



September 5, 2013

## Finisar Announces Record Revenue for First Fiscal Quarter

SUNNYVALE, CA--(Marketwired - Sep 5, 2013) - Finisar Corporation (NASDAQ: [FNSR](#)), a global technology leader for subsystems and components for fiber optic communications, today announced financial results for its first fiscal quarter ended July 28, 2013.

### COMMENTARY

"I am pleased to report first quarter revenues were \$266.1 million, an all-time record for Finisar. This was an increase of \$22.7 million, or 9.3%, over the prior quarter and an increase of \$45.5 million, or 20.7% over the first quarter of the prior year. Revenues exceeded the guidance of \$245 million to \$260 million that we provided early in the first quarter and grew for the fourth consecutive quarter. The growth in revenues in the first quarter came primarily from increased sales of 10G, 40G and 100G Ethernet transceivers for datacom applications. As a result of these higher than expected revenues, a favorable product mix and operating leverage, we also were able to achieve gross margin and earnings per diluted share that exceeded our original guidance range," said Jerry Rawls, Finisar's executive Chairman of the Board.

"During the quarter, we continued to invest significantly in technology and product development. Our new products for 100 gigabit parallel and serial applications for either single mode and multi mode fiber applications continue to have strong customer demand. We also expect our new platform of high density dual and single WSS will extend our leadership in the WSS market in both the component and ROADM linecard form," said Eitan Gertel, Finisar's Chief Executive Officer.

### FINANCIAL HIGHLIGHTS - FIRST QUARTER ENDED July 28, 2013

Summary GAAP Results	First Quarter Ended July 28, 2013	Fourth Quarter Ended April 28, 2013
	(in thousands, except per share amounts)	
Revenues	\$ 266,068	\$ 243,417
Gross margin	34.3 %	27.7 %
Operating expenses	\$ 64,270	\$ 66,941
Operating income	\$ 27,103	\$ 385
Operating margin	10.2 %	0.2 %
Net income	\$ 26,011	\$ 3,879
Income per share-basic	\$ 0.27	\$ 0.04
Income per share-diluted	\$ 0.26	\$ 0.04
Basic shares	94,609	93,567
Diluted shares	101,125	96,192
Summary Non-GAAP Results (a)	First Quarter Ended July 28, 2013	Fourth Quarter Ended April 28, 2013
	(in thousands, except per share amounts)	
Revenues	\$ 266,068	\$ 243,417

Gross margin		35.1 %		32.2 %
Operating expenses	\$	60,903	\$	58,295
Operating income	\$	32,397	\$	20,032
Operating margin		12.2 %		8.2 %
Net income	\$	31,269	\$	19,789
Income per share-basic	\$	0.33	\$	0.21
Income per share-diluted	\$	0.31	\$	0.20
Basic shares		94,609		93,567
Diluted shares		101,125		99,941

- 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.*

#### Financial Statement Highlights for the first quarter of fiscal 2014:

- Revenues increased to \$266.1 million, up \$22.7 million, or 9.3%, from \$243.4 million in the preceding quarter primarily driven by strength in sales of datacom products.
- The sale of products for datacom applications increased by \$20.5 million, or 12.5%, over the preceding quarter and the sale of products for telecom applications increased by \$2.2 million, or 2.7%, over the preceding quarter.
- Adjusted to reflect the elimination of recently divested businesses, revenues were approximately 12% greater than the preceding quarter.
- Gross margin increased to 34.3% on a GAAP basis from 27.7% in the preceding quarter primarily as the result of higher revenues, a favorable product mix and operating leverage.
- Non-GAAP gross margin increased to 35.1% from 32.2% in the preceding quarter.
- GAAP operating income increased \$26.7 million to \$27.1 million, or 10.2% of revenues, compared to \$0.4 million, or 0.2% of revenues in the preceding quarter, primarily as the result of increased revenues and the improvement in gross margin.
- Non-GAAP operating income increased \$12.4 million to \$32.4 million, or 12.2% of revenues, compared to \$20.0 million, or 8.2% of revenues, in the preceding quarter.

#### OUTLOOK

The Company indicated that it currently expects revenues for the second quarter of fiscal 2014 to be in the range of \$277 to \$292 million; GAAP operating margin to be in the range of approximately 9.7% to 10.7%; non-GAAP operating margin to be in the range of approximately 13.7% to 14.7% and non-GAAP earnings per diluted share to be in the range of approximately \$0.37 to \$0.41.

#### CONFERENCE CALL

Finisar will discuss its financial results for the first quarter and current business outlook during its regular quarterly conference call scheduled for Thursday, September 5, 2013, at 2:00 pm PDT (5:00 pm EDT). To listen to the call you may connect through the Finisar investor relations page at <http://investor.finisar.com/> or dial 1-877-852-6575 (domestic) or (719) 325-4826 (international) and enter conference ID 6969862.

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 6969862 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; 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 24, 2013) 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 25 years, Finisar has provided critical optics technologies to system manufacturers to meet the increasing demands for network bandwidth. 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 Statements of Operations**  
(in thousands, except per share data)

	Three Months Ended		
	July 28, 2013	July 29, 2012 (Unaudited)	April 28, 2013
Revenues	\$ 266,068	\$ 220,526	\$ 243,417
Cost of revenues	173,102	161,457	166,093
Impairment of acquired developed technology and other long-lived assets	-	-	8,156
Amortization of acquired developed technology	1,593	1,272	1,842
Gross profit	91,373	57,797	67,326
Gross margin	34.3 %	26.2 %	27.7 %
Operating expenses:			
Research and development	43,530	38,169	41,270
Sales and marketing	11,805	10,674	11,056
General and administrative	8,340	13,342	6,279
Amortization of purchased intangibles	595	809	734
Impairment of long-lived assets	-	-	7,602
Total operating expenses	64,270	62,994	66,941
Income (loss) from operations	27,103	(5,197 )	385
Interest income	217	196	211
Interest expense	(552 )	(647 )	(544 )
Other income (expenses), net	488	81	(154 )
Income (loss) before income taxes and non-controlling interest	27,256	(5,567 )	(102 )
Provision (benefits) for income taxes	1,421	642	(1,506 )
Income (loss) before non-controlling interest	25,835	(6,209 )	1,404
Adjust for net loss attributable to non-controlling interest	176	12	2,475
Net income (loss) attributable to Finisar Corporation	<u>\$ 26,011</u>	<u>\$ (6,197 )</u>	<u>\$ 3,879</u>

Net income (loss) per share attributable to Finisar Corporation common stockholders:

Basic	\$	0.27	\$	(0.07)	\$	0.04
Diluted	\$	0.26	\$	(0.07)	\$	0.04
Shares used in computing net income (loss) per share - basic		94,609		91,988		93,567
Shares used in computing net income (loss) per share - diluted		101,125		91,988		96,192

**Finisar Corporation**  
**Consolidated Balance Sheets**  
**(in thousands)**

	<u>July 28, 2013</u>	<u>April 28, 2013</u>
	<u>(Unaudited)</u>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 288,433	\$ 289,076
Accounts receivable, net	171,823	149,612
Accounts receivable, other	34,386	16,538
Inventories	207,029	200,670
Prepaid expenses	19,533	18,402
Total current assets	<u>721,204</u>	<u>674,298</u>
Property, equipment and improvements, net	213,044	201,442
Purchased intangible assets, net	25,416	30,457
Goodwill	90,986	90,986
Minority investments	1,711	884
Other assets	12,954	9,780
Total assets	<u>\$ 1,065,315</u>	<u>\$ 1,007,847</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 90,488	\$ 77,630
Accrued compensation	32,001	31,492
Other accrued liabilities	31,542	23,533
Deferred revenue	12,582	9,182
Total current liabilities	<u>166,613</u>	<u>141,837</u>
Long-term liabilities:		
Convertible notes, net of current portion	40,015	40,015
Other non-current liabilities	12,908	13,480
Total liabilities	<u>219,536</u>	<u>195,332</u>
Stockholders' equity:		
Common stock	96	94
Additional paid-in capital	2,363,514	2,350,146
Accumulated other comprehensive income	22,397	28,525
Accumulated deficit	(1,545,949)	(1,571,960)
Finisar Corporation stockholders' equity	<u>840,058</u>	<u>806,805</u>
Non-controlling interest	5,721	5,710
Total stockholders' equity	<u>845,779</u>	<u>812,515</u>

Total liabilities and stockholders' equity	<u>\$ 1,065,315</u>	<u>\$ 1,007,847</u>
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Note - Balance sheet amounts as of April 28, 2013 are derived from the audited consolidated financial statements as of the date.

## 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);
- Impairment of acquired developed technology and other long-lived assets (non-cash charges);
- Acquisition method accounting adjustment for sale of acquired inventory (non-cash charges);
- Flood-related expense (non-recurring cash charge);
- 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);
- Acquisition related costs (non-recurring cash charges);
- Amortization of purchased intangibles (non-cash charges);
- Gain on fair value remeasurement of contingent consideration liability (non-cash benefit); and
- Impairment of purchased intangibles and other long-lived assets.

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

- Interest income from legal settlements (non-recurring benefit);
- 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);
- Gains and losses related to minority investments (non-cash or non-recurring benefits or charges);
- Other miscellaneous expenses (income) (non-recurring charges or benefits);
- Dollar denominated foreign exchange transaction losses (gains) (non-cash charges or benefits);
- Non-controlling interest non-GAAP adjustment (non-cash and/or non-recurring charges or benefits attributable to the non-controlling interest in majority-controlled subsidiaries); 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)**

	<b>Three Months Ended</b>		
	<b>July 28, 2013</b>	<b>July 29, 2012</b>	<b>April 28, 2013</b>
<b>GAAP to non-GAAP reconciliation of gross profit:</b>			
Gross profit - GAAP	\$ 91,373	\$ 57,797	\$ 67,326
Gross margin - GAAP	34.3 %	26.2 %	27.7 %
Adjustments:			
Cost of revenues			
Change in excess and obsolete inventory reserve	(1,528 )	4,866	390
Amortization of acquired technology	1,593	1,272	1,842
Stock compensation	1,777	1,486	1,731
Impairment of acquired developed technology and other long-lived assets	-	-	8,156
Acquisition method accounting adjustment for sale of acquired inventory	-	641	-
Flood-related expense (recovery)	-	-	(1,197 )
Reduction in force costs	23	648	17
Acquisition related retention payment	62	-	62
Total cost of revenue adjustments	<u>1,927</u>	<u>8,913</u>	<u>11,001</u>
Gross profit - non-GAAP	<u>93,300</u>	<u>66,710</u>	<u>78,327</u>
Gross margin - non-GAAP	35.1 %	30.3 %	32.2 %
<b>GAAP to non-GAAP reconciliation of operating income:</b>			
Operating income (loss) - GAAP	27,103	(5,197 )	385
Operating margin - GAAP	10.2 %	-2.4 %	0.2 %
Adjustments:			
Total cost of revenue adjustments	1,927	8,913	11,001
Research and development			
Reduction in force costs	12	177	52
Acquisition related retention payment	191	-	204
Stock compensation	3,525	2,986	2,856
Sales and marketing			
Acquisition related retention payment	17	-	17
Stock compensation	1,184	1,077	1,015
General and administrative			
Reduction in force costs	67	15	24
Acquisition related retention payment	217	-	220
Stock compensation	2,423	2,829	2,586
Acquisition related costs	225	325	322
Litigation settlements and resolutions and related costs	5	23	-
Shareholder class action and derivative litigation costs	(5,094 )	43	144
Gain on fair value remeasurement of contingent consideration liability	-	-	(7,130 )
Amortization of purchased intangibles	595	809	734

Impairment purchased intangibles and other long-lived assets	-	-	7,602
Total cost of revenue and operating expense adjustments	5,294	17,197	19,647
Operating income - non-GAAP	32,397	12,000	20,032
Operating margin - non-GAAP	12.2 %	5.4 %	8.2 %

**GAAP to non-GAAP reconciliation of income attributable to Finisar Corporation:**

Net income (loss) attributable to Finisar Corporation - GAAP	26,011	(6,197)	3,879
Adjustments:			
Total cost of revenue and operating expense adjustments	5,294	17,197	19,647
Imputed interest related to restructuring	57	62	146
Other (income) expense, net			
Gain on sale of assets	(110)	(19)	(1,160)
Gain related to minority investments	(743)	-	-
Other miscellaneous income	-	(160)	(2)
Foreign exchange transaction (gain) or loss	567	(4)	1,034
Provision for income taxes			
Income tax provision adjustments	126	(8)	(1,506)
Non-controlling interest non-GAAP adjustment	67	-	(2,249)
Total adjustments	5,258	17,068	15,910
Net income attributable to Finisar Corporation - non-GAAP	31,269	10,871	19,789
Non-GAAP income attributable to Finisar Corporation	\$ 31,269	\$ 10,871	\$ 19,789
Add: interest expense for dilutive convertible notes	539	-	539
Adjusted non-GAAP income attributable to Finisar Corporation	\$ 31,808	\$ 10,871	\$ 20,328

Non-GAAP income per share attributable to Finisar Corporation common stockholders

Basic	\$ 0.33	\$ 0.12	\$ 0.21
Diluted	\$ 0.31	\$ 0.12	\$ 0.20

Shares used in computing non-GAAP income per share attributable to Finisar Corporation common stockholders

Basic	94,609	91,988	93,567
Diluted	101,125	94,204	99,941

**Non-GAAP EBITDA**

Non-GAAP income attributable to Finisar Corporation	\$ 31,269	\$ 10,871	\$ 19,789
Depreciation expense	13,927	12,711	13,692
Amortization	94	236	94
Interest expense	278	389	187
Income tax expense	1,295	650	-
Non-GAAP EBITDA	\$ 46,863	\$ 24,857	\$ 33,762

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