



**8x8, Inc.**

## **8X8 ANNOUNCES RESULTS OF SECOND QUARTER OF FISCAL 2005**

### *PACKET8 REVENUES INCREASE 50% QUARTER OVER QUARTER*

SANTA CLARA, Calif. (October 27, 2004) – 8x8, Inc. (Nasdaq: EGHT) today announced financial results for its second quarter ended September 30, 2004.

Revenues for the second quarter of fiscal 2005 were \$2.5 million, compared with \$2.4 million for the same period of the prior year. The net loss for the quarter was \$3.7 million, or \$0.09 per share, compared with net income of \$0.7 million, or \$0.02 per share for the same period last year. The net income in the second quarter of fiscal 2004 was due to the sale of the Company's former Centile Europe business. Total revenues for the six month periods ended September 30, 2004 and 2003, were \$4.6 million and \$4 million, respectively. Net losses for the six month periods ended September 30, 2004 and 2003, were \$6.3 million, or \$0.15 per share, and \$0.8 million, or \$0.03 per share, respectively.

Total revenues for the Company's Packet8 VoIP service and related equipment sales increased to \$2.1 million for the quarter ended September 30, 2004, compared with \$1.4 million for the first quarter of fiscal 2005, an increase of 50%. As of September 30, 2004, the Company had approximately 26,000 activated Packet8 subscriber lines in service as compared to approximately 17,000 at June 30, 2004, a 53% increase. Packet8 revenues for the six months ended September 30, 2004, were \$3.5 million as compared to \$0.3 million for the six months ended September 30, 2003.

The Company's cash position increased to \$28.7 million as of September 30, 2004, compared with \$22.3 million at June 30, 2004, due to proceeds received from the \$12 million common stock offering announced at the end of the quarter.

"We made significant progress during the quarter in expanding our online, retail and reseller channels," said Bryan R. Martin, 8x8's Chairman & CEO. Mr. Martin continued, "During the quarter we announced relationships with Fry's Electronics, Amazon.com, Datavision, Ingram Micro, Navarre, Premiere Wireless, TigerDirect and Zones." The Company began a new in-store merchandising program at all Fry's Electronics locations on October 26<sup>th</sup>. Mr. Martin concluded, "We also announced this quarter the completion of three wholesale agreements for residential broadband customers, and the addition of nine new master distributors for the Packet8 Virtual Office service."

### **About 8x8, Inc.**

8x8, Inc. offers the Packet8 (<http://www.packet8.net>) VoIP (voice over internet protocol) telephone and videophone communications service, the DV 326 Broadband VideoPhone and the Packet8 Virtual Office. For additional company information, visit 8x8's web site at <http://www.8x8.com>.

NOTE: 8x8, the 8x8 logo, Packet8, the Packet8 logo and Packet8 Virtual Office are trademarks of 8x8, Inc. All other trademarks are the property of their respective owners.

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**Financial Tables To Follow**

**8x8, Inc.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share amounts; unaudited)

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2004	2003	2004	2003
Product revenues .....	\$ 690	\$ 750	\$ 1,287	\$ 1,611
License and service revenues .....	1,843	1,676	3,314	2,438
Total revenues .....	<u>2,533</u>	<u>2,426</u>	<u>4,601</u>	<u>4,049</u>
Operating expenses:				
Cost of product revenues .....	876	544	1,788	907
Cost of license and service revenues .....	1,171	108	2,050	499
Research and development .....	684	656	1,261	1,700
Selling, general and administrative .....	3,622	1,229	6,135	2,495
Total operating expenses .....	<u>6,353</u>	<u>2,537</u>	<u>11,234</u>	<u>5,601</u>
Loss from operations .....	(3,820)	(111)	(6,633)	(1,552)
Other income, net .....	71	858	315	799
Net income (loss) .....	<u>\$ (3,749)</u>	<u>\$ 747</u>	<u>\$ (6,318)</u>	<u>\$ (753)</u>
Net income (loss) per share:				
Basic .....	\$ (0.09)	\$ 0.02	\$ (0.15)	\$ (0.03)
Diluted .....	\$ (0.09)	\$ 0.02	\$ (0.15)	\$ (0.03)
Weighted average number of shares:				
Basic .....	43,134	30,069	40,935	30,054
Diluted .....	43,134	31,213	40,935	30,054

**8x8, Inc.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands, unaudited)

	<u>September 30,</u> <u>2004</u>	<u>March 31,</u> <u>2004</u>
<b>ASSETS</b>		
Current assets		
Cash, cash equivalents and investments.....	\$ 28,129	\$ 13,249
Restricted cash .....	550	800
Accounts receivable, net .....	411	608
Inventory .....	2,415	98
Other current assets .....	<u>1,040</u>	<u>645</u>
Total current assets .....	32,545	15,400
Property and equipment, net .....	608	158
Other assets .....	12	13
	<u>\$ 33,165</u>	<u>\$ 15,571</u>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable .....	\$ 1,581	\$ 854
Accrued compensation .....	417	415
Accrued warranty .....	171	194
Deferred revenue .....	655	547
Financing proceeds advance.....	11,980	-
Other accrued liabilities .....	<u>727</u>	<u>559</u>
Total current liabilities .....	15,531	2,569
Other liabilities .....	217	216
Total stockholders' equity .....	<u>17,417</u>	<u>12,786</u>
	<u>\$ 33,165</u>	<u>\$ 15,571</u>