

# Agenda

- ◆ Business Overview
- ◆ Operations Summary
- ◆ **Finance Summary**
- ◆ Q&A

# Q3 FY2006 Revenue

(\$ in M's)	Q3 FY 06	Sequential Growth
<b>Revenue</b>		
<i>Product</i>	\$53.5	9.5%
<i>Services</i>	22.5	44.1%
<b>Total Revenue</b>	<b>\$76.0</b>	<b>17.9%</b>
<b>Total Deferred Revenue</b>	<b>\$81.5</b>	<b>-42.2%</b>
<b>International Revenue</b>	<b>\$41.2</b>	
<b># of Customers</b>	<b>54</b>	<b>1.9%</b>

- ◆ Strong revenue performance driven by customer expansions
  - ◆ Existing customers expanding deployments
  - ◆ New customer network builds underway
- ◆ Q3 '06 major customer – KDDI

# Balance Sheet Overview

(\$000's)	Q3 '06	Q2 '06	Q3 '05
<b>Assets</b>			
Cash & Investments*	\$346,101	\$318,346	\$324,887
Accounts Receivable, net	48,681	77,472	42,238
Total Inventory	30,478	38,188	30,372
Property & Equipment, net	15,852	15,605	14,744
Total Deferred Tax Assets	802	1,321	704
Other Assets	17,089	19,664	13,635
<b>Total</b>	<b>\$459,003</b>	<b>\$470,596</b>	<b>\$426,580</b>
<b>Liabilities</b>			
Current Liabilities**	\$91,148	\$130,644	\$120,970
Other LT Liabilities**	24,552	27,667	32,930
Stockholders' Equity	343,303	312,285	272,680
<b>Total</b>	<b>\$459,003</b>	<b>\$470,596</b>	<b>\$426,580</b>

\* Cash & Investments balance includes: Cash, cash equivalents, marketable debt securities & long-term investments

\*\* Includes deferred revenue as follows:

(\$000's)	Q3'06	Q2'06	Q3'05
Current portion	\$ 57,906	\$ 89,466	\$ 81,534
Long-term portion	23,573	26,437	32,392
Total deferred revenue	\$ 81,479	\$ 115,903	\$ 113,926

# Q3 FY2006 Inventory

(\$ in M's)	Q3 FY06	Sequential Growth	Year/Year Growth
<b>On-hand Inventory*</b>	<b>\$18.5</b>	<b>-0.7%</b>	<b>20.3%</b>
<b>Unearned Inventory**</b>	<b>14.0</b>	<b>-35.7%</b>	<b>-20.7%</b>
<b>Evaluation Inventory</b>	<b>5.2</b>	<b>-6.9%</b>	<b>33.8%</b>
<b>Total Inventory, gross</b>	<b>37.7</b>	<b>-18.0%</b>	<b>2.2%</b>
<b>Reserve</b>	<b>(7.2)</b>	<b>-7.1%</b>	<b>10.6%</b>
<b>Total Inventory, net</b>	<b>30.5</b>	<b>-20.2%</b>	<b>0.3%</b>
<b>Long-term portion</b>	<b>(4.4)</b>	<b>2.5%</b>	<b>NM</b>
<b>Current Inventory, net</b>	<b>\$26.1</b>	<b>-23.1%</b>	<b>-14.2%</b>

\* On-hand inventory: in stock subassemblies and finished goods

\*\*Unearned inventory represents direct materials related to products shipped but not recognized as revenue.

# Q3 FY2006 Key Financial Metrics

(\$ in M's)

	Q3'06	Q2'06	Q1'06	FY05	Q4'05	Q3'05
<b>Total Revenue</b>	<b>\$ 76.0</b>	<b>\$ 64.5</b>	<b>\$ 60.0</b>	<b>\$195.4</b>	<b>\$ 58.1</b>	<b>\$ 46.0</b>
<i>Year-over-Year Change %</i>	<i>65.3%</i>	<i>12.4%</i>	<i>76.7%</i>	<i>14.3%</i>	<i>28.3%</i>	<i>-1.7%</i>
<b>Total Deferred Revenue</b>	<b>\$ 81.5</b>	<b>\$115.9</b>	<b>\$102.4</b>	<b>\$122.2</b>	<b>\$122.2</b>	<b>\$113.9</b>
<i>Year-over-Year Change %</i>	<i>-28.5%</i>	<i>0.5%</i>	<i>8.5%</i>	<i>30.4%</i>	<i>30.4%</i>	<i>29.5%</i>
<b>*Cash &amp; Investments</b>	<b>\$346.1</b>	<b>\$318.3</b>	<b>\$340.2</b>	<b>\$314.2</b>	<b>\$314.2</b>	<b>\$324.9</b>
<b>Headcount</b>	<b>817</b>	<b>784</b>	<b>761</b>	<b>719</b>	<b>719</b>	<b>674</b>

\* Cash & Investments balance includes: Cash, cash equivalents, marketable debt securities & long-term investments

## Q3 FY2006 Key Financial Metrics (Continued)

(\$ in M's)	Q3'06	Q2'06	Q1'06	FY05	Q4'05	Q3'05
Total Accounts receivable, net	\$ 48.7	\$ 77.5	\$ 33.3	\$ 72.3	\$ 72.3	\$ 42.2
Unearned Accounts receivable	(17.4)	(17.6)	(13.3)	(23.8)	(23.8)	(14.5)
Accounts receivable excluding unearned portion, net	\$ 31.3	\$ 59.9	\$ 20.0	\$ 48.5	\$ 48.5	\$ 27.8
DSO, using Total AR *	74.7	77.3	79.2	94.9	88.7	101.7
DSO, using AR excluding unearned *	54.0	55.7	51.4	50.8	59.1	50.8
Total Inventory, net	\$ 30.5	\$ 38.2	\$ 37.2	\$ 37.7	\$ 37.7	\$ 30.4
Unearned Inventory	(14.0)	(21.7)	(18.8)	(21.0)	(21.0)	(17.6)
On-hand inventory, net	\$ 16.5	\$ 16.5	\$ 18.3	\$ 16.7	\$ 16.7	\$ 12.8
Inventory Turns, using Total Inventory **	2.2	1.7	1.7	1.7	1.7	2.3
Inventory Turns, using On-hand Inventory **	4.5	3.7	3.6	4.2	3.9	6.5

\* DSO is calculated as the average of beginning and ending AR for the quarter divided by the daily average of current quarter revenue.

\*\* Inventory Turns are calculated as Annualized Product Cost of Revenues divided by the average of beginning and ending inventory for the quarter.