

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 31, 2006  
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Ciena Corporation  
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(Exact Name of Registrant as Specified in Its Charter)

Delaware  
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(State or Other Jurisdiction of Incorporation)

0-21969

23-2725311  
-----

(Commission File Number)

(IRS Employer Identification No.)

1201 Winterson Road, Linthicum, MD  
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21090

(Address of Principal Executive Offices)

(Zip Code)

(410) 865-8500  
-----

(Registrant's Telephone Number, Including Area Code)

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(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 (see General Instruction A.2. below):

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 communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

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

ITEM 2.02 - RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On August 31, 2006, Ciena Corporation issued a press release announcing its financial results for its third fiscal quarter ended July 31, 2006. The text of the press release is furnished as Exhibit 99.1 to this Report. The information in this Report shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, and shall not be incorporated by reference into any registration statement pursuant to the Securities Act of 1933, as amended.

ITEM 9.01 - FINANCIAL STATEMENTS AND EXHIBITS

(c) The following exhibit is being filed herewith:

Exhibit Number  
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Description of Document  
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Exhibit 99.1

Text of Press Release dated August 31, 2006, issued by Ciena Corporation, reporting its

results of operations for its third fiscal  
quarter ended July 31, 2006.

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 thereunto duly authorized.

Ciena Corporation

Date: August 31, 2006

By: /S/ Russell B. Stevenson, Jr.

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Russell B. Stevenson, Jr.  
Senior Vice President, General Counsel  
and Secretary

Ciena Reports Fiscal Third Quarter 2006 Results;  
Delivers 16% sequential revenue growth in tenth straight quarter of growth

LINTHICUM, Md.--(BUSINESS WIRE)--Aug. 31, 2006--Ciena(R) Corporation (NASDAQ:CIEN), the network specialist, today announced results for its fiscal third quarter 2006 ended July 31, 2006. Revenue for the third quarter totaled \$152.5 million, representing a 16.3% sequential increase from fiscal second quarter revenue of \$131.2 million, and an increase of 38.0% over the same period a year ago when the Company reported sales of \$110.5 million. For the nine months ended July 31, 2006, Ciena reported revenue of \$404.1 million, representing an increase of 30.7% over revenue of \$309.1 million for the same nine-month year-ago period.

"Strong sequential revenue growth in our fiscal third quarter, combined with significant progress toward a normalized operating model, attests to continued success in the execution of our strategy," said Ciena CEO and President Gary Smith. "Our ability to deliver ten straight quarters of revenue growth is evidence that our network specialist position is resonating with customers, as service providers and enterprises alike look to evolve network infrastructures to make ready for a new wave of Ethernet and IP-based services and end-user applications."

Separately today, Ciena announced that its Board of Directors has approved a one-for-seven reverse split of its common stock to be effective as of 5:00 p.m. Eastern Time on September 22, 2006. The results presented in this press release do not take into account the effect of this forthcoming reverse split.

On the basis of generally accepted accounting principles (GAAP), Ciena's net loss for the fiscal third quarter 2006 was \$4.3 million, or a net loss of \$0.01 per share. This compares with a reported GAAP net loss of \$51.0 million, or a net loss of \$0.09 per share, for the same period a year ago. For the nine-month period ended July 31, 2006, Ciena's reported GAAP net loss was \$12.5 million, or a net loss of \$0.02 per share. This compares to a GAAP net loss of \$182.8 million, or a net loss of \$0.32 per share, for the same nine-month year-ago period.

Ciena's GAAP results for its fiscal third quarter 2006 include \$2.9 million of share-based compensation expense related to equity-based awards in accordance with Statement of Financial Accounting Standards (SFAS) No. 123R, adopted by Ciena on November 1, 2005. Fiscal year 2005's GAAP results do not include the impact of SFAS 123R.

#### Non-GAAP Presentation of Quarterly Results

In evaluating the operating performance of its business, Ciena's management excludes certain charges and credits that are required by GAAP. These items, which are identified in the table that follows (in thousands except per share data), share one or more of the following characteristics: they are unusual and Ciena does not expect them to recur in the ordinary course of its business; they do not involve the expenditure of cash; they are unrelated to the ongoing operation of the business in the ordinary course; or their magnitude and timing is largely outside of the Company's control.

	Quarter Ended July 31, 2005	Quarter Ended July 31, 2006
	-----	-----
Stock compensation product	\$ -	\$ 361
Stock compensation services	-	211
Stock compensation research and development	2,195	1,061
Stock compensation sales and marketing	934	715
Stock compensation general and administrative	153	594
Contingent legal and consulting fees upon litigation settlement	-	5,705
Amortization of intangible assets	9,653	6,295
Restructuring costs	4,355	11,008
Long-lived asset impairment	(25)	-
Provision for (recovery of) doubtful accounts, net	2,604	(139)
Loss (gain) on equity investments, net	1,708	(948)

Loss (gain) on extinguishment of debt	(3,882)	-
Income tax adjustment	11,722	(6,994)
	-----	-----
Total adjustments	\$ 29,417	\$ 17,869
	=====	=====
GAAP net loss	\$ (51,027)	\$ (4,285)
Adjustment for items above	29,417	17,869
	-----	-----
Adjusted (non-GAAP) net (loss) income	\$ (21,610)	\$ 13,584
	=====	=====
Weighted average basic common shares outstanding	576,331	589,381
Weighted average basic common and dilutive potential common shares outstanding	576,331	650,666
Adjusted (non-GAAP) net (loss) income per share	\$ (0.04)	\$ 0.02

Adjusting Ciena's fiscal third quarter 2006 GAAP net loss by \$17.9 million for the items noted above would have the effect of moving the Company's quarterly results from a net loss of \$4.3 million to net income of \$13.6 million. The GAAP net loss per share, calculated using the basic share count of 589.4 million shares, is a loss of \$0.01 per share. Since the consequence of the adjustments described above result in moving from a net loss to a net profit, it is necessary to use the Company's fully diluted share count of 650.7 million shares to compute earnings per share on an as-adjusted basis. On this basis, the as-adjusted earnings per share would be \$0.02.

To aid investors' understanding of Ciena's results and the effect of SFAS 123R-related share-based compensation expenses, the following table summarizes the presentation of Ciena's financial results covered in this press release for both the Company's fiscal third quarter 2005 and fiscal third quarter 2006.

Periods prior to the Company's fiscal first quarter 2006 have not been restated to reflect, and do not include, the impact of SFAS 123R. Prior periods do include share-based compensation expense recognized in accordance with Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," as interpreted by Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 44.

(in thousands except per share data)

	Q3 2005		Q3 2006	
	Net Income (Loss)	Net Income (Loss) per Share	Net Income (Loss)	Net Income (Loss) per Share
	-----	-----	-----	-----
GAAP				
-----				
1. GAAP results as reported	\$ (51,027)	\$ (0.09)	\$ (4,285)	\$ (0.01)
	=====	=====	=====	=====
Non-GAAP				
-----				
1. GAAP results less SFAS 123R-related share-based compensation expense	N/A	N/A	\$ (1,343)	\$ (0.00)
			=====	=====
2. GAAP results less APB 25-related share-based compensation expense	\$ (47,745)	\$ (0.08)	N/A	N/A
	=====	=====		
3. As-adjusted results (excludes SFAS 123R and APB 25-related share-based compensation expense and other items as defined in previous table)	\$ (21,610)	\$ (0.04)	\$ 13,584	\$ 0.02
	=====	=====	=====	=====

### Third Quarter 2006 Performance Highlights

- Delivered sequential revenue growth of 16.3% and year-over-year revenue growth of 38.0%.
- As a result of ongoing product- and manufacturing-related cost reductions and favorable product mix in the quarter, delivered overall gross margin of 47.0%, a slight decrease from fiscal second quarter gross margin of 48.0%.
- Ended the fiscal third quarter 2006 with cash and short- and long-term investments of \$1.2 billion.

### Third Quarter 2006 Customer Highlights

- neuf cegetel selected the CN 4200(TM) FlexSelect(TM) Advanced Services Platform for deployment across its metro and regional broadband network in France to support the delivery of new broadband applications to corporate and residential customers.
- Provided CN 4200 FlexSelect Advanced Services Platform to fortify Allen's TV Cable Service, Inc.'s (ATVC) services infrastructure that was damaged by Hurricanes Katrina and Rita.
- Named an outstanding supplier to AT&T Inc., one of the world's leading data, voice, wireless and Internet services providers, as a result of Ciena's commitment to excellence over the past year.

### Third Quarter 2006 Product Highlights

- Expanded CN 4200 FlexSelect Advanced Services Platform family with the CN 4200 MC, which extends the FlexSelect Architecture to the network edge and reduces the cost to deliver a variety of service backhaul and metro transport applications.
- Introduced the new Ethernet Services Line Module (ESLM), an enhancement to Ciena's market-leading CoreDirector(R) multiservice switch, to further simplify migration to packet-based services while reducing the cost and complexity of existing SONET/SDH networks.
- Added Dynamic Wavelength Routing capabilities to the CN 4200 FlexSelect Advanced Services Platform, creating the only solution that uses a hybrid electrical and optical ROADM design to combine whole and sub-wavelength switching in one platform.
- CN 4200 FlexSelect Advanced Services Platform was awarded 4.5 out of 5 diamonds in Broadband Gear Report's 2006 Diamond Technology Reviews.

### Business Outlook

"We continue to see positive indicators in overall market demand for next-generation solutions that maximize the business case for IP service delivery," said Smith. "As a result of these market dynamics and strong traction across our product portfolio and customer landscape, we expect our fiscal fourth quarter revenue will trend upward sequentially by as much as 5% from our fiscal third quarter revenue."

Smith continued, "We remain confident in our ability to balance prudent investment with operating efficiencies, enabling us to effectively grow and scale our business while preserving our innovation and focus on the technology areas we've chosen to pursue."

### Live Web Broadcast of Fiscal Third Quarter Results

Ciena will host a discussion of its fiscal third quarter results with investors and financial analysts today, Thursday, August 31, 2006 at 8:30 a.m. (Eastern). The live broadcast of the discussion will be available via Ciena's homepage at [www.ciena.com](http://www.ciena.com). An archived version of the discussion will be available shortly following the conclusion of the live broadcast on the Investor Relations page of Ciena's website at: <http://www.ciena.com/investors/investors.htm>.

This press release contains certain forward-looking statements based on current expectations, forecasts and assumptions that involve risks and uncertainties. These statements are based on information available to the Company as of the date hereof; and Ciena's actual results could differ materially from those stated or implied, due to risks and uncertainties associated with its business, which include the risk factors disclosed in its Report on Form 10-Q filed with the Securities and Exchange Commission on June 1, 2006. Forward-looking statements include statements regarding Ciena's expectations, beliefs, intentions or strategies regarding the future and can be identified by forward-looking words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "should," "will," and "would" or similar words. Forward-looking statements in this release include: we continue to see positive indicators in overall market demand for next-generation solutions that maximize the business case for IP service delivery; as a result of these market dynamics and strong traction across our product portfolio and customer landscape, we expect our fiscal fourth quarter revenue will trend upward sequentially by as much as 5% from our fiscal third quarter revenue; and, we remain confident in our ability to balance prudent investment with operating efficiencies, enabling us to effectively grow and scale our business while preserving our innovation and focus on the technology areas we've chosen to pursue. Ciena assumes no obligation to update the information included in this press release, whether as a result of new information, future events or otherwise.

CIENA CORPORATION  
CONSOLIDATED BALANCE SHEETS  
(in thousands, except share data)

ASSETS	(unaudited)	
	October 31, 2005	July 31, 2006
Current assets:		
Cash and cash equivalents	\$ 358,012	\$ 552,234
Short-term investments	579,531	466,362
Accounts receivable, net	72,786	89,638
Inventories, net	49,333	95,821
Prepaid expenses and other	37,867	43,631
Total current assets	1,097,529	1,247,686
Long-term investments	155,944	187,074
Equipment, furniture and fixtures, net	28,090	28,227
Goodwill	232,015	232,015
Other intangible assets, net	120,324	98,536
Other long-term assets	41,327	37,001
Total assets	\$ 1,675,229	\$ 1,830,539
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 43,868	\$ 39,492
Accrued liabilities	76,491	88,205
Restructuring liabilities	15,492	9,413
Unfavorable lease commitments	9,011	8,008
Income taxes payable	5,785	5,855
Deferred revenue	27,817	22,689
Total current liabilities	178,464	173,662
Long-term deferred revenue	15,701	19,912
Long-term restructuring liabilities	54,285	28,218
Long-term unfavorable lease commitments	41,364	34,880
Other long-term obligations	1,296	1,732
Convertible notes payable	648,752	842,262
Total liabilities	939,862	1,100,666
	-----	-----
Commitments and contingencies		
Stockholders' equity:		
Preferred stock - par value \$0.01; 20,000,000 shares authorized; zero shares issued and outstanding	-	-
Common stock - par value \$0.01; 980,000,000 shares authorized; 580,340,947 and 590,932,298 shares issued and outstanding	5,803	5,909

Additional paid-in capital	5,489,613	5,491,942
Deferred stock compensation	(2,286)	-
Changes in unrealized gains on investments, net	(4,673)	(2,402)
Translation adjustment	(495)	(495)
Accumulated deficit	(4,752,595)	(4,765,081)
	-----	-----
Total stockholders' equity	735,367	729,873
	-----	-----
Total liabilities and stockholders' equity	\$ 1,675,229	\$ 1,830,539
	=====	=====

CIENA CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(in thousands, except per share data)  
(unaudited)

	Quarter Ended July 31,		Nine Months Ended July 31,	
	2005	2006	2005	2006
	-----	-----	-----	-----
Revenues:				
Products	\$ 97,448	\$ 137,809	\$ 271,366	\$ 360,958
Services	13,032	14,690	37,708	43,146
	-----	-----	-----	-----
Total revenue	110,480	152,499	309,074	404,104
	-----	-----	-----	-----
Costs:				
Products	62,756	70,356	189,447	189,712
Services	10,095	10,479	30,601	29,367
	-----	-----	-----	-----
Total cost of goods sold	72,851	80,835	220,048	219,079
	-----	-----	-----	-----
Gross profit	37,629	71,664	89,026	185,025
	-----	-----	-----	-----
Operating expenses:				
Research and development	34,814	26,190	105,084	84,508
Selling and marketing	30,209	24,903	86,697	78,132
General and administrative	9,493	16,217	26,043	37,359
Amortization of intangible assets	9,653	6,295	30,268	18,885
Restructuring costs	4,355	11,008	15,245	16,037
Long-lived asset impairments	(25)	-	134	(6)
Provision for (recovery of) doubtful accounts, net	2,604	(139)	2,604	(2,990)
Gain on lease settlement	-	-	-	(11,648)
	-----	-----	-----	-----
Total operating expenses	91,103	84,474	266,075	220,277
	-----	-----	-----	-----
Loss from operations	(53,474)	(12,810)	(177,049)	(35,252)
Interest and other income, net	7,522	14,045	22,058	34,504
Interest expense	(7,163)	(6,148)	(21,619)	(18,016)
Gain (loss) on equity investments, net	(1,708)	948	(8,986)	215
Gain on extinguishment of debt	3,882	-	3,882	7,052
	-----	-----	-----	-----
Loss before income taxes	(50,941)	(3,965)	(181,714)	(11,497)
Provision for income taxes	86	320	1,115	989
	-----	-----	-----	-----
Net loss	\$ (51,027)	\$ (4,285)	\$ (182,829)	\$ (12,486)
	=====	=====	=====	=====
Basic and diluted net loss per common share and dilutive potential common share	\$ (0.09)	\$ (0.01)	\$ (0.32)	\$ (0.02)



Weighted average basic common and dilutive potential common shares outstanding	576,331	589,381	573,939	584,977
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CIENA CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)  
(unaudited)

	Nine Months Ended July 31,	
	2005	2006
Cash flows from operating activities:		
Net loss	\$ (182,829)	\$ (12,486)
Adjustments to reconcile net loss to net cash used in operating activities:		
Early extinguishment of debt	(3,882)	(7,052)
Amortization of premium on marketable securities	12,344	2,058
Non-cash loss from equity investments	8,986	733
Non-cash impairment of long-lived assets	134	-
Depreciation and amortization of leasehold improvements	26,803	13,173
Stock compensation	8,810	10,953
Amortization of intangibles	33,169	21,788
Provision for doubtful accounts	2,604	-
Provision for inventory excess and obsolescence	3,396	6,158
Provision for warranty and other contractual obligations	7,546	10,885
Other	2,072	1,236
Changes in assets and liabilities:		
Accounts receivable	(27,348)	(16,852)
Inventories	(7,229)	(52,646)
Prepaid expenses and other	5,194	1,282
Accounts payable, accrued liabilities and other obligations	(17,789)	(42,744)
Income taxes payable	739	70
Deferred revenue	8,101	(917)
Net cash used in operating activities	(119,179)	(64,361)
Cash flows from investing activities:		
Additions to equipment, furniture, fixtures and intellectual property	(8,935)	(13,332)
Proceeds from sale of equipment, furniture and fixtures	266	-
Restricted cash	(819)	1,347
Purchases of available for sale securities	(490,041)	(403,664)
Maturities of available for sale securities	755,320	485,916
Minority equity investments, net	4,882	948
Net cash provided by investing activities	260,673	71,215
Cash flows from financing activities:		
Proceeds from issuance of 0.25% convertible senior notes payable	-	300,000
Repurchase of 3.75% convertible notes payable	(36,913)	(98,410)
Debt issuance costs	-	(7,990)
Purchase of call spread option	-	(28,457)
Proceeds from issuance of common stock	5,498	22,225
Repayment of notes receivable from stockholders	48	-
Net cash (used) provided by financing activities	(31,367)	187,368

Net increase in cash and cash equivalents	110,127	194,222
Cash and cash equivalents at beginning of period	185,868	358,012
	-----	-----
Cash and cash equivalents at end of period	\$ 295,995	\$ 552,234
	=====	=====

## Appendix A

The adjustments management makes in analyzing Ciena's fiscal third quarter 2006 GAAP results are as follows:

- Stock compensation costs - As of November 1, 2005, Ciena adopted SFAS 123R. In accordance with the modified prospective application transition method, Ciena's consolidated financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R. Prior periods do include share-based compensation expense recognized in accordance with APB 25 as interpreted by FASB Interpretation (FIN) No. 44.
- Contingent legal and consulting fees upon litigation settlement - included in general and administrative expenses during our third quarter of fiscal 2006 were \$5.7 million in contingent fees paid to outside counsel and advisors connected with the settlement of patent litigation with Nortel Networks.
- Amortization of intangible assets - a non-cash expense arising from acquisitions of intangible assets, principally developed technology, which Ciena is required to amortize over its expected useful life and which the Company feels is not reflective of its ongoing operating costs.
- Restructuring costs - non-recurring charges incurred as the result of reducing the size of the Company's operations to align its resources with the reduced size of the telecommunications market as well as the result of targeting new opportunities within the overall market, which the Company feels are not reflective of its ongoing operating costs.
- Long-lived asset impairments - non-recurring charges, incurred as a result of excess equipment classified as held for sale which the Company feels are not reflective of its ongoing operating costs.
- Provision for (recovery of) doubtful accounts - a non-recurring charge unrelated to normal operations resulting from the recovery of an amount that was previously written off.
- Gain (loss) on equity investments, net - a non-recurring loss or gain related to changes in the value of the Company's equity investments which the Company feels is not reflective of its ongoing operating costs.
- Gain on extinguishment of debt - a non-recurring gain related to the early extinguishment of outstanding debt.
- Income tax adjustment net loss - the income tax charge or benefit on the adjusted net loss or income, which is a necessary adjustment for consistency. The Company currently has a full valuation allowance for GAAP reporting purposes and accordingly does not recognize a tax benefit for losses generated.

## About Ciena

Ciena Corporation is the network specialist, focused on expanding the possibilities for its customers' networks while reducing their cost of ownership. The Company's systems, software and services target and cure specific network pain points so that telcos, cable operators, governments and enterprises can best exploit the new applications that are driving their businesses forward. For more information, visit [www.ciena.com](http://www.ciena.com).

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or

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Jessica Towns, 888-243-6223

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