



Fellow Calix Stockholders,

2012 was a year of transition for our industry, as communications service providers (CSPs) weathered regulatory and macroeconomic uncertainty and consolidation challenges. Despite these headwinds, we continued to execute on our long-term strategy, strengthening our organization and customer base, expanding our Unified Access portfolio of software, systems and services, and fostering key relationships that provide a solid foundation for growth.

### 2012 Highlights

- **New Access Innovations** – We continued to enhance and expand Calix’s industry-leading Unified Access portfolio of software, systems, and services with solutions we believe will enable our customers to become the broadband service providers of choice to their subscribers, including:
  - The industry’s highest density VDSL2 copper-based solutions;
  - The award-winning 836GE Residential Services Gateway; and
  - The BLM1500 GPON Access Terminal and EntriView management system, a high-capacity, high-density GPON access solution deployed and operationalized in many Tier 1 networks worldwide.
- **Expanded Strategic Relationships** – We entered into preferred global reseller relationship with Ericsson which provides an important complementary new sales channel for our international expansion; and
- **Grew Our Customer Base** – We significantly expanded our customer base to more than 1150 CSPs and opened new market opportunities; our systems and software are now deployed in CSPs serving more than 100 million subscriber lines.

Although revenue declined 4.2% in 2012 compared our record \$344.7 million in the prior year, Calix finished the year on a strong note, carrying the momentum of two solid quarters into 2013. Our non-GAAP gross margin improved for the fifth year in a row to 44.4%, up from 34.0% in 2008 and we generated positive cash flow from operations for the fourth year in a row, \$27.7 million in 2012. I am proud of what the Calix team accomplished in 2012, and believe that we are well positioned to resume the double-digit growth trajectory we accomplished in fiscal years 2010 and 2011.

The shift of content to the cloud and the proliferation of broadband-ready devices continues to reinforce the strategic importance of the access network. We believe that CSPs globally are well-positioned to capitalize on this opportunity, as is Calix – the largest telecommunications vendor in the world focused solely on this space. Today, we are the leading broadband access vendor in North America. Through continued disciplined execution, we are excited about the opportunities ahead of us as we move beyond the 15% of the global communications market we have addressed to date.

We thank our customers, suppliers, employees and you our fellow Calix stockholders for your support as we continue to build a great broadband communications access systems and software company and connect the world through access innovation.

Sincerely,

A handwritten signature in black ink, appearing to read 'Carl Russo', written in a cursive style.

Carl Russo  
President and CEO  
Calix, Inc.

Note: The above includes forward-looking statements. Please refer to the Section entitled SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS, on the attached Annual Report on Form 10K for a discussion of forward-looking statements and the risk factors that may impact our future results. The Annual Report on Form 10K can be found on the Investor Relations section of [www.Calix.com](http://www.Calix.com). We also make reference to Non-GAAP measures in the above letter. Please see our press release issued on February 5, 2013 which can be found on the Investor Relations section of [www.Calix.com](http://www.Calix.com) for a reconciliation of these Non-GAAP to GAAP measures.