

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) December 9, 2004  
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Ciena Corporation  
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(Exact Name of Registrant as Specified in Its Charter)

Delaware  
-----

(State or Other Jurisdiction of Incorporation)

0-21969  
-----

23-2725311  
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(Commission File Number)

(IRS Employer Identification No.)

1201 Winterson Road, Linthicum, MD  
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21090  
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(Address of Principal Executive Offices)

(Zip Code)

(410) 865-8500  
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(Registrant's Telephone Number, Including Area Code)

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(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 December 9, 2004, Ciena Corporation issued a press release announcing its financial results for the fourth quarter and fiscal year ended October 31, 2004. 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 December 9, 2004, issued by Ciena Corporation, reporting its results of operations for the fourth quarter and fiscal year ended October 31, 2004.

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: December 9, 2004

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

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

Ciena Reports Fourth Quarter and Fiscal Year 2004 Results;  
Revenue Increases 8.5% Sequentially, 16.1% Year-over-Year

LINTHICUM, Md.--(BUSINESS WIRE)--Dec. 9, 2004--Ciena(R) Corporation (NASDAQ:CIEN), the network specialist, today reported its fourth quarter and fiscal year 2004 results for the period ending October 31, 2004. Revenue for the fourth quarter totaled \$82.0 million, representing an 8.5% sequential increase, and an increase of 16.1% over the same period a year ago. For the year, Ciena's revenue totaled \$298.7 million, representing an increase of 5.5% over 2003 revenue of \$283.1 million.

On a generally accepted accounting principles (GAAP) basis, Ciena's reported net loss for the fiscal fourth quarter was \$495.1 million, or a net loss of \$0.87 per share. This loss includes a goodwill impairment of \$371.7 million and compares to a GAAP net loss of \$115.0 million, or a net loss of \$0.24 per share, in the same period a year ago. On a GAAP basis, Ciena's reported net loss for the fiscal year was \$789.5 million, or a net loss of \$1.51 per share. This compares to a GAAP net loss of \$386.5 million, or a net loss of \$0.87 per share, in fiscal 2003.

Non-GAAP Presentation

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 tables that follow, 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	Quarter Ended
	Oct 31, 2003	Oct 31, 2004
	(in thousands)	(in thousands)
Item		
-----		
Stock compensation costs	\$ 3,487	\$ 3,184
Amortization of intangible assets	6,416	11,381
In-process research and development	1,300	-
Restructuring costs	8,972	34,982
Goodwill impairment	-	371,712
Long-lived asset impairment	33,528	8,709
Recovery of use tax payments	-	-
Recovery of doubtful accounts, net	-	-
Accelerated amortization of leasehold improvements	-	8,382
Loss (gain) on equity investments, net	4,750	4,500
Loss on extinguishment of debt	-	-
Income tax benefit on adjusted net loss	20,031	18,328
	-----	-----
Total Adjustments	\$ 78,484	\$ 461,178
	=====	=====
GAAP Net Loss	\$ (115,040)	\$ (495,073)
Adjustment for items above	78,484	461,178
	-----	-----
Non-GAAP Net Loss	\$ (36,556)	\$ (33,895)
	=====	=====

Please see Appendix A for additional information about this table.

As of the quarter ended October 31, 2004, Ciena's weighted average shares outstanding were approximately 569,462,000. Adjusting Ciena's quarterly GAAP results as noted would reduce the Company's net loss in its fiscal fourth quarter to \$0.06 per share. This compares with an adjusted net loss of \$0.08 per share in the same period a year ago.

	Year Ended	Year Ended
	Oct 31, 2003	Oct 31, 2004
	(in	(in
	-----	-----

Item	thousands)	thousands)
Stock compensation costs	\$ 16,777	\$ 11,883
Amortization of intangible assets	17,870	30,839
In-process research and development	2,800	30,200
Restructuring costs	13,575	57,107
Goodwill impairment	-	371,712
Long-lived asset impairment	47,176	15,926
Recovery of use tax payments	-	(5,388)
Recovery of doubtful accounts, net	-	(2,794)
Accelerated amortization of leasehold improvements	-	22,535
Loss (gain) on equity investments, net	4,760	4,107
Loss on extinguishment of debt	20,606	8,216
Income tax benefit on adjusted net loss	92,850	86,521
Total Adjustments	\$ 216,414	\$ 630,864
GAAP Net Loss	\$ (386,517)	\$ (789,464)
Adjustment for items above	216,414	630,864
Non-GAAP Net Loss	\$ (170,103)	\$ (158,600)

Please see Appendix A for additional information about this table.

For the fiscal year ended October 31, 2004, Ciena's weighted average shares outstanding were approximately 521,454,000. Adjusting Ciena's fiscal year 2004 GAAP results as noted would reduce the Company's net loss for the period to \$0.30 per share. This compares with an adjusted net loss of \$0.38 per share in the same period a year ago.

These adjustments are not in accordance with GAAP, and making these adjustments may not permit meaningful comparisons to other companies.

"Our fiscal fourth quarter was significant in a number of ways: we delivered stronger-than-expected revenue growth and improved gross margin, and we lowered our cash burn," said Gary Smith, Ciena's president and CEO. "There is more work to be done, but we have made meaningful progress in a number of strategic areas. In addition to expanding the breadth of product we are selling to existing customers, we also have developed new channel partnerships. These actions support our specialist approach to the market and our focus on specific applications that have a major impact on our customers' businesses."

#### Fourth Quarter 2004 Highlights

- Delivered sequential revenue growth of 8.5% and year-over-year revenue growth of 16.1%.
- Improved gross margin from 24.9% in the fiscal third quarter to 29.5% in the fiscal fourth quarter.
- Reduced ongoing research and development, sales and marketing and general and administrative operating expenses by 9% sequentially.
- Reduced cash burn, ending the quarter with cash and short- and long-term investments valued at \$1.29 billion.
- Forwarded enterprise channel strategy with the formal announcement of a partnership with EMC and secured several new enterprise customers including one of the nation's largest retailers.
- 35% of the quarter's total revenue resulted from recently acquired products targeting high-value data and service delivery applications.

#### Business Outlook

"We have taken a number of important steps toward restoring health and profitability to our business, and we have set the stage for continued meaningful improvements to Ciena's operating model," said Smith. "Short term, we expect customer spending patterns to drive revenue growth and anticipate our fiscal first quarter revenue will increase by between seven to ten percent from our fiscal fourth quarter revenue."

Ciena will host a discussion of its fourth quarter and fiscal year results with investors and financial analysts today, Thursday, December 9, 2004 at 8:30 a.m. (Eastern). The live broadcast of the discussion will be available via Ciena's homepage at [www.ciena.com](http://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-K, which Ciena expects to file with the Securities and Exchange Commission on December 9, 2004. 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 have taken a number of important steps toward restoring health and profitability to our business, and we have set the stage for continued meaningful improvements to Ciena's operating model; short term, we expect customer spending patterns to drive revenue growth and anticipate our fiscal first quarter revenue will increase by between seven to ten percent from our fiscal fourth 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.

Ciena Corporation  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(in thousands, except per share data)  
(unaudited)

	Quarter Ended Oct 31,		Year Ended Oct 31,	
	2003	2004	2003	2004
Revenue:				
Products	\$ 56,858	\$ 68,774	\$ 240,772	\$ 250,210
Services	13,786	13,231	42,364	48,497
Total revenue	70,644	82,005	283,136	298,707
Costs:				
Products	34,425	47,543	153,602	186,461
Services	14,189	10,281	56,489	40,493
Total cost of goods sold	48,614	57,824	210,091	226,954
Gross profit	22,030	24,181	73,045	71,753
Operating Expenses				
Research and development	45,809	47,432	199,699	198,850
Selling and marketing	26,389	28,248	103,193	108,259
General and administrative	7,737	7,222	38,478	27,274
Stock compensation costs				
Research and development	2,688	1,041	12,824	6,514
Selling and marketing	606	1,904	2,728	4,051
General and administrative	193	239	1,225	1,318
Amortization of intangible assets	6,416	11,381	17,870	30,839
In-process research and development	1,300	-	2,800	30,200
Restructuring costs	8,972	34,982	13,575	57,107
Goodwill impairment	-	371,712	-	371,712
Long-lived asset impairment	33,528	8,709	47,176	15,926
Recovery of sale, export, use tax				

liabilities and payments	-	-	-	(5,388)
Provision (benefit) for doubtful accounts, net	-	-	-	(2,794)
-----				
Total operating expenses	133,638	512,870	439,568	843,868
-----				
Loss from operations	(111,608)	(488,689)	(366,523)	(772,115)
Interest and other income (expense), net	9,662	4,680	42,959	22,908
Interest expense	(7,997)	(6,487)	(36,331)	(26,813)
Gain (loss) on equity investments, net	(4,750)	(4,500)	(4,760)	(4,107)
Loss on extinguishment of debt	-	-	(20,606)	(8,216)
-----				
Loss before income taxes	(114,693)	(494,996)	(385,261)	(788,343)
Provision for income taxes	347	77	1,256	1,121
-----				
Net loss	\$(115,040)	\$(495,073)	\$(386,517)	\$(789,464)
=====				

Basic and diluted net loss per common share and dilutive potential common share	\$ (0.24)	\$ (0.87)	\$ (0.87)	\$ (1.51)
=====				

Weighted average basic common and dilutive potential common shares outstanding	470,244	569,462	446,696	521,454
=====				

Ciena Corporation  
CONSOLIDATED BALANCE SHEETS  
(in thousands, except share data)  
(unaudited)

ASSETS

	October 31,	
	-----	-----
Current assets:	2003	2004
	-----	-----
Cash and cash equivalents	\$ 309,665	\$ 202,623
Short-term investments	796,809	753,251
Accounts receivable, net	43,600	45,878
Inventories, net	44,995	47,614
Prepaid expenses and other	34,334	29,906
	-----	-----
Total current assets	1,229,403	1,079,272
Long-term investments	519,744	329,704
Equipment, furniture and fixtures, net	114,930	51,252
Goodwill	336,039	408,615
Other intangible assets, net	108,408	208,015
Other long-term assets	69,641	60,196
	-----	-----
Total assets	\$2,378,165	\$2,137,054
=====		

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 44,402	\$ 31,509
Accrued liabilities	98,926	76,045
Restructuring liabilities	14,378	16,203
Unfavorable lease commitments	9,380	9,902
Income taxes payable	4,640	3,354
Deferred revenue	14,473	21,566
	-----	-----
Total current liabilities	186,199	158,579
Long-term deferred revenue	14,547	16,010
Long-term restructuring liabilities	52,164	65,180
Long-term unfavorable lease commitments	61,312	51,341
Other long-term obligations	2,698	1,522
Convertible notes payable	730,428	690,000
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Total liabilities	1,047,348	982,632
	-----	-----
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; 473,214,856 and 571,656,659 shares issued and outstanding	4,732	5,717
Additional paid-in capital	4,861,182	5,482,175
Deferred stock compensation	(9,664)	(13,761)
Notes receivable from stockholders	(448)	(48)
Accumulated other comprehensive income (loss)	2,447	(2,765)
Accumulated deficit	(3,527,432)	(4,316,896)
	-----	-----
Total stockholders' equity	1,330,817	1,154,422
	-----	-----
Total liabilities and stockholders' equity	\$2,378,165	\$2,137,054
	=====	=====

#### Appendix A

The adjustments management makes in analyzing Ciena's fourth quarter and fiscal year 2004 GAAP results are as follows:

- Stock compensation costs - a non-cash expense which arises under GAAP accounting from the assumption of unvested stock options issued by any companies we acquire and which the Company feels is not reflective of its ongoing operating costs.
- 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.
- In-process research and development - a non-recurring expense related to in-process technology that, as of the date of acquisition, has not reached technological feasibility and has no alternative future use.
- 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.
- Goodwill impairment - non-cash expense resulting from the decline in the forecasted market demand for the Company's products and the reduction in valuations of comparable businesses.
- 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 sales, export and use tax liabilities and payments - a non-recurring gain which the Company feels is not reflective of its ongoing operating costs.
- Recovery of doubtful accounts, net - a non-recurring gain due to payment received from a customer from which payment was previously deemed doubtful due to the customer's financial condition which the Company feels is not reflective of its ongoing operating costs.
- Accelerated amortization of leasehold improvements - a non-cash expense related to the closure of our San Jose, California facility.
- Loss (gain) on equity investments, net - a non-recurring gain or loss related to changes in the value of the Company's equity investments which the Company feels is not reflective of its ongoing operating costs.

- Loss on extinguishment of debt - a non-recurring expense related to early extinguishment of long-term debt which the Company feels is not reflective of its ongoing operating costs.
- 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 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](http://www.ciena.com).

CONTACT: Ciena Corporation  
Investor Contact:  
Jessica Towns, 888-243-6223  
[ir@ciena.com](mailto:ir@ciena.com)  
or  
Press Contacts:  
Nicole Anderson, 410-694-5786  
[pr@ciena.com](mailto:pr@ciena.com)