



# Ciena Corporation

## Q3 FY 2018 Investor presentation

Quarterly Period ended July 31, 2018

August 30, 2018

# 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.

With respect to Ciena's expectations under "Business Outlook", 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.

# 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

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## 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%

# Q3 Fiscal 2018 Financial Highlights

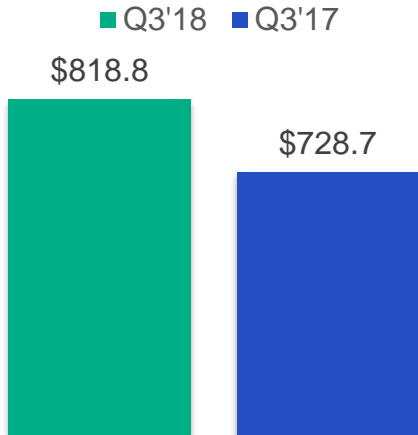
## Key Takeaways

- 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

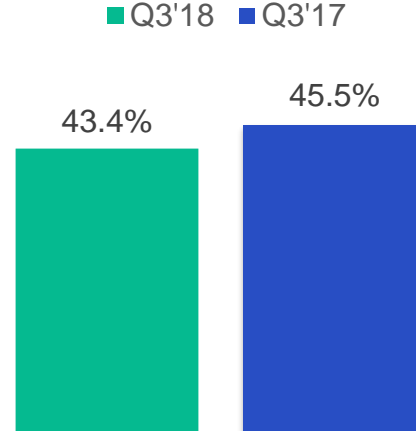
*\* A reconciliation of these non-GAAP measures to our GAAP results is included in the appendix to this presentation.*

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

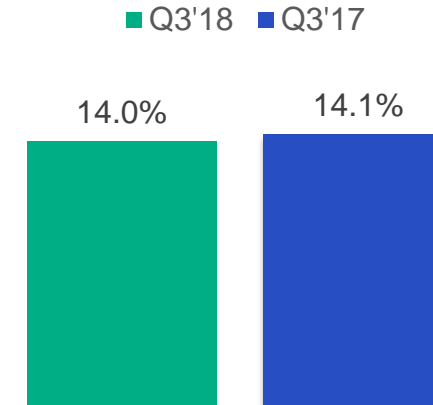
## Revenue



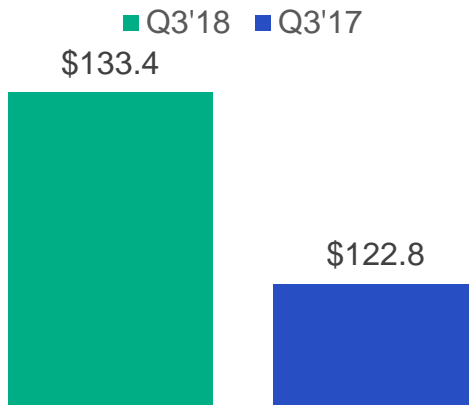
## Adj. Gross Margin\*



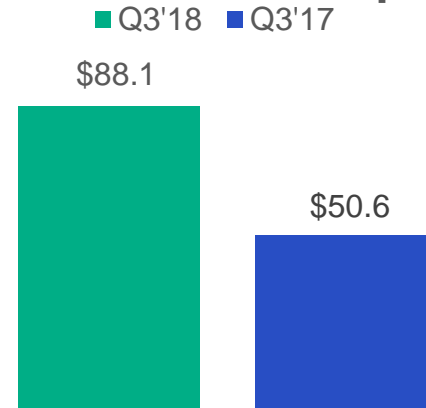
## Adj. Operating Margin\*



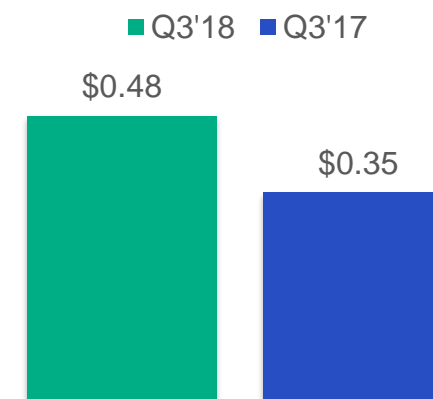
## Adj. EBITDA\*



## Cash flow from Operations

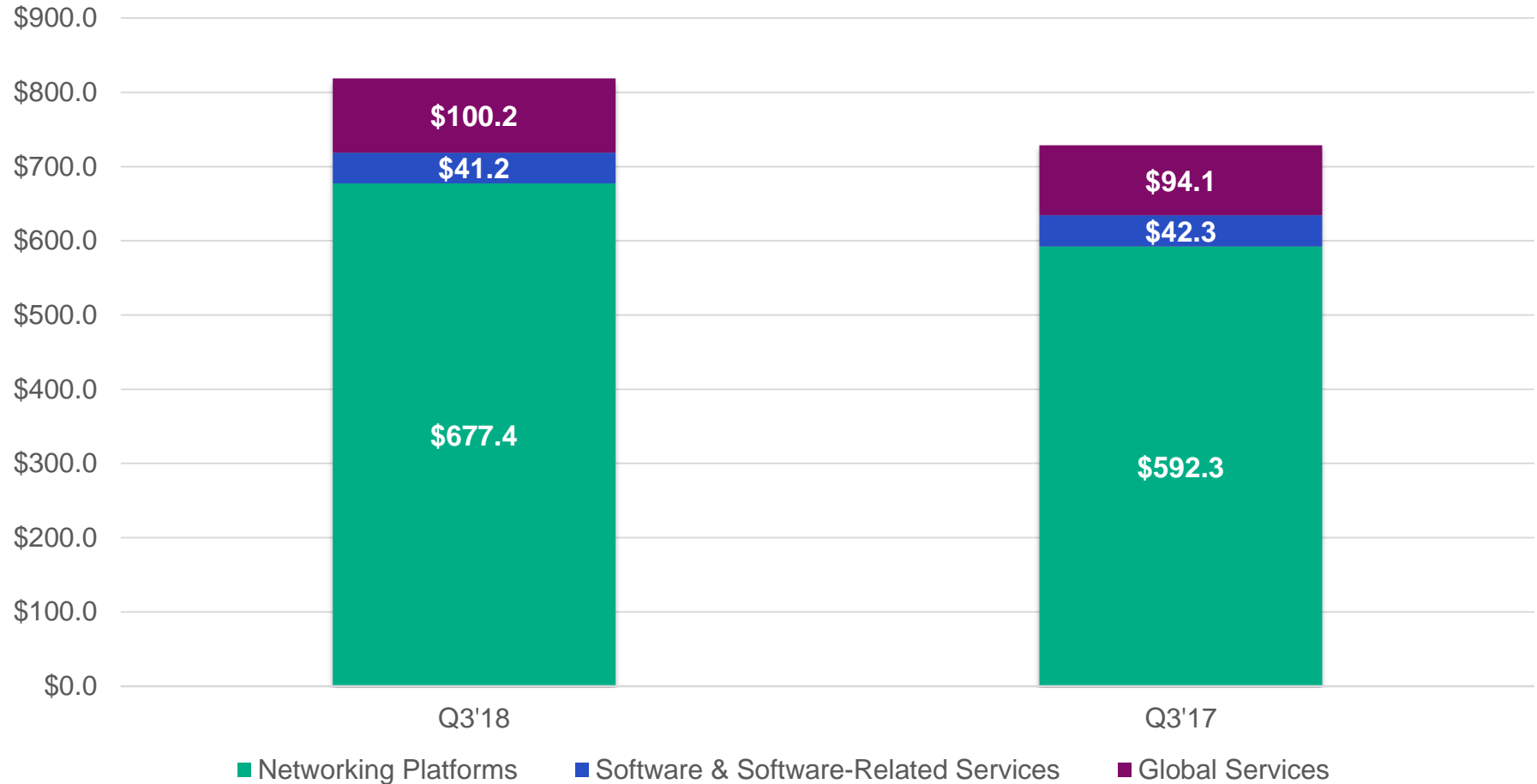


## Adj. EPS\*



# 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
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>

\* Denotes % of total revenue

# U.S. and International Revenue

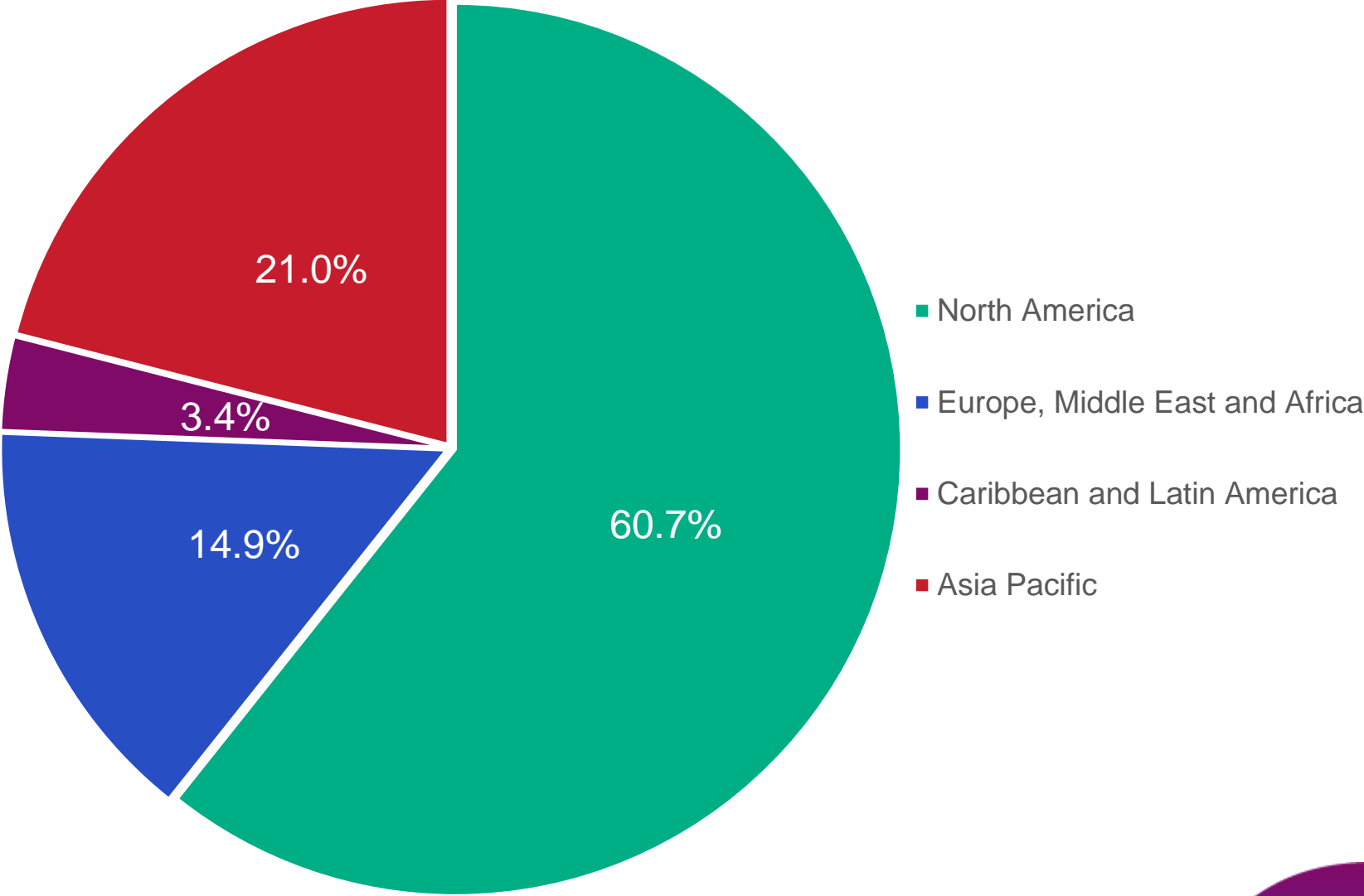
(Amounts in millions)

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
<b>Total</b>	<b>\$818.8</b>	<b>\$730.0</b>	<b>\$646.1</b>	<b>\$744.4</b>	<b>\$728.7</b>

% 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%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>



# 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
<b>Total</b>	<b>\$818.8</b>	<b>\$730.0</b>	<b>\$646.1</b>	<b>\$744.4</b>	<b>\$728.7</b>

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%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

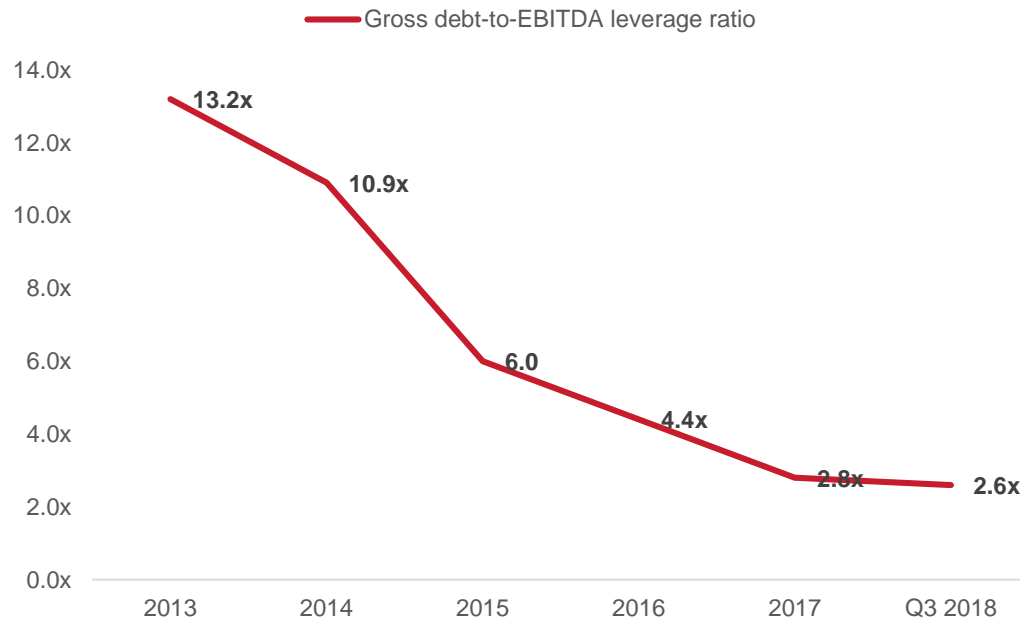
# Q3 Fiscal 2018 Balance Sheet and Operating Metrics

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

# Strengthening balance sheet

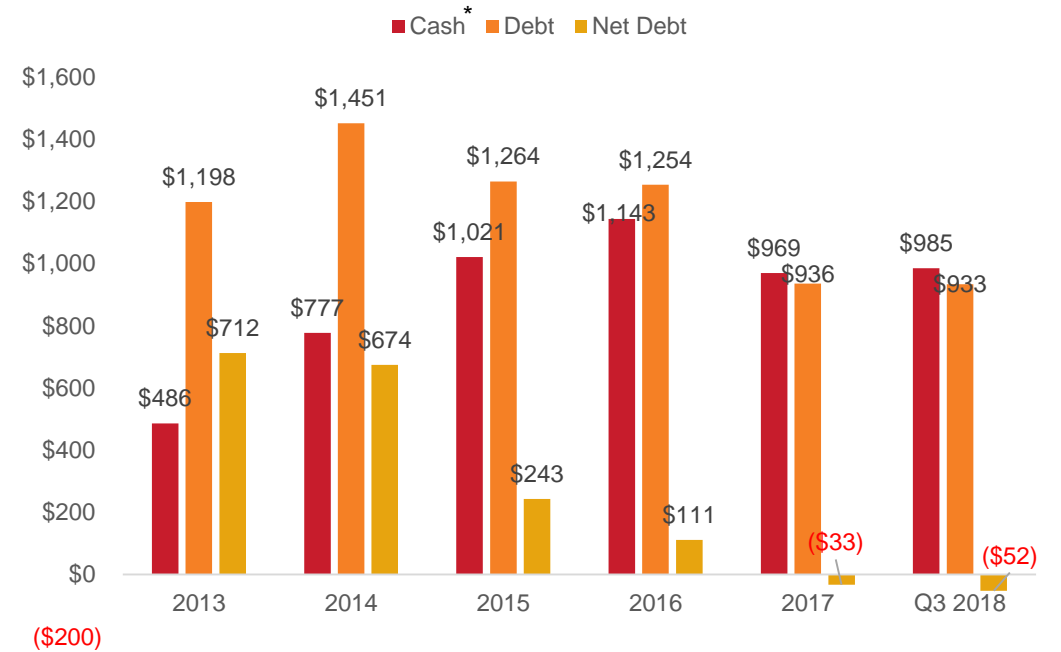
Ciena has improved its leverage and reduced its debt position

## Leverage Trend



## Net Debt (Cash) Position

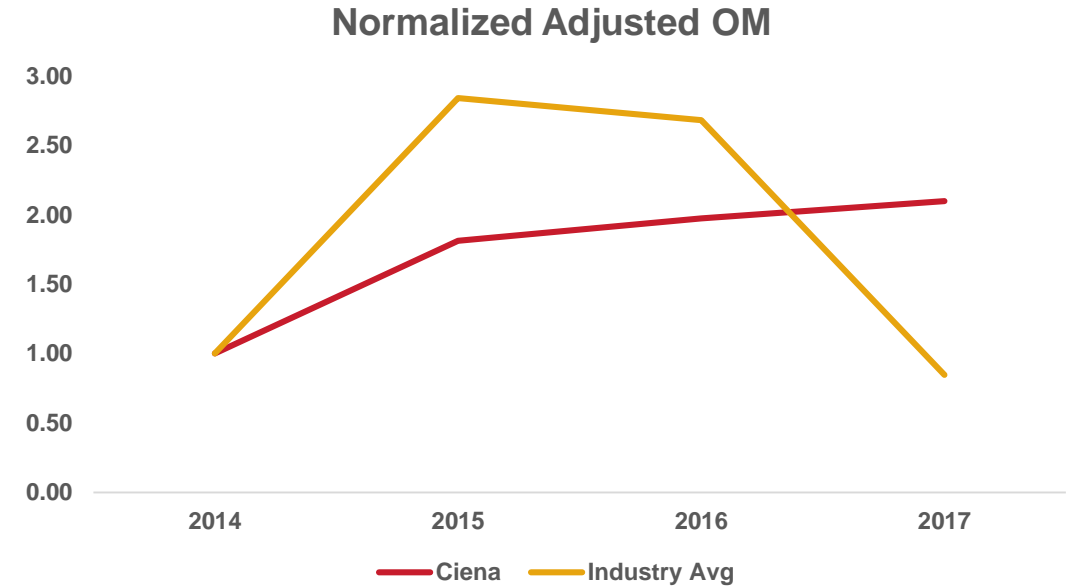
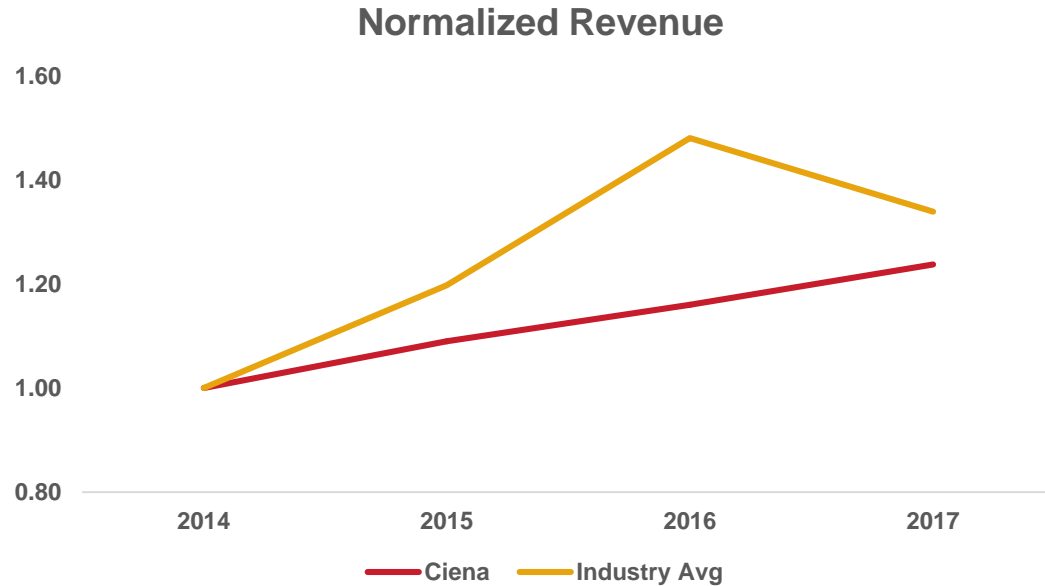
(in millions)



\*Cash & cash equivalents

# Delivering consistent financial performance

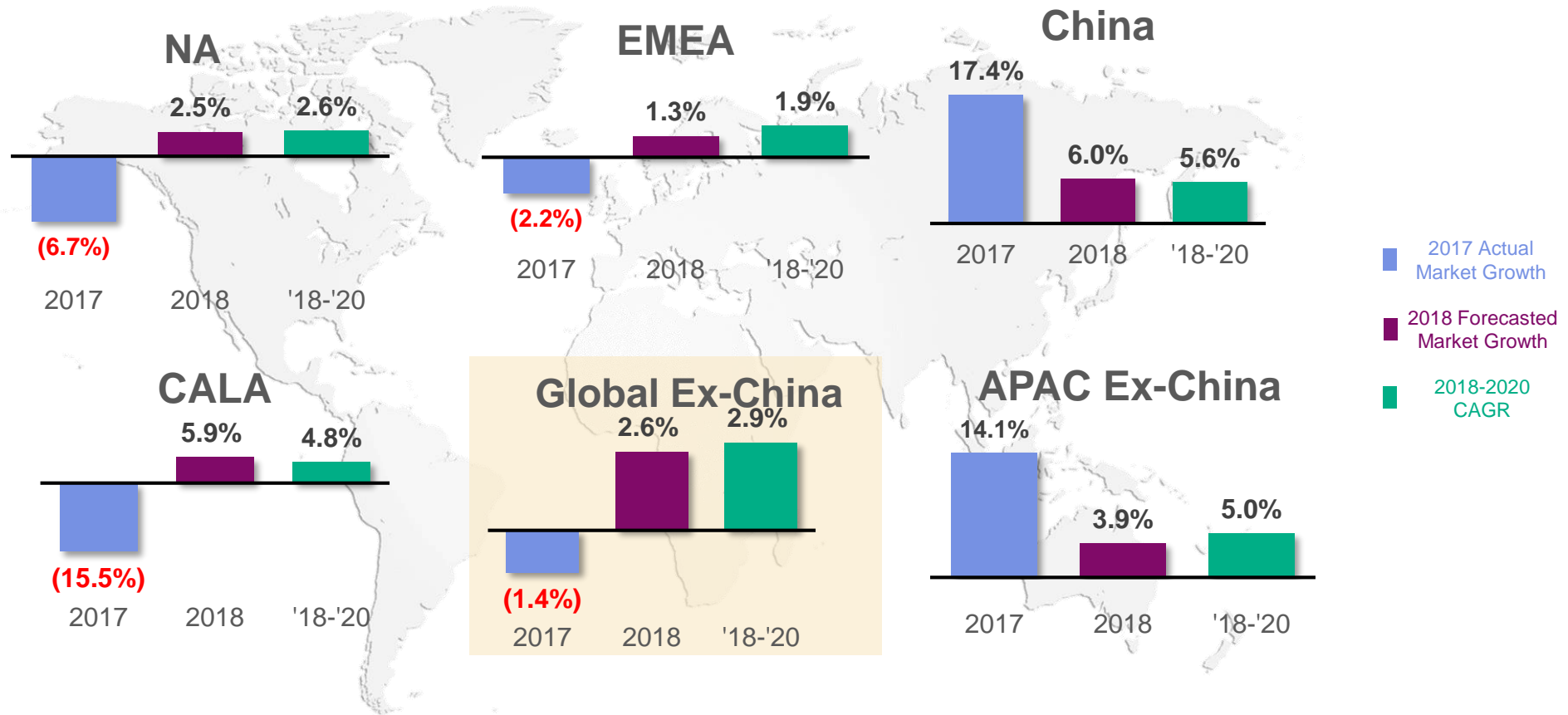
Ciena has successfully managed periods of volatility that can impact the industry



\*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

# 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

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

# Business Outlook<sup>1</sup>

Q4'18	
<b>Revenue</b>	\$845M to \$875M
<b>Adjusted Gross Margin</b>	Low 40s percentage range
<b>Adjusted Operating Expense</b>	Approximately \$255M

<sup>1</sup> Projections or outlook with respect to future operating results are only as of August 30, 2018, 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.

# Long-Term Targets



# Long-term financial targets

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

## Three-year annual revenue growth targets

<b>Optical Systems</b>	Approximately 4-6%
<b>Attached Services</b>	Approximately 4-6%
<b>Packet Networking</b>	Approximately 6-8%
<b>Software and Related Services</b>	Approximately 14-16%
<b>Components</b>	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*

# 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

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# 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)
<b>3.75% Senior Convertible Notes due October 15, 2018 (Issued 8/2/2017)<sup>(1)</sup></b>	\$ 288,730	14,318	\$ 20.17	3,032 <sup>(3)</sup>	N/A	Treasury Stock Method	N/A
<b>3.75% Senior Convertible Notes due October 15, 2018 (Issued 10/18/2010)<sup>(1)</sup></b>	\$ 61,270	3,038	\$ 20.17	3,038	\$ 466	If-Converted Method	\$ 22,656
<b>4.0% Convertible Senior Notes due December 15, 2020</b>	\$ 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 a 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>



## 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>

# 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

