

---

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 30, 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))
-

## ITEM 2.02 – RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On August 30, 2018, Ciena Corporation ("Ciena") issued a press release announcing its financial results for its third fiscal quarter ended July 31, 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 third fiscal quarter ended July 31, 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](http://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](http://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 9.01 – FINANCIAL STATEMENTS AND EXHIBITS

(d) The following exhibits are being filed herewith:

<u>Exhibit Number</u>	<u>Description of Document</u>
Exhibit 99.1	<a href="#"><u>Text of Press Release dated August 30, 2018, issued by Ciena Corporation, reporting its results of operations for its third fiscal quarter ended July 31, 2018</u></a>
Exhibit 99.2	<a href="#"><u>Investor Presentation for Ciena Corporation's third fiscal quarter ended July 31, 2018</u></a>

## 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 30, 2018

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

**Ciena Reports Fiscal Third Quarter 2018 Financial Results**

*Year-over-year revenue growth of 12% reflects strong execution and another quarter of consistent performance*

**HANOVER, Md. - August 30, 2018** - [Ciena](#)<sup>®</sup> Corporation (NYSE: CIEN)

- **Q3 Revenue:** \$818.8 million, increasing 12.4% year over year
- **Q3 Net Income per Share:** \$0.34 GAAP; \$0.48 adjusted (non-GAAP)
- **Share Repurchases:** Repurchased approximately 1.4 million shares of common stock for an aggregate price of \$35.6 million during the quarter

[Ciena](#) today announced unaudited financial results for its fiscal third quarter ended July 31, 2018.

"The combination of continued execution against our strategy and robust, broad-based customer demand resulted in outstanding fiscal third quarter performance," said Gary B. Smith, president and CEO of Ciena. "With our diversification, global scale and innovation leadership, we remain confident in our business model and our ability to achieve our three-year financial targets."

For the fiscal third quarter 2018, Ciena reported revenue of \$818.8 million as compared to \$728.7 million for the fiscal third quarter 2017.

Ciena's GAAP net income for the fiscal third quarter 2018 was \$50.8 million, or \$0.34 per diluted common share, which compares to a GAAP net income of \$60.0 million, or \$0.39 per diluted common share, for the fiscal third quarter 2017.

Ciena's adjusted (non-GAAP) net income for the fiscal third quarter 2018 was \$74.3 million, or \$0.48 per diluted common share, which compares to an adjusted (non-GAAP) net income of \$56.4 million, or \$0.35 per diluted common share, for the fiscal third quarter 2017.

**Fiscal Third 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		
	Q3	Q3	Period Change
	FY 2018	FY 2017	Y-T-Y*
Revenue	\$ 818.8	\$ 728.7	12.4 %
Gross margin	42.9%	45.0%	(2.1)%
Operating expense	\$ 266.3	\$ 246.1	8.2 %
Operating margin	10.4%	11.3%	(0.9)%

	Non-GAAP Results		
	Q3	Q3	Period Change
	FY 2018	FY 2017	Y-T-Y*
Revenue	\$ 818.8	\$ 728.7	12.4 %
Adj. gross margin	43.4%	45.5%	(2.1)%
Adj. operating expense	\$ 241.0	\$ 229.3	5.1 %
Adj. operating margin	14.0%	14.1%	(0.1)%
Adj. EBITDA	\$ 136.1	\$ 122.8	10.8 %

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

	Revenue by Segment			
	Q3 FY 2018		Q3 FY 2017	
	Revenue	%**	Revenue	%**
<b>Networking Platforms</b>				
Converged Packet Optical	\$ 592.8	72.5	\$ 510.2	70.0
Packet Networking	84.6	10.3	82.1	11.3
Total Networking Platforms	677.4	82.8	592.3	81.3
<b>Software and Software-Related Services</b>				
Software Platforms	14.3	1.7	18.4	2.5
Software-Related Services	26.9	3.3	23.9	3.3
Total Software and Software-Related Services	41.2	5.0	42.3	5.8
<b>Global Services</b>				
Maintenance Support and Training	60.9	7.4	57.9	7.9
Installation and Deployment	31.3	3.8	27.4	3.8
Consulting and Network Design	8.0	1.0	8.8	1.2
Total Global Services	100.2	12.2	94.1	12.9
<b>Total</b>	<b>\$ 818.8</b>	<b>100.0</b>	<b>\$ 728.7</b>	<b>100.0</b>

## Additional Performance Metrics for Fiscal Third Quarter 2018

	Revenue by Geographic Region			
	Q3 FY 2018		Q3 FY 2017	
	Revenue	% **	Revenue	% **
North America	\$ 497.0	60.7	\$ 465.2	63.8
Europe, Middle East and Africa	122.2	14.9	96.1	13.2
Caribbean and Latin America	27.5	3.4	51.7	7.1
Asia Pacific	172.1	21.0	115.7	15.9
Total	\$ 818.8	100.0	\$ 728.7	100.0

\*\* Denotes % of total revenue

- U.S. customers contributed 57.3% of total revenue
- Three customers accounted for greater than 10% of revenue and represented 33% of total revenue
- Cash and investments totaled \$984.6 million
- Cash flow from operations totaled \$88.1 million
- Free cash flow totaled \$69.7 million
- Average days' sales outstanding (DSOs) were 80
- Accounts receivable balance was \$728.9 million
- Inventories totaled \$227.9 million, including:
  - Raw materials: \$54.0 million
  - Work in process: \$11.1 million
  - Finished goods: \$173.4 million
  - Deferred cost of sales: \$38.5 million
  - Reserve for excess and obsolescence: \$(49.1) million
- Product inventory turns were 7.0
- Headcount totaled 5,889

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

Today, Thursday, August 30, 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 third 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](http://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.

## Notes to Investors

**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: "The combination of continued execution against our strategy and robust, broad-based customer demand resulted in outstanding fiscal third quarter performance."; "With our diversification, global scale and innovation leadership, we remain confident in our business model and our ability to achieve 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 June 6, 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 networking systems, services, and software company. We provide solutions that help our clients create more adaptive networks in response to the constantly changing demands of their users. By delivering best-in-class networking technology through high-touch consultative relationships, we build the world's most sophisticated networks with automation and scale. For updates on Ciena, follow us on Twitter @Ciena, LinkedIn, the Ciena Insights blog, or visit [www.ciena.com](http://www.ciena.com).

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

	Quarter Ended July 31,		Nine Months Ended July 31,	
	2018	2017	2018	2017
<b>Revenue:</b>				
Products	\$ 691,758	\$ 610,742	\$ 1,821,593	\$ 1,702,365
Services	127,059	117,977	373,337	354,873
Total revenue	818,817	728,719	2,194,930	2,057,238
<b>Cost of goods sold:</b>				
Products	399,886	341,197	1,085,574	955,303
Services	67,388	59,446	192,741	181,834
Total cost of goods sold	467,274	400,643	1,278,315	1,137,137
Gross profit	351,543	328,076	916,615	920,101
<b>Operating expenses:</b>				
Research and development	121,133	117,729	356,581	356,221
Selling and marketing	95,395	86,739	281,269	260,292
General and administrative	38,212	35,569	115,594	106,423
Significant asset impairments and restructuring costs	6,359	2,203	16,679	8,874
Amortization of intangible assets	3,837	3,837	11,083	29,368
Acquisition and integration costs	1,333	—	1,333	—
Total operating expenses	266,269	246,077	782,539	761,178
Income from operations	85,274	81,999	134,076	158,923
Interest and other income (loss), net	(1,543)	(848)	1,328	(3,396)
Interest expense	(13,611)	(13,415)	(40,376)	(41,926)
Income before income taxes	70,120	67,736	95,028	113,601
Provision for income taxes <sup>1</sup>	19,280	7,726	503,695	11,704
Net income (loss)	\$ 50,840	\$ 60,010	\$ (408,667)	\$ 101,897
<b>Net Income(loss) per Common Share</b>				
Basic net income (loss) per common share	\$ 0.35	\$ 0.42	\$ (2.84)	\$ 0.72
Diluted net income (loss) per potential common share <sup>2</sup>	\$ 0.34	\$ 0.39	\$ (2.84)	\$ 0.69
Weighted average basic common shares outstanding	143,400	142,464	143,766	141,631
Weighted average dilutive potential common shares outstanding <sup>3</sup>	159,998	172,112	143,766	164,431

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 July 31, 2018, Ciena has net deferred tax assets of approximately \$724.1 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 third quarter of fiscal 2018 and 2017 expected to be paid using cash was \$8.8 million and \$7.7 million, respectively. Ciena's foreign and domestic income tax expense for the nine months ended July 31, 2018 and 2017 expected to be paid using cash was \$11.8 million and \$11.7 million, respectively.



2. The calculation of GAAP diluted net income per common share for the third 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, and approximately \$2.6 million associated with Ciena's 4.0% convertible senior notes, due December 15, 2020 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 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 \$3.6 million associated with Ciena's "Original" 3.75% convertible senior notes, due October 15, 2018, and approximately \$3.3 million associated with Ciena's 4.0% convertible senior notes, due December 15, 2020 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 nine months of fiscal 2017 requires adding back interest expense of approximately \$1.3 million associated with Ciena's 0.875% convertible senior notes, which were paid at maturity during the third quarter of fiscal 2017, and approximately \$10.8 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.

3. Weighted average dilutive potential common shares outstanding used in calculating GAAP diluted net income per common share for the third quarter of fiscal 2018 includes 1.3 million shares underlying certain stock options and restricted stock units, 3.0 million shares underlying Ciena's "New" 3.75% convertible senior notes, due October 15, 2018, 3.0 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 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 GAAP diluted net income per common share for the first nine months of fiscal 2017 includes 1.4 million shares underlying certain stock options and restricted stock units, 4.0 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.

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

	July 31, 2018	October 31, 2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 726,214	\$ 640,513
Short-term investments	228,940	279,133
Accounts receivable, net	728,940	622,183
Inventories	227,885	267,143
Prepaid expenses and other	192,497	197,339
Total current assets	2,104,476	2,006,311
Long-term investments	29,465	49,783
Equipment, building, furniture and fixtures, net	295,863	308,465
Goodwill	287,551	267,458
Other intangible assets, net	108,302	100,997
Deferred tax asset, net	724,087	1,155,104
Other long-term assets	72,951	63,593
Total assets	<u>\$ 3,622,695</u>	<u>\$ 3,951,711</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 312,611	\$ 260,098
Accrued liabilities and other short-term obligations	297,988	322,934
Deferred revenue	104,170	102,418
Current portion of long-term debt	353,669	352,293
Total current liabilities	1,068,438	1,037,743
Long-term deferred revenue	79,914	82,589
Other long-term obligations	108,884	111,349
Long-term debt, net	586,505	583,688
Total liabilities	<u>\$ 1,843,741</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; 143,050,180 and 143,043,227 shares issued and outstanding	1,431	1,430
Additional paid-in capital	6,797,857	6,810,182
Accumulated other comprehensive income (loss)	(8,705)	(11,017)
Accumulated deficit	(5,011,629)	(4,664,253)
Total stockholders' equity	1,778,954	2,136,342
Total liabilities and stockholders' equity	<u>\$ 3,622,695</u>	<u>\$ 3,951,711</u>

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

	Nine Months Ended July 31,	
	2018	2017
<b>Cash flows provided by operating activities:</b>		
Net income (loss)	\$ (408,667)	\$ 101,897
<b>Adjustments to reconcile net income (loss) to net cash provided by operating activities:</b>		
Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements	63,104	55,873
Share-based compensation costs	38,896	36,843
Amortization of intangible assets	18,196	39,721
Deferred taxes	491,863	—
Provision for inventory excess and obsolescence	19,942	28,727
Provision for warranty	15,715	5,188
Other	18,164	21,076
<b>Changes in assets and liabilities:</b>		
Accounts receivable	(112,696)	(80,652)
Inventories	17,751	(93,896)
Prepaid expenses and other	(11,163)	(26,450)
Accounts payable, accruals and other obligations	14,840	(5,960)
Deferred revenue	(4,710)	13,978
Net cash provided by operating activities	<u>161,235</u>	<u>96,345</u>
<b>Cash flows used in investing activities:</b>		
Payments for equipment, furniture, fixtures and intellectual property	(50,386)	(76,004)
Purchase of available for sale securities	(217,715)	(189,802)
Proceeds from maturities of available for sale securities	290,000	260,003
Settlement of foreign currency forward contracts, net	4,759	(1,619)
Acquisition of business, net of cash acquired	(40,412)	—
Purchase of cost method investment	(1,433)	—
Net cash used in investing activities	<u>(15,187)</u>	<u>(7,422)</u>
<b>Cash flows used in financing activities:</b>		
Payment of long term debt	(3,000)	(232,554)
Payment for modification of term loans	—	(93,625)
Payment of capital lease obligations	(2,811)	(2,650)
Repurchases of common stock-repurchase program	(73,512)	—
Proceeds from issuance of common stock	22,735	20,395
Net cash used in financing activities	<u>(56,588)</u>	<u>(308,434)</u>
Effect of exchange rate changes on cash and cash equivalents	(3,759)	1,436
Net increase (decrease) in cash and cash equivalents	85,701	(218,075)
Cash and cash equivalents at beginning of period	640,513	777,615
Cash and cash equivalents at end of period	<u>\$ 726,214</u>	<u>\$ 559,540</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the period for interest	\$ 31,561	\$ 33,861
Cash paid during the period for income taxes, net	\$ 20,099	\$ 26,793
<b>Non-cash investing activities</b>		
Purchase of equipment in accounts payable	\$ 5,677	\$ 6,012
Building subject to capital lease	\$ —	\$ 50,370
<b>Non-cash financing activities</b>		
Repurchase of common stock in accrued liabilities from repurchase program	\$ 1,275	\$ —

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

	Quarter Ended July 31,	
	2018	2017
<b>Gross Profit Reconciliation (GAAP/non-GAAP)</b>		
GAAP gross profit	\$ 351,543	\$ 328,076
Share-based compensation-products	783	709
Share-based compensation-services	618	619
Amortization of intangible assets	2,534	2,417
Total adjustments related to gross profit	3,935	3,745
Adjusted (non-GAAP) gross profit	\$ 355,478	\$ 331,821
Adjusted (non-GAAP) gross profit percentage	43.4%	45.5%
<b>Operating Expense Reconciliation (GAAP/non-GAAP)</b>		
GAAP operating expense	\$ 266,269	\$ 246,077
Share-based compensation-research and development	3,082	3,139
Share-based compensation-sales and marketing	3,417	3,242
Share-based compensation-general and administrative	4,538	4,321
Significant asset impairments and restructuring costs	6,359	2,203
Amortization of intangible assets	3,837	3,837
Acquisition and integration costs	1,333	—
Legal settlement	2,753	—
Total adjustments related to operating expense	25,319	16,742
Adjusted (non-GAAP) operating expense	\$ 240,950	\$ 229,335
<b>Income from Operations Reconciliation (GAAP/non-GAAP)</b>		
GAAP income from operations	\$ 85,274	\$ 81,999
Total adjustments related to gross profit	3,935	3,745
Total adjustments related to operating expense	25,319	16,742
Total adjustments related to income from operations	29,254	20,487
Adjusted (non-GAAP) income from operations	\$ 114,528	\$ 102,486
Adjusted (non-GAAP) operating margin percentage	14.0%	14.1%
<b>Net Income Reconciliation (GAAP/non-GAAP)</b>		
GAAP net income	\$ 50,840	\$ 60,010
Exclude GAAP provision for income taxes	19,280	7,726
Income before income taxes	\$ 70,120	\$ 67,736
Total adjustments related to income from operations	29,254	20,487
Non-cash interest expense	793	535
Adjusted income before income taxes	\$ 100,167	\$ 88,758
Non-GAAP tax provision on adjusted income before income taxes	25,913	32,397
Adjusted (non-GAAP) net income	\$ 74,254	\$ 56,361
Weighted average basic common shares outstanding	143,400	142,464
Weighted average dilutive potential common shares outstanding <sup>1</sup>	159,998	172,112
<b>Net Income per Common Share</b>		
GAAP diluted net income per common share	\$ 0.34	\$ 0.39
Adjusted (non-GAAP) diluted net income per common share <sup>2</sup>	\$ 0.48	\$ 0.35

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

2. The calculation of Adjusted (non-GAAP) diluted net income per common share for the third 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 and approximately \$2.1 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.

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

	Quarter Ended July 31,	
	2018	2017
<b>Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)</b>		
Net income (GAAP)	\$ 50,840	\$ 60,010
Add: Interest expense	13,611	13,415
Less: Interest and other income (loss), net	(1,543)	(848)
Add: Provision for income taxes	19,280	7,726
Add: Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements	21,704	20,325
Add: Amortization of intangible assets	6,371	6,254
<b>EBITDA</b>	<b>\$ 113,349</b>	<b>\$ 108,578</b>
Add: Shared-based compensation cost	12,337	12,013
Add: Significant asset impairments and restructuring costs	6,359	2,203
Add: Acquisition and integration costs	1,333	—
Add: Legal settlement	2,753	—
<b>Adjusted EBITDA</b>	<b>\$ 136,131</b>	<b>\$ 122,794</b>

\* \* \*

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.
- *Significant asset impairments and restructuring costs* - costs incurred as a result of restructuring activities taken to align resources with perceived market opportunities.
- *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.
- *Acquisition and integration costs* - consist of financial, legal and accounting advisors' costs and severance and other employment-related costs related to Ciena's recent acquisition of Packet Design. Ciena does not believe that these costs are reflective of its ongoing operating expense following its completion of these integration activities.
- *Legal settlement* - costs incurred as a result of a settlement associated with a commercial dispute with a former vendor.
- *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.
- *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 third fiscal quarter of 2018, and 36.5% for the third 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

## Q3 FY 2018 Investor presentation

Quarterly Period ended July 31, 2018

August 30, 2018

Copyright © Ciena Corporation 2018. All rights reserved. Confidential & Proprietary.



## 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 June 6, 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.



Copyright © Ciena Corporation 2018. All rights reserved. Confidential & Proprietary.





## Q3 Fiscal 2018 key highlights

1

### Diversification and growth through market share gains

- Non-telco represented 37% of total revenue
- Direct webscale was 20% of total revenue; one 10% customer
- EMEA was up 27% YoY
- APAC up 49% YoY; India revenue was 10% of total revenue at \$83.6 million

2

### Forcing the pace of innovation with next generation solutions

- WaveLogic Ai: 40 total customers
  - 11 new wins in Q3
- Waveserver: 96 customers; added 12 in Q3

3

### Delivering shareholder value and strengthening our balance sheet

- Repurchased approximately 1.4 million shares of common stock for an aggregate price of \$35.6 million during the quarter
- Cash generation
  - Cash flow from operations: \$88.1 million
  - Free cash flow: \$69.7 million
- Stock Return YTD of 30% versus peer<sup>1</sup> average return of 10%

**ciena**

Copyright © Ciena Corporation 2018. All rights reserved. Confidential & Proprietary.  
1. Peers include ACIA, ADTN, ADVA, CSCO, INFN, JNPR and NOKIA for the period 1/1/18-8/21/18

3

## Q3 Fiscal 2018 Financial Highlights

### Key Takeaways

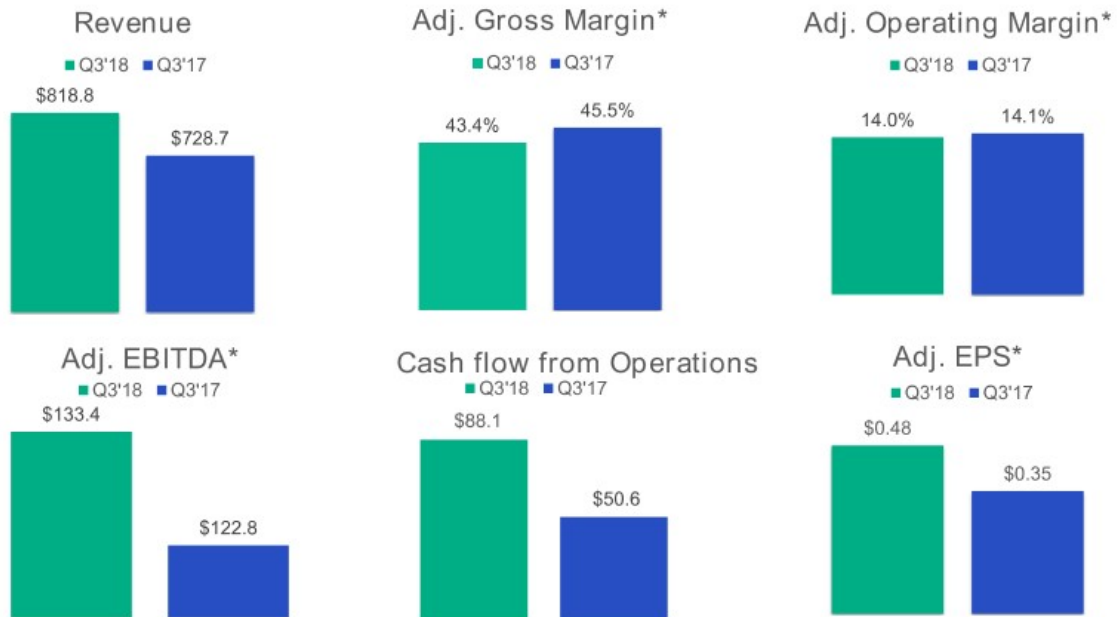
- 1 Revenue of \$818.8 million
- 2 Adjusted Gross Margin of 43.4%\*
- 3 Adjusted Operating Expense of \$241.0 million\*
- 4 Adjusted Operating Margin of 14.0%\*
- 5 Adjusted EBITDA of \$136.1 million\*
- 6 Cash flow from operations of \$88.1 million

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

**ciena** Copyright © Ciena Corporation 2018. All rights reserved. Confidential & Proprietary.

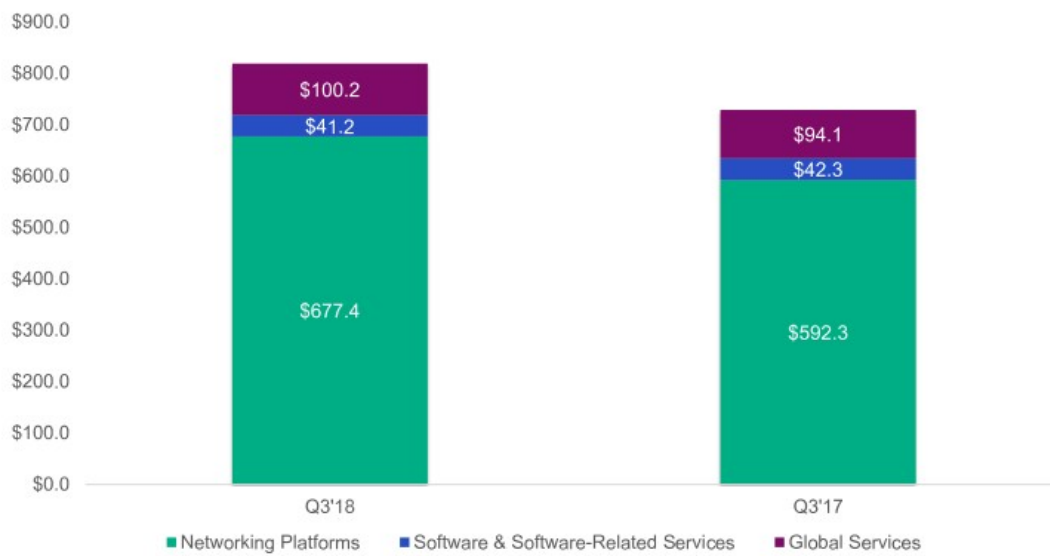


## Q3 Fiscal 2018 Comparisons (Year-over-Year)



## Q3 Fiscal 2018 Comparisons (Revenue by Segment)

(in millions)



## Q3 Fiscal 2018 Revenue by Segment

(Amounts in millions)

	Q3 FY 2018		Q3 FY 2017	
	Revenue	%*	Revenue	%*
<b>Networking Platforms</b>				
Converged Packet Optical	\$592.8	72.5	\$510.2	70.0
Packet Networking	84.6	10.3	82.1	11.3
<b>Total Networking Platforms</b>	<b>677.4</b>	<b>82.8</b>	<b>592.3</b>	<b>81.3</b>
<b>Software and Software-Related Services</b>				
Software Platforms	14.3	1.7	18.4	2.5
Software-Related Services	26.9	3.3	23.9	3.3
<b>Total Software and Software-Related Services</b>	<b>41.2</b>	<b>5.0</b>	<b>42.3</b>	<b>5.8</b>
<b>Global Services</b>				
Maintenance Support and Training	60.9	7.4	57.9	7.9
Installation and Deployment	31.3	3.8	27.4	3.8
Consulting and Network Design	8.0	1.0	8.8	1.2
<b>Total Global Services</b>	<b>100.2</b>	<b>12.2</b>	<b>94.1</b>	<b>12.9</b>
<b>Total</b>	<b>\$818.8</b>	<b>100.0%</b>	<b>\$728.7</b>	<b>100.0%</b>

\* Denotes % of total revenue



Copyright © Ciena Corporation 2018. All rights reserved. Confidential & Proprietary.



## U.S. and International Revenue

(Amounts in millions)

Revenue					
	Q3 FY 2018	Q2 FY 2018	Q1 FY 2018	Q4 FY 2017	Q3 FY 2017
United States	\$469.2	\$392.8	\$383.4	\$418.2	\$438.1
International	349.6	337.2	\$262.7	\$326.2	\$290.6
Total	\$818.8	\$730.0	\$646.1	\$744.4	\$728.7

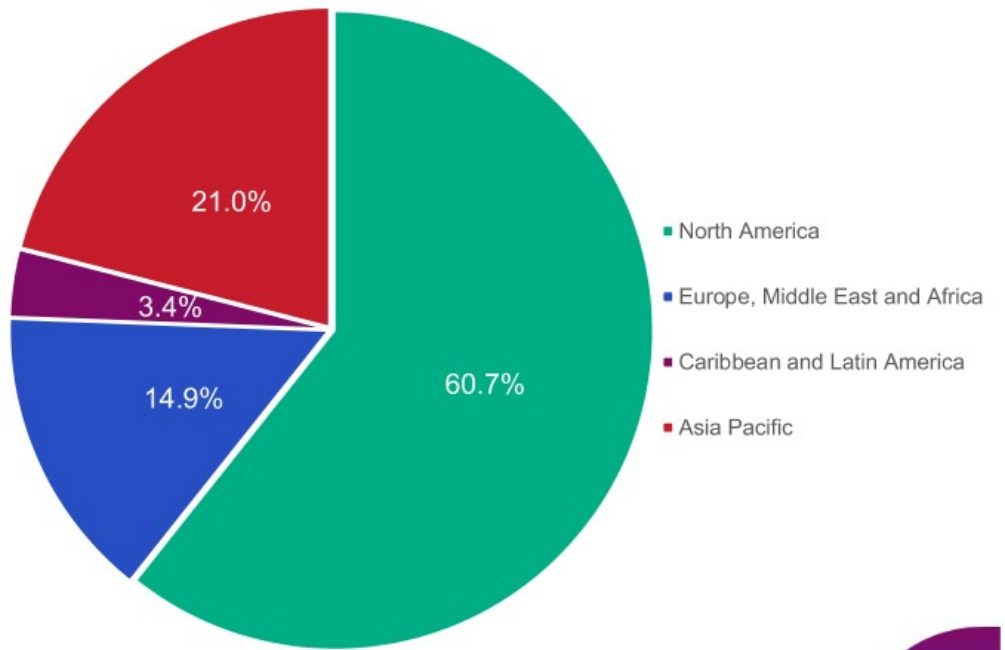
% of Total Revenue					
	Q3 FY 2018	Q2 FY 2018	Q1 FY 2018	Q4 FY 2017	Q3 FY 2017
United States	57.3%	53.8%	59.3%	56.2%	60.1%
International	42.7%	46.2%	40.7%	43.8%	39.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%



Copyright © Ciena Corporation 2018. All rights reserved. Confidential & Proprietary.



## Q3 Fiscal 2018 Revenue by Geographic Region



## Revenue by Geographic Region

(Amounts in millions)

Revenue	Q3 FY 2018	Q2 FY 2018	Q1 FY 2018	Q4 FY 2017	Q3 FY 2017
North America	\$497.0	\$431.2	\$402.9	\$440.5	\$465.2
Europe, Middle East and Africa	122.2	121.7	97.8	110.7	\$96.1
Caribbean and Latin America	27.5	25.1	34.6	43.5	\$51.7
Asia Pacific	172.1	152.0	110.8	149.7	\$115.7
Total	\$818.8	\$730.0	\$646.1	\$744.4	\$728.7

Revenue	Q3 FY 2018	Q2 FY 2018	Q1 FY 2018	Q4 FY 2017	Q3 FY 2017
North America	60.7%	59.1%	62.4%	59.2%	63.8%
Europe, Middle East and Africa	14.9%	16.7%	15.1%	14.9%	13.2%
Caribbean and Latin America	3.4%	3.4%	5.4%	5.8%	7.1%
Asia Pacific	21.0%	20.8%	17.1%	20.1%	15.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%



Copyright © Ciena Corporation 2018. All rights reserved. Confidential & Proprietary.





## Q3 Fiscal 2018 Balance Sheet and Operating Metrics

Cash and Investments	\$984.6 million
Cash Flow From Operations	\$88.1 million
DSO	80 Days
Inventory Turns	7.0



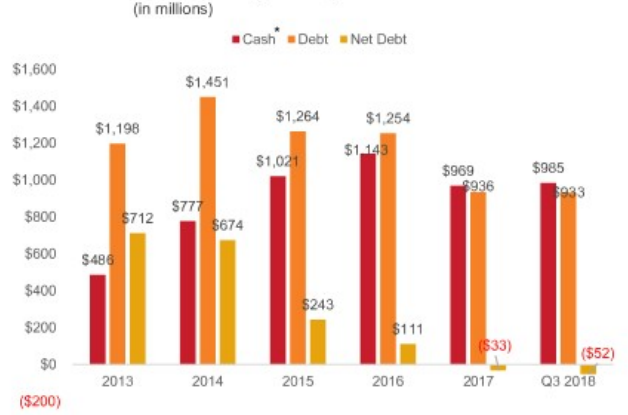
# Strengthening balance sheet

Ciena has improved its leverage and reduced its debt position

### Leverage Trend



### Net Debt (Cash) Position



\*Cash & cash equivalents

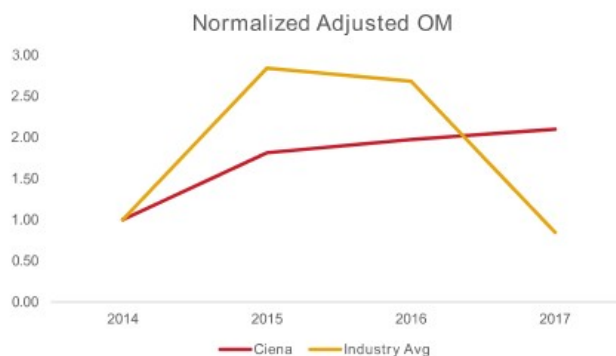
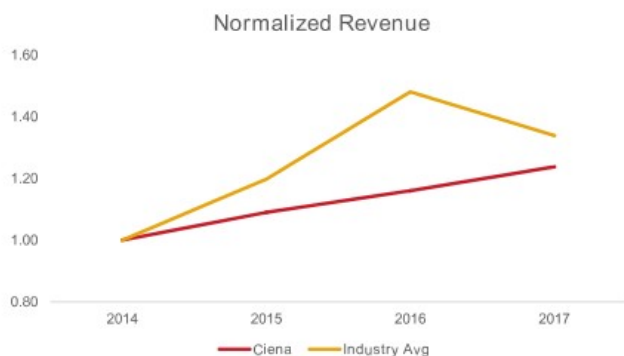


Copyright © Ciena Corporation 2018. All rights reserved. Confidential & Proprietary.



## 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

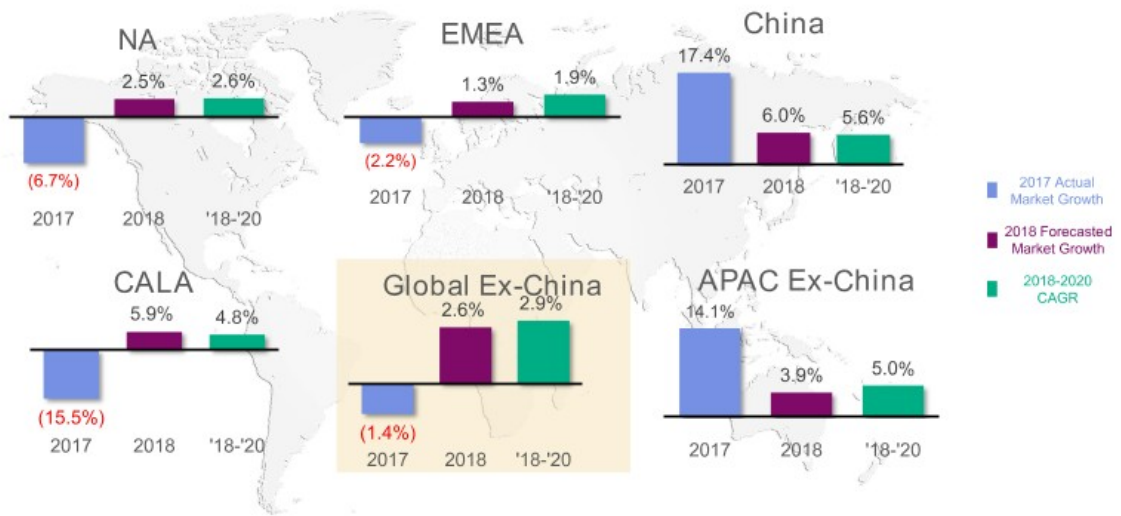


Copyright © Ciena Corporation 2018. All rights reserved. Confidential & Proprietary.



# 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



Copyright © Ciena Corporation 2018. All rights reserved. Confidential & Proprietary.

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



# Long-Term Targets



Copyright © Ciena Corporation 2018. All rights reserved. Confidential & Proprietary.

## Long-term financial targets

Ciena's strategic drivers play a key role in our performance

Three-year annual revenue growth targets	
Optical Systems	Approximately 4-6%
Attached Services	Approximately 4-6%
Packet Networking	Approximately 6-8%
Software and Related Services	Approximately 14-16%
Components	Approximately \$50M in annual revenue**

\*Projections or outlook with respect to future operating results are only as of December 7, 2017, 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.

\*\*Projection indicates goal by the end of the next three fiscal years



Copyright © Ciena Corporation 2018. All rights reserved. Confidential & Proprietary.



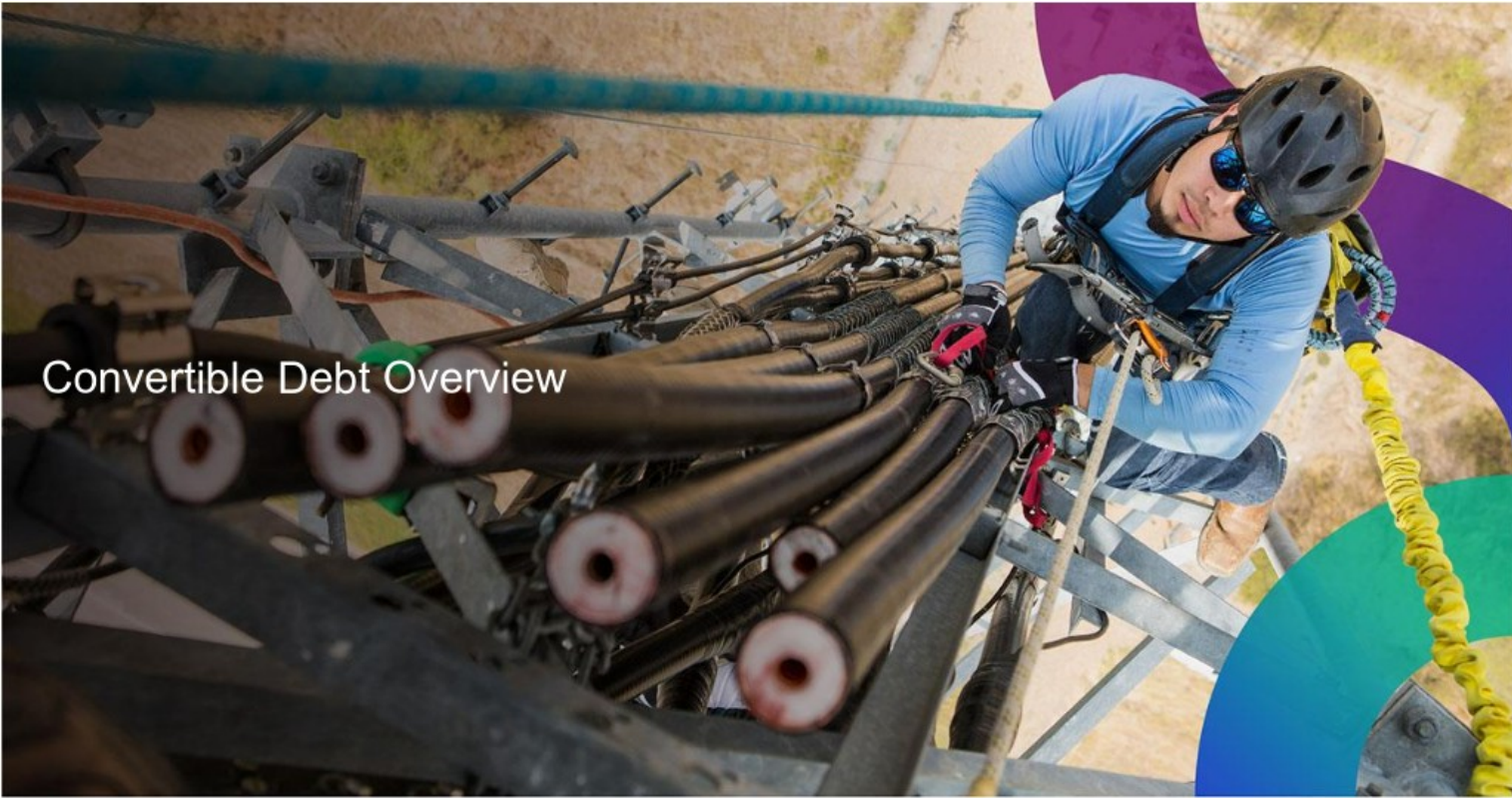
## Long-term financial targets

Execution of our strategy will drive top-line growth, profitability and cash generation

Revenue	Adj. operating margin	Adj. EPS	Free cash flow
Approximately 5 to 7% annual growth over the next three years	15% on an annualized basis remains achievable in next few years	Approximately 14-16% annual growth over the next three years	Approximately 60-70% of adjusted operating income in each of the next three years

\*Projections or outlook with respect to future operating results are only as of December 7, 2017, 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.





# 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	3,032 <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	\$ 22,656
4.0% Convertible Senior Notes due December 15, 2020	\$ 187,500	9,198	\$ 20.39	9,198	\$ 2,628	If-Converted Method	\$ 42,613
<b>Total</b>	<b>\$ 537,500</b>	<b>26,554</b>		<b>15,268</b>	<b>\$ 3,093</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 \$25.59 average price per share during its fiscal third quarter. See the following slide for an illustration of the 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

# Q3 Fiscal 2018 Appendix



## Gross Profit Reconciliation (Amounts in thousands)

	Q3 FY 2018	Q2 FY 2018	Q1 FY 2018	Q4 FY 2017	Q3 FY 2017
GAAP gross profit	\$351,543	\$293,307	\$271,765	\$325,685	\$328,076
Share-based compensation-products	783	824	672	694	709
Share-based compensation-services	618	722	625	561	619
Amortization of intangible assets	2,534	2,289	2,289	2,332	2,417
Total adjustments related to gross profit	3,935	3,835	3,586	3,587	3,745
<b>Adjusted (non-GAAP) gross profit</b>	<b>\$355,478</b>	<b>\$297,142</b>	<b>\$275,351</b>	<b>\$329,272</b>	<b>\$331,821</b>
<b>Adjusted (non-GAAP) gross margin</b>	<b>43.4%</b>	<b>40.7%</b>	<b>42.6%</b>	<b>44.2%</b>	<b>45.5%</b>

## Operating Expense Reconciliation (Amounts in thousands)

	Q3 FY 2018	Q2 FY 2018	Q1 FY 2018	Q4 FY 2017	Q3 FY 2017
GAAP operating expense	\$266,269	\$261,241	\$255,029	\$269,886	\$246,077
Share-based compensation-research and development	3,082	3,796	3,255	2,956	3,139
Share-based compensation-sales and marketing	3,417	3,760	3,328	3,218	3,242
Share-based compensation-general and administrative	4,538	5,109	4,474	4,130	4,321
Significant asset impairments and restructuring costs	6,359	4,359	5,961	15,059	2,203
Amortization of intangible assets	3,837	3,623	3,623	3,661	3,837
Acquisition and integration costs, excluding share-based compensation	1,333	-	-	-	-
Legal settlement	2,753	-	-	-	-
Total adjustments related to operating expense	\$25,319	\$20,647	\$20,641	\$29,024	\$16,742
<b>Adjusted (non-GAAP) operating expense</b>	<b>\$240,950</b>	<b>\$240,594</b>	<b>\$234,388</b>	<b>\$240,862</b>	<b>\$229,335</b>

## Income from Operations Reconciliation (Amounts in thousands)

	Q3 FY 2018	Q2 FY 2018	Q1 FY 2018	Q4 FY 2017	Q3 FY 2017
GAAP income from operations	\$85,274	\$32,066	\$16,736	\$55,799	\$81,999
Total adjustments related to gross profit	3,935	3,835	3,586	3,587	3,745
Total adjustments related to operating expense	25,319	20,647	20,641	29,024	16,742
Total adjustments related to income from operations	29,254	24,482	24,227	32,611	20,487
<b>Adjusted (non-GAAP) income from operations</b>	<b>\$114,528</b>	<b>\$56,548</b>	<b>\$40,963</b>	<b>\$88,410</b>	<b>\$102,486</b>
<b>Adjusted (non-GAAP) operating margin</b>	<b>14.0%</b>	<b>7.7%</b>	<b>6.3%</b>	<b>11.9%</b>	<b>14.1%</b>



Copyright © Ciena Corporation 2018. All rights reserved. Confidential & Proprietary.

## Net Income (loss) Reconciliation (Amounts in thousands)

	Q3 FY 2018	Q2 FY 2018	Q1 FY 2018	Q4 FY 2017	Q3 FY 2017
GAAP net income (loss)	\$50,840	\$13,856	(\$473,363)	\$1,160,056	\$60,010
Exclude GAAP provision (benefit) for income taxes	19,280	6,475	477,940	(1,117,531)	7,726
Income before income taxes	70,120	20,331	4,577	42,525	67,736
Total adjustments related to income from operations	29,254	24,482	24,227	32,611	20,487
Non-cash interest expense	793	759	749	525	535
Modification of debt	-	-	-	692	-
Adjusted income before income taxes	100,167	45,572	29,553	76,353	88,758
Non-GAAP tax provision on adjusted income before income taxes	25,913	11,789	7,645	27,869	32,397
<b>Adjusted (non-GAAP) net income</b>	<b>\$74,254</b>	<b>\$33,783</b>	<b>\$21,908</b>	<b>\$48,484</b>	<b>\$56,361</b>
Weighted average basic common shares outstanding	143,400	143,975	143,922	143,097	142,464
Weighted average dilutive potential common shares outstanding <sup>1</sup>	159,998	151,011	145,558	158,791	172,112

## Net Income (loss) per Common Share

	Q3 FY 2018	Q2 FY 2018	Q1 FY 2018	Q4 FY 2017	Q3 FY 2017
GAAP diluted net income (loss) per common share	\$ 0.34	\$ 0.09	\$ (3.29)	\$ 7.32	\$ 0.39
<b>Adjusted (Non-GAAP) diluted net income per common share<sup>2</sup></b>	<b>\$ 0.48</b>	<b>\$ 0.23</b>	<b>\$ 0.15</b>	<b>\$ 0.32</b>	<b>\$ 0.35</b>



Copyright © Ciena Corporation 2018. All rights reserved. Confidential & Proprietary.

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

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)	Q3 FY 2018	Q2 FY 2018	Q1 FY 2018	Q4 FY 2017	Q3 FY 2017
Net income (loss) (GAAP)	\$50,840	\$13,856	(\$473,363)	\$1,160,056	\$60,010
Add: Interest expense	13,611	13,031	13,734	13,926	13,415
Less: Interest and other income (loss), net	(1,543)	1,296	1,575	652	(848)
Add: Provision (benefit) for income taxes	19,280	6,475	477,940	(1,117,531)	7,726
Add: Depreciation of equipment, building, furniture and fixtures, and amortization of leasehold improvements	21,704	20,567	20,833	21,316	20,325
Add: Amortization of intangible assets	6,371	5,912	5,912	5,993	6,254
<b>EBITDA</b>	<b>\$113,349</b>	<b>\$58,545</b>	<b>\$43,481</b>	<b>\$83,108</b>	<b>\$108,578</b>
Add: Shared-based compensation cost	12,337	14,166	12,393	11,517	12,013
Add: Significant asset impairments and restructuring costs	6,359	4,359	5,961	15,059	2,203
Add: Acquisition and integration costs	1,333	-	-	-	-
Add: Legal settlement	2,753	-	-	-	-
<b>Adjusted EBITDA</b>	<b>\$136,131</b>	<b>\$77,070</b>	<b>\$61,835</b>	<b>\$109,684</b>	<b>\$122,794</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 third quarter of fiscal 2018 includes 1.3 million shares underlying certain stock options and restricted stock units, 3.0 million shares underlying Ciena's "New" 3.75% convertible senior notes, due October 15, 2018, 3.0 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 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 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.

2. The calculation of Adjusted (non-GAAP) diluted net income per common share for the third 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 and approximately \$2.1 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 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 \$2.3 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.



Thank You



