



March 7, 2013

## Finisar Announces Third Fiscal Quarter Financial Results

SUNNYVALE, CA -- (Marketwire) -- 03/07/13 -- Finisar Corporation (NASDAQ: FNSR), a global technology leader for subsystems and components for fiber optic communications, today announced financial results for its third fiscal quarter ended January 27, 2013.

### COMMENTARY

"I am pleased to report fiscal third quarter revenues of \$238.4 million, which is \$6.3 million, or 2.7%, greater than the prior quarter. Our growth in revenues came primarily from sales of 10G and 100G transceivers and transponders for datacom applications," said Jerry Rawls, Finisar's executive Chairman of the Board.

"During the quarter, we continued to invest significantly in technology and product development and made substantial progress on a number of new products for our datacom and telecom products lines. We are planning several compelling product announcements at the OFC show during the week of March 18th in Anaheim, California," said Eitan Gertel, Finisar's Chief Executive Officer.

### FINANCIAL HIGHLIGHTS -THIRD QUARTER ENDED January 27, 2013

Summary GAAP Results	Third Quarter Ended January 27, 2013	Second Quarter Ended October 28, 2012
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	(in thousands, except per share amounts)	
Revenues	\$ 238,351	\$ 232,041
Gross margin	28.5%	27.5%
Operating expenses	\$ 68,841	\$ 63,820
Operating income (loss)	\$ (797)	\$ 54
Operating margin	(0.3)%	0.0%
Income (loss)	\$ (3,407)	\$ 271
Income (loss) per share-basic	\$ (0.04)	\$ 0.00

Income (loss) per share-diluted	\$	(0.04)	\$	0.00
Basic shares		93,097		92,780
Diluted shares		93,097		94,735

Summary Non-GAAP Results (a)	Third	Second
	Quarter	Quarter
	Ended	Ended
	January 27,	October 28,
	2013	2012

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 (in thousands, except per  
 share amounts)

Revenues	\$	238,351	\$	232,041
Gross margin		30.7%		30.5%
Operating expenses	\$	55,816	\$	54,846
Operating income	\$	17,377	\$	15,838
Operating margin		7.3%		6.8%
Income	\$	16,390	\$	14,205
Income per share-basic	\$	0.18	\$	0.15
Income per share-diluted	\$	0.17	\$	0.15
Basic shares		93,097		92,780
Diluted shares		99,094		98,483

(a) In evaluating the operating performance of Finisar's business, Finisar management utilizes financial measures that exclude certain charges and credits required by U.S. generally accepted accounting principles,

or GAAP, that are considered by management to be outside Finisar's core operating results. A reconciliation of Finisar's non-GAAP financial measures to the most directly comparable GAAP measures, as well as additional related information, can be found under the heading "Finisar Non-GAAP Financial Measures" below.

#### *Operating Statement Highlights for the third quarter of fiscal 2013:*

- Revenues increased to \$238.4 million, an increase of \$6.3 million, or 2.7%, from \$232.0 million in the preceding quarter, primarily driven by growth in revenues from 10G and 100G transceivers and transponders for datacom applications.
- Compared to the preceding quarter, the sale of products for datacom applications increased by \$7.8 million, or 5.6%, and the sale of products for telecom applications decreased by \$1.5 million, or (1.6)%, as the result of the impact of approximately one month of the annual telecom price reductions that typically go into effect on approximately January 1st, partially offset in the increase in unit sales including tunable XFP transceivers.
- Gross margin increased to 28.5% on a GAAP basis and 30.7% on a non-GAAP basis, from 27.5% and 30.5%, respectively, in the preceding quarter, primarily as a result of higher revenue levels, partially offset by the impact of one month of the annual telecom price reductions that typically go into effect on approximately January 1st.
- GAAP operating loss increased \$0.8 million to \$0.8 million, or (0.3) % of revenues, compared to an operating gain of \$0.05 million, or 0.0% of revenues, in the preceding quarter.
- Non-GAAP operating income increased \$1.5 million to \$17.4 million, or 7.3% of revenues, compared to \$15.8 million, or 6.8% of revenues, in the preceding quarter as the Company was able to hold non-GAAP operating expenses relatively flat while revenues grew.
- Non-GAAP EBITDA increased \$2.4 million to \$31.1 million, or 13.1% of revenues, compared to \$28.7 million, or 12.4% of revenues, in the preceding quarter.

#### *Balance Sheet Highlights for the third quarter of fiscal 2013:*

- Cash and cash equivalents totaled \$265.5 million at the end of the third quarter, compared to \$262.4 million at the end of the preceding quarter.
- At the end of the third quarter, Finisar had approximately \$40.0 million in principal amount of convertible notes outstanding with a conversion price of \$10.675 per share.

#### *OUTLOOK*

The Company currently expects revenues for the fourth quarter of fiscal 2013 to be in the range of \$235 to \$250 million; GAAP operating margin to be approximately 2%; non-GAAP operating margin to be approximately 7%; and non-GAAP earnings per diluted share to be in the range of approximately \$0.15 to \$0.19.

#### *CONFERENCE CALL*

Finisar will discuss its financial results for the third quarter and current business outlook during its regular quarterly conference call scheduled for Thursday, March 7, 2013, at 2:00 pm PST (5:00 pm EST). To listen to the call you may connect through the Finisar investor relations page at <http://investor.finisar.com/> or dial 1-888-417-8533 (domestic) or (719) 457-2697 (international) and enter conference ID 4484284.

An audio replay will be available for two weeks following the call by dialing 1-888-203-1112 (domestic) or (719) 457-0820 and then following the prompts: enter conference ID 4484284 and provide your name, affiliation, and contact number. A replay of the webcast will be available shortly after the conclusion of the call on the Company's website until the next regularly scheduled

earnings conference call.

*SAFE HARBOR UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995*

The statements contained in this press release that are not purely historical are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. All forward-looking statements included in this press release are based upon information available to Finisar as of the date hereof, and Finisar assumes no obligation to update any such forward-looking statements. Forward-looking statements involve risks and uncertainties which could cause actual results to differ materially from those projected. Examples of such risks include those associated with: the uncertainty of customer demand for Finisar's products; the rapidly evolving markets for Finisar's products and uncertainty regarding the development of these markets; Finisar's historical dependence on sales to a limited number of customers and fluctuations in the mix of products and customers in any period; ongoing new product development and introduction of new and enhanced products; challenges related to the integration of the recently completed RED-C acquisition; the challenges of rapid growth followed by periods of contraction; and intensive competition. Further information regarding these and other risks relating to Finisar's business is set forth in Finisar's annual report on Form 10-K (filed June 29, 2012) and quarterly SEC filings.

*ABOUT FINISAR*

Finisar Corporation (NASDAQ: FNSR) is a global technology leader for fiber optic subsystems and components that enable high-speed voice, video and data communications for telecommunications, networking, storage, wireless, and cable TV applications. For more than 20 years, Finisar has provided critical optics technologies to system manufacturers to meet the increasing demands for network bandwidth and storage. Finisar is headquartered in Sunnyvale, California, USA with R&D, manufacturing sites, and sales offices worldwide. For additional information, visit [www.finisar.com](http://www.finisar.com).

*FINISAR FINANCIAL STATEMENTS*

The following financial tables are presented in accordance with GAAP.

Finisar Corporation  
Consolidated Balance Sheets  
(in thousands)

	January 27, 2013	October 28, 2012	July 29, 2012	April 30, 2012
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	(Unaudited)	(Unaudited)	(Unaudited)	
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ASSETS

Current assets:

Cash and cash

equivalents	\$	265,454	\$	262,432	\$	220,409	\$	234,544
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Accounts

receivable, net	155,502	155,949	179,441	167,760
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Accounts

receivable, other	10,843	15,240	14,972	21,004
Inventories	202,123	203,554	208,168	218,432
Prepaid expenses	22,875	25,183	24,430	25,482
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Total current assets	656,797	662,358	647,420	667,222
Property, equipment and improvements, net	192,381	173,284	165,837	163,817
Purchased intangible assets, net	45,823	53,300	43,049	45,177
Goodwill	91,551	91,098	97,994	81,431
Minority investments	884	884	884	884
Other assets	7,321	7,263	7,393	10,896
	-----	-----	-----	-----
Total assets	\$ 994,757	\$ 988,187	\$ 962,577	\$ 969,427
	=====	=====	=====	=====

LIABILITIES AND

STOCKHOLDERS'

EQUITY

Current liabilities:

Accounts payable	\$ 67,264	\$ 72,844	\$ 71,295	\$ 72,339
Accrued compensation	28,436	27,901	22,210	27,090
Other accrued liabilities	31,901	22,774	21,456	20,871
Deferred revenue	9,760	7,868	9,775	8,970
Current portion of long-term debt	-	-	-	3,150
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Total current				
liabilities	137,361	131,387	124,736	132,420
Long-term				
liabilities:				
Convertible notes,				
net of current				
portion	40,015	40,015	40,015	40,015
Other non-current				
liabilities	14,078	21,171	16,274	15,175
Deferred tax				
liabilities	2,512	2,459	2,433	1,972
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Total				
liabilities	193,966	195,032	183,458	189,582
Stockholders'				
equity:				
Common stock	93	93	93	91
Additional paid-in				
capital	2,341,448	2,330,683	2,321,064	2,309,219
Accumulated other				
comprehensive				
income	26,904	26,346	22,356	28,720
Accumulated				
deficit	(1,575,839)	(1,572,432)	(1,572,703)	(1,566,506)
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Finisar				
Corporation				
stockholders'				
equity	792,606	784,690	770,810	771,524
Non-controlling				
interest	8,185	8,465	8,309	8,321

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Total				
stockholders'				
equity	800,791	793,155	779,119	779,845
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Total liabilities				
and stockholders'				
equity	\$ 994,757	\$ 988,187	\$ 962,577	\$ 969,427
	=====	=====	=====	=====

Note - Balance sheet amounts as of April 30, 2012 are derived from the audited consolidated financial statements as of the date.

Finisar Corporation  
Consolidated Statements of Operations  
(Unaudited, in thousands, except per share data)

	Three Months Ended		Nine Months Ended		Three Months Ended
	January 27, 2013	January 29, 2012	January 27, 2013	January 29, 2012	October 28, 2012
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Revenues	\$ 238,351	\$ 242,954	\$ 690,918	\$ 712,669	\$ 232,041
Cost of revenues	168,377	170,215	496,001	500,009	166,167
Amortization of acquired developed technology	1,930	1,637	5,202	4,796	2,000

Gross profit	68,044	71,102	189,715	207,864	63,874
Gross margin	28.5%	29.3%	27.5%	29.2%	27.5%
Operating expenses:					
Research and development	39,725	36,470	117,514	108,573	39,620
Sales and marketing	10,398	10,599	31,291	30,310	10,219
General and administrative	12,797	11,766	39,058	39,491	12,919
Amortization of purchased intangibles	1,035	959	2,906	2,597	1,062
Impairment of long-lived assets	4,886	-	4,886	-	-
Restructuring recoveries	-	-	-	(322)	-
Total operating expenses	68,841	59,794	195,655	180,649	63,820
Income (loss) from operations	(797)	11,308	(5,940)	27,215	54
Interest income	186	151	544	411	162
Interest expense	(648)	(862)	(2,045)	(2,911)	(750)
Loss on debt extinguishment	-	-	-	(419)	-
Other income (expenses), net	(275)	(355)	(295)	4,168	(101)
Income (loss) before income taxes and					



non-controlling						
interest	(1,534)	10,242	(7,736)	28,464	(635)	
Provision (benefits)						
for income taxes	2,153	875	1,733	2,792	(1,062)	
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Income (loss) before						
non-controlling						
interest	(3,687)	9,367	(9,469)	25,672	427	
Adjust for net						
(income) loss						
attributable to non-						
controlling interest	280	(458)	136	(694)	(156)	
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Net income (loss)						
attributable to						
Finisar Corporation	\$ (3,407)	\$ 8,909	\$ (9,333)	\$ 24,978	\$ 271	
	=====	=====	=====	=====	=====	
Net income (loss) per						
share attributable						
to Finisar						
Corporation common						
stockholders:						
Basic	\$ (0.04)	\$ 0.10	\$ (0.10)	\$ 0.28	\$ 0.00	
Diluted	\$ (0.04)	\$ 0.09	\$ (0.10)	\$ 0.27	\$ 0.00	
Shares used in						
computing net income						
(loss) per share -						
basic	93,097	91,001	92,624	90,644	92,780	

Shares used in

computing net income

(loss) per share -

diluted	93,097	94,032	92,624	93,904	94,735
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### *FINISAR NON-GAAP FINANCIAL MEASURES*

In addition to reporting financial results in accordance with U.S. generally accepted accounting principles, or GAAP, Finisar provides supplemental information regarding the Company's operating performance on a non-GAAP basis that excludes certain gains, losses and charges of a non-cash nature or which occur relatively infrequently and which management considers to be outside our core operating results. Some of these non-GAAP measures also exclude the ongoing impact of historical business decisions made in different business and economic environments. Management believes that tracking non-GAAP gross profit, non-GAAP income from operations, non-GAAP net income and non-GAAP net income per share provides management and the investment community with valuable insight into our current operations, our ability to generate cash and the underlying business trends which are affecting our performance. These non-GAAP measures are used by both management and our Board of Directors, along with the comparable GAAP information, in evaluating our current performance and planning our future business activities. In particular, management finds it useful to exclude non-cash charges in order to better correlate our operating activities with our ability to generate cash from operations and to exclude certain cash charges as a means of more accurately predicting our liquidity requirements. We believe that these non-GAAP measures, when used in conjunction with our GAAP financial information, also allow investors to better evaluate our financial performance in comparison to other periods and to other companies in our industry.

In calculating non-GAAP gross profit in this release, we have excluded the following items from cost of revenues in applicable periods:

- Changes in excess and obsolete inventory reserve (predominantly non-cash charges or non-cash benefits);
- Amortization of acquired technology (non-cash charges related to technology obtained in acquisitions);
- Stock-based compensation expense (non-cash charges);
- Acquisition method accounting adjustment for sale of acquired inventory (non-cash charges);
- Reduction in force costs (non-recurring cash charges); and
- Acquisition related retention payments (non-recurring charges).

In calculating non-GAAP operating income in this release, we have excluded the same items to the extent they are classified as operating expenses, and have also excluded the following items in applicable periods:

- Gain or loss on litigation settlements and resolutions and related costs (non-recurring cash charges or benefits);
- Shareholder class action and derivative litigation costs (non-recurring cash expenses associated with the derivative litigation related to our historical stock option granting practices and related to the class action and derivative litigation related to our March 8, 2011 earnings announcement);
- Impairment of long-lived assets (non-cash charges)
- Acquisition related costs (non-recurring cash charges);
- Amortization of purchased intangibles (non-cash charges); and
- Restructuring costs and recoveries (non-recurring charges and benefits).

In calculating non-GAAP income and non-GAAP income per share in this release, we have also excluded the following items in applicable periods:

- Imputed interest related to restructuring (non-cash charges);
- Gains and losses on sales of assets (non-recurring or non-cash losses and cash gains related to the periodic disposal of assets no longer required for current activities);
- Loss related to minority and equity method investments (non-cash charges);
- Dollar denominated foreign exchange transaction losses (gains) (non-cash charges or benefits);
- Other miscellaneous expenses (income) (non-recurring charges or benefits);
- Debt extinguishment loss (non-recurring charges);
- Fair value re-measurement of equity investment (non-cash gain from re-measurement of value of prior investment in an

- investee); and
- Differences between cash payable for income taxes and the provision for income taxes in accordance with GAAP, less discrete items.

In calculating non-GAAP income per share in this release, we have included the shares issuable upon conversion of our outstanding convertible notes and excluded the interest expenses associated with such notes in such periods where such treatment is dilutive to non-GAAP income (loss) per share.

A reconciliation of this non-GAAP financial information to the corresponding GAAP information is set forth below:

Finisar Corporation

Reconciliation of Results of Operations under GAAP and non-GAAP

(Unaudited, in thousands, except per share data)

	Three Months Ended		Nine Months Ended		Three Months Ended
	January	January	January	January	October
	27, 2013	29, 2012	27, 2013	29, 2012	28, 2012
GAAP to non-GAAP reconciliation of gross profit:					
Gross profit - GAAP	\$ 68,044	\$ 71,102	\$ 189,715	\$ 207,864	\$ 63,874
Gross margin - GAAP	28.5%	29.3%	27.5%	29.2%	27.5%
Adjustments:					
Cost of revenues					
Change in excess and obsolete inventory reserve	989	1,732	7,858	5,343	2,003
Amortization of acquired technology	1,930	1,637	5,202	4,796	2,000
Stock compensation	2,140	1,596	5,502	5,142	1,876

Acquisition method					
accounting					
adjustment for					
sale of acquired					
inventory	-	952	1,363	4,035	722
Reduction in force					
costs	17	243	801	844	136
Acquisition related					
retention payment	73	-	146	-	73
	-----	-----	-----	-----	-----
Total cost of					
revenue					
adjustments	5,149	6,160	20,872	20,160	6,810
	-----	-----	-----	-----	-----
Gross profit - non-					
GAAP	73,193	77,262	210,587	228,024	70,684
	-----	-----	-----	-----	-----
Gross margin - non-					
GAAP	30.7%	31.8%	30.5%	32.0%	30.5%
GAAP to non-GAAP					
reconciliation of					
operating income:					
Operating income					
(loss) - GAAP	(797)	11,308	(5,940)	27,215	54
Operating margin -					
GAAP	-0.3%	4.7%	-0.9%	3.8%	0.0%
Adjustments:					
Total cost of revenue					
adjustments	5,149	6,160	20,872	20,160	6,810
Research and					

development					
Reduction in force					
costs	11	693	188	766	-
Acquisition related					
retention payment	213	-	435	-	222
Stock compensation	2,601	2,200	8,940	6,835	3,353
Sales and marketing					
Acquisition related					
retention payment	17	-	37	-	20
Stock compensation	885	747	2,964	2,378	1,002
General and					
administrative					
Reduction in force					
costs	25	51	94	1,014	54
Acquisition related					
retention payment	223	-	476	-	253
Stock compensation	2,218	1,746	8,003	5,699	2,956
Acquisition related					
costs	731	304	1,152	1,602	96
Litigation					
settlements and					
resolutions and					
related costs	-	(185)	13	(93)	(10)
Shareholder class					
action and					
derivative					
litigation costs	180	(10)	189	625	(34)
Amortization of					
purchased					
intangibles	1,035	959	2,906	2,597	1,062
Impairment of long-					

lived assets	4,886	-	4,886	-	-
Restructuring					
recoveries	-	-	-	(322)	-
	-----	-----	-----	-----	-----
Total cost of					
revenue and					
operating					
expense					
adjustments	18,174	12,665	51,155	41,261	15,784
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Operating income -					
non-GAAP	17,377	23,973	45,215	68,476	15,838
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Operating margin -					
non-GAAP	7.3%	9.9%	6.5%	9.6%	6.8%
GAAP to non-GAAP					
reconciliation of					
income attributable					
to Finisar					
Corporation:					
Income (loss)					
attributable to					
Finisar Corporation					
- GAAP	(3,407)	8,909	(9,333)	24,978	271
Adjustments:					
Total cost of revenue					
and operating					
expense adjustments	18,174	12,665	51,155	41,261	15,784
Imputed interest					
related to					

restructuring	148	206	374	672	164
Other (income)					
expense, net					
Loss (gain) on sale					
of assets	38	(229)	(151)	(7)	(170)
Loss related to					
minority and					
equity method					
investments	-	-	-	619	-
Other miscellaneous					
income	(101)	351	(261)	601	-
Foreign exchange					
transaction loss					
(gain)	431	362	(180)	(280)	(607)
Debt extinguishment					
loss	-	-	573	419	573
Fair value					
remeasurement of					
equity investment	-	-	-	(5,429)	-
Provision for income					
taxes					
Income tax					
provision					
adjustments	1,107	(386)	(711)	109	(1,810)
	-----	-----	-----	-----	-----
Total adjustments	19,797	12,969	50,799	37,965	13,934
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Net income					
attributable to					
Finisar Corporation					
- non-GAAP	16,390	21,878	41,466	62,943	14,205

Non-GAAP income					
attributable to					
Finisar Corporation	\$ 16,390	\$ 21,878	\$ 41,466	\$ 62,943	\$ 14,205

Add: interest expense					
for dilutive					
convertible notes	539	539	1,618	1,617	539

Adjusted non-GAAP					
income attributable					
to Finisar					
Corporation	\$ 16,929	\$ 22,417	\$ 43,084	\$ 64,560	\$ 14,744
	=====	=====	=====	=====	=====

Non-GAAP income per					
share attributable					
to Finisar					
Corporation common					
stockholders					
Basic	\$ 0.18	\$ 0.24	\$ 0.45	\$ 0.69	\$ 0.15
Diluted	\$ 0.17	\$ 0.23	\$ 0.44	\$ 0.66	\$ 0.15

Shares used in					
computing non-GAAP					
income per share					
attributable to					
Finisar Corporation					
common stockholders					
Basic	93,097	91,001	92,624	90,644	92,780
Diluted	99,094	97,781	98,891	97,652	98,483



Non-GAAP EBITDA

Non-GAAP income

attributable to

Finisar Corporation	\$ 16,390	\$ 21,878	\$ 41,466	\$ 62,943	\$ 14,205
Depreciation expense	13,306	11,388	39,123	32,978	13,106
Amortization	86	208	559	624	237
Interest expense	314	505	1,127	1,828	424
Income tax expense	1,046	1,261	2,444	2,683	748
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Non-GAAP EBITDA	\$ 31,142	\$ 35,240	\$ 84,719	\$ 101,056	\$ 28,720
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