

# HISTORY OF CIENA

## Beginnings

Incorporated in Delaware in November 1992, Ciena's founding mission was to radically change the economics of telecommunications networks.

Initially, the company significantly advanced innovation by pioneering Dense Wavelength Division Multiplexing (DWDM) technology as a means to split light across fiber optic lines, thereby enabling the transport of greater volumes of information such as voice, video and data across communications networks. This technology breakthrough propelled Ciena to rapid success, leading service providers like Sprint and Worldcom to deploy Ciena's solutions throughout their nationwide networks in the 1990's. It also led to Ciena's initial public offering in February 1997, during which the company achieved a market capitalization of \$3.4 billion—the largest first-day market capitalization of any venture-funded startup company to that date.

Leveraging its achievements in DWDM, Ciena continued to revolutionize the fields of optical transport, intelligent optical switching and software tools for automating large-scale communications networks. For example, in 1998, Ciena's 96-channel DWDM system, also referred to as a long-haul optical transport platform, enabled a service provider to transmit almost 3.1 million phone calls across a single fiber pair—enough capacity at the time to carry the voice traffic of all major long-distance carriers combined. By the end of 1999, Ciena was on an impressive growth trajectory, selling its next-generation network equipment to some of the largest carriers worldwide. In fiscal 2001, Ciena achieved annual revenues of \$1.6 billion and its market capitalization reached nearly \$30 billion, based largely on the success of a single product line.

## A Market Shift

In early 2001, the telecommunications industry began to experience a severe downturn, which affected nearly all of its participants, including equipment suppliers like Ciena. Aggressive network builds by communications service providers in anticipation of rapid traffic growth resulted in excessive bandwidth and network overcapacity. At the same time, operators' business models were threatened by new competitors, emerging technologies and intense price competition. In response, service providers curtailed network build-outs and dramatically reduced their overall capital spending. In fact, industry analysts estimate that service provider spending on optical networking equipment fell from nearly \$27 billion in 2001 to \$9.4 billion in 2002—an unprecedented, market-wide decline that specifically affected the demand for the products Ciena sold. Not surprisingly, as the industry suffered this radical and widespread contraction, Ciena's revenues plunged—declining 80 percent to \$361 million in 2002.

## Business Evolution

In light of the situation, Ciena viewed itself as having two options. With a strong balance sheet, the company could have buckled down and focused solely on cutting costs amidst the market uncertainty. Or, it could move beyond its single, point-product success as a vendor of optical networking equipment to become a strategic provider of advanced networking solutions. Unlike many of its competitors, Ciena took a contrarian approach and chose the latter direction.

Though not without its risks and challenges, for the next several years Ciena executed on a strategy of balancing continued investment in its business with careful financial management and cost control, based on the belief that it would be in a better position to capitalize on future growth opportunities. Critical to this strategy was an

expansion of Ciena's product portfolio and enhanced product functionality through internal development, acquisitions and partnerships, during a time when nearly all other companies in the space implemented dramatic cost cutting and product rationalization initiatives.

Between 2001 and 2005, Ciena made six acquisitions, with an aggregate deal value of more than \$2 billion, with the goal of anticipating the areas of long-term technology growth in the industry. This approach enabled Ciena to increase penetration of its historical customer base with additional products and to broaden its addressable market to include new customer segments and geographies.

In addition to a diversified customer base and product portfolio, Ciena radically transformed many elements of its business operations, including transitioning to an outsourced manufacturing model, expanding sales efforts with channel partners and resellers, and restructuring its professional services business from a fixed to a variable cost model.

Further, in October 2004, Ciena went to market with a newly-defined identity as "the network specialist." Placing the company's core value to the marketplace in its heritage and strength in solving specific issues in optical transport and switching, the new identity applied that expertise to current critical applications that address customers' key business problems. The updated company positioning included a new logo, a refreshed website and, most notably, a revised approach to addressing customers' challenges. By changing Ciena's voice and appearance to the world, the repositioning conveyed the distinct evolution from the Ciena of the past, and set the stage for continued meaningful improvements to the company's business model and go-to-market approach.

### **Growth and Innovation**

From 2005 through 2007, Ciena continued to target emerging markets and develop new technologies as it evolved into an increasingly agile global enterprise. The Company opened a state-of-the-art research and development center

in India, representing its ongoing commitment to global innovation, captured business in multiple new countries, and grew its revenue by more than 80 percent. Ciena also continued to take actions to obtain early leadership in emerging market segments. To that end, in early 2008 the Company refined its Ethernet pedigree with the acquisition of World Wide Packets, further enhancing its portfolio with Carrier Ethernet access, aggregation and software solutions.

### **A Transformational Transaction**

Beginning in the middle of 2008, the macroeconomic environment entered a downturn that caused many of Ciena's customers to slow their capital spending significantly. Despite the larger economic challenges, Ciena continued to invest in its business, including an increase in research and development efforts to enhance its product portfolio and ensure the strength of its market leadership as the industry environment improved. However, Ciena's boldest initiative to date occurred in late 2009 when, after being selected as the stalking horse bidder to acquire the optical networking and Carrier Ethernet assets of Nortel's\* Metro Ethernet Networks (MEN) business, Ciena ultimately emerged as the purchaser of those assets after a competitive auction and court approval process.

The MEN assets encompass leading coherent optical transport technology with a significant, global installed base as well as a suite of software products. The transformational acquisition of those assets—which was completed in March 2010—served to accelerate Ciena's existing strategy and change the communications equipment vendor landscape by combining complementary switching and transport technology bases and resources to create the largest global supplier exclusively focused on the practical transition to converged optical Ethernet-based networking. Pairing the Ciena and MEN organizations—both deeply rooted in innovation leadership—gave Ciena the diversified expertise, greater global reach, broader scope of customer relationships and deeper technology toolkit to allow the combined company to rapidly advance its leadership position.



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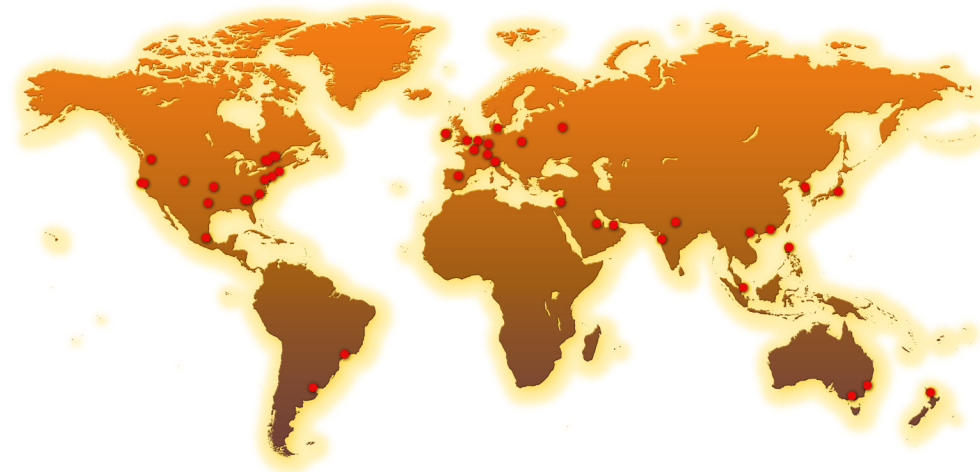
## Ciena Today

Overall, cutting-edge technology, compelling customer economics and superior service have enabled Ciena to achieve a competitive advantage in the telecommunications marketplace. With approximately 4,000 professionals working across the Americas, Asia and Europe, Ciena remains thoroughly committed to solving the specific business challenges of its global customer base with a high-touch, consultative approach—allowing customers to fully leverage their networks as a strategic and adaptive business asset in today's evolving and increasingly competitive landscape. Ciena now serves more than 1000 customers in over 60 countries, including nearly three-quarters of the world's largest service providers, global enterprises—with a particularly strong track record in mission-critical financial and healthcare networks—research and education institutions and other essential government agencies.

The cornerstone of Ciena's strategy remains its ongoing commitment to innovation, and that long-term investment approach is what enables Ciena to maintain a market leadership position. The company offers the premier toolkit for

bringing together the reliability and capacity of optical networking with the flexibility and economics of Ethernet, unified by the industry's leading software expertise. Those capabilities form a portfolio that enables resilient, reconfigurable and automated networking—attributes that are essential for supporting the next-generation of services, applications and performance required by today's end-users.

Today, Ciena is committed to deepening its trust with customers and partners worldwide, building the strongest team possible and delivering stockholder value while advancing its leadership position in high-growth markets. With a focus on striking the appropriate balance between investing in its portfolio in ways that address its customers' most critical challenges—principally the migration to next-generation architectures—with managing the business for operational efficiency and long-term growth, Ciena remains true to its specialist roots as a focused company, offering customers the deepest level of knowledge and commitment in delivering the innovation, quality and customer service expected of a global leader.



**ciena** : the network specialist

1201 Winterson Road  
Linthicum, Maryland 21090  
United States  
P: 410-694-5700  
F: 410-694-5750  
[www.ciena.com](http://www.ciena.com)

Investor Inquiries:  
[ir@ciena.com](mailto:ir@ciena.com)

Press Inquiries:  
[pr@ciena.com](mailto:pr@ciena.com)

Sales Inquiries:  
North America: (800) 207 3714  
International: +44 20 7012 5555  
[www.ciena.com](http://www.ciena.com)