
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): May 31, 2018

Ciena Corporation

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

001-36250

(Commission File Number)

23-2725311

(IRS Employer Identification No.)

7035 Ridge Road, Hanover, MD

(Address of Principal Executive Offices)

21076

(Zip Code)

(410) 694-5700

(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 (*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))
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ITEM 2.02 – RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On May 31, 2018, Ciena Corporation ("Ciena") issued a press release announcing its financial results for its second fiscal quarter ended April 30, 2018. The text of the press release is furnished as Exhibit 99.1 to this Report. As discussed in this press release, Ciena will be hosting an investor call to discuss its results of operations for its second fiscal quarter ended April 30, 2018.

In conjunction with the issuance of this press release, Ciena posted to the quarterly results page of the Investors section of www.ciena.com an accompanying investor presentation. The investor presentation is furnished as Exhibit 99.2 to this Report.

The information in Exhibits 99.1 and 99.2, as well as Item 2.02 of 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. Investors are encouraged to review the "Investors" page of our website at www.ciena.com because, as with the other disclosure channels that we use, from time to time we may post material information exclusively on that site.

ITEM 8.01 – OTHER EVENTS

On May 31, 2018, Ciena issued a press release announcing that it has entered into a definitive agreement to acquire privately-held Packet Design, LLC, a provider of network performance management software focused on Layer 3 network optimization, topology and route analytics. The transaction is expected to close during Ciena's fiscal third quarter 2018 and is subject to customary closing conditions. A copy of the press release is attached hereto as Exhibit 99.3 and incorporated by reference herein.

ITEM 9.01 – FINANCIAL STATEMENTS AND EXHIBITS

(d) The following exhibit is being filed herewith:

| <u>Exhibit Number</u> | <u>Description of Document</u> |
|-----------------------|---|
| Exhibit 99.1 | Text of Press Release dated May 31, 2018, issued by Ciena Corporation, reporting its results of operations for its second fiscal quarter ended April 30, 2018 |
| Exhibit 99.2 | Investor Presentation for Ciena Corporation's second fiscal quarter ended April 30, 2018 |
| Exhibit 99.3 | Text of Press Release dated May 31, 2018, issued by Ciena Corporation, announcing its agreement to acquire Packet Design, LLC |

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: May 31, 2018

By: /S/ David M. Rothenstein
David M. Rothenstein
Senior Vice President, General Counsel and Secretary

Ciena Reports Fiscal Second Quarter 2018 Financial Results

Announces Intent to Acquire Packet Design to Accelerate Automation Software Strategy

HANOVER, Md. - May 31, 2018 - [Ciena](#)[®] Corporation (NYSE: CIEN)

- **Q2 Revenue:** \$730.0 million, increasing 3% year over year
- **Q2 Net Income per Share:** \$0.09 GAAP; \$0.23 adjusted (non-GAAP)
- **Share Repurchases:** Repurchased approximately 1.4 million shares of common stock for an aggregate price of \$33.4 million during the quarter

[Ciena](#), a network strategy and technology company, today announced unaudited financial results for its fiscal second quarter ended April 30, 2018.

Ciena President and CEO Gary B. Smith remarked: "We delivered strong revenue and record order flow in the second quarter as we continue to broaden our leadership and capture market share. Gross margin was impacted by several new, international service provider deployments in their early stages; however, we are confident in our ability to return to our normalized gross margin levels. We anticipate strong revenue growth in the second half of fiscal 2018 and we remain confident in our three-year financial targets."

For the fiscal second quarter 2018, Ciena reported revenue of \$730.0 million as compared to \$707.0 million for the fiscal second quarter 2017.

Ciena's GAAP net income for the fiscal second quarter 2018 was \$13.9 million, or \$0.09 per diluted common share, which compares to a GAAP net income of \$38.0 million, or \$0.25 per diluted common share, for the fiscal second quarter 2017.

Ciena's adjusted (non-GAAP) net income for the fiscal second quarter 2018 was \$33.8 million, or \$0.23 per diluted common share, which compares to an adjusted (non-GAAP) net income of \$48.2 million, or \$0.30 per diluted common share, for the fiscal second quarter 2017.

Fiscal Second Quarter 2018 Performance Summary

The tables below (in millions, except percentage data) provide comparisons of certain quarterly results to the prior year. Appendix A and B set forth reconciliations between the GAAP and adjusted (non-GAAP) measures contained in this release.

| | GAAP Results | | |
|-------------------|--------------|----------|---------------|
| | Q2 | Q2 | Period Change |
| | FY 2018 | FY 2017 | Y-T-Y* |
| Revenue | \$ 730.0 | \$ 707.0 | 3.3 % |
| Gross margin | 40.2% | 45.0% | (4.8)% |
| Operating expense | \$ 261.2 | \$ 260.4 | 0.3 % |
| Operating margin | 4.4% | 8.2% | (3.8)% |

| | Non-GAAP Results | | |
|------------------------|------------------|----------|---------------|
| | Q2 | Q2 | Period Change |
| | FY 2018 | FY 2017 | Y-T-Y* |
| Revenue | \$ 730.0 | \$ 707.0 | 3.3 % |
| Adj. gross margin | 40.7% | 45.7% | (5.0)% |
| Adj. operating expense | \$ 240.6 | \$ 234.6 | 2.6 % |
| Adj. operating margin | 7.7% | 12.5% | (4.8)% |
| Adj. EBITDA | \$ 77.1 | \$ 107.6 | (28.3)% |

* Denotes % change, or in the case of margin, absolute change

| | Revenue by Segment | | | |
|---|--------------------|--------------|-----------------|--------------|
| | Q2 FY 2018 | | Q2 FY 2017 | |
| | Revenue | %** | Revenue | %** |
| Networking Platforms | | | | |
| Converged Packet Optical | \$ 527.9 | 72.4 | \$ 505.2 | 71.4 |
| Packet Networking | 63.8 | 8.7 | 66.3 | 9.4 |
| Total Networking Platforms | 591.7 | 81.1 | 571.5 | 80.8 |
| Software and Software-Related Services | | | | |
| Software Platforms | 12.5 | 1.7 | 13.1 | 1.9 |
| Software-Related Services | 26.2 | 3.6 | 24.6 | 3.5 |
| Total Software and Software-Related Services | 38.7 | 5.3 | 37.7 | 5.4 |
| Global Services | | | | |
| Maintenance Support and Training | 60.9 | 8.3 | 58.2 | 8.2 |
| Installation and Deployment | 28.2 | 3.9 | 28.7 | 4.1 |
| Consulting and Network Design | 10.5 | 1.4 | 10.9 | 1.5 |
| Total Global Services | 99.6 | 13.6 | 97.8 | 13.8 |
| Total | \$ 730.0 | 100.0 | \$ 707.0 | 100.0 |

Additional Performance Metrics for Fiscal Second Quarter 2018

| | Revenue by Geographic Region | | | |
|--------------------------------|------------------------------|-------|------------|-------|
| | Q2 FY 2018 | | Q2 FY 2017 | |
| | Revenue | % ** | Revenue | % ** |
| North America | \$ 431.2 | 59.1 | \$ 424.4 | 60.0 |
| Europe, Middle East and Africa | 121.7 | 16.7 | 105.8 | 15.0 |
| Caribbean and Latin America | 25.1 | 3.4 | 33.9 | 4.8 |
| Asia Pacific | 152.0 | 20.8 | 142.9 | 20.2 |
| Total | \$ 730.0 | 100.0 | \$ 707.0 | 100.0 |

** Denotes % of total revenue

- U.S. customers contributed 53.8% of total revenue
- One customer accounted for greater than 10% of revenue and represented 12% of total revenue
- Cash and investments totaled \$979.6 million
- Cash flow from operations totaled \$37.4 million
- Free cash flow totaled \$31.1 million
- Average days' sales outstanding (DSOs) were 80
- Accounts receivable balance was \$647.4 million
- Inventories totaled \$231.3 million, including:
 - Raw materials: \$48.4 million
 - Work in process: \$13.2 million
 - Finished goods: \$165.7 million
 - Deferred cost of sales: \$55.2 million
 - Reserve for excess and obsolescence: \$(51.2) million
- Product inventory turns were 6.4
- Headcount totaled 5,688

Acquisition of Packet Design

Ciena also announced today that it has entered into a definitive agreement to acquire privately-held Packet Design, LLC, a provider of network performance management software focused on Layer 3 network optimization, topology and route analytics. The acquisition is intended to accelerate Ciena's Blue Planet software strategy, extending its intelligent automation capabilities into IP with critical new features that help customers optimize service delivery and maximize network utilization.

Supplemental Materials and Live Web Broadcast of Unaudited Fiscal Second Quarter 2018 Results

Today, Thursday, May 31, 2018, in conjunction with this announcement, Ciena has posted to the Quarterly Results page of the Investor Relations section of its website supporting materials for its unaudited fiscal second quarter 2018 results.

Ciena's management will also host a discussion today with investors and financial analysts that will include the Company's fiscal third quarter outlook. The live audio web broadcast beginning at 8:30 a.m. Eastern will be accessible via www.ciena.com. An archived replay of the live broadcast will be available shortly following its conclusion on the Investor Relations page of Ciena's website.

Forward-Looking Statements. You are encouraged to review the Investors section of our website, where we routinely post press releases, SEC filings, recent news, financial results, supplemental financial information, and other announcements. From time to time we exclusively post material information to this website along with other disclosure channels that we use. This press release contains certain forward-looking statements that involve risks and uncertainties. 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 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 delivered strong revenue and record order flow in the second quarter as we continue to broaden our leadership and capture market share."; "Gross margin was impacted by several new, international service provider deployments in their early stages; however, we are confident in our ability to return to our normalized gross margin levels."; "We anticipate strong revenue growth in the second half of fiscal 2018 and we remain confident in our three-year financial targets."

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 customers; 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 periodic reports filed with the Securities and Exchange Commission, including its Quarterly Report on Form 10-Q filed with the SEC on March 7, 2018 and its Annual Report on Form 10-K filed with the SEC on December 22, 2017. Ciena assumes no obligation to update any forward-looking information included in this press release.

Non-GAAP Presentation of Quarterly and Annual Results. This release includes non-GAAP measures of Ciena's gross profit, operating expense, income from operations, earnings before interest, tax, depreciation and amortization (EBITDA), Adjusted EBITDA, and measures of net income and net income per share. In evaluating the operating performance of Ciena's business, management excludes certain charges and credits that are required by GAAP. These items 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 Ciena's control. Management believes that the non-GAAP measures below provide management and investors useful information and meaningful insight to the operating performance of the business. The presentation of these non-GAAP financial measures should be considered in addition to Ciena's GAAP results and these measures are not intended to be a substitute for the financial information prepared and presented in accordance with GAAP. Ciena's non-GAAP measures and the related adjustments may differ from non-GAAP measures used by other companies and should only be used to evaluate Ciena's results of operations in conjunction with our corresponding GAAP results. To the extent not previously disclosed in a prior Ciena financial results press release, Appendix A and B to this press release set forth a complete GAAP to non-GAAP reconciliation of the non-GAAP measures contained in this release.

About Ciena. Ciena (NYSE: CIEN) is a network strategy and technology company. We translate best-in-class technology into value through a high-touch, consultative business model - with a relentless drive to create exceptional experiences measured by outcomes. For updates on Ciena, follow us on Twitter @Ciena, LinkedIn, the Ciena Insights blog, or visit www.ciena.com.

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

| | Quarter Ended April 30, | | Six Months Ended April 30, | |
|--|-------------------------|------------------|----------------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenue: | | | | |
| Products | \$ 604,226 | \$ 584,630 | \$ 1,129,835 | \$ 1,091,623 |
| Services | 125,752 | 122,392 | 246,278 | 236,896 |
| Total revenue | <u>729,978</u> | <u>707,022</u> | <u>1,376,113</u> | <u>1,328,519</u> |
| Cost of goods sold: | | | | |
| Products | 372,568 | 327,295 | 685,688 | 614,106 |
| Services | 64,103 | 61,487 | 125,353 | 122,388 |
| Total cost of goods sold | <u>436,671</u> | <u>388,782</u> | <u>811,041</u> | <u>736,494</u> |
| Gross profit | <u>293,307</u> | <u>318,240</u> | <u>565,072</u> | <u>592,025</u> |
| Operating expenses: | | | | |
| Research and development | 116,924 | 121,623 | 235,448 | 238,492 |
| Selling and marketing | 97,359 | 88,551 | 185,874 | 173,553 |
| General and administrative | 38,976 | 34,990 | 77,382 | 70,854 |
| Amortization of intangible assets | 3,623 | 10,980 | 7,246 | 25,531 |
| Significant asset impairments and restructuring costs | 4,359 | 4,276 | 10,320 | 6,671 |
| Total operating expenses | <u>261,241</u> | <u>260,420</u> | <u>516,270</u> | <u>515,101</u> |
| Income from operations | 32,066 | 57,820 | 48,802 | 76,924 |
| Interest and other income (loss), net | 1,296 | (2,918) | 2,871 | (2,548) |
| Interest expense | (13,031) | (13,308) | (26,765) | (28,511) |
| Income before income taxes | 20,331 | 41,594 | 24,908 | 45,865 |
| Provision for income taxes ¹ | 6,475 | 3,568 | 484,415 | 3,978 |
| Net income (loss) | <u>\$ 13,856</u> | <u>\$ 38,026</u> | <u>\$ (459,507)</u> | <u>\$ 41,887</u> |
| Net Income(loss) per Common Share | | | | |
| Basic net income(loss) per common share | <u>\$ 0.10</u> | <u>\$ 0.27</u> | <u>\$ (3.19)</u> | <u>\$ 0.30</u> |
| Diluted net income(loss) per potential common share ² | <u>\$ 0.09</u> | <u>\$ 0.25</u> | <u>\$ (3.19)</u> | <u>\$ 0.29</u> |
| Weighted average basic common shares outstanding | <u>143,975</u> | <u>141,743</u> | <u>143,948</u> | <u>141,223</u> |
| Weighted average dilutive potential common shares outstanding ³ | <u>147,973</u> | <u>165,273</u> | <u>143,948</u> | <u>147,842</u> |

1. The provision for income taxes for fiscal 2018 is primarily related to the enactment of the Tax Cuts and Jobs Act. These amounts are provisional and reflect management's current estimates and current interpretations of the Tax Cuts and Jobs Act. These amounts may require adjustment in future periods as additional guidance under the Tax Cuts and Jobs Act becomes available and analysis of its provisions is completed. As of April 30, 2018, Ciena has net deferred tax assets of approximately \$734.8 million, and consequently, over the near term, Ciena's cash taxes will continue to be primarily related to state taxes and tax expense of Ciena's foreign subsidiaries, which amounts have not historically been significant. Ciena's foreign and domestic income tax expense for the second quarter of fiscal 2018 and 2017 expected to be paid using cash was \$2.0 million and \$3.6 million, respectively. Ciena's foreign and domestic income tax expense for the six months ended April 30, 2018 and 2017 expected to be paid using cash was \$3.0 million and \$4.0 million, respectively.

2. The calculation of GAAP diluted net income per common share for the second quarter of fiscal 2017 requires adding back interest expense of approximately \$0.5 million associated with Ciena's 0.875% convertible senior notes, which were paid at maturity during the third quarter of fiscal 2017, and approximately \$3.6 million associated with Ciena's "Original" 3.75% convertible senior notes, due October 15, 2018 to the GAAP net income in order to derive the numerator for the diluted earnings per common share calculation.

The calculation of GAAP diluted net income per common share for the first six months of fiscal 2017 requires adding back interest expense of approximately \$1.1 million associated with Ciena's 0.875% convertible senior notes, which were paid at maturity during the third quarter of fiscal 2017, to the GAAP net income in order to derive the numerator for the diluted earnings per common share calculation.

3. Weighted average dilutive potential common shares outstanding used in calculating GAAP diluted net income per common share for the second quarter of fiscal 2018 includes 1.3 million shares underlying certain stock options and restricted stock units and 2.7 million shares underlying Ciena's "New" 3.75% convertible senior notes, due October 15, 2018.

Weighted average dilutive potential common shares outstanding used in calculating 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 and 17.4 million shares underlying Ciena's "Original" 3.75% convertible senior notes, due October 15, 2018.

Weighted average dilutive potential common shares outstanding used in calculating GAAP diluted net income per common share for the first six months of fiscal 2017 includes 1.4 million shares underlying certain stock options and restricted stock units and 5.2 million shares underlying Ciena's 0.875% convertible senior notes, which were paid at maturity during the third quarter of fiscal 2017.

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

| | April 30, 2018 | October 31, 2017 |
|---|---------------------|---------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 652,096 | \$ 640,513 |
| Short-term investments | 268,584 | 279,133 |
| Accounts receivable, net | 647,380 | 622,183 |
| Inventories | 231,338 | 267,143 |
| Prepaid expenses and other | 186,024 | 197,339 |
| Total current assets | 1,985,422 | 2,006,311 |
| Long-term investments | 58,895 | 49,783 |
| Equipment, building, furniture and fixtures, net | 298,631 | 308,465 |
| Goodwill | 267,442 | 267,458 |
| Other intangible assets, net | 90,573 | 100,997 |
| Deferred tax asset, net | 734,824 | 1,155,104 |
| Other long-term assets | 70,767 | 63,593 |
| Total assets | <u>\$ 3,506,554</u> | <u>\$ 3,951,711</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 264,398 | \$ 260,098 |
| Accrued liabilities and other short-term obligations | 270,231 | 322,934 |
| Deferred revenue | 101,918 | 102,418 |
| Current portion of long-term debt | 353,208 | 352,293 |
| Total current liabilities | 989,755 | 1,037,743 |
| Long-term deferred revenue | 76,725 | 82,589 |
| Other long-term obligations | 110,417 | 111,349 |
| Long-term debt, net | 585,538 | 583,688 |
| Total liabilities | <u>\$ 1,762,435</u> | <u>\$ 1,815,369</u> |
| Stockholders' equity: | | |
| Preferred stock – par value \$0.01; 20,000,000 shares authorized; zero shares issued and outstanding | — | — |
| Common stock – par value \$0.01; 290,000,000 shares authorized; 143,427,976 and 143,043,227 shares issued and outstanding | 1,434 | 1,430 |
| Additional paid-in capital | 6,810,226 | 6,810,182 |
| Accumulated other comprehensive income (loss) | (5,072) | (11,017) |
| Accumulated deficit | (5,062,469) | (4,664,253) |
| Total stockholders' equity | 1,744,119 | 2,136,342 |
| Total liabilities and stockholders' equity | <u>\$ 3,506,554</u> | <u>\$ 3,951,711</u> |

CIENA CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

| | Six Months Ended April 30, | |
|---|----------------------------|-------------------|
| | 2018 | 2017 |
| Cash flows provided by operating activities: | | |
| Net income (loss) | \$ (459,507) | \$ 41,887 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements | 41,400 | 35,548 |
| Share-based compensation costs | 26,559 | 24,830 |
| Amortization of intangible assets | 11,824 | 33,466 |
| Deferred taxes | 481,401 | — |
| Provision for inventory excess and obsolescence | 14,977 | 19,623 |
| Provision for warranty | 10,565 | 2,347 |
| Other | 12,645 | 10,416 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (28,055) | 9,381 |
| Inventories | 20,420 | (95,554) |
| Prepaid expenses and other | 2,623 | (15,054) |
| Accounts payable, accruals and other obligations | (55,986) | (24,974) |
| Deferred revenue | (5,736) | 3,832 |
| Net cash provided by operating activities | <u>73,130</u> | <u>45,748</u> |
| Cash flows used in investing activities: | | |
| Payments for equipment, furniture, fixtures and intellectual property | (31,946) | (60,328) |
| Restricted cash | 54 | — |
| Purchase of available for sale securities | (198,026) | (179,833) |
| Proceeds from maturities of available for sale securities | 200,000 | 180,000 |
| Settlement of foreign currency forward contracts, net | 132 | (2,965) |
| Purchase of cost method investment | (767) | — |
| Net cash used in investing activities | <u>(30,553)</u> | <u>(63,126)</u> |
| Cash flows used in financing activities: | | |
| Payment of long term debt | (2,000) | (47,296) |
| Payment for modification of term loans | — | (93,625) |
| Payment of capital lease obligations | (1,868) | (1,528) |
| Repurchases of common stock-repurchase program | (38,036) | — |
| Proceeds from issuance of common stock | 11,804 | 10,345 |
| Net cash used in financing activities | <u>(30,100)</u> | <u>(132,104)</u> |
| Effect of exchange rate changes on cash and cash equivalents | (894) | 490 |
| Net increase (decrease) in cash and cash equivalents | 11,583 | (148,992) |
| Cash and cash equivalents at beginning of period | 640,513 | 777,615 |
| Cash and cash equivalents at end of period | <u>\$ 652,096</u> | <u>\$ 628,623</u> |
| Supplemental disclosure of cash flow information | | |
| Cash paid during the period for interest | \$ 21,843 | \$ 23,439 |
| Cash paid during the period for income taxes, net | \$ 15,136 | \$ 11,379 |
| Non-cash investing activities | | |
| Purchase of equipment in accounts payable | \$ 3,226 | \$ 3,818 |
| Building subject to capital lease | \$ — | \$ 20,695 |
| Non-cash financing activities | | |
| Repurchase of common stock in accrued liabilities from repurchase program | \$ 1,111 | \$ — |

APPENDIX A - Reconciliation of Adjusted (Non- GAAP) Quarterly Measures (unaudited)

| | Quarter Ended April 30, | |
|--|-------------------------|------------|
| | 2018 | 2017 |
| Gross Profit Reconciliation (GAAP/non-GAAP) | | |
| GAAP gross profit | \$ 293,307 | \$ 318,240 |
| Share-based compensation-products | 824 | 708 |
| Share-based compensation-services | 722 | 679 |
| Amortization of intangible assets | 2,289 | 3,623 |
| Total adjustments related to gross profit | 3,835 | 5,010 |
| Adjusted (non-GAAP) gross profit | \$ 297,142 | \$ 323,250 |
| Adjusted (non-GAAP) gross profit percentage | 40.7% | 45.7% |
| Operating Expense Reconciliation (GAAP/non-GAAP) | | |
| GAAP operating expense | \$ 261,241 | \$ 260,420 |
| Share-based compensation-research and development | 3,796 | 3,653 |
| Share-based compensation-sales and marketing | 3,760 | 3,513 |
| Share-based compensation-general and administrative | 5,109 | 3,417 |
| Amortization of intangible assets | 3,623 | 10,980 |
| Significant asset impairments and restructuring costs | 4,359 | 4,276 |
| Total adjustments related to operating expense | 20,647 | 25,839 |
| Adjusted (non-GAAP) operating expense | \$ 240,594 | \$ 234,581 |
| Income from Operations Reconciliation (GAAP/non-GAAP) | | |
| GAAP income from operations | \$ 32,066 | \$ 57,820 |
| Total adjustments related to gross profit | 3,835 | 5,010 |
| Total adjustments related to operating expense | 20,647 | 25,839 |
| Total adjustments related to income from operations | 24,482 | 30,849 |
| Adjusted (non-GAAP) income from operations | \$ 56,548 | \$ 88,669 |
| Adjusted (non-GAAP) operating margin percentage | 7.7% | 12.5% |
| Net Income Reconciliation (GAAP/non-GAAP) | | |
| GAAP net income | \$ 13,856 | \$ 38,026 |
| Exclude GAAP provision for income taxes | 6,475 | 3,568 |
| Income before income taxes | \$ 20,331 | \$ 41,594 |
| Total adjustments related to income from operations | 24,482 | 30,849 |
| Non-cash interest expense | 759 | 526 |
| Modification of debt | — | 2,924 |
| Adjusted income before income taxes | \$ 45,572 | \$ 75,893 |
| Non-GAAP tax provision on adjusted income before income taxes | 11,789 | 27,701 |
| Adjusted (non-GAAP) net income | \$ 33,783 | \$ 48,192 |
| Weighted average basic common shares outstanding | 143,975 | 141,743 |
| Weighted average dilutive potential common shares outstanding ¹ | 151,011 | 174,471 |
| Net Income per Common Share | | |
| GAAP diluted net income per common share | \$ 0.09 | \$ 0.25 |
| Adjusted (non-GAAP) diluted net income per common share ² | \$ 0.23 | \$ 0.30 |

1. 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 2018 includes 1.3 million shares underlying certain stock options and restricted stock units, 2.7 million shares underlying Ciena's "New" 3.75% convertible senior notes, due October 15, 2018 and 3.0 million shares underlying Ciena's "Original" 3.75% convertible senior notes, due October 15, 2018.

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.

2. The calculation of Adjusted (non-GAAP) diluted net income per common share for the second quarter of fiscal 2018 requires adding back interest expense of approximately \$0.5 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.

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.

APPENDIX B - Calculation of EBITDA and Adjusted EBITDA (unaudited)

| | Quarter Ended April 30, | |
|--|-------------------------|-------------------|
| | 2018 | 2017 |
| Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) | | |
| Net income (GAAP) | \$ 13,856 | \$ 38,026 |
| Add: Interest expense | 13,031 | 13,308 |
| Less: Interest and other income (loss), net | 1,296 | (2,918) |
| Add: Provision for income taxes | 6,475 | 3,568 |
| Add: Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements | 20,567 | 18,849 |
| Add: Amortization of intangible assets | 5,912 | 14,602 |
| EBITDA | \$ 58,545 | \$ 91,271 |
| Add: Shared-based compensation cost | 14,166 | 12,005 |
| Add: Significant asset impairments and restructuring costs | 4,359 | 4,276 |
| Adjusted EBITDA | \$ 77,070 | \$ 107,552 |

* * *

The adjusted (non-GAAP) measures above and their reconciliation to Ciena's GAAP results for the periods presented reflect adjustments relating to the following items:

- *Share-based compensation* - a non-cash expense incurred in accordance with share-based compensation accounting guidance.
- *Amortization of intangible assets* - a non-cash expense arising from the acquisition of intangible assets, principally developed technologies and customer-related intangibles, that Ciena is required to amortize over its expected useful life.
- *Significant asset impairments and restructuring costs* - costs incurred as a result of restructuring activities taken to align resources with perceived market opportunities.
- *Non-cash interest expense* - a non-cash debt discount expense amortized as interest expense during the term of Ciena's 4.0% senior convertible notes due December 15, 2020 relating to the required separate accounting of the equity component of these convertible notes.
- *Modification of debt* - costs incurred as a result of the modification of debt to refinance then existing term loans.
- *Non-GAAP tax provision* - consists of current and deferred income tax expense commensurate with the level of adjusted income before income taxes and utilizes a current, blended U.S. and foreign statutory annual tax rate of 25.87% for the second fiscal quarter of 2018, and 36.5% for the second fiscal quarter of 2017. This rate may be subject to change in the future, including as a result of changes in tax policy or tax strategy.



Ciena Corporation

Q2 FY 2018 Investor presentation

Quarterly Period ended April 30, 2018

May 31, 2018

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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 our customers; 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; and the other risk factors disclosed in Ciena's periodic reports filed with the Securities and Exchange Commission (SEC) including Ciena's Quarterly Report on Form 10-Q filed with the 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.



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Q2 Fiscal 2018 key highlights

- 1** Diversification and growth through market share gains
 - Non-telco represented 34% of total revenue
 - Direct webscale was 17% of total revenue
 - EMEA was up QoQ and YoY at 16.7% of total revenue
 - APAC contributed over 20% of total revenue; India revenue was over 10% of total revenue at \$79 million
- 2** Forcing the pace of innovation with next generation solutions
 - 400G-capable WaveLogic Ai: 21 total customers
 - Waveserver: 84 customers
 - Announced intent to acquire Packet Design, LLC to strengthen our Blue Planet software automation capabilities
- 3** Delivering shareholder value and strengthening our balance sheet
 - Repurchased approximately 1.4 million shares of common stock for an aggregate price of \$33.4 million during the quarter
 - Cash generation
 - Cash flow from operations: \$37.4 million
 - Free cash flow: \$31.1 million
 - Stock Return for the quarter of 18% versus peer¹ average return of 6%

ciena

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1. Peers include ACIA, ADTN, ADVA, CSCO, INFN, JNPR and NOKIA for the period 2/1/18-4/30/18



3

Q2 Fiscal 2018 Financial Highlights

Key Takeaways

- 1 Revenue of \$730.0 million
- 2 Adjusted Gross Margin of 40.7%*
- 3 Adjusted Operating Expense of \$240.6 million*
- 4 Adjusted Operating Margin of 7.7%*
- 5 Adjusted EBITDA of \$77.1 million*
- 6 Cash flow from operations of \$37.4 million

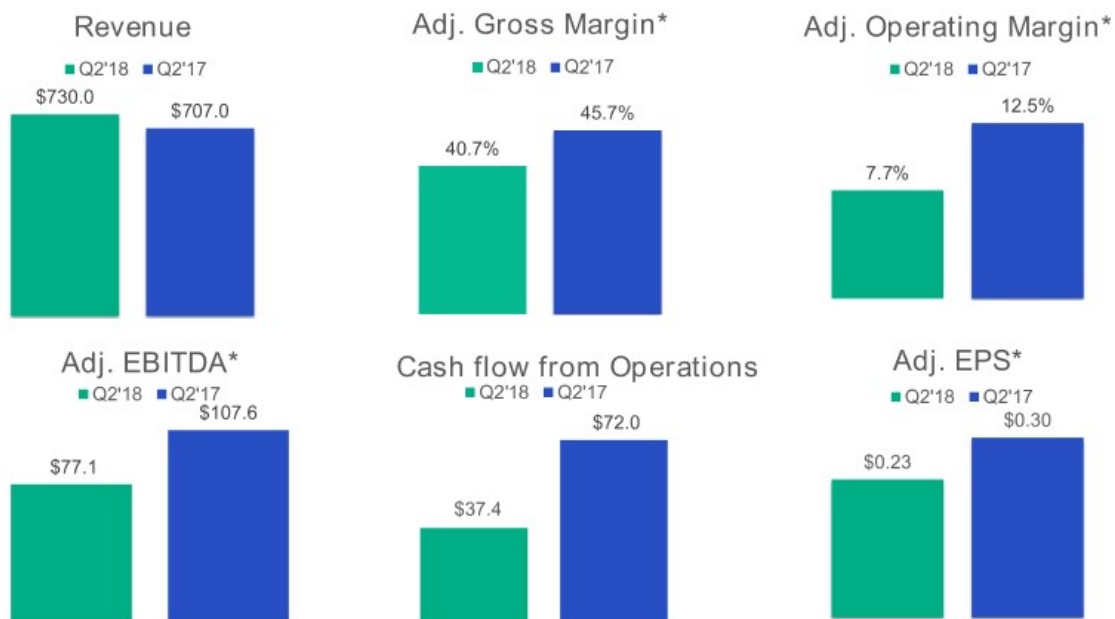
* A reconciliation of these non-GAAP measures to our GAAP results is included in the appendix to this presentation.



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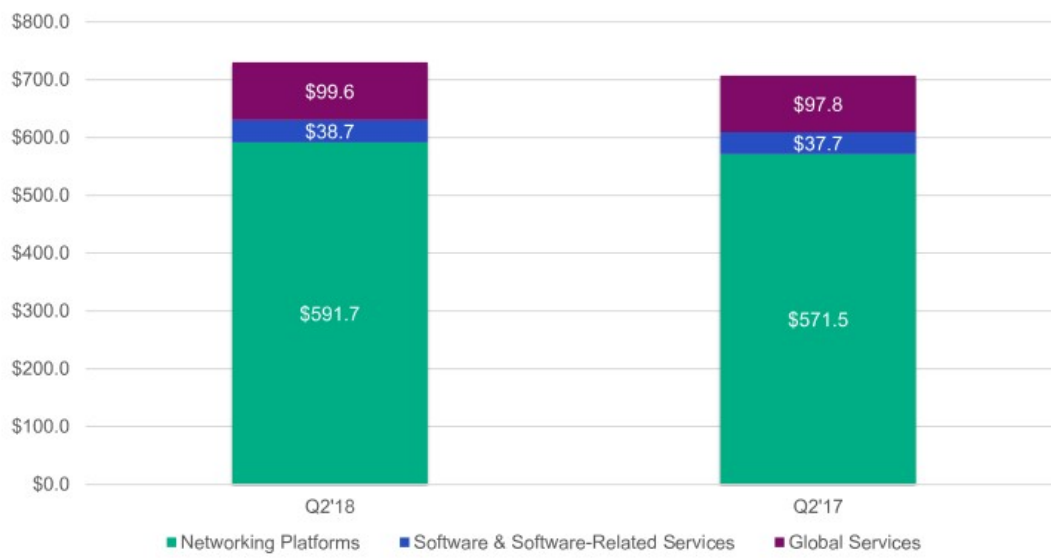


Q2 Fiscal 2018 Comparisons (Year-over-Year)



Q2 Fiscal 2018 Comparisons (Revenue by Segment)

(in millions)



Q2 Fiscal 2018 Revenue by Segment

(Amounts in millions)

| | Q2 FY 2018 | | Q2 FY 2017 | |
|---|----------------|---------------|----------------|---------------|
| | Revenue | %* | Revenue | %* |
| Networking Platforms | | | | |
| Converged Packet Optical | \$527.9 | 72.4 | \$505.2 | 71.4 |
| Packet Networking | 63.8 | 8.7 | 66.3 | 9.4 |
| Total Networking Platforms | 591.7 | 81.1 | 571.5 | 80.8 |
| Software and Software-Related Services | | | | |
| Software Platforms | 12.5 | 1.7 | 13.1 | 1.9 |
| Software-Related Services | 26.2 | 3.6 | 24.6 | 3.5 |
| Total Software and Software-Related Services | 38.7 | 5.3 | 37.7 | 5.4 |
| Global Services | | | | |
| Maintenance Support and Training | 60.9 | 8.3 | 58.2 | 8.2 |
| Installation and Deployment | 28.2 | 3.9 | 28.7 | 4.1 |
| Consulting and Network Design | 10.5 | 1.4 | 10.9 | 1.5 |
| Total Global Services | 99.6 | 13.6 | 97.8 | 13.8 |
| Total | \$730.0 | 100.0% | \$707.0 | 100.0% |

* Denotes % of total revenue



U.S. and International Revenue

(Amounts in millions)

| Revenue | | | | | |
|---------------|------------|------------|------------|------------|------------|
| | Q2 FY 2018 | Q1 FY 2018 | Q4 FY 2017 | Q3 FY 2017 | Q2 FY 2017 |
| United States | \$392.8 | \$383.4 | \$418.2 | \$438.1 | \$392.0 |
| International | 337.2 | 262.7 | \$326.2 | \$290.6 | \$315.0 |
| Total | \$730.0 | \$646.1 | \$744.4 | \$728.7 | \$707.0 |

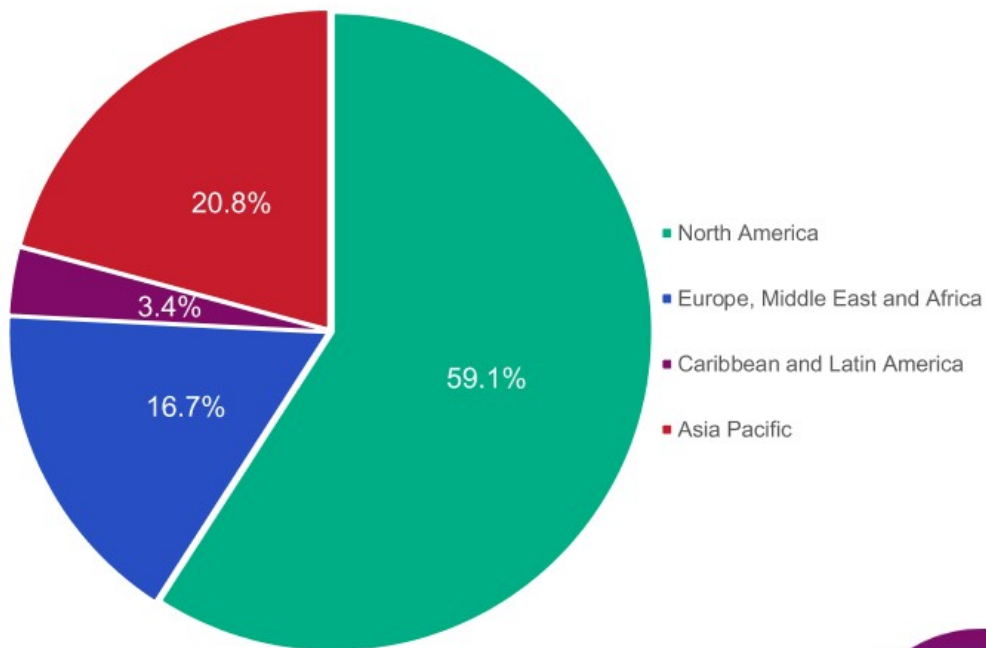
| % of Total Revenue | | | | | |
|--------------------|------------|------------|------------|------------|------------|
| | Q2 FY 2018 | Q1 FY 2018 | Q4 FY 2017 | Q3 FY 2017 | Q2 FY 2017 |
| United States | 53.8% | 59.3% | 56.2% | 60.1% | 55.4% |
| International | 46.2% | 40.7% | 43.8% | 39.9% | 44.6% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |



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Q2 Fiscal 2018 Revenue by Geographic Region



Revenue by Geographic Region

(Amounts in millions)

| Revenue | | | | | |
|--------------------------------|------------|------------|------------|------------|------------|
| | Q2 FY 2018 | Q1 FY 2018 | Q4 FY 2017 | Q3 FY 2017 | Q2 FY 2017 |
| North America | \$431.2 | \$402.9 | \$440.5 | \$465.2 | \$424.4 |
| Europe, Middle East and Africa | 121.7 | 97.8 | 110.7 | 96.1 | \$105.8 |
| Caribbean and Latin America | 25.1 | 34.6 | 43.5 | 51.7 | \$33.9 |
| Asia Pacific | 152.0 | 110.8 | 149.7 | 115.7 | \$142.9 |
| Total | \$730.0 | \$646.1 | \$744.4 | \$728.7 | \$707.0 |

| Revenue | | | | | |
|--------------------------------|------------|------------|------------|------------|------------|
| | Q2 FY 2018 | Q1 FY 2018 | Q4 FY 2017 | Q3 FY 2017 | Q2 FY 2017 |
| North America | 59.1% | 62.4% | 59.2% | 63.8% | 60.0% |
| Europe, Middle East and Africa | 16.7% | 15.1% | 14.9% | 13.2% | 15.0% |
| Caribbean and Latin America | 3.4% | 5.4% | 5.8% | 7.1% | 4.8% |
| Asia Pacific | 20.8% | 17.1% | 20.1% | 15.9% | 20.2% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |



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Q2 Fiscal 2018 Balance Sheet and Operating Metrics

| Cash and Investments | \$979.6 million |
|---------------------------|-----------------|
| Cash Flow From Operations | \$37.4 million |
| DSO | 80 Days |
| Inventory Turns | 6.4 |



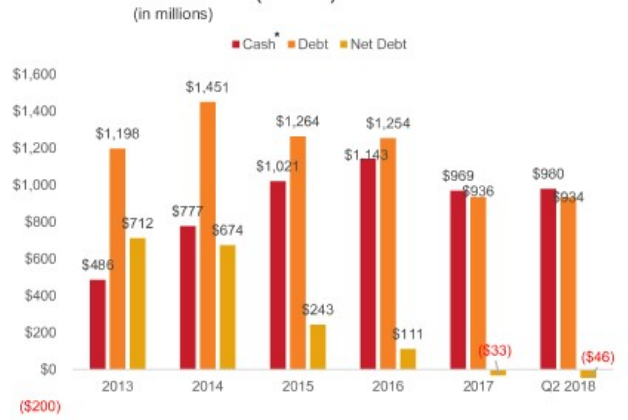
Strengthening balance sheet

Ciena has improved its leverage and reduced its debt position

Leverage Trend



Net Debt (Cash) Position



*Cash & cash equivalents

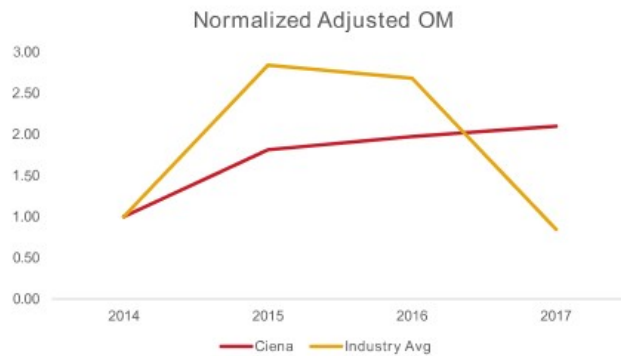
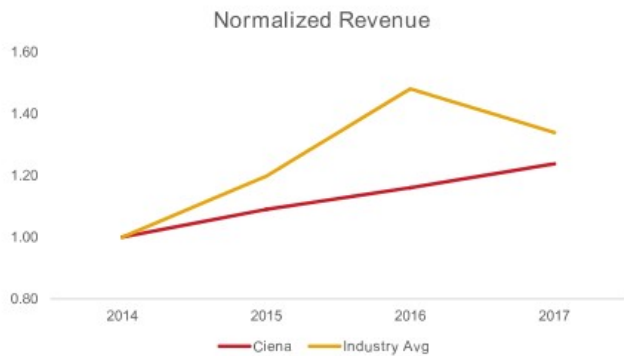


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Delivering consistent financial performance

Ciena has successfully managed periods of volatility that can impact the industry



*Industry Average: ACIA, ADTN, ADVA, CSCO, INFN, JNPR and NOKIA IP Networks segment
Ciena results for each fiscal year provided on a pro forma basis to represent a comparative 12/31 fiscal year

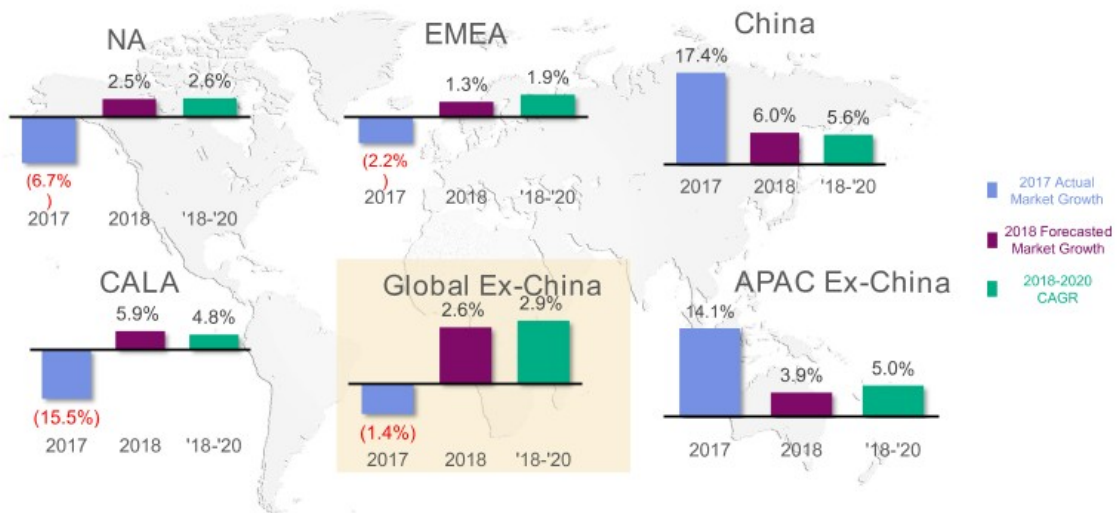


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Market Growth

Global Ex-China forecasted annual growth of 2.6% for 2018; Q1 2018 actuals flat Y/Y*



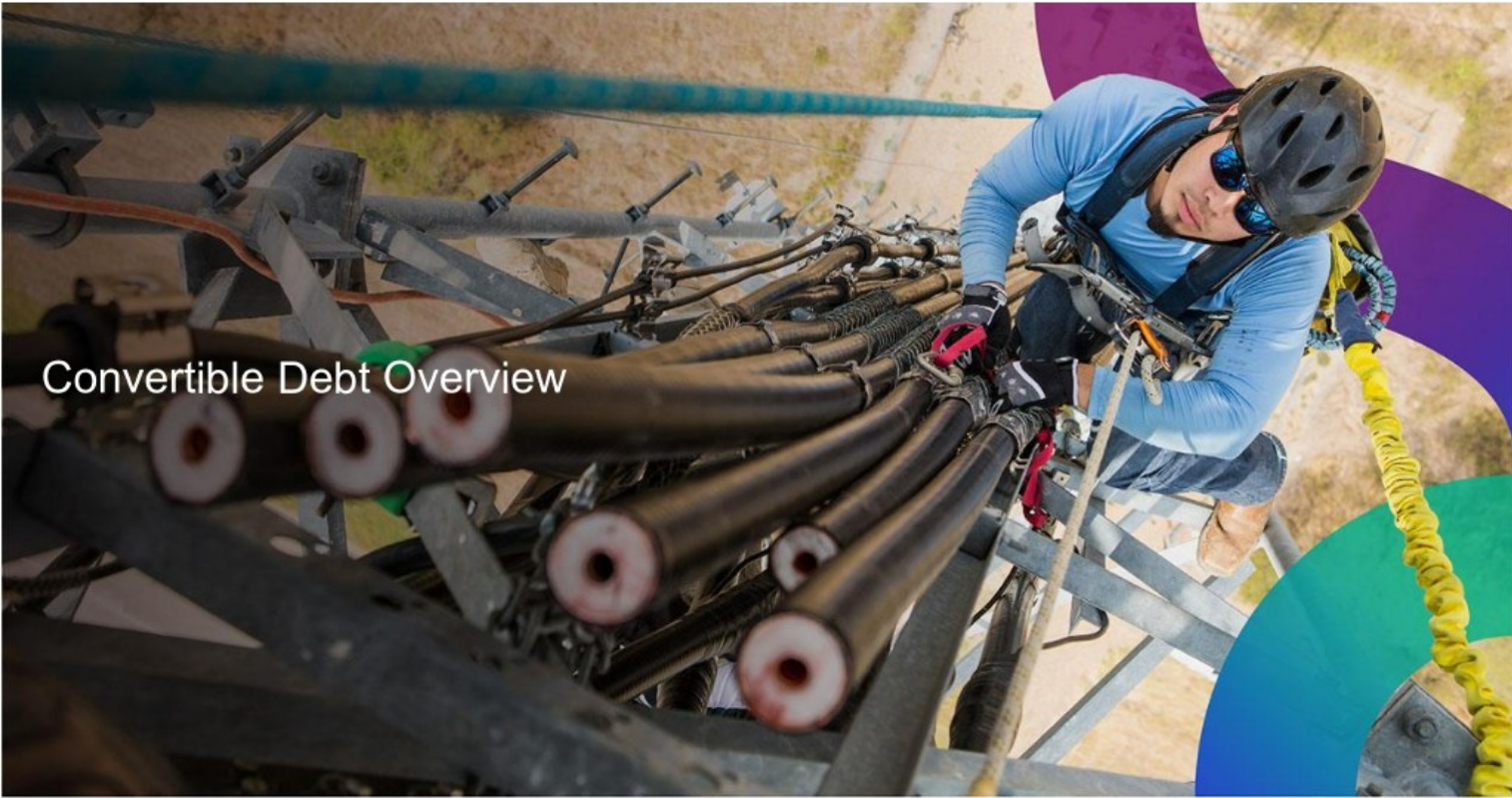
Ciena has a history of taking share and growing faster than the market



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*Cignal AI, 24 May 2018
Source: IHS, Dell'Oro, Cignal AI, Ovum, Ciena analysis





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 ⁽²⁾ | 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) ⁽¹⁾ | \$ 288,730 | 14,318 | \$ 20.17 | 2,653 ⁽³⁾ | N/A | Treasury Stock Method | N/A |
| 3.75% Senior Convertible Notes due October 15, 2018 (Issued 10/18/2010) ⁽¹⁾ | \$ 61,270 | 3,038 | \$ 20.17 | 3,038 | \$ 466 | If-Converted Method | \$ 22,688 |
| 4.0% Convertible Senior Notes due December 15, 2020 | \$ 187,500 | 9,198 | \$ 20.39 | 9,198 | \$ 2,605 | If-Converted Method | \$ 42,296 |
| Total | \$ 537,500 | 26,554 | | 14,889 | \$ 2,701 | | |

(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 \$24.78 average price per share during its fiscal second 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 |

Q2 Fiscal 2018 Appendix



Gross Profit Reconciliation (Amounts in thousands)

| | Q2 FY 2018 | Q1 FY 2018 | Q4 FY 2017 | Q3 FY 2017 | Q2 FY 2017 |
|---|------------------|------------------|------------------|------------------|------------------|
| GAAP gross profit | \$293,307 | \$271,765 | \$325,685 | \$328,076 | \$318,240 |
| Share-based compensation-products | 824 | 672 | 694 | 709 | 708 |
| Share-based compensation-services | 722 | 625 | 561 | 619 | 679 |
| Amortization of intangible assets | 2,289 | 2,289 | 2,332 | 2,417 | 3,623 |
| Total adjustments related to gross profit | 3,835 | 3,586 | 3,587 | 3,745 | 5,010 |
| Adjusted (non-GAAP) gross profit | \$297,142 | \$275,351 | \$329,272 | \$331,821 | \$323,250 |
| Adjusted (non-GAAP) gross margin | 40.7% | 42.6% | 44.2% | 45.5% | 45.7% |



Operating Expense Reconciliation (Amounts in thousands)

| | Q2 FY 2018 | Q1 FY 2018 | Q4 FY 2017 | Q3 FY 2017 | Q2 FY 2017 |
|---|------------------|------------------|------------------|------------------|------------------|
| GAAP operating expense | \$261,241 | \$255,029 | \$269,886 | \$246,077 | \$260,420 |
| Share-based compensation-research and development | 3,796 | 3,255 | 2,956 | 3,139 | 3,653 |
| Share-based compensation-sales and marketing | 3,760 | 3,328 | 3,218 | 3,242 | 3,513 |
| Share-based compensation-general and administrative | 5,109 | 4,474 | 4,130 | 4,321 | 3,417 |
| Amortization of intangible assets | 3,623 | 3,623 | 3,661 | 3,837 | 10,980 |
| Significant asset impairments and restructuring costs | 4,359 | 5,961 | 15,059 | 2,203 | 4,276 |
| Total adjustments related to operating expense | \$20,647 | \$20,641 | \$29,024 | \$16,742 | \$25,839 |
| Adjusted (non-GAAP) operating expense | \$240,594 | \$234,388 | \$240,862 | \$229,335 | \$234,581 |

Income from Operations Reconciliation (Amounts in thousands)

| | Q2 FY 2018 | Q1 FY 2018 | Q4 FY 2017 | Q3 FY 2017 | Q2 FY 2017 |
|---|-----------------|-----------------|-----------------|------------------|-----------------|
| GAAP income from operations | \$32,066 | \$16,736 | \$55,799 | \$81,999 | \$57,820 |
| Total adjustments related to gross profit | 3,835 | 3,586 | 3,587 | 3,745 | 5,010 |
| Total adjustments related to operating expense | 20,647 | 20,641 | 29,024 | 16,742 | 25,839 |
| Total adjustments related to income from operations | 24,482 | 24,227 | 32,611 | 20,487 | 30,849 |
| Adjusted (non-GAAP) income from operations | \$56,548 | \$40,963 | \$88,410 | \$102,486 | \$88,669 |
| Adjusted (non-GAAP) operating margin | 7.7% | 6.3% | 11.9% | 14.1% | 12.5% |



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Net Income (loss) Reconciliation (Amounts in thousands)

| | Q2 FY 2018 | Q1 FY 2018 | Q4 FY 2017 | Q3 FY 2017 | Q2 FY 2017 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| GAAP net income (loss) | \$13,856 | (\$473,363) | \$1,160,056 | \$60,010 | \$38,026 |
| Exclude GAAP provision (benefit) for income taxes | 6,475 | 477,940 | (1,117,531) | 7,726 | 3,568 |
| Income before income taxes | 20,331 | 4,577 | 42,525 | 67,736 | 41,594 |
| Total adjustments related to income from operations | 24,482 | 24,227 | 32,611 | 20,487 | 30,849 |
| Non-cash interest expense | 759 | 749 | 525 | 535 | 526 |
| Modification of debt | - | - | 692 | - | 2,924 |
| Adjusted income before income taxes | 45,572 | 29,553 | 76,353 | 88,758 | 75,893 |
| Non-GAAP tax provision on adjusted income before income taxes | 11,789 | 7,645 | 27,869 | 32,397 | 27,701 |
| Adjusted (non-GAAP) net income | \$33,783 | \$21,908 | \$48,484 | \$56,361 | \$48,192 |
| Weighted average basic common shares outstanding | 143,975 | 143,922 | 143,097 | 142,464 | 141,743 |
| Weighted average dilutive potential common shares outstanding ¹ | 151,011 | 145,558 | 158,791 | 172,112 | 174,471 |

Net Income (loss) per Common Share

| | Q2 FY 2018 | Q1 FY 2018 | Q4 FY 2017 | Q3 FY 2017 | Q2 FY 2017 |
|--|----------------|----------------|----------------|----------------|----------------|
| GAAP diluted net income (loss) per common share | \$ 0.09 | \$ (3.29) | \$ 7.32 | \$ 0.39 | \$ 0.25 |
| Adjusted (Non-GAAP) diluted net income per common share² | \$ 0.23 | \$ 0.15 | \$ 0.32 | \$ 0.35 | \$ 0.30 |



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

(Amounts in thousands)

| Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) | Q2 FY 2018 | Q1 FY 2018 | Q4 FY 2017 | Q3 FY 2017 | Q2 FY 2017 |
|--|-----------------|-----------------|------------------|------------------|------------------|
| Net income (loss) (GAAP) | \$13,856 | (\$473,363) | \$1,160,056 | \$60,010 | \$38,026 |
| Add: Interest expense | 13,031 | 13,734 | 13,926 | 13,415 | 13,308 |
| Less: Interest and other income (loss), net | 1,296 | 1,575 | 652 | (848) | (2,918) |
| Add: Provision for income taxes | 6,475 | 477,940 | (1,117,531) | 7,726 | 3,568 |
| Add: Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements | 20,567 | 20,833 | 21,316 | 20,325 | 18,849 |
| Add: Amortization of intangible assets | 5,912 | 5,912 | 5,993 | 6,254 | 14,602 |
| EBITDA | \$58,545 | \$43,481 | \$83,108 | \$108,578 | \$91,271 |
| Add: Shared-based compensation cost | 14,166 | 12,393 | 11,517 | 12,014 | 12,005 |
| Add: Significant asset impairments and restructuring costs | 4,359 | 5,961 | 15,059 | 2,203 | 4,276 |
| Adjusted EBITDA | \$77,070 | \$61,835 | \$109,684 | \$122,795 | \$107,552 |

Reconciliation Endnotes

1. 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 2018 includes 1.3 million shares underlying certain stock options and restricted stock units, 2.7 million shares underlying Ciena's "New" 3.75% convertible senior notes, due October 15, 2018 and 3.0 million shares underlying Ciena's "Original" 3.75% convertible senior notes, due October 15, 2018.

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.

2. The calculation of Adjusted (non-GAAP) diluted net income per common share for the second quarter of fiscal 2018 requires adding back interest expense of approximately \$0.5 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.

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.

FOR IMMEDIATE RELEASE

Ciena Announces Intent to Acquire Packet Design

Enhances Blue Planet intelligent automation platform with IP capabilities critical in building more adaptive networks

HANOVER, Md. - May 31, 2018 - [Ciena](#)[®] Corporation (NYSE: CIEN) has entered into a definitive agreement to acquire privately-held [Packet Design, LLC](#), a provider of network performance management software focused on Layer 3 network optimization, topology and route analytics.

The acquisition of Packet Design will help accelerate Ciena's Blue Planet software strategy by extending its intelligent automation capabilities beyond Layers 0-2 and into IP with critical new capabilities to help customers optimize service delivery and maximize network utilization. Specifically, the combination of the Blue Planet software platform and Packet Design's performance analytics and service path computation capabilities will form a unique, micro-services-based platform that delivers real-time analytics, optimization and orchestration capabilities to support the broadest range of closed-loop automation use cases across multi-layer, multi-vendor networks.

"Blue Planet is already one of the premier brands in the network automation space. The addition of Packet Design will enhance our position by enabling customers to realize networks that are more adaptive - capable of self-optimizing and self-healing for faster time-to-market for new services, more efficient and lower cost network operations, and the ability to deliver an overall better customer experience," said Rick Hamilton, senior vice president of Global Software and Services at Ciena.

The transaction is expected to close during Ciena's fiscal third quarter 2018 and is subject to customary closing conditions.

About Ciena

Ciena (NYSE: CIEN) is a network strategy and technology company. We translate best-in-class technology into value through a high-touch, consultative business model - with a relentless drive to create exceptional experiences measured by outcomes. For updates on Ciena, follow us on Twitter [@Ciena](#), [LinkedIn](#), the [Ciena Insights blog](#), or visit [www.ciena.com](#).

Note to Ciena Investors

You are encouraged to review the [Investors section](#) of our website, where we routinely post press releases, SEC filings, recent news, financial results, and other announcements. From time to time we exclusively post material information to this website along with other disclosure channels that we use. This press release contains certain forward-looking statements that are based on our current expectations, forecasts, information and assumptions. These statements involve inherent risks and uncertainties. Actual results or outcomes may differ materially from those stated or implied, because of risks and uncertainties, including those detailed in our most recent annual and quarterly reports filed with the SEC. Forward-looking statements include statements regarding our expectations, beliefs, intentions or strategies and can be identified by words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "should," "will," and "would" or similar words. Ciena assumes no obligation to update the information included in this press release, whether as a result of new information, future events or otherwise.