

Calix Q4 2014 Financial Results

ACCESS INNOVATION



March 4, 2015



Safe Harbor

All statements other than statements of historical facts contained in this presentation, including statements regarding our future operations and financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "expect," "predict," "potential," or the negative of these terms or other similar expressions.

This presentation includes forward-looking statements regarding future events, including but not limited to, our development of new products that will continue to help our customers transform their networks; the adoption of gigabit services; our growth drivers; the ongoing expansion of our total addressable market; the future business and financial performance of the Company; and our long-term model for revenue, gross margin, operating expenses and operating profit margin. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions described in our filings with the Securities and Exchange Commission ("SEC"), especially in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of Calix's Annual Report on Form 10-K filed with the SEC for fiscal year 2014.

You should not rely upon forward-looking statements as predictions of future events. We cannot assure you that the events and circumstances reflected in the forward-looking statements will be achieved or will occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assume responsibility for the accuracy and completeness of the forward-looking statements. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason to conform these statements to actual results or to changes in our expectations. You should read our SEC filings and the documents that we have filed with the SEC as exhibits to those filings, with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect.

Q4 2014: Business Highlights

Third straight quarter of year-over-year revenue growth

- ◀ Gigabit network deployments continue to gain traction
 - 65 Calix-enabled gigabit deployments announced by end of 2014

Expanding customer footprint and marketing reach continues

- ◀ 34 new customers in Q4
 - 100 new customers in 2014
- ◀ 4 new Value Added Resellers in Q4
 - 29 new VARs 2014

Innovative GigaCenter solutions strengthen gigabit leadership

- ◀ Over 100 customers have placed orders for Calix's GigaCenters
 - Industry's first in-home fiber products to offer carrier-class Wi-Fi, delivering unprecedented wireless broadband coverage, quality of service, and speed

Q4 2014: Financial Highlights*

- ◀ **Revenues of \$111.6 million**
 - Strong domestic demand
 - Up 5.5% and 18.8% from Q3 2014 and Q4 2013 revenue, respectively
 - Above guidance range of \$107 to \$111 million
- ◀ **Gross Margin continues overall upward trend at 48.1%****
 - Favorably impacted by customer and product mix considerations
 - Up from 44.8% and 45.2% in Q3 2014 and Q4 2013, respectively
 - Above guidance range of 46.5 to 47.5%
- ◀ **\$47.1 million Operating Expense****
 - Impacted by higher marketing event expenses, selling costs, and headcount
 - Above guidance range of \$44.0 to \$45.0 million
- ◀ **13 cents EPS****
 - High end of guidance range of 10 to 14 cents
- ◀ **Accounts Receivable Days of Sales Outstanding at 34 days**
 - Solid collections combined with level shipments through the quarter
 - Compared with 39 and 41 days in Q3 2014 and Q4 2013, respectively
- ◀ **\$111.7 million Cash*****
 - Up from \$87.8 million and \$82.7 million from the Q3 2014 and Q4 2013, respectively

* Guidance provided for Revenue, Operating Expenses and EPS issued on Oct. 29, 2014.

** Gross margin, Operating expense and EPS are non-GAAP measures. Please see reconciliation in the appendix to this slide deck.

*** Includes Cash, Cash Equivalents, and Marketable Securities. Excludes Restricted Cash of \$295,000.

FY 2014: Year of the Gigabit Network

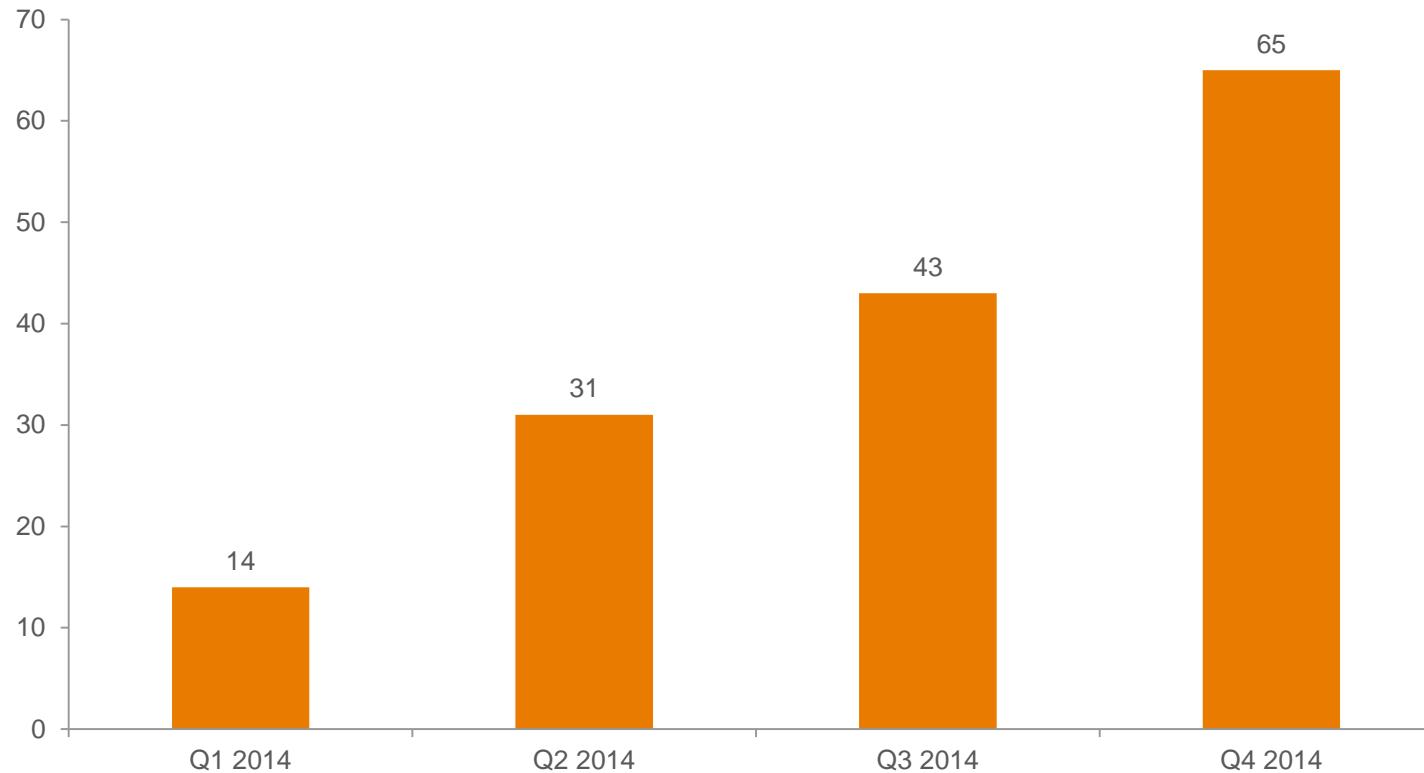
- ◀ Revenues of \$401.2 million
 - Up 4.9% compared with 2013 revenue; highest in Calix history
- ◀ 46.7% Gross Margin*
 - Stable compared with 47.3% in 2013 despite inventory write-downs
- ◀ 3.8% Operating Margin*
 - Down from 5.2% in 2013 due primarily to increased headcount and associated expenses
- ◀ Cash increased by \$28.9 million, ending the year at \$111.7 million**
 - Debt-free balance sheet plus credit facility providing access to an additional \$50 million if needed

* Gross margin, Operating margin and EPS are non-GAAP measures. Please see reconciliation in the appendix to this slide deck.

**Includes Cash, Cash Equivalents, and Marketable Securities. Excludes Restricted Cash of \$295,000.

Growing Adoption of Gigabit Deployments

Calix-Enabled Residential Gigabit Deployment Announcements*



*Additional customer deployments from Calix customers have been secured but not yet announced.

Summary Information (continued)

Performance Relative to Guidance in 2014

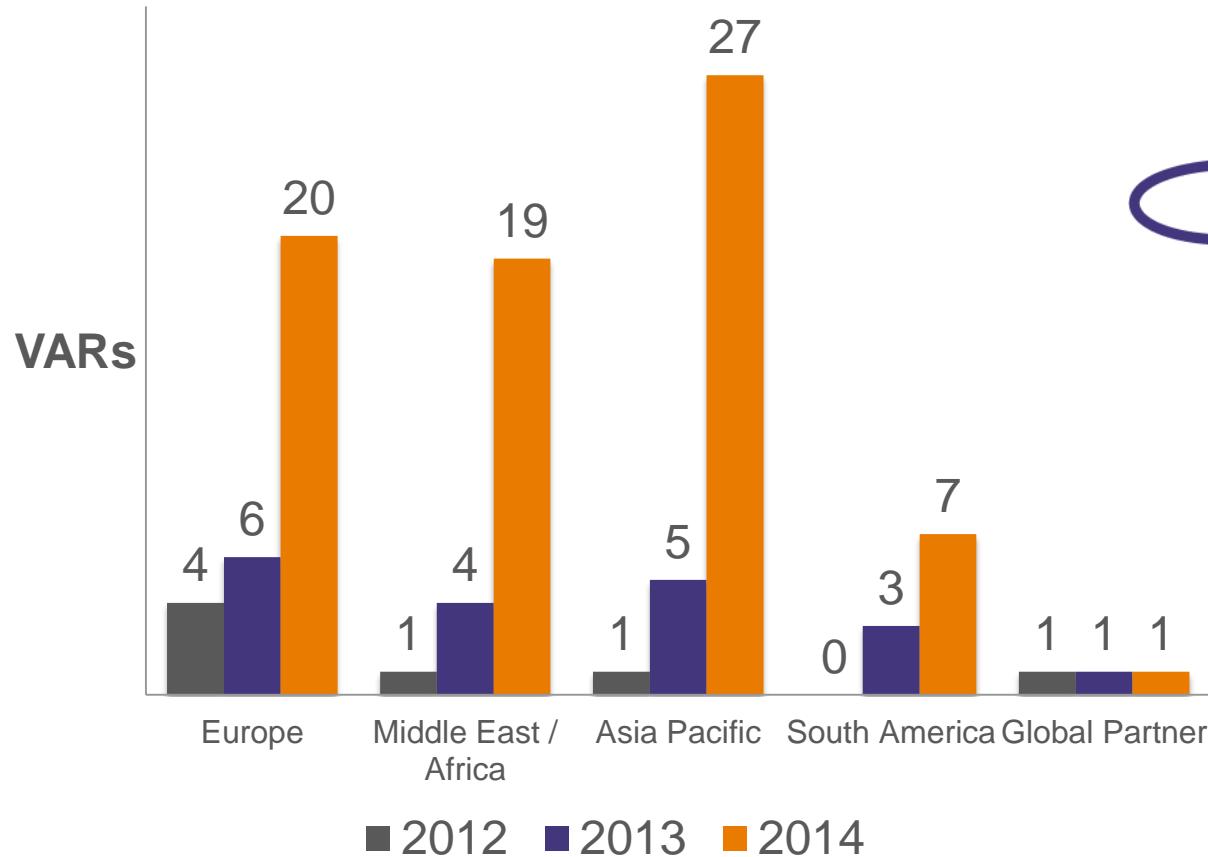
	Q1 2014		Q2 2014		Q3 2014		Q4 2014	
	Guidance	Actual	Guidance	Actual	Guidance	Actual	Guidance	Actual
Revenue (\$mm)	\$74 to \$78	\$85.8	\$94 to \$97	\$98.0	\$102 to \$106	\$105.8	\$107 to \$111	\$111.6
EPS*	(12 to 7 cents)	(3 cents)	0 to 2 cents	10 cents	5 to 10 cents	9 cents	10 to 14 cents	13 cents

► Revenue and EPS performance in line with or better than guidance.

*Non-GAAP EPS; see reconciliation in the appendix.

Expanding International Channel Coverage

74 Value Added Resellers Targeting 80+ Countries



2009-2014 Fiscal Years*

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenue (\$m)	\$232.9	\$287.0	\$344.7	\$330.2	\$382.6	\$401.2
Gross Margin	35.5%	41.8%	43.7%	44.4%	47.3%	46.7%
Operating Expense Margin	37.2%	35.4%	38.1%	42.1%	42.0%	42.9%
Operating Profit Margin	(1.7%)	6.3%	5.5%	2.3%	5.2%	3.8%

*Gross Margin, Operating Expense Margin, and Operation Profit Margin are non-GAAP metrics; see reconciliation in the appendix and [historical financial results on Calix's Investor Relations website](#).

Q4 2014 Financial Results* vs. Guidance

	Q4 2014 Guidance**	Actual Results
Revenue (\$M)	\$107.0 - \$111.0	\$111.6
Gross Margin	46.5% - 47.5%	48.1%
Operating Expenses (\$M)	\$44.0 - \$45.0	\$47.1
EPS	\$0.10 - \$0.14	\$0.13
Cashflow from Operations (\$M)	Positive	\$23.5

* Gross Margin, Operating Expense Margin, and Operation Profit Margin are non-GAAP metrics; see reconciliation in the appendix and [historical financial results on Calix's Investor Relations website](#).

** Guidance provided for Revenue, Operating Expenses, EPS and Cashflow from Operations issued on Oct. 29, 2014.

Income Statement Summary

Q4 2014 vs. Prior Quarter and Year

	Actual			Change			
	Q4 2014	Q3 2014	Q4 2013	Q4 2014 vs Q3 2014	Q4 2014 vs Q4 2013		
Revenue (\$M)	\$111.6	\$105.8	\$94.0	\$5.8	6%	\$17.6	19%
Domestic	\$99.8	\$92.0	\$80.4	\$7.8	8%	\$19.4	24%
International	\$11.8	\$13.8	\$13.6	(\$2.0)	(14.5%)	(\$1.8)	(13%)
10% or greater customers	1	1	1	NA	NA	NA	NA
Gross Margin*	48.1%	44.8%	45.2%	3.3 pts		3.1 pts	
Operating Expenses* (\$M)	\$47.1	\$42.7	\$41.0	\$4.4	10%	\$6.1	15%
Operating Income* (\$M)	\$6.8	\$4.7	\$1.5	\$2.1	45%	\$5.3	353%
EPS*	\$0.13	\$0.09	\$0.03	\$0.04	44%	\$0.10	333%

*Non-GAAP metrics; see reconciliation in the appendix.

Selected Metrics

Cash Flow and Balance Sheet

	Actual			Change			
	Q4 2014	Q3 2014	Q4 2013	Q4 2014 vs Q3 2014	Q4 2014 vs Q4 2013		
Cash* (\$M)	\$111.7	\$87.8	\$82.7	\$23.9	27%	\$29.0	35%
Cash Flow From Operations (\$M)	\$23.5	\$15.1	\$4.0	\$8.4	56%	\$19.5	488%
Accounts Receivable (\$M)	\$30.7	\$42.8	\$43.5	(\$12.1)	(28%)	(\$12.8)	(29%)
Turns	10.8 x	9.4 x	8.9 x	1.4 x	15%	1.9 x	21%
Inventory (\$M)	\$46.7	\$43.8	\$51.1	\$2.9	7%	(\$4.4)	(9%)
Turns	4.8 x	4.6 x	4.1 x	(0.2 x)	(0.4%)	0.7 x	17%
Deferred Revenue Balance (\$M)	\$32.1	\$38.9	\$53.3	(\$6.8)	(17%)	(\$21.2)	(40%)

*Cash includes Cash, Cash Equivalents, and Marketable Securities. Excludes Restricted Cash of \$295,000..

Other Metrics

	Actual		
	Q4 2014	Q3 2014	Q4 2013
Capital Expenditures (\$M)	\$2.5	\$5.2	\$1.5
Depreciation (\$M)	\$2.5	\$2.3	\$2.4
Stock Based Compensation (\$M)			
COGS	\$0.2	\$0.2	\$0.4
R&D	\$1.4	\$1.2	\$1.2
S&M	\$1.5	\$1.3	\$1.4
G&A	\$0.9	\$1.1	\$1.9
Total	\$3.9	\$3.8	\$4.9
Amortization of Intangibles (\$M)	\$4.6	\$4.6	\$4.6

Note: All numbers above are in accordance with GAAP.

Additional Information

- ◀ Additional information available at <http://investor-relations.calix.com/>
 - Growth Drivers/Opportunities
 - Press Releases
 - Video Clips
 - Annual Reports
 - Quarterly Reports
 - SEC Filings
 - Historical Financials
 - Investor Events
 - Success Stories
 - Contact Us
- ◀ Non-GAAP to GAAP Reconciliation

Non-GAAP to GAAP Reconciliation

The Company uses certain non-GAAP financial measures in this press release to supplement its consolidated financial statements, which are presented in accordance with GAAP. These non-GAAP measures include non-GAAP net income (loss) and non-GAAP basic and diluted income (loss) per share. These non-GAAP measures are provided to enhance the reader's understanding of the Company's operating performance as they primarily exclude certain non-cash charges for stock-based compensation and amortization of acquisition-related intangible assets, and non-recurring acquisition-related and other expenses, which the Company believes are not indicative of its core operating results. Management believes that the non-GAAP measures used in this press release provide investors with important perspectives into the Company's ongoing business performance and management uses these non-GAAP measures to evaluate financial results and to establish operational goals. The presentation of these non-GAAP measures is not meant to be a substitute for results presented in accordance with GAAP, but rather should be evaluated in conjunction with those GAAP results. A reconciliation of the non-GAAP results to the most directly comparable GAAP results is provided in this press release. The non-GAAP financial measures used by the company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies.

Q4 2014 Reconciliation Non-GAAP to GAAP

(Unaudited in thousands, except earnings per share data)

	Non-GAAP	Stock-Based Compensation	Amortization of Intangible Assets	Acquisition-Related Costs*	GAAP
Revenue	\$ 111,633	\$ -	\$ -	\$ -	\$ 111,633
Cost of revenue	<u>57,898</u>	<u>206</u>	<u>2,088</u>	<u>-</u>	60,192
Gross profit	<u>53,735</u>	<u>(206)</u>	<u>(2,088)</u>	<u>-</u>	51,441
Gross margin	48.1%	(0.2%)	(1.9%)	-	46.1%
Operating expenses	<u>47,072</u>	<u>3,692</u>	<u>2,552</u>	<u>978</u>	54,294
Operating income (loss)	<u>6,663</u>	<u>(3,898)</u>	<u>(4,640)</u>	<u>(978)</u>	<u>(2,853)</u>
Interest and other income (expense), net	<u>118</u>	<u>-</u>	<u>-</u>	<u>-</u>	118
Income (loss) before taxes	<u>6,781</u>	<u>(3,898)</u>	<u>(4,640)</u>	<u>(978)</u>	<u>(2,735)</u>
Provision for income taxes	<u>253</u>	<u>-</u>	<u>-</u>	<u>-</u>	253
Net income (loss)	<u>\$ 6,528</u>	<u>\$ (3,898)</u>	<u>\$ (4,640)</u>	<u>\$ (978)</u>	<u>\$ (2,988)</u>
Weighted average diluted shares used to compute non-GAAP net income (loss) per common share	<u>52,047</u>	<u>52,047</u>	<u>52,047</u>	<u>52,047</u>	
Non-GAAP net income (loss) per diluted share	<u>\$ 0.13</u>	<u>\$ (0.07)</u>	<u>\$ (0.09)</u>	<u>\$ (0.02)</u>	
Weighted average basic and diluted shares used to compute GAAP net loss per common share					51,300
GAAP net loss per share					<u>\$ (0.06)</u>

*Acquisition-related costs include legal fees and associated expenses incurred under a pre-existing contract between Occam and its retained advisor in connection with the Occam acquisition.

Q3 2014 Reconciliation Non-GAAP to GAAP

(Unaudited in thousands, except earnings per share data)

	Non-GAAP	Stock-Based Compensation	Amortization of Intangible Assets	GAAP
Revenue	\$ 105,769	\$ -	\$ -	\$ 105,769
Cost of revenue	58,394	206	2,089	60,689
Gross profit	47,375	(206)	(2,089)	45,080
<i>Gross margin</i>	<i>44.8 %</i>	<i>(0.2%)</i>	<i>(2.0%)</i>	<i>42.6 %</i>
Operating expenses	42,665	3,607	2,552	48,824
Operating income (loss)	4,710	(3,813)	(4,641)	(3,744)
Interest and other income (expense), net	11	-	-	11
Income (loss) before taxes	4,721	(3,813)	(4,641)	(3,733)
Provision for income taxes	115	-	-	115
Net income (loss)	\$ 4,606	\$ (3,813)	\$ (4,641)	\$ (3,848)
Weighted average diluted shares used to compute non-GAAP net income (loss) per common share	51,552	51,552	51,552	
Non-GAAP net income (loss) per diluted share	\$ 0.09	\$ (0.07)	\$ (0.09)	
Weighted average basic and diluted shares used to compute GAAP net loss per common share				51,048
GAAP net loss per share				\$ (0.08)

Q2 2014 Reconciliation Non-GAAP to GAAP

(Unaudited in thousands, except earnings per share data)

	Non-GAAP	Stock-Based Compensation	Amortization of Intangible Assets	GAAP
Revenue	\$ 98,005	\$ -	\$ -	\$ 98,005
Cost of revenue	51,221	354	2,088	53,663
Gross profit	46,784	(354)	(2,088)	44,342
<i>Gross margin</i>	<i>47.7%</i>	<i>(0.4%)</i>	<i>(2.1%)</i>	<i>45.2%</i>
Operating expenses	41,630	4,050	2,552	48,232
Operating income (loss)	5,154	(4,404)	(4,640)	(3,890)
Interest and other income (expense), net	42	-	-	42
Income (loss) before taxes	5,196	(4,404)	(4,640)	(3,848)
Provision for income taxes	103	-	-	103
Net income (loss)	\$ 5,093	\$ (4,404)	\$ (4,640)	\$ (3,951)
Weighted average diluted shares used to compute non-GAAP net income (loss) per common share	50,961	50,961	50,961	
Non-GAAP net income (loss) per diluted share	\$ 0.10	\$ (0.09)	\$ (0.09)	
Weighted average basic and diluted shares used to compute GAAP net loss per common share				50,573
GAAP net loss per share				\$ (0.08)

Q1 2014 Reconciliation Non-GAAP to GAAP

(Unaudited in thousands, except earnings per share data)

	Non-GAAP	Stock-Based Compensation	Amortization of Intangible Assets	GAAP
Revenue	\$ 85,820	\$ -	\$ -	\$ 85,820
Cost of revenue	46,452	354	2,088	48,894
Gross profit	39,368	(354)	(2,088)	36,926
<i>Gross margin</i>	<i>45.9%</i>	<i>(0.4%)</i>	<i>(2.4%)</i>	<i>43.0%</i>
Operating expenses	40,723	3,548	2,552	46,823
Operating loss	(1,355)	(3,902)	(4,640)	(9,897)
Interest and other income (expense), net	(20)	-	-	(20)
Loss before benefit from income taxes	(1,375)	(3,902)	(4,640)	(9,917)
Provision for income taxes	110	-	-	110
Net loss	<u>\$ (1,485)</u>	<u>\$ (3,902)</u>	<u>\$ (4,640)</u>	<u>\$ (10,027)</u>
Weighted average shares used to compute net loss per common share:				
Basic and Diluted	<u>50,271</u>	<u>50,271</u>	<u>50,271</u>	<u>50,271</u>
Net loss per common share:				
Basic and Diluted	<u>\$ (0.03)</u>	<u>\$ (0.08)</u>	<u>\$ (0.09)</u>	<u>\$ (0.20)</u>

2014 Reconciliation Non-GAAP to GAAP

(Unaudited in thousands, except earnings per share data)

	Non-GAAP	Stock-Based Compensation	Amortization of Intangible Assets	Acquisition-Related Costs	GAAP
Revenue	\$ 401,227	\$ -	\$ -	\$ -	\$ 401,227
Cost of revenue	213,965	1,120	8,353	-	223,438
Gross profit	187,262	(1,120)	(8,353)	-	177,789
Gross margin	46.7%	(0.3%)	(2.1%)	-%	44.3%
Operating expenses	172,090	14,897	10,208	978	198,173
Operating income (loss)	15,172	(16,017)	(18,561)	(978)	(20,384)
Interest and other income (expense), net	151	-	-	-	151
Income (loss) before taxes	15,323	(16,017)	(18,561)	(978)	(20,233)
Provision for income taxes	581	-	-	-	581
Net income (loss)	\$ 14,742	\$ (16,017)	\$ (18,561)	\$ (978)	\$ (20,814)
Weighted average diluted shares used to compute non-GAAP net income (loss) per common share	51,450	51,450	51,450	51,450	
Non-GAAP net income (loss) per diluted share	\$ 0.29	\$ (0.31)	\$ (0.36)	\$ (0.02)	
Weighted average basic and diluted shares used to compute GAAP net income loss per common share					50,808
GAAP net loss per share					\$ (0.41)

2013 Reconciliation Non-GAAP to GAAP

(Unaudited in thousands, except earnings per share data)

	Non-GAAP	Utilization of Inventory Credit	Stock-Based Compensation	Amortization of Intangible Assets	GAAP
Revenue	\$ 382,618	\$ -	\$ -	\$ -	\$ 382,618
Cost of revenue	201,723	-	1,468	8,353	211,544
Gross profit	180,895	-	(1,468)	(8,353)	171,074
Gross margin	47.3%	-	(0.4%)	(2.2%)	44.7%
Operating expenses	160,866	-	18,453	10,208	189,527
Operating income (loss)	20,029	-	(19,921)	(18,561)	(18,453)
Interest and other income (expense), net	(477)	1,651	-	-	1,174
Income (loss) before provision for income taxes	19,552	1,651	(19,921)	(18,561)	(17,279)
Provision for income taxes	(14)	-	-	-	(14)
Net income (loss)	\$ 19,566	\$ 1,651	\$ (19,921)	\$ (18,561)	\$ (17,265)
Weighted average diluted shares used to compute non-GAAP net income per common share	50,437	50,437	50,437	50,437	
Non-GAAP net income (loss) per diluted share	\$ 0.39	\$ 0.03	\$ (0.39)	\$ (0.37)	
Weighted average basic and diluted shares used to compute GAAP net loss per common share					49,419
GAAP net loss per common share					\$ (0.35)

2012 Reconciliation Non-GAAP to GAAP

(Unaudited in thousands, except earnings per share data)

	Non-GAAP	Acquisition Related Expenses	Gain on Bargain Purchase	Stock-Based Compensation	Amortization of Intangible Assets	GAAP
Revenue	\$ 330,218	\$ -	\$ -	\$ -	\$ -	\$ 330,218
Cost of revenue	183,670	-	-	1,433	7,539	192,642
Gross profit	146,548	-	-	(1,433)	(7,539)	137,576
<i>Gross margin</i>	<i>44.4%</i>	<i>-</i>	<i>-</i>	<i>(0.4%)</i>	<i>(2.3%)</i>	<i>41.7%</i>
Operating expenses	138,987	1,401	-	16,004	10,208	166,600
Operating income (loss)	7,561	(1,401)	-	(17,437)	(17,747)	(29,024)
Interest and other income (expense), net	(173)	-	1,029	-	-	856
Income (loss) before taxes	7,388	(1,401)	1,029	(17,437)	(17,747)	(28,168)
Provision for income taxes	158	-	-	-	-	158
Net income (loss)	\$ 7,230	\$ (1,401)	\$ 1,029	\$ (17,437)	\$ (17,747)	\$ (28,326)
Weighted average diluted shares used to compute non-GAAP net income per common share	48,367	48,367	48,367	48,367	48,367	48,180
Non-GAAP net income (loss) per diluted share	\$ 0.15	\$ (0.03)	\$ 0.02	\$ (0.36)	\$ (0.37)	\$ (0.59)
Weighted average basic and diluted shares used to compute GAAP net loss per common share						
GAAP net loss per common share						\$ (0.59)

2011 Reconciliation Non-GAAP to GAAP

(Unaudited in thousands, except earnings per share data)

	Non-GAAP	Acquisition Related Expenses	Stock-Based Compensation	Amortization of Intangible Assets	GAAP
Revenue	\$ 344,669	\$ -	\$ -	\$ -	\$ 344,669
Cost of revenue	194,195	19,966	1,503	9,552	225,216
Gross profit	150,474	(19,966)	(1,503)	(9,552)	119,453
<i>Gross margin</i>	<i>43.7%</i>	<i>(5.8%)</i>	<i>(0.4%)</i>	<i>(2.8%)</i>	<i>34.7%</i>
Operating expenses	131,412	11,693	20,100	8,569	171,774
Operating income (loss)	19,062	(31,659)	(21,603)	(18,121)	(52,321)
Interest and other income (expense), net	(5)	-	-	-	(5)
Income (loss) before taxes	19,057	(31,659)	(21,603)	(18,121)	(52,326)
Provision for income taxes	224	-	-	-	224
Net income (loss)	\$ 18,833	\$ (31,659)	\$ (21,603)	\$ (18,121)	\$ (52,550)
Weighted average diluted shares used to compute non-GAAP net income per common share	46,947	46,947	46,947	46,947	46,947
Non-GAAP net income (loss) per diluted share	\$ 0.40	\$ (0.67)	\$ (0.46)	\$ (0.39)	
Weighted average basic and diluted shares used to compute GAAP net loss per common share					45,546
GAAP net loss per common share					\$ (1.15)

2010 Reconciliation Non-GAAP to GAAP

(Unaudited in thousands, except earnings per share data)

	Non-GAAP	Preferred Stock Dividends	Value of Preferred Stock Warrants	Acquisition Related Expenses	Stock-Based Compensation	Amortization of Intangible Assets	GAAP
Revenue	\$ 287,043	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 287,043
Cost of revenue	167,128	-	-	-	1,745	5,440	174,313
Gross profit	119,915	-	-	-	(1,745)	(5,440)	112,730
<i>Gross margin</i>	<i>41.8%</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(0.6%)</i>	<i>(1.9%)</i>	<i>39.3%</i>
Operating expenses	101,701	-	-	3,942	23,830	740	130,213
Operating income (loss)	18,214	-	-	(3,942)	(25,575)	(6,180)	(17,483)
Interest and other income (expense), net	(816)	-	(173)	-	-	-	(989)
Income (loss) before taxes	17,398	-	(173)	(3,942)	(25,575)	(6,180)	(18,472)
Provision for income taxes	81	-	-	-	-	-	81
Net income (loss)	17,317	-	(173)	(3,942)	(25,575)	(6,180)	(18,553)
Preferred stock dividends	-	900	-	-	-	-	900
Net income (loss) attributable to common stock holders	\$ 17,317	\$ (900)	\$ (173)	\$ (3,942)	\$ (25,575)	\$ (6,180)	\$ (19,453)
Weighted average diluted shares used to compute non-GAAP net income per common share	38,502	38,502	38,502	38,502	38,502	38,502	29,778
Non-GAAP net income (loss) per share	\$ 0.45	\$ (0.02)	\$ (0.00)	\$ (0.10)	\$ (0.66)	\$ (0.16)	\$ (0.65)
Weighted average basic and diluted shares used to compute GAAP net loss per common share							
GAAP net loss per common share							\$ (0.65)

2009 Reconciliation Non-GAAP to GAAP

(Unaudited in thousands, except earnings per share data)

	Non-GAAP	Preferred Stock Dividends	Value of Preferred Stock Warrants	Stock-Based Compensation	Amortization of Intangible Assets	GAAP
Revenue	\$ 232,947	\$ -	\$ -	\$ -	\$ -	\$ 232,947
Cost of revenue	150,181	-	-	682	5,440	156,303
Gross profit	82,766	-	-	(682)	(5,440)	76,644
<i>Gross margin</i>	<i>35.5%</i>	<i>-</i>	<i>-</i>	<i>(0.3%)</i>	<i>(2.3%)</i>	<i>32.9%</i>
Operating expenses	86,717	-	-	8,514	740	95,971
Operating income (loss)	(3,951)	-	-	(9,196)	(6,180)	(19,327)
Interest and other income (expense), net	(3,503)	-	37	-	-	(3,466)
Income (loss) before taxes	(7,454)	-	37	(9,196)	(6,180)	(22,793)
Benefit from income taxes	(352)	-	-	-	-	(352)
Net income (loss)	(7,102)	-	37	(9,196)	(6,180)	(22,441)
Preferred stock dividends	-	3,747	-	-	-	3,747
Net income (loss) attributable to common stock holders	<u>\$ (7,102)</u>	<u>\$ (3,747)</u>	<u>\$ 37</u>	<u>\$ (9,196)</u>	<u>\$ (6,180)</u>	<u>\$ (26,188)</u>
Weighted average shares used to compute net income (loss) per common share:						
Basic and Diluted	<u>4,040</u>	<u>4,040</u>	<u>4,040</u>	<u>4,040</u>	<u>4,040</u>	<u>4,040</u>
Net income (loss) per common share:						
Basic and Diluted	<u>\$ (1.76)</u>	<u>\$ (0.93)</u>	<u>\$ 0.01</u>	<u>\$ (2.28)</u>	<u>\$ (1.53)</u>	<u>\$ (6.48)</u>



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