Fellow Calix Stockholders,

2013 was a year of solid growth and continued execution. Calix achieved record sales – an increase of 15.9 percent over 2012. Our non-GAAP gross margin improved for the sixth year in a row to 47.3 percent – up from 34 percent in 2008. EPS grew to $0.39 per share from $0.15 per share in 2012 and we generated positive cash flow from operations for the fifth year in a row – generating $40.8 million during the year, up from $27.7 generated from operations in 2012. We exited 2013 with a solid, debt-free balance sheet, an available $50 million line of credit to support continued growth, and with increasing customer momentum.

In 2013 we made significant progress in building the foundations for further growth through customer and market expansion:

- **Domestic expansion:** Calix powered fiber-to-the-premises (FTTP) networks in Omaha and Las Vegas by CenturyLink signaled increasing deployments of gigabit networks will continue. These industry-leading FTTP deployments were just two of over two dozen announced gigabit networks enabled by the Calix Unified Access portfolio, with more expected in 2014 and beyond.
- **International expansion:** International revenues more than doubled last year and represented 13 percent of 2013 sales. With a growing portfolio of more than 40 channel partners, including our preferred reseller agreement with Ericsson, we are excited about further international expansion opportunities. Our Calix Management System now interfaces with the EntriView management system used by dozens of Tier 1 service providers worldwide. We are therefore able to complement the installed, global base of BLM1500 GPON Access Terminals and T-Series ONTs with Calix's advanced E-Series solutions.
- **Market expansion:** A variety of new offerings that expanded our technology leadership in both copper and fiber access were introduced in 2013. We added advanced vectoring capabilities to the E-Series family (E3-48C, E5-48, and E5-48C Ethernet Service Access Nodes) and we introduced new 8-port GPON cards to our E7-2 platform, thereby providing industry-leading density. We also recently rolled out new solutions tailored for the growing business services markets and mobile backhaul markets by adding a new application – Service Verify – to the Compass software suite, as well as introducing two new Metro Ethernet Forum CE 2.0 compliant systems – the E5-520 and E5-308 Ethernet Service Access Nodes – to the Calix Unified Access portfolio.

We would like to you thank you – our customers, suppliers, employees, and fellow Calix stockholders – for your support in 2013. We see gigabit service deployment gaining ground among service providers worldwide, very much influenced by growth in business-critical cloud-based applications driving a nearly five-fold increase in projected global cloud IP traffic and a 13-fold increase in mobile IP traffic over the next five years. We believe that we are expanding our Unified Access portfolio and broadening our addressable markets at just the right time – setting the stage for continued growth in 2014 and beyond.

Sincerely,

Carl Russo
President and CEO
Calix, Inc.