

KNOW
HOW
good
YOUR
network
CAN BE.™

TOLLGRADE®

Enabling the Digital Edge

*Tollgrade's strategy
for long-term growth*

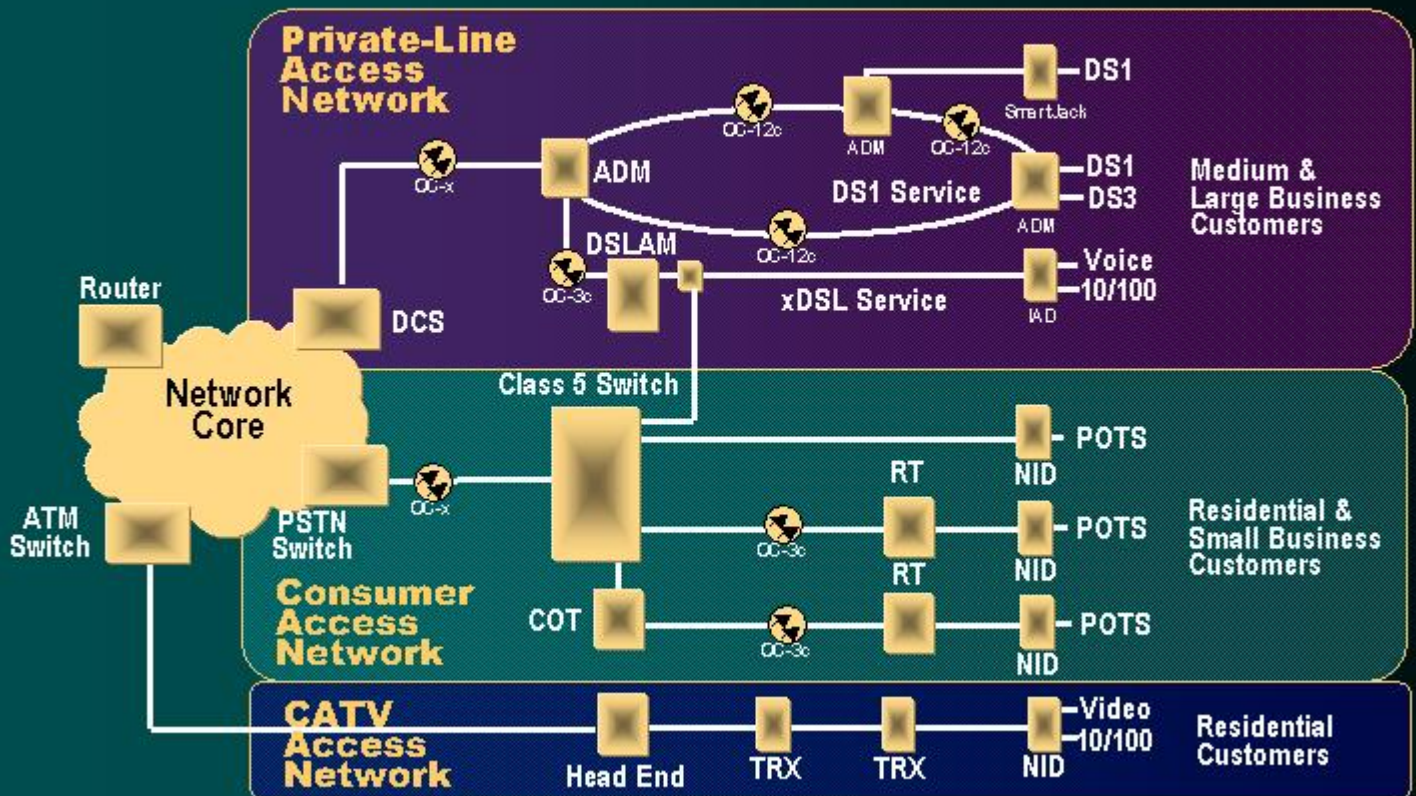
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Our Customer's Network

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Core Product Families

Broadband Edge T&M Solutions



Consumer Access T&M Solutions



Lucent LoopCare*
Nortel AccessCare*



CATV Access T&M Solutions



**Professional
Services**

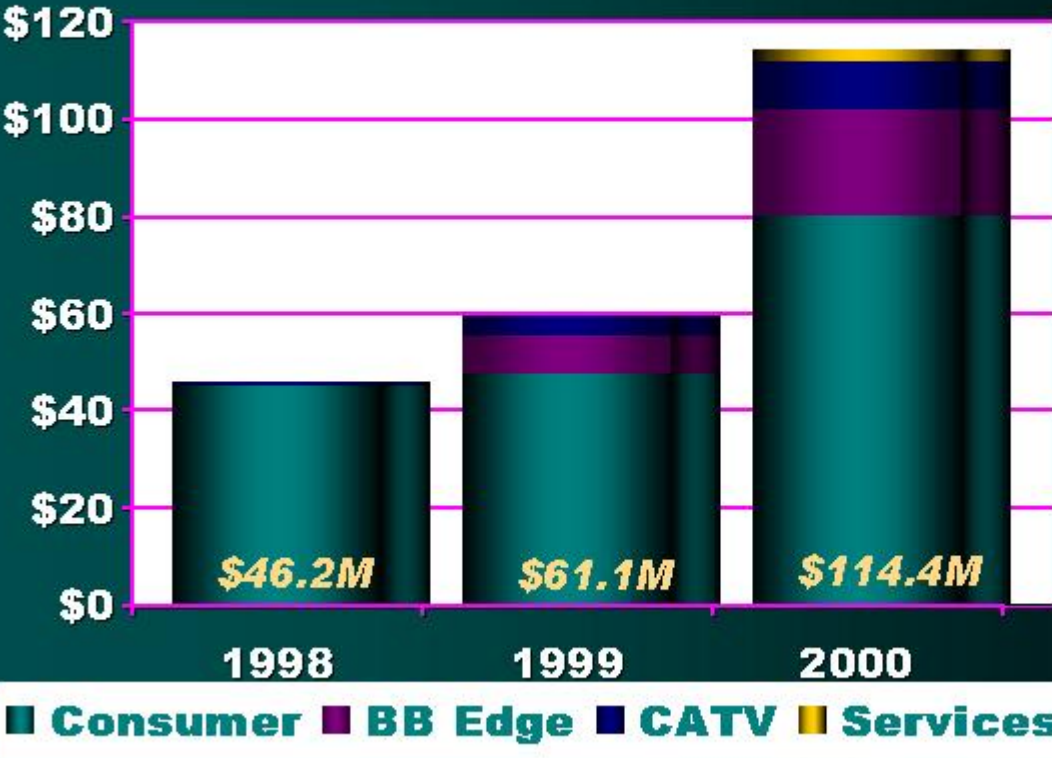
*Per OEM/Reseller Agreements.

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Revenues by Product Family (dollars in millions)

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Our Focus Moving Forward

Providing our customers with leading edge test & management solutions which...

- Enable the competitive rollout of digital broadband services.
 - High Speed Internet
 - Voice over Broadband
 - Digital Video
- Fully leverage the investments in their existing access network infrastructure.
 - Incumbent Centralized Test & Management Systems
 - Recently Deployed DSLAMs and NGDLCs

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A Shift in the Market

- Currently, the market is shifting from a focus of *building capacity* in the network's core to *filling capacity* at the edge.
- **As a result...**

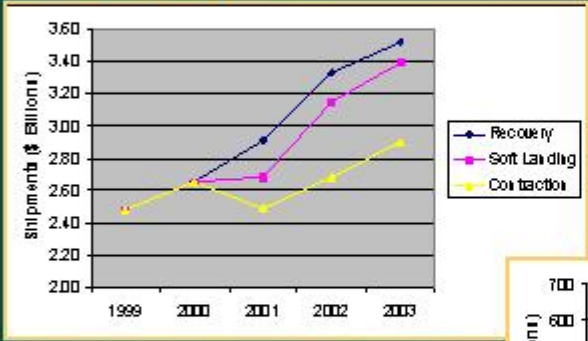
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...Our Customers are Buying More...

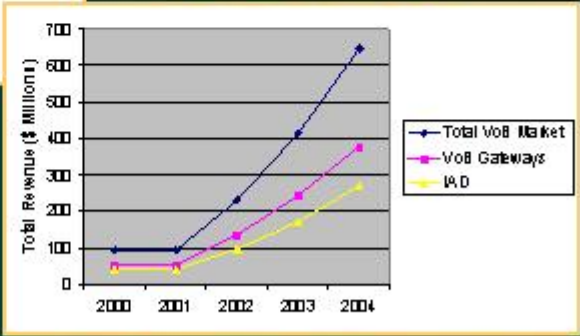
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DLC Equipment



Source: RHK Telecommunications Industry Analysis

IAD/Gateways



Source: RHK Telecommunications Industry Analysis

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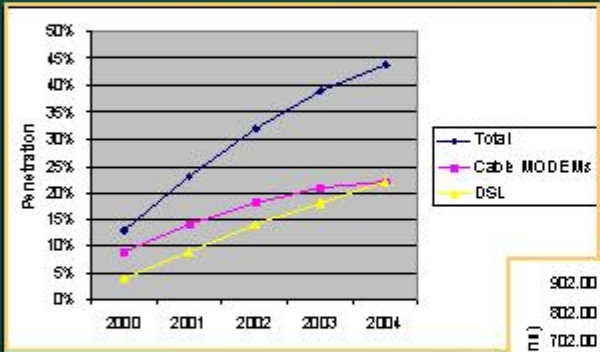
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...to Drive Increased Deployments of...

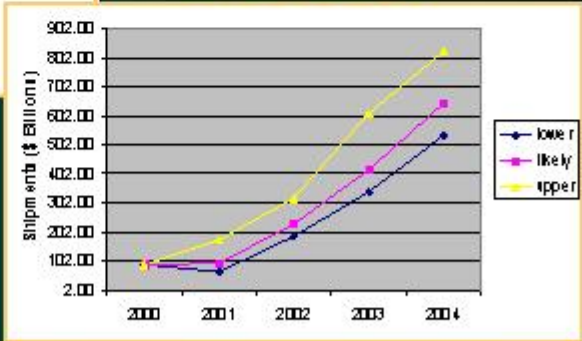
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Internet Services



Source: RHK Telecommunications Industry Analysis

VoB Services



Source: RHK Telecommunications Industry Analysis

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The Positive Impact

- This increased investment in the broadband edge provides unique growth potential for Tollgrade by leveraging:
 - *Its market dominance – in partnership with Lucent – with Consumer Access T&M solutions.*
 - *Its unmatched ability to integrate test into access network elements, including NGDLCs and DSLAMs*
 - *Its company-wide applications knowledge of testing broadband services over the copper/coax loop.*

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Our High-Level Strategies

- ***Digital LTS***
 - Enable the RBOC's competitive management of the Digital Consumer through the evolution of their existing Consumer Access T&M solutions.
- ***IMU Anywhere***
 - Maximize the global presence of Tollgrade's broadband edge solutions through win/win relationships with industry leading Access Network Element and Private-Line T&M suppliers.
- ***Digital w/o a Dispatch***
 - Enable our customer's ability to accelerate broadband service deployments by enhancing their existing access network T&M solutions to include IP/ATM service verification.

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Financial Statements

Balance Sheet (Dollars in Thousands)

	June 30, 2001	December 31, 2000
Assets		
Current Assets		
Cash and Investments	\$76,417	\$58,830
Accounts Receivable	18,190	19,590
Inventories	24,980	30,499
Other	2,201	10,721
Total Current Assets	\$121,788	\$119,640
Other	\$17,664	\$11,635
Total Assets	\$139,452	\$131,275

Financial Statements

Balance Sheet (Dollars in Thousands)

	June 30, 2001	December 31, 2000
Liabilities and Shareholders' Equity		
Total Liabilities	\$5,003	\$8,515
Total Shareholders' Equity	\$134,449	\$122,760
Total Liabilities and Shareholders' Equity	\$139,452	\$131,275

Financial Statements

Statement of Cash Flows (Dollars in Thousands)

	First Half 2001	First Half 2000
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Cash Flows from Operating Activities

Net Income	\$9,559	\$12,378
Adjustments to reconcile Net Income to Cash	13,979	<2,161>
Net Cash Provided by Operating Activities	\$23,538	\$10,217

Cash Flows from Investing Activities

Capital Expenditures	<\$2,436>	<\$2,217>
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Cash Flows from Financing Activities

Proceeds from the exercise of Stock Options	1,045	8,742
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Financial Statements

Statement of Cash Flows continued (Dollars in Thousands)

	First Half 2001	First Half 2000
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Net Increase in Cash and Cash Equivalents	22,147	16,742
Cash and Cash Equivalents at Beginning of Period	61,580	31,922
Cash and Cash Equivalents at End of Period	\$83,727	\$48,664

Financial Statements

Second Quarter Statement of Operations (Dollars in Thousands)

	2001 Actual	% of Total Revenue	2000 Actual	% of Total Revenue
Net Product Sales	\$ 21,776	100%	\$ 29,667	100%
Gross Profit	\$12,211	56.1%	\$ 18,253	61.5%
Total Operating Expenses	\$ 6,704	30.8%	\$ 7,621	25.7%
Net Income	\$ 3,803	17.5%	\$ 7,154	24.1%
Weighted average shares and equivalents: diluted	13,404,290		13,318,461	
Diluted E.P.S.	\$.28		\$.54	
Analysts Consensus Estimate (excluding charge)	\$.30			

Financial Statements

First Half Statement of Operations (Dollars in Thousands)

	2001 Actual	% of Total Revenue	2000 Actual	% of Total Revenue
Net Product Sales	\$ 49,766	100%	\$ 52,084	100%
Gross Profit	\$27,926	56.1%	\$ 32,299	62.0%
Total Operating Expenses	\$14,043	28.2%	\$13,973	26.8%
Net Income	\$ 9,559	19.2%	\$ 12,378	23.8%
Weighted average shares and equivalents: diluted	13,391,030		13,217,634	
Diluted E.P.S.	\$.71		\$.94	
Analysts Consensus Estimate (excluding charge)	\$.73			

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