

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) June 1, 2006

Ciena Corporation

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

0-21969

23-2725311

(Commission File Number)

(IRS Employer Identification No.)

1201 Winterson Road, Linthicum, MD

21090

(Address of Principal Executive Offices)

(Zip Code)

(410) 865-8500

(Registrant's Telephone Number, Including Area Code)

(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 June 1, 2006, Ciena Corporation issued a press release announcing its financial results for the second quarter ended April 30, 2006. The text of the press release is furnished as Exhibit 99.1 to this Report. The information in this Report shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, and shall not be incorporated by reference into any registration statement pursuant to the Securities Act of 1933, as amended.

ITEM 9.01 - FINANCIAL STATEMENTS AND EXHIBITS

(c) The following exhibit is being filed herewith:

Exhibit Number	Description of Document
Exhibit 99.1	Text of Press Release dated June 1, 2006, issued by

Ciena Corporation, reporting its results of operations
for the second quarter ended April 30, 2006.

SIGNATURES

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

Ciena Corporation

Date: June 1, 2006

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

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

Ciena Reports Fiscal Second Quarter 2006 Results;
Delivers Continued Gross Margin Improvement and Ninth Quarter
of Sequential Revenue Growth

LINTHICUM, Md.--(BUSINESS WIRE)--June 1, 2006--Ciena(R) Corporation (NASDAQ:CIEN), the network specialist, today announced results for its fiscal second quarter 2006 ending April 30, 2006. Revenue for the second quarter totaled \$131.2 million, representing a 8.9% sequential increase from fiscal first quarter revenue of \$120.4 million, and an increase of 26.3% over the same period a year ago when the Company reported sales of \$103.8 million. For the six months ending April 30, 2006, Ciena reported revenue of \$251.7 million, representing an increase of 26.7% over revenue of \$198.6 million for the same six-month year-ago period.

"With persistent focus on executing our network specialist strategy, we've been able to achieve the important milestone of profitability on an as-adjusted basis in our fiscal second quarter and are nearing breakeven on a GAAP basis while at the same time delivering the industry-leading vision, functionality and service Ciena's customers have come to expect," said Gary Smith, Ciena CEO and president. "In addition to solid revenue growth, our fiscal second quarter results benefited from continued gross margin improvement resulting from our ongoing product and manufacturing-related cost reductions as well as a favorable product mix in the quarter."

On the basis of generally accepted accounting principles (GAAP), Ciena's net loss for the fiscal second quarter 2006 was \$1.9 million, or a net loss of \$0.00 per share. This compares with a reported GAAP net loss of \$74.8 million, or a net loss of \$0.13 per share, for the same period a year ago. For the six-month period ended April 30, 2006, Ciena's reported GAAP net loss was \$8.2 million, or a net loss of \$0.01 per share. This compares to a GAAP net loss of \$131.8 million, or a net loss of \$0.23 per share, for the same six-month year-ago period.

Ciena's GAAP results for its fiscal second quarter 2006 include \$4.0 million of share-based compensation expense related to equity based awards in accordance with Statement of Financial Accounting Standards (SFAS) No. 123R, adopted by Ciena on November 1, 2005. Fiscal year 2005's GAAP results do not include the impact of SFAS 123R.

Non-GAAP Presentation of Quarterly Results

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

	Quarter Ended Apr. 30, 2005	Quarter Ended Apr. 30, 2006
	-----	-----
Stock compensation product	\$ -	\$ 375
Stock compensation services	-	205
Stock compensation research and development	842	1,421
Stock compensation sales and marketing	2,447	948
Stock compensation general and administrative	192	1,007
Amortization of intangible assets	10,204	6,295
Restructuring costs	9,765	3,014
Long-lived asset impairments	(25)	(3)
Recovery of doubtful accounts, net	-	(247)
Loss (gain) on lease settlement	-	(5,628)
Loss (gain) on equity investments, net	7,300	-
Loss (gain) on extinguishment of debt	-	(362)
Income tax adjustment	15,723	(1,550)
	-----	-----
Total adjustments	\$ 46,448	\$ 5,475
	=====	=====

GAAP net loss	\$	(74,807)	\$	(1,910)
Adjustment for items above		46,448		5,475
Adjusted (non-GAAP) net (loss) income	\$	(28,359)	\$	3,565
Weighted average basic common shares outstanding		573,569		584,625
Weighted average basic common and dilutive potential common shares outstanding		573,569		612,202
Adjusted (non-GAAP) net (loss) income per share	\$	(0.05)	\$	0.01

Adjusting Ciena's fiscal second quarter 2006 GAAP net loss of \$1.9 million for the items noted above would have the effect of moving the Company's quarterly results from a net loss of \$1.9 million to net income of \$3.6 million. Likewise adjusting the fiscal second quarter's per share results and using the higher weighted average basic common and dilutive potential common shares outstanding share count of 612.2 million instead of the basic share count of 584.6 million due to the transition from as-adjusted net loss to as-adjusted net income, would bring the Company's GAAP net loss per share of \$0.00 to as-adjusted net income of \$0.01 per share.

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

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

	(in thousands except per share data)			
	Q2 2005		Q2 2006	
	Net Income (Loss)	Net Income (Loss) per Share	Net Income (Loss)	Net Income (Loss) per Share
	-----	-----	-----	-----
GAAP				
1. GAAP results as reported	\$ (74,807)	\$ (0.13)	\$ (1,910)	\$ (0.00)
Non-GAAP				
1. GAAP results less SFAS 123R-related share-based compensation expense	N/A	N/A	\$ 2,046	\$ 0.00
2. GAAP results less APB 25-related share-based compensation expense	\$ (71,326)	\$ (0.12)	N/A	N/A
3. As-adjusted results (excludes SFAS 123R and APB 25-related share-based compensation expense and other items as defined in previous table)	\$ (28,359)	\$ (0.05)	\$ 3,565	\$ 0.01

Second Quarter 2006 Performance Highlights

- Delivered sequential revenue growth of 8.9% and year-over-year revenue growth of 26.3%.
- As a result of ongoing product- and manufacturing-related cost reductions and favorable product mix in the quarter, delivered overall gross margin of 48.0%, an improvement of more than 600 basis points from fiscal first quarter gross margin of 41.9%.

- On April 10, 2006, completed a public offering of 0.25% Convertible Senior Notes due May 1, 2013, in aggregate principal amount of \$300 million.
- Ended the fiscal second quarter 2006 with cash and short- and long-term investments of \$1.2 billion.

Second Quarter 2006 Customer and Product Highlights

- Announced that CoreStream(TM) Agility Optical Transmission System had been selected for deployment in Telefonos de Mexico S.A. de C.V.'s (TELMEX) nationwide long-distance network, adding to Ciena's existing presence in the TELMEX long-distance network, where for several years, Ciena's CoreDirector(R) multiservice switch has been deployed.
- Participated in a public, multi-vendor MPLS interoperability demonstration at the MPLS World Congress with the DN 7000(TM) series multiservice edge switches, demonstrating interoperability of several MPLS standards implemented to deliver protected quality of service-enabled converged residential and business services.
- With a steady increase in the adoption of Ciena's FlexSelect(TM) Architecture among healthcare organizations, including UC Davis Medical Center, Trinity Health (Novi, Mich.), and The Children's Hospital in Denver, Ciena announced its membership in the Healthcare Information and Management Systems Society (HIMSS).
- Teamed with Brocade to provide fully-tested Storage Area Network (SAN) solutions over Metro and Wide Area Networks using Ciena's CN 4200(TM) FlexSelect Advanced Services Platform and its CN 2000(TM) Storage Extension Platform.
- Announced Cox Communications, a multiservice broadband company with more than 6.7 million customers, had certified Ciena's CN 4200 FlexSelect Advanced Services Platform for deployment in its metro and regional networks to support the aggregation and transport of residential voice, video and data services, as well as business services.
- Named preferred supplier of 10 Gigabit Ethernet (10GbE) dense wavelength division multiplexing (DWDM) and SDH transport and switching equipment by GlobalConnect, a Denmark-based telecom infrastructure provider.

Business Outlook

"We continue to see indications that underlying demand drivers like high-speed broadband access, wireless, and video are fueling the need for capacity growth and a transition to next-generation networks," said Smith. "We believe our role as the network specialist and our practical vision for network migration, whether from TDM to Ethernet, 2G to 3G, or Internet broadband to Triple Play, positions Ciena to benefit from these market dynamics."

"We expect market demand will enable us to accelerate our revenue growth in the second half of our fiscal year compared to the first half," said Smith. "On a sequential basis, we expect our fiscal third quarter revenue will increase in a range of between 7% to 10% sequentially from our fiscal second quarter revenue."

Live Web Broadcast of Fiscal Second Quarter Results

Ciena will host a discussion of its fiscal second quarter results with investors and financial analysts today, Thursday, June 1, 2006 at 8:30 a.m. (Eastern). The live broadcast of the discussion will be available via Ciena's homepage at www.ciena.com. An archived version of the discussion will be available shortly following the conclusion of the live broadcast on the Investor Relations page of Ciena's website at: <http://www.ciena.com/investors/investors.htm>.

NOTE TO INVESTORS

This press release contains certain forward-looking statements based on current expectations, forecasts and assumptions that involve risks and uncertainties. These statements are based on information available to the Company as of the date hereof; and Ciena's actual results could differ materially from those stated or implied, due to risks and uncertainties associated with its business, which include the risk factors disclosed in its Report on Form 10-Q filed with the

Securities and Exchange Commission on March 3, 2006. Forward-looking statements include statements regarding Ciena's expectations, beliefs, intentions or strategies regarding the future and can be identified by forward-looking words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "should," "will," and "would" or similar words. Forward-looking statements in this release include: we continue to see indications that underlying demand drivers like high speed broadband access, wireless, and video are fueling the need for capacity growth and a transition to next-generation networks; we believe our role as the network specialist and our practical vision for network migration, whether from TDM to Ethernet, 2G to 3G, or Internet broadband to Triple Play, positions Ciena to benefit from these market dynamics; we expect market demand will enable us to accelerate our revenue growth in the second half of our fiscal year compared to the first half; and on a sequential basis, we expect our fiscal third quarter revenue will increase in a range of between 7% to 10% sequentially from our fiscal second quarter revenue. Ciena assumes no obligation to update the information included in this press release, whether as a result of new information, future events or otherwise.

(Consolidated Balance Sheets, Statement of Operations and Cash Flows follow)

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

ASSETS	(unaudited)	
	October 31, 2005	April 30, 2006
Current assets:		
Cash and cash equivalents	\$ 358,012	\$ 656,223
Short-term investments	579,531	433,488
Accounts receivable, net	72,786	76,599
Inventories, net	49,333	79,076
Prepaid expenses and other	37,867	40,521
Total current assets	1,097,529	1,285,907
Long-term investments	155,944	133,019
Equipment, furniture and fixtures, net	28,090	26,908
Goodwill	232,015	232,015
Other intangible assets, net	120,324	105,799
Other long-term assets	41,327	36,490
Total assets	<u>\$1,675,229</u>	<u>\$1,820,138</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 43,868	\$ 41,893
Accrued liabilities	76,491	67,972
Restructuring liabilities	15,492	9,218
Unfavorable lease commitments	9,011	8,910
Income taxes payable	5,785	5,652
Deferred revenue	27,817	42,040
Total current liabilities	178,464	175,685
Long-term deferred revenue	15,701	16,790
Long-term restructuring liabilities	54,285	21,668
Long-term unfavorable lease commitments	41,364	36,920
Other long-term obligations	1,296	2,035
Convertible notes payable	648,752	842,262
Total liabilities	<u>939,862</u>	<u>1,095,360</u>

Commitments and contingencies

Stockholders' equity:

Preferred stock - par value \$0.01; 20,000,000 shares authorized; zero shares issued and outstanding	-	-
Common stock - par value \$0.01; 980,000,000 shares authorized; 580,340,947 and 587,644,732 shares issued and outstanding	5,803	5,876
Additional paid-in capital	5,489,613	5,483,086
Deferred stock compensation	(2,286)	-
Changes in unrealized gains on investments, net	(4,673)	(2,866)
Translation adjustment	(495)	(522)

Accumulated deficit	(4,752,595)	(4,760,796)
Total stockholders' equity	735,367	724,778
Total liabilities and stockholders' equity	\$1,675,229	\$1,820,138

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

	Quarter Ended April 30,		Six Months Ended April 30,	
	2005	2006	2005	2006
Revenues:				
Products	\$ 91,618	\$ 117,208	\$ 173,918	\$ 223,149
Services	12,228	13,967	24,676	28,456
Total revenue	103,846	131,175	198,594	251,605
Costs:				
Products	65,843	58,957	126,691	119,356
Services	10,837	9,312	20,506	18,888
Total cost of goods sold	76,680	68,269	147,197	138,244
Gross profit	27,166	62,906	51,397	113,361
Operating expenses:				
Research and development	35,608	28,856	70,270	58,318
Selling and marketing	29,648	26,657	56,488	53,229
General and administrative	8,894	11,246	16,550	21,142
Amortization of intangible assets	10,204	6,295	20,615	12,590
Restructuring costs	9,765	3,014	10,890	5,029
Long-lived asset impairments	(25)	(3)	159	(6)
Recovery of doubtful accounts, net	-	(247)	-	(2,851)
Gain on lease settlement	-	(5,628)	-	(11,648)
Total operating expenses	94,094	70,190	174,972	135,803
Loss from operations	(66,928)	(7,284)	(123,575)	(22,442)
Interest and other income, net	7,103	11,197	14,536	20,459
Interest expense	(7,230)	(5,815)	(14,456)	(11,868)
Gain (loss) on equity investments, net	(7,300)	-	(7,278)	(733)
Gain on extinguishment of debt	-	362	-	7,052
Loss before income taxes	(74,355)	(1,540)	(130,773)	(7,532)
Provision for income taxes	452	370	1,029	669
Net loss	\$ (74,807)	\$ (1,910)	\$ (131,802)	\$ (8,201)
Basic and diluted net loss per common share and dilutive potential common share	\$ (0.13)	\$ (0.00)	\$ (0.23)	\$ (0.01)
Weighted average basic common and dilutive potential common shares outstanding	573,569	584,625	572,674	582,759

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

	Six Months Ended April 30,	
	2005	2006
Cash flows from operating activities:		
Net loss	\$(131,802)	\$ (8,201)
Adjustments to reconcile net loss to net cash used in operating activities:		
Early extinguishment of debt	-	(7,052)
Amortization of premium on marketable securities	9,265	1,955
Non-cash loss from equity investments	159	733
Non-cash impairment of long-lived assets	7,278	-
Depreciation and amortization of leasehold improvements	16,292	9,691
Stock compensation	5,528	8,118
Amortization of intangibles	22,549	14,525
Provision for inventory excess and obsolescence	2,695	4,376
Provision for warranty and other contractual obligations	5,802	6,815
Other	1,510	1,280
Changes in assets and liabilities:		
Accounts receivable	(20,604)	(3,813)
Inventories	(570)	(34,119)
Prepaid expenses and other	598	5,264
Accounts payable, accrued liabilities and other obligations	(8,437)	(60,318)
Income taxes payable	815	(133)
Deferred revenue	9,014	15,312
Net cash used in operating activities	(79,908)	(45,567)
Cash flows from investing activities:		
Additions to equipment, furniture, fixtures and intellectual property	(6,457)	(8,531)
Proceeds from sale of equipment, furniture and fixtures	239	-
Restricted cash	(690)	1,837
Purchases of available for sale securities	(316,529)	(130,837)
Maturities of available for sale securities	453,050	299,657
Minority equity investments, net	(2,043)	-
Net cash provided by investing activities	127,570	162,126
Cash flows from financing activities:		
Proceeds from issuance of 0.25% convertible senior notes payable	-	300,000
Repurchase of 3.75% convertible notes payable	-	(98,410)
Debt issuance costs	-	(7,652)
Purchase of call spread option	-	(28,457)
Proceeds from issuance of common stock	4,799	16,171
Repayment of notes receivable from stockholders	48	-
Net cash provided by financing activities	4,847	181,652
Net increase in cash and cash equivalents	52,509	298,211
Cash and cash equivalents at beginning of period	185,868	358,012
Cash and cash equivalents at end of period	\$ 238,377	\$ 656,223

Appendix A

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

- Stock compensation costs - As of November 1, 2005, Ciena adopted SFAS 123R. In accordance with the modified prospective application transition method, Ciena's consolidated financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R. Prior periods do include share-based compensation expense recognized in accordance with APB 25 as interpreted by FASB Interpretation (FIN) No. 44.
- Amortization of intangible assets - a non-cash expense arising from acquisitions of intangible assets, principally developed

technology, which Ciena is required to amortize over its expected useful life and which the Company feels is not reflective of its ongoing operating costs.

- Restructuring costs - non-recurring charges incurred as the result of reducing the size of the Company's operations to align its resources with the reduced size of the telecommunications market as well as the result of targeting new segment opportunities within the overall market, which the Company feels are not reflective of its ongoing operating costs.
- Long-lived asset impairments - non-recurring charges, incurred as a result of excess equipment classified as held for sale which the Company feels are not reflective of its ongoing operating costs.
- Recovery of doubtful accounts - a non-recurring charge unrelated to normal operations resulting from the recovery of an amount that was previously written off.
- Gain on lease settlement - a non-recurring charge unrelated to normal operations resulting from termination of obligations under a lease for an unused facility.
- (Gain) loss on equity investments, net - a non-recurring loss or gain related to changes in the value of the Company's equity investments which the Company feels is not reflective of its ongoing operating costs.
- Gain on extinguishment of debt - a non-recurring gain related to the early extinguishment of outstanding debt.
- Income tax adjustment net loss - the income tax charge or benefit on the adjusted net loss or income, which is a necessary adjustment for consistency. The Company currently has a full valuation allowance for GAAP reporting purposes and accordingly does not recognize a tax benefit for losses generated.

About Ciena

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

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