Terabeam Announces Second Quarter 2007 Financial Results

Demonstrates Sequential Revenue Growth, Improved Focus and Cost Reductions


Revenue for the quarter ended June 30, 2007 was $19.0 million, an increase of 8% from the revenue of $17.7 million for the quarter ended March 31, 2007 and a decrease of approximately 8% from the revenue of $20.8 million for the quarter ended June 30, 2006.

Gross margins for the quarter ended June 30, 2007 were 44.4%, compared with 44.9% in the quarter ended March 31, 2007 and 41.9% in the quarter ended June 30, 2006.

Including the sale of certain patent assets, the net loss for the quarter ended June 30, 2007 was $339,000, or $0.02 per share, compared to net loss of $3.0 million, or $0.14 per share, for the quarter ended March 31, 2007 and net loss of $3.0 million, $0.14 per share, for the quarter ended June 30, 2006.

"We are pleased to report that Terabeam demonstrated sequential revenue growth during the second quarter of 2007," said Robert Fitzgerald, Terabeam's Chief Executive Officer. "We made great strides during the second quarter and in recent weeks, executing a number of activities that improved our focus, cost structure and balance sheet. We expect these actions will improve our operating results in coming quarters as we remain focused on achieving profitability."

Cost Structure Outlook

Terabeam expects that, as a result of its improved focus, its efficiency improvement programs and its divestiture of Ricochet, the company will realize approximately $1 million in quarterly cost savings, effective in the third quarter of 2007.

Recent Achievements

Highlights of the company's recent results include:

- Quarter-on-quarter revenue growth of 16% in our broadband wireless access products, consisting of Wi-Fi mesh, pre-WiMAX and WiMAX products.
- Completion of the sale of two patents for $2.5 million in April. Terabeam has more than 120 additional patents remaining, which may provide future opportunities to monetize the company's intellectual property.
- Completion of a $7.5 million private equity placement in July. Note that this transaction closed after the end of the second quarter, therefore its impact is not reflected in the second quarter 2007 financial statements.
- Completion of the sale of Ricochet Networks' on-going business to Civitas Wireless Solutions and the shut down of the Ricochet San Diego network in July. The divestiture of Ricochet's ISP operations represents an important milestone as Terabeam can now focus on Proxim's core-to-client broadband wireless equipment business. As with the private placement, this transaction closed after the end of the second quarter, therefore its impact is not reflected in the second quarter 2007 financial statements.
- Restructuring of engineering operations to shift additional research and development activities to Hyderabad, India.
- Execution of programs to reduce freight, warehousing and other manufacturing costs.

Conference Call Information

Terabeam will host a conference call to discuss the release, financial results, and related developments at the company today, Monday, August 13, 2007, starting at 5:00 P.M., Eastern Daylight Time. The discussion may include forward-looking information.

To participate in this conference call, please dial 800-500-0177 (or +1-719-457-2698 for international callers), confirmation code 4602302 for all callers, at least ten minutes before the starting time. The conference call will also be broadcast live over the Internet. Investors and others are invited to visit Terabeam's website at http://www.terabeam.com to access this broadcast. Replays will be available telephonically for approximately one week by dialing 888-203-1112 for domestic callers and +1-719-
About Terabeam

Terabeam, Inc. is a leader in core-to-client solutions for broadband municipal wireless networks. The company's business is conducted primarily through its Proxim Wireless Corporation subsidiary. Our systems enable a variety of wireless applications including security and surveillance systems, mobile workforce automation and machine-to-machine communications. We have shipped more than 1.5 million wireless devices to more than 200,000 customers worldwide. Additional information about the company can be found at the company's website located at www.terabeam.com or by contacting the company by telephone at 408-731-2610 or by email at IR@terabeam.com.

Safe Harbor Statement

Statements in this press release that are not statements of historical facts are forward-looking statements that involve risks, uncertainties, and assumptions. Terabeam's actual results may differ materially from the results anticipated in these forward-looking statements. The forward-looking statements involve risks and uncertainties that could contribute to such differences including those relating to and arising from uncertainties about our ability to realize the cost savings contemplated in this release; the possibility that any cost savings may be reduced by increased spending in other areas; the possibilities that the transactions described in this release could result in increased liabilities and other adverse consequences; difficulties in predicting Terabeam's future financial performance; the intense competition in our industries and resulting impacts on our pricing, gross margins, and general financial performance; difficulties or delays in developing and supplying new products with the contemplated or desired features, performance, compliances, certifications, cost, price, and other characteristics, which difficulties may be exacerbated by our recent cost savings initiatives; and the reactions, positive or negative, of customers, investors, employees, competitors, and others to the cost savings initiatives described in this press release and their ramifications. Further information on these and other factors that could affect Terabeam's actual results is and will be included in filings made by Terabeam from time to time with the Securities and Exchange Commission and in its other public statements.