

# Agenda

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

# Q4 FY2006 Revenue

(\$ in M's)		Q4 FY 06	Sequential Growth
<b>Revenue</b>			
	<i>Product</i>	\$56.7	6.0%
	<i>Services</i>	22.3	-1.1%
<b>Total Revenue</b>		<b>\$79.0</b>	<b>3.9%</b>
<b>Total Deferred Revenue</b>		<b>\$94.2</b>	<b>15.6%</b>
<b>International Revenue</b>		<b>\$17.9</b>	
<b># of Customers</b>		<b>64</b>	<b>18.5%</b>

- ◆ Order to revenue ratio above 1
- ◆ Q4 '06 major customers – Level 3, Opal Telecom

# FY2006 Revenue

(\$ in M's)		FY 06	Year/Year Growth
<b>Revenue</b>			
	<i>Product</i>	\$203.6	50.6%
	<i>Services</i>	75.9	26.1%
<b>Total Revenue</b>		<b>\$279.5</b>	<b>43.1%</b>
<b>Total Deferred Revenue</b>		<b>\$94.2</b>	<b>-22.9%</b>
<b>International Revenue</b>		<b>\$76.4</b>	<b>58.6%</b>
<b># of Customers</b>		<b>71</b>	<b>22.4%</b>

- ◆ Order to revenue ratio above 1

# Balance Sheet Overview

(\$000's)	Q4 '06	Q3 '06	Q4 '05
<b>Assets</b>			
Cash & Investments*	\$360,880	\$346,101	\$314,241
Accounts Receivable, net	70,726	48,681	72,261
Total Inventory	41,315	30,478	37,700
Property & Equipment, net	19,051	15,852	15,331
Total Deferred Tax Assets	74,421	802	1,321
Other Assets	23,211	17,089	16,352
<b>Total</b>	<b>\$589,604</b>	<b>\$459,003</b>	<b>\$457,206</b>
<b>Liabilities</b>			
Current Liabilities**	\$121,817	\$91,148	\$143,092
Other LT Liabilities**	35,254	24,552	35,302
Stockholders' Equity	432,533	343,303	278,812
<b>Total</b>	<b>\$589,604</b>	<b>\$459,003</b>	<b>\$457,206</b>

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

\*\* Includes deferred revenue as follows:

(\$000's)	Q4'06	Q3'06	Q4'05
Current portion	\$ 60,383	\$ 57,906	\$ 88,336
Long-term portion	33,787	23,573	33,853
Total deferred revenue	\$ 94,170	\$ 81,479	\$ 122,189

# Q4 FY2006 Inventory

(\$ in M's)	Q4 FY06	Sequential Growth	Year/Year Growth
<b>On-hand Inventory*</b>	<b>\$15.7</b>	<b>-15.1%</b>	<b>-19.1%</b>
<b>Unearned Inventory**</b>	<b>27.2</b>	<b>94.7%</b>	<b>29.5%</b>
<b>Evaluation Inventory</b>	<b>4.4</b>	<b>-16.2%</b>	<b>-5.1%</b>
<b>Total Inventory, gross</b>	<b>47.3</b>	<b>25.4%</b>	<b>5.0%</b>
<b>Reserve</b>	<b>(6.0)</b>	<b>-17.6%</b>	<b>-18.8%</b>
<b>Total Inventory, net</b>	<b>41.3</b>	<b>35.6%</b>	<b>9.6%</b>
<b>Long-term portion</b>	<b>(19.0)</b>	<b>330.5%</b>	<b>NM</b>
<b>Current Inventory, net</b>	<b>\$22.3</b>	<b>-14.5%</b>	<b>-40.9%</b>

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

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

# Q4 FY2006 Key Financial Metrics

(\$ in M's)

	FY06	Q4'06	Q3'06	Q2'06	Q1'06	FY05
<b>Total Revenue</b>	<b>\$279.5</b>	<b>\$ 79.0</b>	<b>\$ 76.0</b>	<b>\$ 64.5</b>	<b>\$ 60.0</b>	<b>\$195.4</b>
<i>Year-over-Year Change %</i>	<i>43.1%</i>	<i>36.0%</i>	<i>65.3%</i>	<i>12.4%</i>	<i>76.7%</i>	<i>14.3%</i>
<b>Total Deferred Revenue</b>	<b>\$ 94.2</b>	<b>\$ 94.2</b>	<b>\$ 81.5</b>	<b>\$115.9</b>	<b>\$102.4</b>	<b>\$122.2</b>
<i>Year-over-Year Change %</i>	<i>-22.9%</i>	<i>-22.9%</i>	<i>-28.5%</i>	<i>0.5%</i>	<i>8.5%</i>	<i>30.4%</i>
<b>*Cash &amp; Investments</b>	<b>\$360.9</b>	<b>\$360.9</b>	<b>\$346.1</b>	<b>\$318.3</b>	<b>\$340.2</b>	<b>\$314.2</b>
<b>Headcount</b>	<b>850</b>	<b>850</b>	<b>817</b>	<b>784</b>	<b>761</b>	<b>719</b>

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

## Q4 FY2006 Key Financial Metrics (Continued)

(\$ in M's)	FY06	Q4'06	Q3'06	Q2'06	Q1'06	FY05
Total Accounts receivable, net	\$ 70.7	\$ 70.7	\$ 48.7	\$ 77.5	\$ 33.3	\$ 72.3
Unearned Accounts receivable	(29.2)	(29.2)	(17.4)	(17.6)	(13.3)	(23.8)
Accounts receivable excluding unearned portion, net	\$ 41.5	\$ 41.5	\$ 31.3	\$ 59.9	\$ 20.0	\$ 48.5
DSO, using Total AR *	74.1	68.0	74.7	77.3	79.2	94.9
DSO, using AR excluding unearned *	49.2	41.5	54.0	55.7	51.4	50.8
Total Inventory, net	\$ 41.3	\$ 41.3	\$ 30.5	\$ 38.2	\$ 37.2	\$ 37.7
Unearned Inventory	(27.2)	(27.2)	(14.0)	(21.7)	(18.8)	(21.0)
On-hand inventory, net	\$ 14.1	\$ 14.1	\$ 16.5	\$ 16.5	\$ 18.3	\$ 16.7
Inventory Turns, using Total Inventory **	1.9	2.2	2.2	1.7	1.7	1.7
Inventory Turns, using On-hand Inventory **	4.3	5.3	4.5	3.7	3.6	4.2

\* 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.