

CIENA Corporation
February 21, 2002
Q1'02 (January 31, 2002)
Conference Call Notes

<http://www.ciena.com/news/2002/02/02.21.2002pr.asp>

1. Raw Materials = 167.9m, WIP = 45.9m, FG = 92.7M, Inventory Reserve= 60m
....turns were 2.1X down from 3.5X...worldwide headcount (employees)
decreased by 484.
2. CEO, Gary Smith says that Long haul is way down...yet demand for broadband is
robust....metro should drive future demand for capacity in core of network.
3. Metro from Multiwave about flat. Making good progress for MetroDirector K2,
revenues up 40 % from Q4'01...ATT deployment of CoreDirector (CD) in core of
network is a milestone. CoreDirector revenues were over 30 % of total revenue.
CD is in trials at several carriers.
4. Uncertainty and caution from customers. Two of their historically important
customers will seriously reduce purchases from CIENA (I think Sprint and
Qwest).....gross margins difficult to forecast....Q2'02 Revenues expected at 100
mil, yet CFO mentioned that CIENA has a history of telling it like it is (I
agree)..... CIENA can give no other 2002 guidance..... "very disappointed with
outlook.....they are seeing further deployment delays....demand is growing and
Service Provider(SP) networks will need to build out, once capacity is
reached....time is needed to get industry healthy again...doesn't know when, but
when it does happen the landscape will look very different....

Members of

Some of my thoughts as I take these notes :

1. What is the deferred income taxes that increased assets by 160,496,000.
2. Deferred revenue down, backlog possibly shrinking.
3. The farm of dilution is still in high gear, wow a rocketing 327,620 shares as compared to a year ago of 300,956

Question and Answers

1. Customers are giving input by the day, heard curtailed spending plans just yesterday from a customer.
2. SSB asked about gross margins and asked if gross margins should be kept at same level for guidance. CIENA said, yes go with that for now.
3. Smith says that CoreDirector is not immune from industry downturn.
4. Question as to if ONI was also affected by 2 customers. CIENA would not comment.
5. Smith claimed that large carriers are diligently managing capex.
6. CIENA said revenues are going down so quickly that they are having difficulty adjusting inventories.
7. Rick Shaffer (CIBC) asked about quarterly run rate in future and with ONI merger. Smith said that CIENA is in an unnatural environment, so guidance can't be given with ONI integration.

Also questioned cash burn for 2002....CIENA mentioned paying back 180 mil for Cyrus notes. Looking at a burn of 50 - 70 million burn based on the current guidance. Rick said "is 400 mil cash burn for the year in the ballpark "and CIENA said yes....Question I have, does that include Cyrus note payback and is that based on 160 mil revenue or 100 mil in projected revenues for Q2'02.

8. Question about inventory.....RM on hand is for transport business , both long haul and metro (can the techies help me out here, what does this mean for future, is that odd, where does switching come in).

9. Gina Sokolow asks several questions already addressedDSO was 83 days....wanted to know about tax rate and allowance for doubtfuls also wanted to know about revenue recognition procedures.
 - a. no change in doubtful accounts (see Q later today or tomorrow).
 - b. tax rate visa vi ONI is forward looking and no comment.
 - c. revenue recognition doesn't look like it will change as of now.
 - d. no comment on R & D guidance.
10. This is the first quarter ever of CoreDirector revenues from ATT per CIENA.
11. Potential expansions for this year and next year with ATT.
12. Would exchange ratio have been changed with ONI deal , had ONI known about the 40 % reduction in guidance. Smith said this is recent and there will be no change in merger. My thoughts.....This is amazing to me, since today is February 21, 2002 and the ONI deal was disclosed on February 19, 2002. We may be hearing more of this in the future.
13. Question about ONI deal. Is it subject to shareholder approval. Answer is yes. Smith elaborated that this merger is for 2003 and beyond, he went further and then was rudely and abruptly interrupted by analyst named Andy.

Andy questioned intangible assets...will these be long lived assets with a definite life....mentioned that pro forma presentation did not include amortization. Andy wants specific reasoning as to why that is shown as a "pro forma line item". CIENA mentioned that it is in GAAP results. In my opinion, very interesting and pertinent questions, but the manner of delivery was rude and abrasive.

My Closing Comments

Here are my final comments. I most certainly respect CIENA and it's top level management. They are polite and business like in their pursuit of a recovery.

Cheers to CIENA management and employees who I hope can financially and spiritually weather this difficult storm!!