

3Com Corporation
Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)
TABLE A

| | Three Months Ended | | |
|---|----------------------|--------------------|---------------------|
| | November 30, 2007 | August 31, 2007 | December 1, 2006 |
| Sales | \$ 317,801 | \$ 319,434 | \$ 332,976 |
| Cost of sales | <u>165,681</u> | <u>170,498</u> | <u>182,825</u> |
| Gross profit | 152,120 | 148,936 | 150,151 |
| Operating expenses: | | | |
| Sales and marketing | 80,785 | 74,404 | 76,188 |
| Research and development | 52,199 | 52,310 | 48,151 |
| General and administrative | 31,060 | 21,478 | 22,341 |
| Amortization of intangibles | 26,260 | 26,006 | 12,221 |
| Restructuring charges | <u>3,147</u> | <u>425</u> | <u>630</u> |
| Total operating expenses | <u>193,451</u> | <u>174,623</u> | <u>159,531</u> |
| Operating loss | (41,331) | (25,687) | (9,380) |
| Gain (loss) on investments, net | 1 | 327 | (911) |
| Interest (expense) income, net | (3,966) | (3,567) | 11,447 |
| Other income, net | <u>10,342</u> | <u>12,084</u> | <u>12,616</u> |
| (Loss) income from operations before income taxes and minority interest of consolidated joint venture | (34,954) | (16,843) | 13,772 |
| Income tax provision | (670) | (1,811) | (2,315) |
| Minority interest of Huawei in the loss (income) of consolidated joint venture ⁽¹⁾ | <u>-</u> | <u>-</u> | <u>(14,973)</u> |
| Net loss | <u>\$ (35,624)</u> | <u>\$ (18,654)</u> | <u>\$ (3,516)</u> |
| Basic and diluted loss per share | <u>\$ (0.09)</u> | <u>\$ (0.05)</u> | <u>\$ (0.01)</u> |
| Shares used in computing basic and diluted per share amounts | 398,989 | 397,041 | 393,352 |

⁽¹⁾ Represents Huawei's 49% interest in the H3C joint venture for the period of minority interest that ended with 3Com's acquisition of the remaining 49% interest on March 30, 2007.

3Com Corporation
Condensed Consolidated Balance Sheets
(in thousands)
(unaudited)

TABLE B

| | November 30, 2007 | June 1, 2007 |
|---|----------------------------|----------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash, cash equivalents and short-term investments | \$ 419,143 | \$ 559,217 |
| Notes receivable | 70,996 | 77,368 |
| Accounts receivable, net | 127,550 | 102,952 |
| Inventories, net | 93,788 | 107,988 |
| Other current assets | 54,227 | 50,157 |
| | <hr/> | <hr/> |
| Total current assets | 765,704 | 897,682 |
| Property & equipment, net | 63,919 | 76,460 |
| Goodwill | 767,274 | 766,444 |
| Intangibles, net | 322,678 | 371,289 |
| Other assets | 26,747 | 39,217 |
| | <hr/> | <hr/> |
| Total assets | <u><u>\$ 1,946,322</u></u> | <u><u>\$ 2,151,092</u></u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 103,115 | \$ 110,430 |
| Current portion of long-term debt | 48,000 | 94,000 |
| Accrued liabilities and other | 366,873 | 435,638 |
| | <hr/> | <hr/> |
| Total current liabilities | 517,988 | 640,068 |
| Deferred taxes and long-term obligations | 14,865 | 23,725 |
| Long-term debt | 288,000 | 336,000 |
| Stockholders' equity | 1,125,469 | 1,151,299 |
| | <hr/> | <hr/> |
| Total liabilities and stockholders' equity | <u><u>\$ 1,946,322</u></u> | <u><u>\$ 2,151,092</u></u> |

3Com Corporation
Reconciliation of Non-GAAP Measures
(in thousands, margin and except per-share data)
(unaudited)
TABLE C

| | Three Months Ended | |
|--|----------------------|---------------------|
| | November 30, 2007 | December 1, 2006 |
| GAAP operating loss | \$ (41,331) | \$ (9,380) |
| Restructuring | 3,147 | 630 |
| Amortization of intangible assets | 26,260 | 12,221 |
| Impacts to cost of sales from purchase accounting adjustments to inventory [a] | 5,591 | - |
| Stock-based compensation expense [b] | 6,006 | 6,950 |
| Acquiree expensed acquisition costs [e] | 7,600 | - |
| Non-GAAP operating income | <u>\$ 7,273</u> | <u>\$ 10,421</u> |
| GAAP net loss | \$ (35,624) | \$ (3,516) |
| Restructuring | 3,147 | 630 |
| Amortization of intangible assets | 26,260 | 12,221 |
| Impacts to cost of sales from purchase accounting adjustments to inventory [a] | 5,591 | - |
| Stock-based compensation expense [b] | 6,006 | 6,950 |
| Huawei's 49% minority interest in H3C's amortization as shown above | - | (4,229) |
| Gain on sales of assets [c] | - | (1,300) |
| Gain on insurance settlement [d] | - | (3,000) |
| Acquiree expensed acquisition costs [e] | 7,600 | - |
| Non-GAAP net income | <u>\$ 12,980</u> | <u>\$ 7,756</u> |
| GAAP net loss per share | \$ (0.09) | \$ (0.01) |
| Restructuring | 0.01 | 0.00 |
| Amortization of intangible assets | 0.07 | 0.03 |
| Impacts to cost of sales from purchase accounting adjustments to inventory [a] | 0.01 | - |
| Stock-based compensation expense [b] | 0.01 | 0.02 |
| Huawei's 49% minority interest in H3C's amortization as shown above | - | (0.01) |
| Gain on sales of assets [c] | - | (0.00) |
| Gain on insurance settlement [d] | - | (0.01) |
| Acquiree expensed acquisition costs [e] | 0.02 | - |
| Non-GAAP net income per share, basic and diluted | <u>\$ 0.03</u> | <u>\$ 0.02</u> |
| Shares used in computing basic per share amounts | 398,989 | 393,352 |
| Shares used in computing diluted per share amounts | 404,142 | 400,335 |

[a] Results from our 49% H3C acquisition transaction.

[b] Stock-based compensation expense is included in the following cost and expense categories by period

| | Three Months Ended | |
|----------------------------|----------------------|---------------------|
| | November 30, 2007 | December 1, 2006 |
| Cost of sales | 523 | 383 |
| Sales and marketing | 1,418 | 1,568 |
| Research and development | 973 | 1,545 |
| General and administrative | 3,092 | 3,454 |

[c] These gains relate to a patent sale in Q1 fiscal 2008 and a sale of venture funds in Q1 fiscal 2007 and a patent sale in Q2 fiscal 2007.

[d] This gain relates to insurance proceeds from an insurance settlement for our Hemel facility.

[e] These expenses relate to the announced acquisition of the Company in August 2007

Additional Financial Data

(in thousands)

(unaudited)

TABLE D**Sales by Geography (a)**

| | Three Months Ended | | |
|--------------------------------|----------------------|--------------------|---------------------|
| | November 30, 2007 | August 31, 2007 | December 1, 2006 |
| China | \$ 143,107 | \$ 146,754 | \$ 158,276 |
| Europe, Middle East and Africa | 73,209 | 69,662 | 70,933 |
| North America | 52,589 | 60,018 | 55,159 |
| Asia Pacific Rim (ex-China) | 25,865 | 23,382 | 28,312 |
| Latin and South America | 23,031 | 19,618 | 20,296 |
| Total Sales | <u>\$ 317,801</u> | <u>\$ 319,434</u> | <u>\$ 332,976</u> |

(a) DVBU and TippingPoint segment sales are included in geographic categories based on the location of the end customer. H3C segment sales included in the geographic categories are based upon the hub locations of OEM partners in the case of OEM sales and the location of end-customers in the case of direct customer sales.

Sales by Product Category

| | Three Months Ended | | |
|-----------------------|----------------------|--------------------|---------------------|
| | November 30, 2007 | August 31, 2007 | December 1, 2006 |
| Networking | \$ 255,533 | \$ 261,976 | \$ 272,852 |
| Security | 35,062 | 31,483 | 31,582 |
| Voice | 16,657 | 16,321 | 16,549 |
| Services | 9,953 | 9,030 | 8,568 |
| Connectivity Products | 596 | 624 | 3,425 |
| Total Sales | <u>\$ 317,801</u> | <u>319,434</u> | <u>332,976</u> |

3Com Corporation
Segment Reporting

(in thousands)

(unaudited)

TABLE E

Three Months Ended November 30, 2007

| | H3C | Data Voice Business Unit | Tipping Point | Corporate | Eliminations / Other | Total |
|-------------------------|------------|-------------------------------------|--------------------------|------------------|---------------------------------|--------------|
| Sales | \$ 182,823 | \$ 139,879 | \$ 25,785 | | \$ (30,686) [a] | \$ 317,801 |
| Gross profit | 100,673 | 40,125 | 17,536 | (100) [b] | (6,114) [c] | 152,120 |
| Operating expenses | 72,926 | 49,610 | 16,989 | 11,436 [b] | 42,490 [d] | 193,451 |
| Operating income (loss) | 27,747 | (9,485) | 547 | (11,536) | (48,604) | (41,331) |

Three Months Ended December 1, 2006

| | H3C | Data Voice Business Unit | Tipping Point | Corporate | Eliminations / Other | Total |
|-------------------------|------------|-------------------------------------|--------------------------|------------------|---------------------------------|--------------|
| Sales | \$ 190,291 | \$ 144,268 | \$ 22,257 | | \$ (23,840) [a] | \$ 332,976 |
| Gross profit | 90,715 | 45,377 | 15,042 | (600) [b] | (383) [c] | 150,151 |
| Operating expenses | 61,051 | 51,884 | 17,058 | 10,750 [b] | 18,788 [d] | 159,531 |
| Operating income (loss) | 29,664 | (6,507) | (2,016) | (11,350) | (19,171) | (9,380) |

[a] - eliminations for inter-company revenue during the respective periods.

[b] - represents costs not directly attributable to any operating business segment.

[c] - includes stock based compensation in all periods plus purchase accounting inventory related adjustments as applicable.

[d] - includes: stock-based compensation, amortization, and restructuring in all periods and deal costs where applicable.

3Com Corporation
Consolidated Statement of Cash Flows
(In thousands)
(unaudited)
Table F

| | Six Month's Ended | |
|--|--------------------------|--------------------------|
| | November 30, 2007 | December 1, 2006 |
| Cash flows from operating activities: | | |
| Net loss | \$ (54,278) | (17,584) |
| Adjustments to reconcile loss from continuing operations to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 69,279 | 39,789 |
| Loss (gain) on property and equipment disposals | 155 | (10,920) |
| Minority interest | - | 23,915 |
| Equity Interest in unconsolidated H3C | 9,868 | - |
| Stock-based compensation expense | - | 10,237 |
| Gain on investments, net | (185) | (1,801) |
| Deferred income taxes | (1,234) | (5,907) |
| Change in assets and liabilities: | | |
| Accounts receivable | (10,418) | (53,149) |
| Inventories | 16,863 | 3,349 |
| Other assets | 113 | 19,925 |
| Accounts payable | (14,642) | (30,897) |
| Intercompany - H3C | - | - |
| Other liabilities | (68,080) | 18,035 |
| Net cash provided by (used in) operating activities | <u>(52,559)</u> | <u>(5,008)</u> |
| Cash flows from investing activities: | | |
| Purchase of investments | - | (224,999) |
| Proceeds from maturities and sales of investments | 442 | 269,932 |
| Purchase of property and equipment | (9,746) | (16,118) |
| Proceeds from sale of property and equipment | 864 | 33,108 |
| Net cash (used in) provided by investing activities | <u>(8,440)</u> | <u>61,923</u> |
| Cash flows from financing activities: | | |
| Issuances of common stock | 5,656 | 12,635 |
| Repurchases of common stock | (1,322) | (4,708) |
| Payments from Long Term Debt | (94,000) | - |
| Dividend paid to minority interest shareholder | - | (40,785) |
| Net cash used in financing activities | <u>(89,666)</u> | <u>(32,858)</u> |
| Effects of exchange rate changes on cash and equivalents | 10,591 | 4,026 |
| Net change in cash and equivalents during period | (140,074) | 28,083 |
| Cash and equivalents, beginning of period | 559,217 | 501,097 |
| Cash and equivalents, end of period | <u><u>\$ 419,143</u></u> | <u><u>\$ 529,180</u></u> |