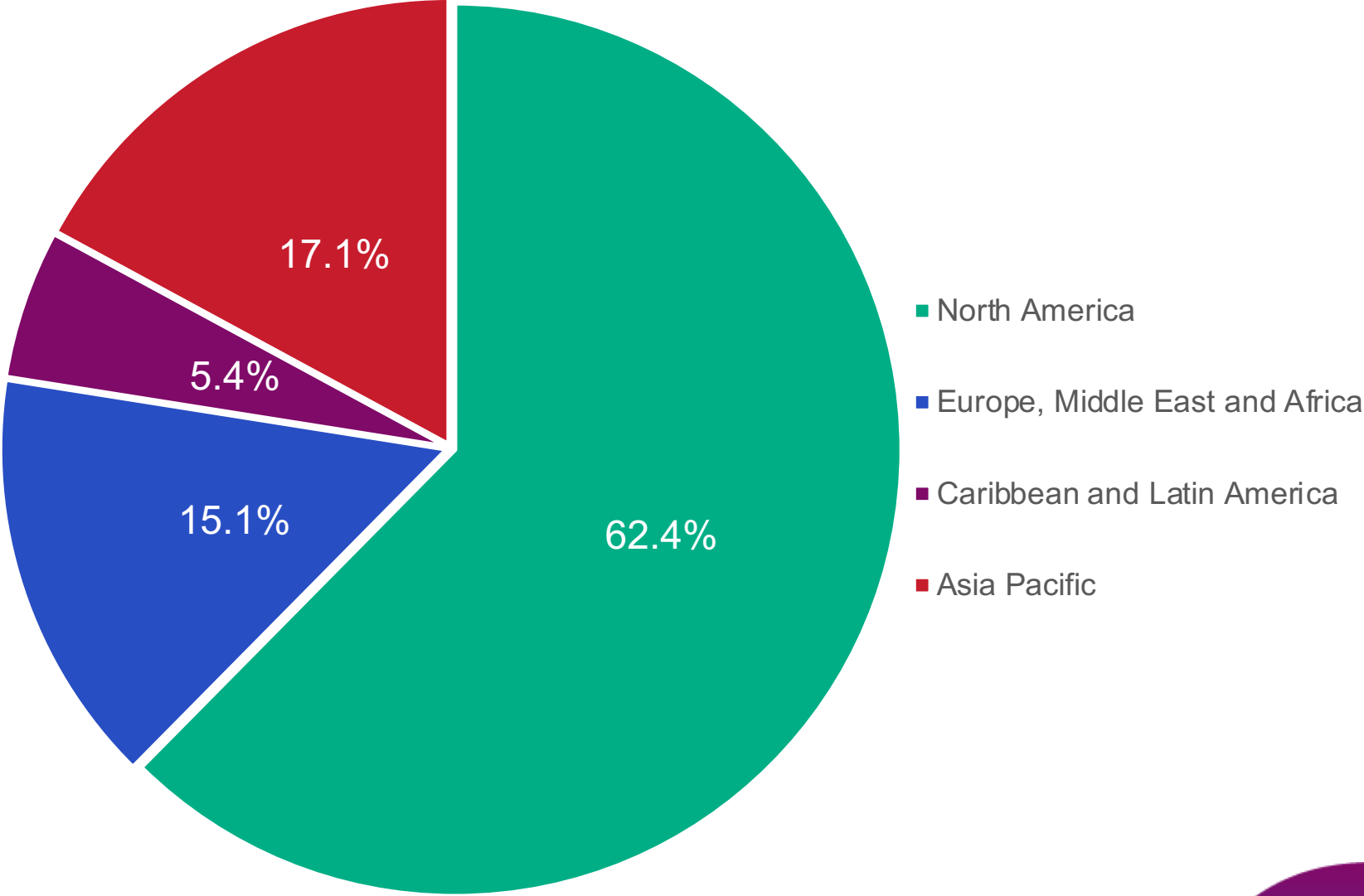
(Amounts in millions)

Revenue					
	Q1 FY 2018	Q4 FY 2017	Q3 FY 2017	Q2 FY 2017	Q1 FY 2017
United States	\$383.4	\$418.2	\$438.1	\$392.0	\$379.7
International	\$262.7	\$326.2	\$290.6	\$315.0	\$241.8
<b>Total</b>	<b>\$646.1</b>	<b>\$744.4</b>	<b>\$728.7</b>	<b>\$707.0</b>	<b>\$621.5</b>

% of Total Revenue					
	Q1 FY 2018	Q4 FY 2017	Q3 FY 2017	Q2 FY 2017	Q1 FY 2017
United States	59.3%	56.2%	60.1%	55.4%	61.1%
International	40.7%	43.8%	39.9%	44.6%	38.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>



# Q1 Fiscal 2018 Revenue by Geographic Region



# Revenue by Geographic Region

(Amounts in millions)

## Revenue

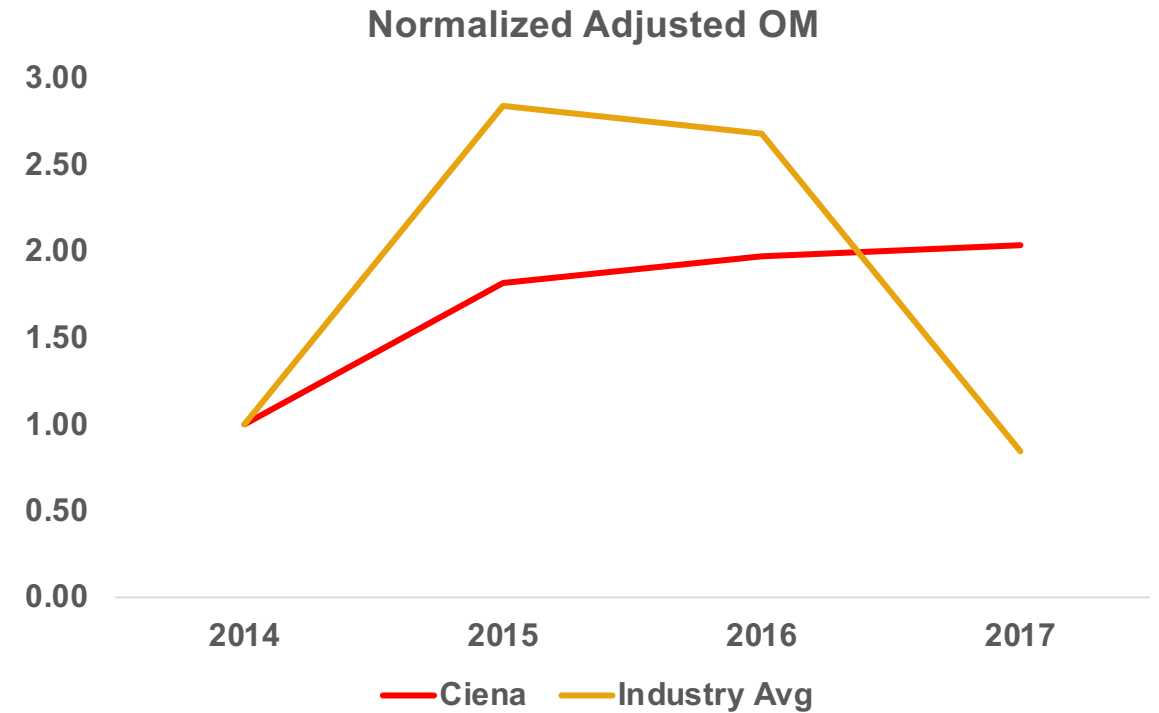
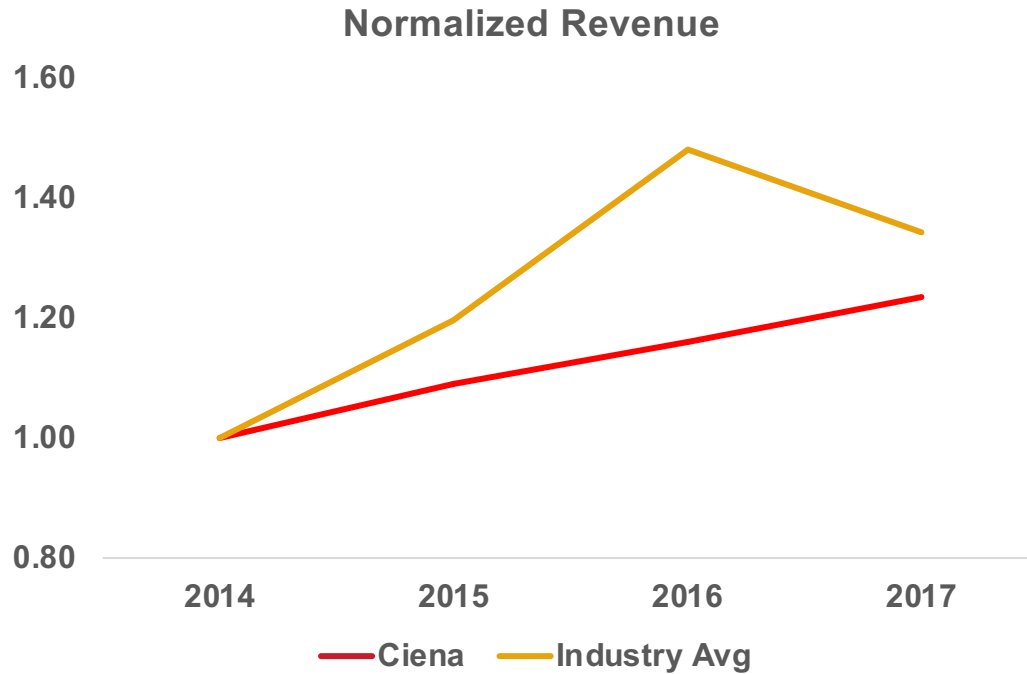
	Q1 FY 2018	Q4 FY 2017	Q3 FY 2017	Q2 FY 2017	Q1 FY 2017
North America	\$402.9	\$440.5	\$465.2	\$424.4	\$405.9
Europe, Middle East and Africa	97.8	110.7	96.1	105.8	91.5
Caribbean and Latin America	34.6	43.5	51.7	33.9	35.2
Asia Pacific	110.8	149.7	115.7	142.9	88.9
<b>Total</b>	<b>\$646.1</b>	<b>\$744.4</b>	<b>\$728.7</b>	<b>\$707.0</b>	<b>\$621.5</b>

## Revenue

	Q1 FY 2018	Q4 FY 2017	Q3 FY 2017	Q2 FY 2017	Q1 FY 2017
North America	62.4%	59.2%	63.8%	60.0%	65.3%
Europe, Middle East and Africa	15.1%	14.9%	13.2%	15.0%	14.7%
Caribbean and Latin America	5.4%	5.8%	7.1%	4.8%	5.7%
Asia Pacific	17.1%	20.1%	15.9%	20.2%	14.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

# Ciena has delivered consistent financial performance

Ciena's performance garners trust and confidence from its customers



\*Industry Average: ACIA, ADTN, ADVA, CSCO, INFN, JNPR and NOKIA IP Networks segment  
2017 = Represents Ciena fiscal 2017 actuals and midpoint of Q1'18 guidance, and peer fiscal 2017 actuals

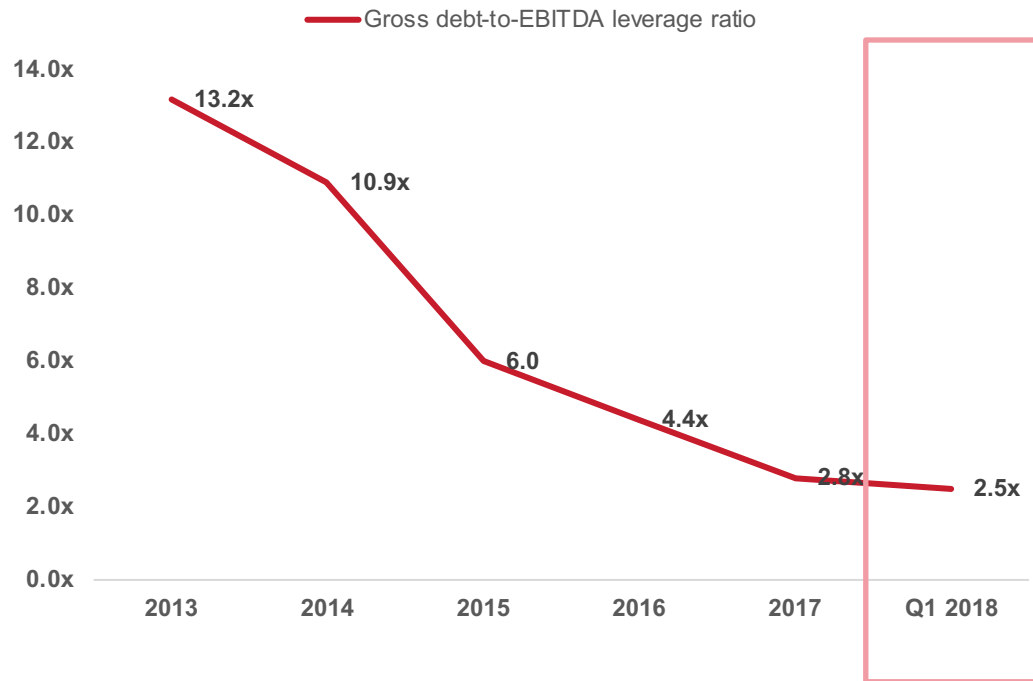
# Q1 Fiscal 2018 Balance Sheet and Operating Metrics

Cash and Investments	\$986.8 million
Cash Flow From Operations	\$35.7 million
DSO	77 Days
Inventory Turns	4.9

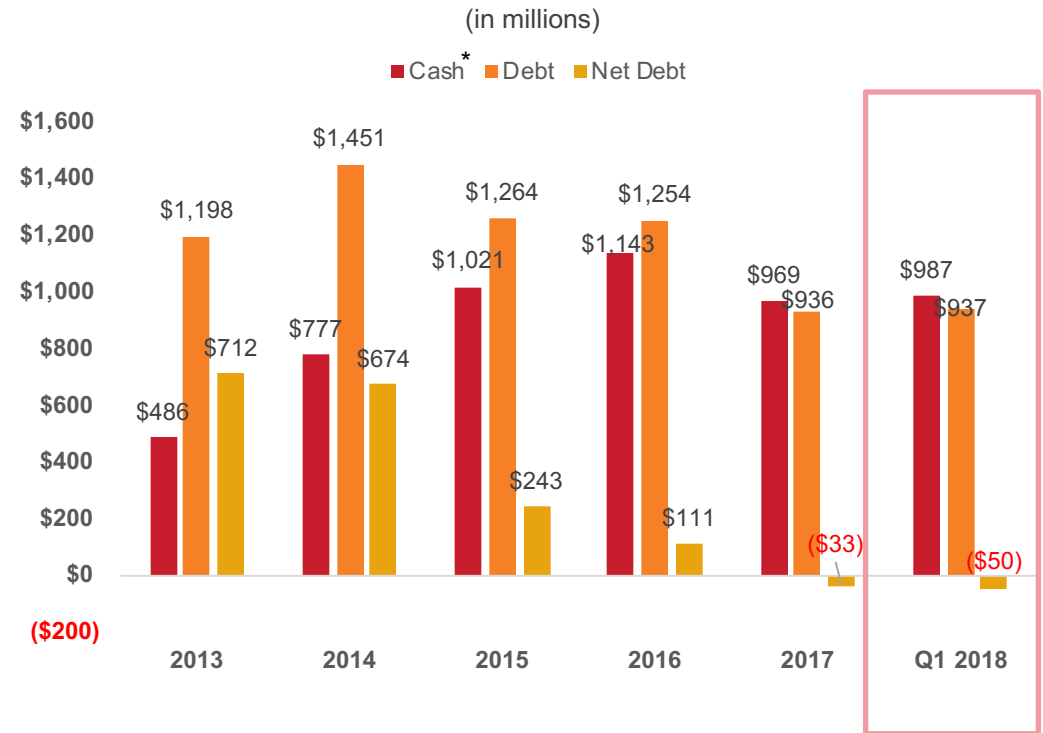
# Strengthening balance sheet

Ciena has improved its leverage and reduced its debt position

## Leverage Trend



## Net Debt Position



\*Cash & cash equivalents

# Business Outlook for Q2 FY 2018<sup>1</sup>

Q2'18	
<b>Revenue</b>	\$710M to \$740M
<b>Adjusted Gross Margin</b>	Low-mid 40s percentage range
<b>Adjusted Operating Expense</b>	Approximately \$240M

<sup>1</sup> Projections or outlook with respect to future operating results are only as of March 6, 2018, the date presented on the related earnings call. Actual results may differ materially from these forward looking statements. Ciena assumes no obligation to update this information, whether as a result of new information, future events or otherwise.

# Impact of the Tax Cuts and Jobs Act

- **GAAP net loss primarily due to significant non-cash charges related to enactment of the Tax Cuts and Jobs Act. The first fiscal quarter 2018 provision for income taxes includes the following significant non-cash charges:**
  - \$431.3 million charge related to the remeasurement of U.S. net deferred tax assets at the lower statutory rate under the Tax Cuts and Jobs Act; and
  - \$45.6 million charge related to a transition tax on accumulated historical foreign earnings and its deemed repatriation to the U.S.
- **Ciena continues to evaluate the impact of the Tax Cuts and Jobs Act. At this time, Ciena does not expect to pay substantial cash taxes for U.S. federal income tax for the foreseeable future primarily due to its deferred tax asset balance (\$739.4 million as of January 31, 2018).**
- **Over the near term, Ciena's cash taxes will continue to be primarily related to the state taxes and tax expense of Ciena's foreign subsidiaries, which amounts have not historically been significant.**
- **Estimated FY18 tax rate is expected to be 29.0% for GAAP and 25.8% for Adjusted non-GAAP.**





# Convertible Debt Overview



# Convertible Notes and Diluted Earnings Per Share (EPS) Analysis (GAAP)

Outstanding Convertible Notes	Par Value (in thousands)	Underlying Shares (in thousands)	Conversion Price	Additional Shares In Diluted EPS Calculation (in thousands)	Quarterly Interest Expense Net of Tax (in thousands)	Diluted EPS Methodology <sup>(2)</sup>	Memo: Ciena's quarterly net income must be equal to or greater than the below amounts for the Underlying Shares to be included in Diluted EPS Calculation (in thousands)
3.75% Senior Convertible Notes due October 15, 2018 (Issued 8/2/2017) <sup>(1)</sup>	\$ 288,730	14,318	\$ 20.17	691 <sup>(3)</sup>	N/A	Treasury Stock Method	N/A
3.75% Senior Convertible Notes due October 15, 2018 (Issued 10/18/2010) <sup>(1)</sup>	\$ 61,270	3,038	\$ 20.17	3,038	\$ 466	If-Converted Method	\$ 22,318
4.0% Convertible Senior Notes due December 15, 2020	\$ 187,500	9,198	\$ 20.39	9,198	\$ 2,588	If-Converted Method	\$ 41,345
<b>Total</b>	<b>\$ 537,500</b>	<b>26,554</b>		<b>12,927</b>	<b>\$ 3,054</b>		

(1) On August 2, 2017, a portion of our 3.75% Senior Convertible Notes due October 15, 2018 (Issued 10/18/2010) (the "Original 2018 Notes") were exchanged by the holders thereof for 3.75% Senior Convertible Notes due October 15, 2018 (Issued 8/2/2017) (the "New 2018 Notes"). The New 2018 Notes give Ciena the option, at its election, to settle conversions of such notes for cash, shares of its common stock, or a combination of cash and shares. Except with respect to the additional cash settlement options upon conversion, the New 2018 Notes have substantially the same terms as the Original 2018 Notes.

(2) **Description of Diluted EPS Methodologies:**

**Treasury Stock Method** - Convertible debt instruments that may be settled entirely or partly in cash (such as the New 2018 Notes) may, in certain circumstances where the borrower has the ability and intent to settle in cash, be accounted for utilizing the Treasury Stock Method. Under this method, the underlying shares issuable upon conversion of the notes (the "Underlying Shares") are excluded from the calculation of diluted EPS, except to the extent that the Conversion Value (as defined on the following slide) of the notes exceeds their par value. No adjustment is made to the EPS numerator for interest expense recorded. It is Ciena's current intent, as of the date of this presentation, that upon conversion of the New 2018 Notes, the principal amount of these notes will be settled in cash, and therefore Ciena intends to use the Treasury Stock Method with respect to these notes in its diluted EPS calculation. See the following slide for an illustration of this method at varying stock prices and the "Additional EPS Shares" that would be included in calculating diluted EPS.

**If-Converted Method** - Convertible debt instruments that must be settled in shares (such as the Original 2018 Notes and the 4.0% Convertible Senior Notes due December 15, 2020) are accounted for under the If-Converted Method. Under this method, diluted EPS is computed assuming the conversion of the notes at the beginning of the reporting period. Ciena adds back to the EPS numerator the recorded interest expense, net of tax, applicable to the notes for the relevant reporting period, and adds the Underlying Shares to the denominator to compute EPS under this method; provided that such adjustments do not increase diluted EPS. If such adjustments increase diluted EPS, then diluted EPS is computed with the interest expense as recorded and without any Additional EPS Shares for the Underlying Shares of such notes.

(3) Computed for illustrative purposes using the Treasury Stock Method based on Ciena's \$21.19 average price per share during its fiscal first quarter. See the following slide for an illustration of the a calculation of Additional EPS Shares at varying stock prices.

**NOTE:** Net income, earnings per share and stock price assumptions in these materials are for illustrative purposes only and for the sole purpose of further explaining how diluted EPS is calculated in regard to Ciena's convertible notes. Such metrics do not reflect Ciena's business outlook. Ciena makes no assumptions as to whether or when it could achieve the relevant metrics provided in this presentation.

# Illustrative Treasury Stock Method for New 2018 Notes

The following table (in thousands, except Stock Price Per Share) illustrates the treatment of Ciena's New 2018 Notes in calculating diluted EPS in the future based on various hypothetical stock prices and using the Treasury Stock Method. The range of stock prices listed in the table are for illustrative purposes only. Additional EPS Shares would be issuable at Ciena stock prices above \$35 per share with the calculation of such Additional EPS Shares to be determined using the same formula below. The actual number of shares of common stock, if any, issuable by Ciena upon conversion of any notes, will be governed by the terms of the indenture applicable to such notes.

Average Stock Price Per Share A	Underlying Shares B	Conversion Value C = (A * B)	Par Value D	Conversion Value in Excess of Par Value E = (C - D)	Additional Shares in Diluted EPS Calculation (Additional EPS Shares) E÷A
Below \$20.17	14,318	N/A	N/A	N/A	-
21	14,318	\$ 300,678	288,730	\$ 11,948	569
22	14,318	314,996	288,730	26,266	1,194
23	14,318	329,314	288,730	40,584	1,765
24	14,318	343,632	288,730	54,902	2,288
25	14,318	357,950	288,730	69,220	2,769
26	14,318	372,268	288,730	83,538	3,213
27	14,318	386,586	288,730	97,856	3,624
28	14,318	400,904	288,730	112,174	4,006
29	14,318	415,222	288,730	126,492	4,362
30	14,318	429,540	288,730	140,810	4,694
31	14,318	443,858	288,730	155,128	5,004
32	14,318	458,176	288,730	169,446	5,295
33	14,318	472,494	288,730	183,764	5,569
34	14,318	486,812	288,730	198,082	5,826
\$ 35	14,318	\$ 501,130	288,730	\$ 212,400	6,069

# Q1 Fiscal 2018 Appendix



# Gross Profit Reconciliation

(Amounts in thousands)

	Q1 FY 2018	Q4 FY 2017	Q3 FY 2017	Q2 FY 2017	Q1 FY 2017
GAAP gross profit	\$271,765	\$325,685	\$328,076	\$318,240	\$273,785
Share-based compensation-products	672	694	709	708	561
Share-based compensation-services	625	561	619	679	628
Amortization of intangible assets	2,289	2,332	2,417	3,623	4,313
Total adjustments related to gross profit	3,586	3,587	3,745	5,010	5,502
<b>Adjusted (non-GAAP) gross profit</b>	<b>\$275,351</b>	<b>\$329,272</b>	<b>\$331,821</b>	<b>\$323,250</b>	<b>\$279,287</b>
<b>Adjusted (non-GAAP) gross margin</b>	<b>42.6%</b>	<b>44.2%</b>	<b>45.5%</b>	<b>45.7%</b>	<b>44.9%</b>

## Operating Expense Reconciliation (Amounts in thousands)

	Q1 FY 2018	Q4 FY 2017	Q3 FY 2017	Q2 FY 2017	Q1 FY 2017
GAAP operating expense	\$255,029	\$269,886	\$246,077	\$260,420	\$254,681
Share-based compensation-research and development	3,255	2,956	3,139	3,653	3,209
Share-based compensation-sales and marketing	3,328	3,218	3,242	3,513	2,873
Share-based compensation-general and administrative	4,474	4,130	4,321	3,417	5,453
Amortization of intangible assets	3,623	3,661	3,837	10,980	14,551
Significant asset impairments and restructuring costs	5,961	15,059	2,203	4,276	2,395
Total adjustments related to operating expense	\$20,641	\$29,024	\$16,742	\$25,839	\$28,481
<b>Adjusted (non-GAAP) operating expense</b>	<b>\$234,388</b>	<b>\$240,862</b>	<b>\$229,335</b>	<b>\$234,581</b>	<b>\$226,200</b>

## Income from Operations Reconciliation (Amounts in thousands)

	Q1 FY 2018	Q4 FY 2017	Q3 FY 2017	Q2 FY 2017	Q1 FY 2017
GAAP income from operations	\$16,736	\$55,799	\$81,999	\$57,820	\$19,104
Total adjustments related to gross profit	3,586	3,587	3,745	5,010	5,502
Total adjustments related to operating expense	20,641	29,024	16,742	25,839	28,481
Total adjustments related to income from operations	24,227	32,611	20,487	30,849	33,983
<b>Adjusted (non-GAAP) income from operations</b>	<b>\$40,963</b>	<b>\$88,410</b>	<b>\$102,486</b>	<b>\$88,669</b>	<b>\$53,087</b>
<b>Adjusted (non-GAAP) operating margin</b>	<b>6.3%</b>	<b>11.9%</b>	<b>14.1%</b>	<b>12.5%</b>	<b>8.5%</b>

## Net Income Reconciliation

(Amounts in thousands)

	Q1 FY 2018	Q4 FY 2017	Q3 FY 2017	Q2 FY 2017	Q1 FY 2017
GAAP net income (loss)	(\$473,363)	\$1,160,056	\$60,010	\$38,026	\$3,861
Exclude GAAP provision (benefit) for income taxes	477,940	(1,117,531)	7,726	3,568	410
Income before income taxes	4,577	42,525	67,736	41,594	4,271
Total adjustments related to income from operations	24,227	32,611	20,487	30,849	33,983
Loss on extinguishment of debt	-	-	-	-	41
Non-cash interest expense	749	525	535	526	513
Modification of debt	-	692	-	2,924	-
Adjusted income before income taxes	29,553	76,353	88,758	75,893	38,808
Non-GAAP tax provision on adjusted income before income taxes	7,645	27,869	32,397	27,701	14,165
<b>Adjusted (non-GAAP) net income</b>	<b>\$21,908</b>	<b>\$48,484</b>	<b>\$56,361</b>	<b>\$48,192</b>	<b>\$24,643</b>
Weighted average basic common shares outstanding	143,922	143,097	142,464	141,743	140,682
Weighted average dilutive potential common shares outstanding <sup>1</sup>	145,558	158,791	172,112	174,471	165,104

## Net Income per Common Share

	Q1 FY 2018	Q4 FY 2017	Q3 FY 2017	Q2 FY 2017	Q1 FY 2017
GAAP diluted net income (loss) per common share	\$ (3.29)	\$ 7.32	\$ 0.39	\$ 0.25	\$ 0.03
<b>Adjusted (Non-GAAP) diluted net income per common share<sup>2</sup></b>	<b>\$ 0.15</b>	<b>\$ 0.32</b>	<b>\$ 0.35</b>	<b>\$ 0.30</b>	<b>\$ 0.17</b>

# Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)

*(Amounts in thousands)*

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)	Q1 FY 2018	Q4 FY 2017	Q3 FY 2017	Q2 FY 2017	Q1 FY 2017
Net income (loss) (GAAP)	(\$473,363)	\$1,160,056	\$60,010	\$38,026	\$3,861
Add: Interest expense	13,734	13,926	13,415	13,308	15,203
Less: Interest and other income (loss), net	1,575	652	(848)	(2,918)	370
Add: Provision for income taxes	477,940	(1,117,531)	7,726	3,568	410
Add: Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements	20,833	21,316	20,325	18,849	16,699
Add: Amortization of intangible assets	5,912	5,993	6,254	14,602	18,864
<b>EBITDA</b>	<b>\$43,481</b>	<b>\$83,108</b>	<b>\$108,578</b>	<b>\$91,271</b>	<b>\$54,667</b>
Add: Shared-based compensation cost	12,393	11,517	12,014	12,004	12,825
Add: Significant asset impairments and restructuring costs	5,961	15,059	2,203	4,276	2,395
<b>Adjusted EBITDA</b>	<b>\$61,835</b>	<b>\$109,684</b>	<b>\$122,795</b>	<b>\$107,551</b>	<b>\$69,887</b>



# Reconciliation Endnotes

1. Weighted average dilutive potential common shares outstanding used in calculating Adjusted (non-GAAP) diluted net income per common share for the first quarter of fiscal 2018 includes 0.9 million shares underlying certain stock options and restricted stock units and 0.7 million shares underlying Ciena's "New" 3.75% convertible senior notes, due October 15, 2018.

Weighted average dilutive potential common shares outstanding used in Adjusted (non-GAAP) diluted net income per common share for the fourth quarter of fiscal 2017 includes 1.2 million shares underlying certain stock options and restricted stock units, 1.6 million shares underlying Ciena's "New" 3.75% convertible senior notes, due October 15, 2018, 3.7 million shares underlying Ciena's "Original" 3.75% convertible senior notes, due October 15, 2018, and 9.2 million shares underlying Ciena's 4.0% convertible senior notes, due December 15, 2020.

Weighted average dilutive potential common shares outstanding used in calculating Adjusted (non-GAAP) diluted net income per common share for the third quarter of fiscal 2017 includes 1.4 million shares underlying certain stock options and restricted stock units, 1.7 million shares underlying Ciena's 0.875% convertible senior notes, which were paid at maturity during the third quarter of fiscal 2017, 17.4 million shares underlying Ciena's "Original" 3.75% convertible senior notes, due October 15, 2018 and 9.2 million shares underlying Ciena's 4.0% convertible senior notes, due December 15, 2020.

Weighted average dilutive potential common shares outstanding used in calculating Adjusted (non-GAAP) diluted net income per common share for the second quarter of fiscal 2017 includes 1.3 million shares underlying certain stock options and restricted stock units, 4.9 million shares underlying Ciena's 0.875% convertible senior notes, which were paid at maturity during the third quarter of fiscal 2017, 17.4 million shares underlying Ciena's "Original" 3.75% convertible senior notes, due October 15, 2018 and 9.2 million shares underlying Ciena's 4.0% convertible senior notes, due December 15, 2020.

Weighted average dilutive potential common shares outstanding used in calculating Adjusted (non-GAAP) diluted net income per common share for the first quarter of fiscal 2017 includes 1.5 million shares underlying certain stock options and restricted stock units, 5.6 million shares underlying Ciena's 0.875% convertible senior notes, which were paid at maturity during the third quarter of fiscal 2017 and 17.4 million shares underlying Ciena's "Original" 3.75% convertible senior notes, due October 15, 2018.

2. The calculation of Adjusted (non-GAAP) diluted net income per common share for the fourth quarter of fiscal 2017 requires adding back interest expense of approximately \$0.4 million associated with Ciena's "Original" 3.75% convertible senior notes, due October 15, 2018 and approximately \$1.9 million associated with Ciena's 4.0% convertible senior notes, due December 15, 2020 to the Adjusted (non-GAAP) net income in order to derive the numerator for the Adjusted earnings per common share calculation.

The calculation of Adjusted (non-GAAP) diluted net income per common share for the third quarter of fiscal 2017 requires adding back interest expense of approximately \$0.2 million associated with Ciena's 0.875% convertible senior notes, which were paid at maturity during the third quarter of fiscal 2017, approximately \$2.2 million associated with Ciena's "Original" 3.75% convertible senior notes, due October 15, 2018 and approximately \$1.8 million associated with Ciena's 4.0% convertible senior notes, due December 15, 2020 to the Adjusted (non-GAAP) net income in order to derive the numerator for the Adjusted earnings per common share calculation.

The calculation of Adjusted (non-GAAP) diluted net income per common share for the second quarter of fiscal 2017 requires adding back interest expense of approximately \$0.3 million associated with Ciena's 0.875% convertible senior notes, which were paid at maturity during the third quarter of fiscal 2017, approximately \$2.3 million associated with Ciena's "Original" 3.75% convertible senior notes, due October 15, 2018 and approximately \$1.8 million associated with Ciena's 4.0% convertible senior notes, due December 15, 2020 to the Adjusted (non-GAAP) net income in order to derive the numerator for the Adjusted earnings per common share calculation.

The calculation of Adjusted (non-GAAP) diluted net income per common share for the first quarter of fiscal 2017 requires adding back interest expense of approximately \$0.4 million associated with Ciena's 0.875% convertible senior notes, which were paid at maturity during the third quarter of fiscal 2017 and approximately \$2.3 million associated with Ciena's "Original" 3.75% convertible senior notes, due October 15, 2018 to the Adjusted (non-GAAP) net income in order to derive the numerator for the Adjusted earnings per common share calculation.



Thank You

