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Ciena Corporation Q4 2016 and Year-end 2016 Earnings Call

December 8, 2016
8:30 a.m. EST

Forward-looking statements and non-GAAP measures

Information presented and related comments of presenters may contain forward-looking statements. Forward-looking statements include Ciena's business outlook for future periods as well as 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.

Ciena's actual results, performance or events may differ materially from these forward-looking statements made or implied due to a number of risks and uncertainties relating to Ciena's business, including: the effect of broader economic and market conditions on our customers and their business; changes in network spending or network strategy by large communication service providers; seasonality and the timing and size of customer orders, including our ability to recognize revenue relating to such sales; the level of competitive pressure we encounter; the product, customer and geographic mix of sales within the period; supply chain disruptions and the level of success relating to efforts to optimize Ciena's operations; changes in foreign currency exchange rates affecting revenue and operating expense; and the other risk factors disclosed in Ciena's Report on Form 10-Q, which Ciena filed with the Securities and Exchange Commission on September 7, 2016. Ciena assumes no obligation to update any forward-looking information included in this presentation.

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 the information presented today, 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, 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.

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

Q4 and Year-end Fiscal 2016 Financial Highlights

Key Takeaways

- 1 Revenue of \$716.2 million
- 2 Adjusted Gross Margin of 45.2%*
- 3 Adjusted Operating Expense of \$232.4 million*
- 4 Adjusted Operating Margin of 12.8%*
- 5 Adjusted Net Income of \$69.4 million, \$0.44 per share*

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

Q4 Fiscal 2016 Balance Sheet and Operating Metrics

Cash and Investments	\$1.14 billion
Cash Flow from Operations	\$136.7 million
DSO	72 Days
Inventory Turns	6.1
Headcount (as of October 31, 2016)	5,555

Revenue by Segment

(Amounts in millions)

Revenue by Segment						
	Q4 FY 2016		Q3 FY 2016		Q4 FY 2015	
	Revenue	%**	Revenue	%**	Revenue	%**
Networking Platforms						
Converged Packet Optical	\$488.0	68.1	\$467.6	69.7	\$484.3	70.0
Packet Networking	72.4	10.1	63.7	9.5	63.7	9.2
Optical Transport	5.8	0.8	9.6	1.4	16.7	2.4
Total Networking Platforms	566.2	79.0	540.9	80.6	564.7	81.6
Software and Software-Related Services						
Software Platforms	16.3	2.3	12.6	1.9	9.6	1.4
Software-Related Services	21.3	3.0	19.0	2.8	16.7	2.4
Total Software and Software-Related Services	37.6	5.3	31.6	4.7	26.3	3.8
Global Services						
Maintenance Support and Training	59.8	8.3	56.0	8.4	57.2	8.3
Installation and Deployment	38.6	5.4	31.2	4.7	33.5	4.8
Consulting and Network Design	14.0	2.0	10.9	1.6	10.3	1.5
Total Global Services	112.4	15.7	98.1	14.7	101.0	14.6
Total	\$716.2	100.0%	\$670.6	100.0%	\$692.0	100.0%

U.S. and International Revenue (Amounts in millions)

Revenue					
	Q4 FY 2016	Q3 FY 2016	Q2 FY 2016	Q1 FY 2016	Q4 FY 2015
United States	\$436.9	\$410.0	\$367.1	\$365.2	\$453.4
International	279.3	260.6	273.6	207.9	238.6
Total	\$716.2	\$670.6	\$640.7	\$573.1	\$692.0

% of Total Revenue					
	Q4 FY 2016	Q3 FY 2016	Q2 FY 2016	Q1 FY 2016	Q4 FY 2015
United States	61.0%	61.1%	57.3%	63.7%	65.5%
International	39.0%	38.9%	42.7%	36.3%	34.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Revenue by Geographic Region (Amounts in millions)

Revenue

	Q4 FY 2016	Q3 FY 2016	Q2 FY 2016	Q1 FY 2016	Q4 FY 2015
North America	\$463.1	\$438.0	\$395.5	\$392.7	\$480.0
Europe, Middle East and Africa	112.5	104.3	96.2	80.7	94.0
Caribbean and Latin America	46.8	46.6	57.9	43.8	45.7
Asia Pacific	93.8	81.7	91.1	55.9	72.3
Total	\$716.2	\$670.6	\$640.7	\$573.1	\$692.0

% of Total Revenue

	Q4 FY 2016	Q3 FY 2016	Q2 FY 2016	Q1 FY 2016	Q4 FY 2015
North America	64.7%	65.3%	61.7%	68.5%	69.4%
Europe, Middle East and Africa	15.7%	15.6%	15.0%	14.1%	13.6%
Caribbean and Latin America	6.5%	6.9%	9.0%	7.6%	6.6%
Asia Pacific	13.1%	12.2%	14.3%	9.8%	10.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Three-Year Financial Summary

(Amounts in millions)

	FY2016	FY2015	FY2014
Revenue	\$ 2,600.6	\$ 2,445.7	\$ 2,288.3
Adjusted Gross Margin*	45.5%	44.7%	42.1%
Adjusted Operating Expenses*	\$ 886.8	\$ 827.7	\$ 816.1
Adjusted Operating Margin*	11.4%	10.9%	6.5%
Adjusted Net Income*	\$ 214.6	\$ 179.0	\$ 65.8
Adjusted EPS*	\$ 1.38	\$ 1.31	\$ 0.59

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

Business Outlook¹

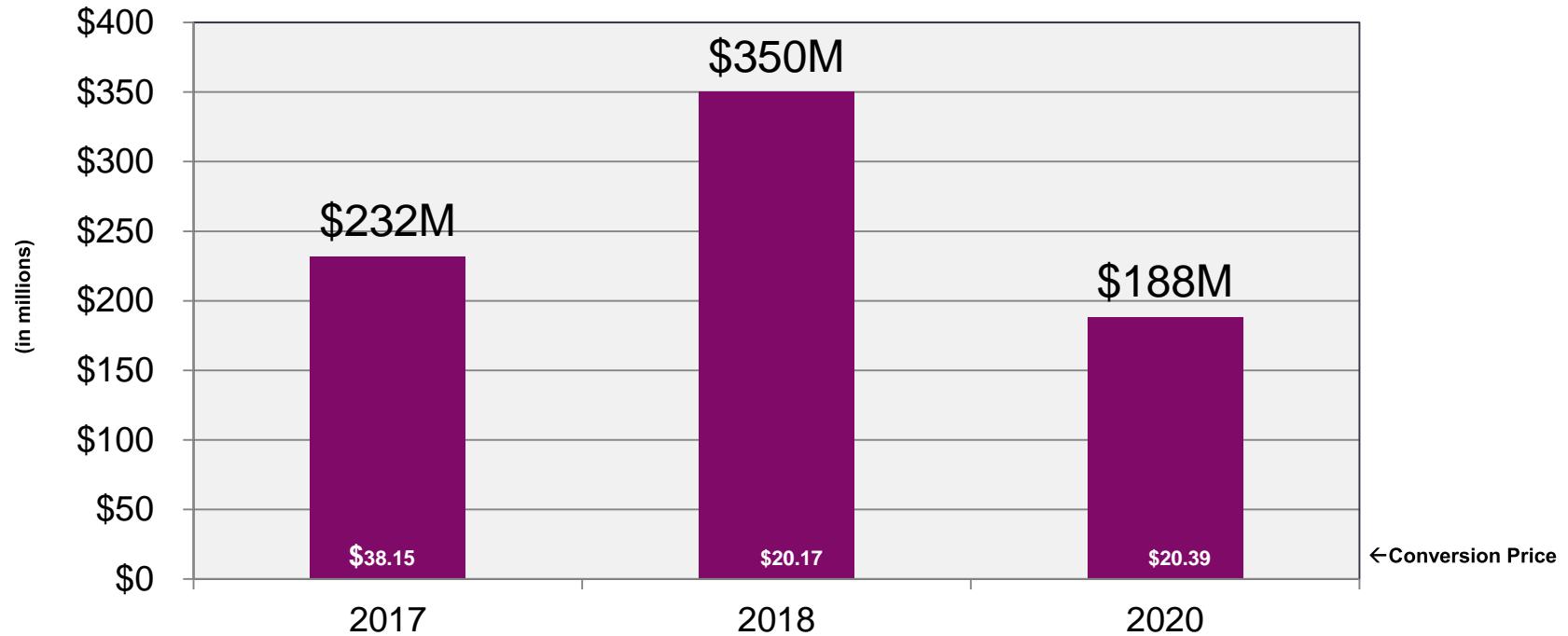
Fiscal Q1'17	
Revenue	\$615M to \$645M
Adjusted Gross Margin	Mid-40s percentage range
Adjusted Operating Expense	Approximately \$220M-\$225M
Fiscal 2017	
Revenue Growth	Faster than overall market growth (mid-single digit ex China)
Adjusted Gross Margin	Mid-40s percent range
Adjusted Operating Expense	Average approximately \$235M/quarter
Adjusted Operating Margin %	11% to 13%
Next-stage financial milestone - about 3 years	
Adjusted Operating Margin %	15%

¹ Projections or outlook with respect to future operating results are only as of December 8, 2016 the date presented on the related earnings call. Ciena assumes no obligation to update this information, whether as a result of new information, future events, or otherwise.



Convertible Debt Overview

Convertible debt profile*



\$0.77B aggregate principal amount outstanding; \$538M has a conversion price of slightly above \$20

Once Ciena stock reaches and sustains certain prices that are 30 - 50% above the conversion price, Ciena has the ability to cause a conversion, or to exercise a redemption right, in an effort to cause a conversion.

Shares underlying the convertible notes are added to the weighted average dilutive potential shares outstanding at specific net income assumption levels that correlate to each issue and correspondingly, the interest expense is removed for the respective issue(s).

**Each of the notes has specific terms and conditions. The summary above is qualified by reference to the full text of the indentures. Please review the respective indentures for full details of the converts.*

Highlighted Terms Per Issue¹

	Par Value (in millions)	Underlying Shares (in thousands)	Conversion Price	Additional Redemption / Conversion Provisions	Total Interest Expense (in millions)		Net Income Threshold for Diluted EPS (in millions) ²	
					Quarterly	Annual	Quarterly	Annual
0.875% convertible senior notes, due June 15, 2017	\$231.6	6,070	\$38.15	No	\$0.6	\$2.6	\$14.9	\$59.7
3.75% convertible senior notes due October 15, 2018	\$350	17,356	\$20.17	No	\$3.6	\$14.4	\$29.8	\$119.3
4.0% convertible senior notes, due March 15, 2020	\$187.5	9,198	\$20.39	Convertible into shares, (plus a make whole), at Ciena's election - If VWAP is \geq \$26.51 for 20 of 30 consecutive trading days	\$3.4	\$13.7	\$56.5	\$228.5

¹Each of the notes has specific terms and conditions. The summary above is qualified by reference to the full text of the indentures. Please review the respective indentures for full details of the converts.

²The assumed amount of net income at which the shares underlying the convert would be included in EPS and interest expense on the note would be excluded.

Convertible Notes and Diluted EPS Analysis

Outstanding Notes	Par Value	Quarterly Assumptions							The quarterly net income assumption levels must be equal or greater than below amounts for the respective underlying common shares from the issue to be included in Diluted EPS
		Coupon Interest Expense	Debt Issuance Cost	Non-Cash Interest Expense from Accretion of Principal	Non-Cash Interest Expense from Amortization of Redemption Option and Debt Discount	Total Interest Expense	Underlying Common Shares	Current Weighted Average Basic Common Shares Outstanding	
0.875% notes due 2017	\$ 231,558	\$ 507	\$ 135			\$ 642	6,070	139,741	\$ 14,928
3.75% notes due 2018	350,000	3,281	309			3,590	17,356	139,741	\$ 29,832
4.0% notes due 2020	187,500	1,875	76	926	513	3,390	9,198	139,741	\$ 56,458
Total	\$ 769,058	\$ 5,663	\$ 520	\$ 926	\$ 513	\$ 7,622	32,624		

This spreadsheet is intended to assist people in developing their own assumptions. Ciena assumes no obligation to update the information presented herein, whether as a result of new information, future events or otherwise.

Ciena's outstanding convertible notes are considered anti-dilutive when the related interest expense on a per common share "if converted basis" exceeds Basic EPS for the period.

Over the term of the notes the amount of accretion of principal (included as a non-cash component of interest expense) and amortization of the debt discount will fluctuate by immaterial amounts.

This schedule reflects the quarterly net income required for the inclusion of the common shares underlying each issue in determining Diluted EPS, with each issue considered on a cumulative basis in order from most to least dilutive.

Net income or earnings per share assumptions regarding the convertible notes are for information purposes only and do not reflect Ciena's business outlook. Ciena makes no assumptions as to whether or when the Company could achieve the relevant metrics provided in this presentation.

Convertible Notes and Diluted EPS Analysis

Annual Assumptions									
Outstanding Notes	Par Value	Coupon Interest Expense	Debt Issuance Cost	Non-Cash Interest Expense from Accretion of Principal	Non-Cash Interest Expense from Amortization of Redemption Option and Debt Discount	Total Interest Expense	Underlying Common Shares	Current Weighted Average Basic Common Shares Outstanding	The annual net income assumption levels must be equal or greater than below amounts for the respective underlying common shares from the issue to be included in Diluted EPS
0.875% notes due 2017	\$ 231,558	\$ 2,026	\$ 540			\$ 2,566	6,070	139,741	\$ 59,711
3.75% notes due 2018	350,000	13,125	1,236			14,361	17,356	139,741	\$ 119,329
4.0% notes due 2020	187,500	7,500	304	3,729	2,177	13,710	9,198	139,741	\$ 228,518
Total	\$ 769,058	\$ 22,651	\$ 2,080	\$ 3,729	\$ 2,177	\$ 30,637	32,624		

This spreadsheet is intended to assist people in developing their own assumptions. Ciena assumes no obligation to update the information presented herein, whether as a result of new information, future events or otherwise.

Ciena's outstanding convertible notes are considered anti-dilutive when the related interest expense on a per common share "if converted basis" exceeds Basic EPS for the period.

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Q4 Fiscal 2016 Appendix



Gross Profit Reconciliation

(Amounts in thousands)

	Q4 FY 2016	Q3 FY 2016	Q2 FY 2016	Q1 FY 2016	Q4 FY 2015
GAAP gross profit	\$318,548	\$308,485	\$283,093	\$251,450	\$302,988
Share-based compensation-products	612	645	629	571	589
Share-based compensation-services	557	637	693	592	573
Amortization of intangible assets	4,320	4,328	4,315	3,438	3,438
Fair value adjustment of acquired inventory	-	-	-	-	3,069
Total adjustments related to gross profit	5,489	5,610	5,637	4,601	7,669
Adjusted (non-GAAP) gross profit	\$324,037	\$314,095	\$288,730	\$256,051	\$310,657
Adjusted (non-GAAP) gross margin	45.2%	46.8%	45.1%	44.7%	44.9%

Operating Expense Reconciliation (Amounts in thousands)

	Q4 FY 2016	Q3 FY 2016	Q2 FY 2016	Q1 FY 2016	Q4 FY 2015
GAAP operating expense	\$258,875	\$251,461	\$254,860	\$240,211	\$293,570
Share-based compensation-research and development	3,172	3,479	3,791	3,428	3,850
Share-based compensation-sales and marketing	2,890	3,590	3,923	4,735	4,468
Share-based compensation-general and administrative	2,961	4,284	4,968	5,129	5,860
Share-based compensation-acquisition and integration	-	-	697	-	7,588
Acquisition and integration costs, excluding share-based compensation	-	1,029	1,588	1,299	14,496
Amortization of intangible assets	14,551	14,529	15,566	16,862	36,454
Restructuring costs	2,876	1,138	535	384	366
Settlement of patent litigation	-	-	1,200	-	-
Total adjustments related to operating expense	26,450	\$28,049	\$32,268	\$31,837	\$73,082
Adjusted (non-GAAP) operating expense	\$232,425	\$223,412	\$222,592	\$208,374	\$220,488

Income from Operations Reconciliation (Amounts in thousands)

	Q4 FY 2016	Q3 FY 2016	Q2 FY 2016	Q1 FY 2016	Q4 FY 2015
GAAP income from operations	\$59,673	\$57,024	\$28,233	\$11,239	\$9,418
Total adjustments related to gross profit	5,489	5,610	5,637	4,601	7,669
Total adjustments related to operating expense	26,450	28,049	32,268	31,837	73,082
Adjusted (non-GAAP) income from operations	\$91,612	90,683	\$66,138	\$47,677	\$90,169
Adjusted (non-GAAP) operating margin	12.8%	13.5%	10.3%	8.3%	13.0%

Net Income (Loss) Reconciliation (Amounts in thousands)

	Q4 FY 2016	Q3 FY 2016	Q2 FY 2016	Q1 FY 2016	Q4 FY 2015
GAAP net income (loss)	\$36,587	\$33,546	\$13,997	(\$11,546)	(\$13,832)
Total adjustments related to gross profit	5,489	5,610	5,637	4,601	7,669
Total adjustments related to operating expense	26,450	28,049	32,268	31,837	73,082
(Gain)/Loss on extinguishment of debt	376	(44)	-	(106)	-
Non-cash interest expense	500	480	460	441	362
Adjusted (non-GAAP) net income	\$69,402	\$67,641	\$52,362	\$25,227	\$67,281
Weighted average basic common shares outstanding	139,741	138,881	137,950	136,675	134,097
Weighted average dilutive potential common shares outstanding ¹	174,496	178,547	178,026	151,408	177,054

Net Income (Loss) per Common Share

	Q4 FY 2016	Q3 FY 2016	Q2 FY 2016	Q1 FY 2016	Q4 FY 2015
GAAP diluted net income (loss) per common share	\$ 0.25	\$ 0.23	\$ 0.10	\$ (0.08)	\$ (0.10)
Adjusted (Non-GAAP) diluted net income per common share²	\$ 0.44	\$ 0.42	\$ 0.34	\$ 0.18	\$ 0.42

Gross Profit Reconciliation

(Amounts in thousands)

	FY2016	FY2015	FY2014
GAAP gross profit	\$1,161,576	\$1,075,563	\$948,352
Share-based compensation-products	2,457	2,400	2,531
Share-based compensation-services	2,479	2,156	2,216
Amortization of intangible assets	16,401	10,039	11,181
Fair value adjustment of acquired inventory	-	3,069	-
Total adjustments related to gross profit	21,337	17,664	15,928
Adjusted (non-GAAP) gross profit	\$1,182,913	\$1,093,227	\$964,280
Adjusted (non-GAAP) gross margin	45.5%	44.7%	42.1%

Operating Expense Reconciliation (Amounts in thousands)

	FY2016	FY2015	FY2014
GAAP operating expense	\$1,005,407	\$975,115	\$902,648
Share-based compensation-research and development	13,870	10,665	9,682
Share-based compensation-sales and marketing	15,138	15,539	14,958
Share-based compensation-general and administrative	17,342	17,018	13,568
Share-based compensation-acquisition and integration	714	7,588	-
Acquisition and integration costs, excluding share-based compensation	3,899	17,951	-
Amortization of intangible assets	61,508	69,511	45,970
Restructuring costs	4,933	8,626	349
Settlement of patent litigation	1,200	500	2,000
Total adjustments related to operating expense	118,604	147,398	86,527
Adjusted (non-GAAP) operating expense	\$886,803	\$827,717	\$816,121

Income from Operations Reconciliation (Amounts in thousands)

	FY2016	FY2015	FY2014
GAAP income from operations	\$156,169	\$100,448	\$45,704
Total adjustments related to gross profit	21,337	17,664	15,928
Total adjustments related to operating expense	118,604	147,398	86,527
Adjusted (non-GAAP) income from operations	\$296,110	\$265,510	\$148,159
Adjusted (non-GAAP) operating margin	11.4%	10.9%	6.5%

Net Income (Loss) Reconciliation (Amounts in thousands)

	FY2016	FY2015	FY2014
GAAP net income (loss)	\$72,584	\$11,667	(\$40,637)
Total adjustments related to gross profit	21,337	17,664	15,928
Total adjustments related to operating expense	118,604	147,398	86,527
(Gain)/Loss on extinguishment of debt	226	-	-
Non-cash expense associated with the conversion of convertible notes	-	768	-
Non-cash interest expense	1,881	1,491	1,273
Change in fair-value of embedded redemption feature	-	-	2,740
Adjusted (non-GAAP) net income	\$214,632	\$178,988	\$65,831
Weighted average basic common shares outstanding	138,312	118,416	105,783
Weighted average dilutive potential common shares outstanding ³	177,258	163,308	120,950

Net Income (Loss) per Common Share

	FY2016	FY2015	FY2014
GAAP diluted net income (loss) per common share	\$ 0.51	\$ 0.10	\$ (0.38)
Adjusted (Non-GAAP) diluted net income per common share⁴	\$ 1.38	\$ 1.31	\$ 0.59

Reconciliation Endnotes

1. *Weighted average dilutive potential common shares outstanding used in calculating Adjusted (non-GAAP) diluted net income per common share for the fourth quarter of fiscal 2016 includes 1.6 million shares underlying certain stock options and restricted stock units, 6.6 million shares underlying Ciena's 0.875% convertible senior notes, due June 15, 2017, 17.4 million shares underlying Ciena's 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 2016 includes 0.9 million shares underlying certain stock options and restricted stock units, 12.2 million shares underlying Ciena's 0.875% convertible senior notes, due June 15, 2017, 17.4 million shares underlying Ciena's 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 2016 includes 0.9 million shares underlying certain stock options and restricted stock units, 12.6 million shares underlying Ciena's 0.875% convertible senior notes, due June 15, 2017, 17.4 million shares underlying Ciena's 3.75% convertible senior notes, due October 15, 2018 and 9.2 million shares underlying Ciena's 4.0% convertible senior notes, due December 15, 2020.

Weighted average dilutive potential common shares outstanding used in calculating Adjusted (non-GAAP) diluted net income per common share for the first quarter of fiscal 2016 includes 1.8 million shares underlying certain stock options and restricted stock units and 12.9 million shares underlying Ciena's 0.875% convertible senior notes.

Weighted average dilutive potential common shares outstanding used in calculating Adjusted (non-GAAP) diluted net income per common share for the fourth quarter of fiscal 2015 includes 2.7 million shares underlying certain stock options and restricted stock units, 13.0 million shares underlying Ciena's 0.875% convertible senior notes, due June 15, 2017, 17.4 million shares underlying Ciena's 3.75% convertible senior notes, due October 15, 2018, 0.7 million shares underlying the 8.0% convertible senior notes, due December 15, 2019 assumed from the Cyan acquisition 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 fourth quarter of fiscal 2016 requires adding back interest expense of approximately \$0.7 million associated with Ciena's 0.875% convertible senior notes, due June 15, 2017, approximately \$3.6 million associated with Ciena's 3.75% convertible senior notes, due October 15, 2018 and approximately \$2.9 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 2016 requires adding back interest expense of approximately \$1.3 million associated with Ciena's 0.875% convertible senior notes, due June 15, 2017, approximately \$3.6 million associated with Ciena's 3.75% convertible senior notes, due October 15, 2018 and approximately \$2.9 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 second quarter of fiscal 2016 requires adding back interest expense of approximately \$1.3 million associated with Ciena's 0.875% convertible senior notes, due June 15, 2017, approximately \$3.6 million associated with Ciena's 3.75% convertible senior notes, due October 15, 2018 and approximately \$2.9 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 first quarter of fiscal 2016 requires adding back interest expense of approximately \$1.4 million associated with Ciena's 0.875% convertible senior notes, due June 15, 2017 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 2015 requires adding back interest expense of approximately \$1.4 million associated with Ciena's 0.875% convertible senior notes, due June 15, 2017, approximately \$3.6 million associated with Ciena's 3.75% convertible senior notes, due October 15, 2018, approximately \$0.1 million associated with Ciena's 8.0% convertible senior notes, due December 15, 2019 assumed from the Cyan acquisition and approximately \$2.8 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.

Reconciliation Endnotes

3. *Weighted average dilutive potential common shares outstanding used in calculating Adjusted (non-GAAP) diluted net income per common share for fiscal 2016 includes 1.3 million shares underlying certain stock options and restricted stock units, 11.1 million shares underlying Ciena's 0.875% convertible senior notes, due June 15, 2017, 17.4 million shares underlying Ciena's 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 fiscal 2015 includes 1.7 million shares underlying certain stock options and restricted stock units, 3.4 million shares underlying Ciena's 4.0% convertible senior notes (which were paid at maturity during the second quarter of fiscal 2015), 13.1 million shares underlying Ciena's 0.875% convertible senior notes, due June 15, 2017, 17.4 million shares underlying Ciena's 3.75% convertible senior notes, due October 15, 2018, 0.2 million shares underlying Ciena's 8.0% convertible senior notes assumed from the Cyan acquisition, due December 15, 2019, 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 fiscal 2014 includes 2.1 million shares underlying certain stock options and restricted stock units and 13.1 million shares underlying Ciena's 0.875% convertible senior notes, due June 15, 2017.

4. *The calculation of Adjusted (non-GAAP) diluted net income per common share for fiscal 2016 requires adding back interest expense of approximately \$4.8 million associated with Ciena's 0.875% convertible senior notes, due June 15, 2017, approximately \$14.3 million associated with Ciena's 3.75% convertible senior notes, due October 15, 2018 and approximately \$11.4 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 fiscal 2015 requires adding back interest expense of approximately \$3.2 million approximately associated with Ciena's 4.0% convertible senior notes (which were paid at maturity during the second quarter of fiscal 2015), approximately \$5.5 million associated with Ciena's 0.875% convertible senior notes, due June 15, 2017, approximately \$14.3 million associated with Ciena's 3.75% convertible senior notes, due October 15, 2018, approximately \$0.1 million associated with Ciena's 8.0% convertible senior notes, due December 15, 2019 assumed from the Cyan acquisition and approximately \$11.4 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 fiscal 2014 requires adding back interest expense of approximately \$5.5 million associated with Ciena's 0.875% convertible senior notes, due June 15, to the Adjusted (non-GAAP) net income in order to derive the numerator for the Adjusted earnings per common share calculation.

Thank You

