
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K
CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of Earliest Event Reported): May 22, 2003

CIENA Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

0-21969
(Commission File Number)

23-2725311
(I.R.S. Employer
Identification No.)

1201 Winterson Road, Linthicum, MD 21090
(Address of principal executive offices, including zip code)

(410) 865-8500
(Registrant's telephone number, including area code)

Not applicable
(Former name or former address, if changed since last report)

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Item 9 — Information Provided Under Item 12

SIGNATURES

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EX-99.1 Text of Press Release

The information in this Report, including the exhibit, is furnished under Item 12 of Form 8-K and, pursuant to General Instruction B.6. thereunder, is not “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section. Furthermore, the information in this Report, including the exhibit, is not incorporated by reference into the filings of the registrant under the Securities Act of 1933.

Item 7 — Financial Statements and Exhibits.

(c) Exhibits — The following exhibit is furnished as part of this Report:

Exhibit 99.1 — Text of Press Release issued by CIENA Corporation, dated May 22, 2003.

Item 9 — Regulation FD Disclosure (Information Provided Under Item 12 Results of Operations and Financial Condition)

The information in this Report, which is provided under Item 12, “Results of Operations and Financial Condition,” is being furnished under Item 9 in accordance with Securities and Exchange Commission Release No. 33-8216.

On May 22, 2003, CIENA Corporation issued a press release announcing its financial results for the fiscal quarter ended April 30, 2003. A copy of the press release is furnished as Exhibit 99.1 to this Report.

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

Dated: May 22, 2003

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

Senior Vice President, General Counsel and
Secretary

EXHIBIT INDEX

| Exhibit No | Description of Exhibit |
|---------------|--|
| 99.1 | - Text of Press Release issued by CIENA Corporation, dated May 22, 2003 |



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CIENA Reports Second Quarter Results

LINTHICUM, Md. – May 22, 2003 – CIENA® Corporation (NASDAQ: CIEN), a leading provider of global networking solutions, today reported its second quarter results for the period ending April 30, 2003. Revenue for the quarter totaled \$73.5 million, representing sequential growth of 4% from the prior fiscal quarter. On a generally accepted accounting principles (GAAP) basis, CIENA's reported net loss for the period was \$75.5 million, or a net loss of \$0.17 per share. The quarter's GAAP results include non-cash deferred stock compensation charges of \$4.4 million, amortization of intangible assets of \$3.4 million, and net restructuring costs of \$2.7 million.

Revenue for the six months ending April 30, 2003 totaled \$144.0 million. On a GAAP basis, CIENA's net loss for the six-month period was \$182.6 million, or a net loss of \$0.42 per share.

"This quarter was marked by further improvements in financial performance, important customer wins and a significant step toward our goal of expanding our addressable market with the announced acquisition of WaveSmith Networks," said Gary Smith, CIENA's president and CEO. "We continue to make progress toward profitability, for the third sequential quarter growing revenue, improving gross margins and delivering lower than anticipated ongoing operating expenses.

"BT's selection of CIENA during the quarter was an enormous validation of our strategy of continued investment and is proof-positive not only that carriers worldwide are moving toward the efficiencies and revenue-generation capabilities of next-generation networks, but also that CIENA has the mass, credibility, experience and staying power to be selected as a strategic vendor by the largest of incumbents," said Smith.

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In evaluating the operating performance of its business, CIENA's management excludes certain charges or credits that are required by GAAP. These items, which are identified in the table below, 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.

| <u>Item</u> | <u>Quarter Ended</u> <u>April 30, 2003</u> <u>(in thousands)</u> | <u>Six Months Ended</u> <u>April 30, 2003</u> <u>(in thousands)</u> |
|---|--|---|
| Deferred stock compensation | \$ 4,428 | \$ 9,359 |
| Amortization of intangible assets | 3,421 | 6,974 |
| Nortel settlement | — | 2,500 |
| Restructuring costs | 2,724 | 2,724 |
| Loss on equity investments | — | 10 |
| Loss on extinguishment of debt | — | 20,606 |
| Income tax benefit on adjusted net loss | 22,874 | 49,547 |
| | <hr/> | <hr/> |
| Total Adjustments | \$ 33,447 | \$ 91,720 |
| | <hr/> | <hr/> |
| GAAP Net Loss | \$(75,461) | \$(182,603) |
| Adjusted for items above | 33,447 | 91,720 |
| | <hr/> | <hr/> |
| Non GAAP Net Loss | \$(42,014) | \$ (90,883) |
| | <hr/> | <hr/> |

Please see Appendix A for additional information about this table.

These adjustments are not in accordance with GAAP, and making such adjustments may not permit meaningful comparisons to other companies. As of the quarter ended April 30, 2003, CIENA's weighted average shares outstanding were approximately 433,932,000. Adjusting CIENA's quarterly GAAP results as noted would reduce the Company's net loss in the quarter to \$0.10 per share.

As of the six months ended April 30, 2003, CIENA's weighted average shares outstanding were approximately 433,330,000. Adjusting CIENA's six-month GAAP results as noted would reduce the Company's net loss for the period to \$0.21 per share.

In addition to the adjustments in the table above, during the second quarter the Company recorded a \$1.4 million benefit for excess and obsolete inventory, resulting from the sale of previously reserved inventory, which favorably affected gross margin. Exclusive of this effect, gross margin in the quarter would have been 22.8% compared to the 24.8% reported. The total per-share effect of the benefit was \$0.0033 in the quarter.

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For the six months ended April 30, 2003, the Company recorded a \$4.1 million benefit for excess and obsolete inventory, resulting from the sale of previously reserved inventory, which favorably affected gross margin. Exclusive of this effect, gross margin for the six-month period ended April 30, 2003 would have been 21.1% compared to the 23.9% reported. For the six-month period, the total per-share effect of this benefit was \$0.0095.

CIENA ended its fiscal second quarter with cash, short- and long-term securities valued at \$1.8 billion using cash of \$78.3 million in the quarter.

During the quarter CIENA announced its intent to acquire WaveSmith Networks, entering the growing multiservice switching market estimated at \$2 billion. Provided WaveSmith shareholders approve the transaction at their special meeting scheduled for June 11, 2003, CIENA expects the acquisition to close shortly thereafter.

Business Outlook

“Our customers continue to exercise extreme spending caution, perpetuating the challenging telecom equipment environment,” said Smith. “As a result, we believe revenue in our third fiscal quarter is likely to be in a range of between \$65 to \$75 million.

“We expect that the addition of revenue from new customers, like BT, and new market opportunities such as those provided by the acquisition of WaveSmith, will help to drive sequential revenue growth as we exit the fiscal year,” said Smith. “In the meantime, we continue to take steps to align our operations and our resources with our market opportunities and to minimize our operating expenses without jeopardizing future potential growth.”

Live Web Broadcast of Q2 Results

CIENA will host a discussion of its fiscal second quarter 2003 results with investors and financial analysts on Thursday, May 22, 2003 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: www.CIENA.com/investors.

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NOTE TO CIENA INVESTORS

This press release contains certain forward-looking statements based on current expectations, forecasts and assumptions of CIENA (the Company) that involve risks and uncertainties. Forward-looking statements in this release, including: we continue to make progress toward profitability, for the third sequential quarter growing revenue, improving gross margins and delivering lower than anticipated ongoing operating expenses, BT's selection of CIENA during the quarter was an enormous validation of our strategy of continued investment and is proof-positive not only that carriers worldwide are moving toward the efficiencies and revenue-generation capabilities of next-generation networks, but also that CIENA has the mass, credibility, experience and staying power to be selected as a strategic vendor by the largest of incumbents, our customers continue to exercise extreme spending caution, perpetuating the challenging telecom equipment environment, we believe revenue in our third fiscal quarter is likely to be in a range of between \$65 and \$75 million, we expect that the addition of revenue from new customers, like BT, and new market opportunities such as those provided by the acquisition of WaveSmith, will help to drive sequential revenue growth as we exit the fiscal year, we continue to take steps to align our operations and our resources with our market opportunities and to minimize our operating expenses without jeopardizing future potential growth, are based on information available to the Company as of the date hereof. The Company's actual results could differ materially from those stated or implied in such forward-looking statements, due to risks and uncertainties associated with the Company's business, which include the risk factors disclosed in the Company's Report on Form 10-Q filed with the Securities and Exchange Commission on May 22, 2003. Forward-looking statements include statements regarding the Company'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. The Company assumes no obligation to update the information included in this press release, whether as a result of new information, future events or otherwise.

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

| | Quarter Ended | | Six Months Ended | |
|---|-------------------|-------------------|-------------------|-------------------|
| | April 30, 2002 | April 30, 2003 | April 30, 2002 | April 30, 2003 |
| Revenue | \$ 87,053 | \$ 73,540 | \$ 249,209 | \$ 144,014 |
| Provision (benefit) for excess and obsolete inventory costs | 223,277 | (1,446) | 243,691 | (4,103) |
| Cost of goods sold | 87,525 | 56,771 | 206,798 | 113,637 |
| Gross profit (loss) | (223,749) | 18,215 | (201,280) | 34,480 |
| Operating expenses: | | | | |
| Research and development (<i>exclusive of \$3,465, \$3,406, \$7,417, and \$7,204 deferred stock compensation costs</i>) | 59,558 | 52,193 | 124,314 | 105,927 |
| Selling and marketing (<i>exclusive of \$851, \$676, \$1,807 and \$1,436 deferred stock compensation costs</i>) | 29,835 | 25,663 | 67,435 | 52,269 |
| General and administrative (<i>exclusive of \$176, \$346, \$402 and \$719 deferred stock compensation costs</i>) | 13,276 | 8,066 | 26,931 | 20,272 |
| Deferred stock compensation costs | 4,492 | 4,428 | 9,626 | 9,359 |
| Amortization of intangible assets (<i>exclusive of \$0, \$968, \$0 and \$1,349 included in cost of goods sold related to certain technology licenses</i>) | 1,813 | 3,421 | 3,626 | 6,974 |
| Nortel settlement costs | — | — | — | 2,500 |
| Restructuring costs | 121,348 | 2,724 | 128,176 | 2,724 |
| Provision for doubtful accounts | 16,055 | — | 16,055 | — |
| Total operating expenses | 246,377 | 96,495 | 376,163 | 200,025 |
| Loss from operations | (470,126) | (78,280) | (577,443) | (165,545) |
| Interest and other income (expense), net | 15,045 | 11,131 | 31,217 | 24,432 |
| Interest expense | (8,637) | (8,061) | (19,142) | (20,264) |
| Loss on equity investments, net | (434) | — | (5,740) | (10) |
| Loss on extinguishment of debt | — | — | — | (20,606) |
| Loss before income taxes | (464,152) | (75,210) | (571,108) | (181,993) |
| Provision for income taxes | 148,001 | 251 | 111,636 | 610 |
| Net loss | \$(612,153) | \$(75,461) | \$(682,744) | \$(182,603) |
| Basic net loss per common share | \$ (1.86) | \$ (0.17) | \$ (2.08) | \$ (0.42) |
| Diluted net loss per common share and dilutive potential common share | \$ (1.86) | \$ (0.17) | \$ (2.08) | \$ (0.42) |
| Weighted average basic common shares outstanding | 328,764 | 433,932 | 328,312 | 433,330 |
| Weighted average basic common and dilutive potential common shares outstanding | 328,764 | 433,932 | 328,312 | 433,330 |

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

| | October 31, 2002 | April 30, 2003 |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 377,189 | \$ 509,407 |
| Short-term investments | 1,130,414 | 730,039 |
| Accounts receivable, net | 28,680 | 32,432 |
| Inventories, net | 47,023 | 31,935 |
| Prepaid expenses and other | 54,351 | 35,801 |
| | <hr/> | <hr/> |
| Total current assets | 1,637,657 | 1,339,614 |
| Long-term investments | 570,861 | 578,198 |
| Equipment, furniture and fixtures, net | 196,951 | 155,008 |
| Goodwill | 212,500 | 212,500 |
| Other intangible assets, net | 62,457 | 76,634 |
| Other long-term assets | 70,596 | 67,814 |
| | <hr/> | <hr/> |
| Total assets | <u>\$ 2,751,022</u> | <u>\$ 2,429,768</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 39,841 | \$ 42,777 |
| Accrued liabilities | 132,588 | 112,095 |
| Restructuring liabilities | 27,423 | 12,272 |
| Unfavorable lease commitments | 7,630 | 8,354 |
| Income taxes payable | — | 5,258 |
| Deferred revenue | 15,388 | 18,850 |
| Other current obligations | 948 | — |
| | <hr/> | <hr/> |
| Total current liabilities | 223,818 | 199,606 |
| Long-term deferred revenue | 15,444 | 13,835 |
| Long-term restructuring liabilities | 65,742 | 57,416 |
| Long-term unfavorable lease commitments | 70,124 | 65,709 |
| Other long-term obligations | 5,009 | 3,074 |
| Convertible notes payable | 843,616 | 728,523 |
| Total liabilities | <hr/> 1,223,753 <hr/> | <hr/> 1,068,163 <hr/> |
| 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; 432,842,481 and 435,003,124 shares issued and outstanding | 4,328 | 4,350 |
| Additional paid-in capital | 4,683,865 | 4,686,102 |
| Deferred stock compensation | (24,983) | (12,242) |
| Notes receivable from stockholders | (3,866) | (798) |
| Accumulated other comprehensive income | 8,840 | 7,711 |
| Accumulated deficit | (3,140,915) | (3,323,518) |
| | <hr/> | <hr/> |
| Total stockholders' equity | 1,527,269 | 1,361,605 |
| | <hr/> | <hr/> |
| Total liabilities and stockholders' equity | <u>\$ 2,751,022</u> | <u>\$ 2,429,768</u> |

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Appendix A

The adjustments management makes in analyzing CIENA's second quarter 2003 GAAP results are as follows:

- *Deferred stock compensation costs* – a non-cash expense largely unrelated to normal operations, and which arises under GAAP accounting from the assumption of unvested stock options issued by any companies we acquire, including Cyras and ONI.
- *Amortization of intangible asset* – a non-cash expense unrelated to normal operations arising from acquisitions of intangible assets, principally developed technology acquired in the Cyras and ONI acquisitions which CIENA is required to amortize over its expected useful life.
- *Nortel litigation* – a non-recurring expense, unrelated to normal operations.
- *Restructuring costs* – non-recurring charges, unrelated to normal operations, 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.
- *Loss on equity investments* – a decline in the fair market value of an equity investment that is determined to be other-than-temporary.
- *Loss on debt extinguishment* – a non-recurring expense, unrelated to normal operations.
- *Income tax benefit on adjusted net loss* – the income tax charge or benefit on the adjusted net loss, 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 delivers innovative network solutions to the world's largest service providers, increasing the cost-efficiency of current services while enabling the creation of new carrier-class data services built upon the existing network infrastructure. Additional information about CIENA can be found at www.ciena.com.

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