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TOLLGRADE REPORTS FIRST QUARTER 2009 RESULTS

PITTSBURGH, April 29, 2009 -- Tollgrade Communications, Inc. (NASDAQ: TLGD), a leading supplier of network service assurance test products and solutions, today reported revenue of \$12.0 million and a GAAP loss per share of (\$0.08) for the first quarter ended March 28, 2009. Revenue for the quarter was within the Company's earlier guidance range of \$11 million to \$14 million. The loss per share for the quarter included the effects of non-cash charges for stock-based compensation and severance expenses, which amounted to (\$0.04) per share. Excluding these charges, the loss per share for the first quarter on a non-GAAP basis was (\$0.04).

In comparison, revenue and GAAP loss per share for the first quarter ended March 29, 2008 were \$13.2 million and (\$0.49), respectively, while loss per share on a non-GAAP basis was (\$0.16), excluding the effect of charges for impairment of intangible assets and inventory, and stock-based compensation expense, including credits for expenses provided in prior periods, as well as severance expenses which affected loss per share by (\$0.33).

"Our first quarter results do not adequately reflect the progress we are making in our refocused strategy," said Joseph Ferrara, Tollgrade's President and CEO. "We are in the midst of our transition efforts and have achieved a number of our short term objectives, but we are working on additional initiatives to help support our growth strategy. While revenue was within the range of earlier guidance, it was negatively impacted by foreign currency translation and constrained customer spending," added Ferrara.

"To the positive, during the quarter we finalized a multi-year software maintenance agreement for one of the three major software maintenance contract renewals which were open at the end of 2008. We made good progress on the other two agreements, which we believe are close to being signed. Earlier this month, we also announced a new managed services contract win with a large network equipment provider. Although we did not experience any benefit from them during the first quarter, we expect the managed service agreement and two maintenance contracts, once signed, to positively contribute to our second quarter 2009 results," said Ferrara. "We also saw some benefit from an overall lower cost structure compared to a year ago. Together, these initiatives are moving us closer to achieving sustainable profitability, even in this difficult economic environment," added Ferrara.

First Quarter 2009 Revenue Results

Sales from services, which include software maintenance, project management fees and repairs, were \$4.9 million in the first quarter 2009, compared to \$6.0 million in the first quarter 2008, a decline of \$1.1 million or 18.3%. The decline is primarily attributable to foreign currency translation differences due to the strength of the U.S. dollar compared to the prior quarter, as well as the lack of contribution from the major software maintenance contract renewals yet to be finalized and which the Company continues to negotiate to achieve favorable terms.

Sales of Tollgrade's system test products were \$3.5 million in the first quarter 2009, compared to \$4.7 million in the first quarter 2008. First quarter 2009 revenue included sales of DigiTest® products including DigiTest @ICE™, LDU™ and N(x)Test™ test probe hardware products as well as custom software applications and licenses. First quarter 2009 sales of DigiTest and LDU products were lower largely as a result of testability projects that contributed to revenue in first quarter 2008 and the completion of a major hardware contract in the fourth quarter 2008.

Overall sales of the Company's MCU® products, which extend testability into the POTS network, were \$2.3 million in the first quarter 2009, compared to \$0.9 million in the first quarter 2008. The \$1.4 million increase in the first quarter 2009 was attributable to several large domestic telecom operators deploying testability initiatives.

Overall sales of cable hardware and software products were \$1.3 million in the first quarter 2009, compared to \$1.6 million in the first quarter 2008. The quarter over quarter decline was due in part to shipments made near the end of the quarter for which customer acceptance was not yet received. We again ended the quarter with a significant cable product backlog that is expected to ship in the second quarter 2009.

First Quarter 2009 Financial and Operating Data

Gross profit for the first quarter 2009 was \$6.1 million, compared to \$2.5 million in the first quarter 2008. As a percentage of sales, gross profit was 50.9% in the first quarter 2009, compared to 19.1% in the first quarter 2008. The first quarter of 2009 included \$0.2 million of severance charges compared to first quarter 2008 charges of \$4.1 million related to impairment of certain intangible assets primarily from our cable testing products, as well as an inventory write-down. Excluding these charges, gross profit as a percentage of sales on a non-GAAP basis for the first quarter 2009 was 52.4%, compared to 49.8% for the prior year quarter.

The Company lowered total operating expenses to \$7.2 million for the first quarter 2009, compared to \$9.1 million in the first quarter 2008. Excluding severance and stock compensation expenses from both periods and restructuring expenses during the first quarter 2008, total operating expenses on a non-GAAP basis were \$6.8 million and \$8.7 million in the first quarter 2009 and 2008, respectively, which represents a \$1.9 million or 21.8% reduction.

Selling and marketing expenses in the first quarter 2009 were lowered to \$2.0 million compared to \$2.4 million in the first quarter 2008. The decrease in selling and marketing expense was due to the effect of the restructuring program implemented during the first quarter, 2008 as well as other cost control efforts.

General and administrative expenses were \$2.6 million for the first quarter 2009 and 2008.

Research and development costs were \$2.5 million for the first quarter 2009 compared to \$3.6 million in the first quarter 2008. The decrease of \$1.1 million or 29.6% during the first quarter 2009 is attributable to the restructuring program implemented during the first quarter 2008 as well as the strong performance of our application services products. Engineering efforts associated with our application services products, which involve customer-funded software development, are classified in cost of sales rather than research and development costs. As such, this classification can cause research and development costs to fluctuate on a quarterly basis.

The provision for income taxes of approximately \$0.1 million consists primarily of taxes on income earned in certain foreign jurisdictions. Based on a review of our tax position at March 28, 2009, management did not record any tax benefit on losses pertaining to its U.S. and certain foreign operations.

The Company's order backlog for firm customer purchase orders and signed software maintenance contracts was \$13.0 million as of March 28, 2009, compared to a backlog of \$16.3 million as of December 31, 2008. The backlog at March 28, 2009 and December 31, 2008 included approximately \$9.7 million and \$12.1 million, respectively, related to software maintenance contracts, which is primarily earned and recognized as income on a straight-line basis during the remaining terms of these agreements. Expected revenue from the one large signed software maintenance agreement is included in the backlog as of March 28, 2009, however, revenues from the other two agreements still under negotiation will not be included in backlog until those agreements are signed.

Management expects that approximately 36% of the current total backlog will be recognized as revenue in the second quarter 2009.

The Company's cash and short-term investment balance declined by \$0.4 million from the fourth quarter 2008 to \$60.0 million, as a result of cash used in operating activities.

Second Quarter 2009 Outlook

"Looking ahead to the second quarter of 2009, we expect revenue to range from \$11 million to \$14 million," said Mr. Ferrara. "With customer capital expenditure budgets continuing to be under pressure, we are working to position ourselves for when the market recovers, in part by leveraging our services and software capabilities. Our strategic efforts are on target to help us achieve better results," added Ferrara.

Conference Call and Webcast

A conference call to discuss earnings results for the first quarter 2009 will be held on Thursday, April 30, 2009 at 9:00 AM, Eastern Time. The telephone number for U.S. participants is 1-800-860-2442 (international: 412-858-4600). Please reference Tollgrade's First Quarter 2009 Earnings Results Call. The conference call will also be broadcast live over the Internet. To listen to this conference call via the Internet, simply log on to the following URL address: <http://www.videonewswire.com/event.asp?id=57904>

About Tollgrade

Tollgrade Communications, Inc. is a leading provider of service assurance products and services for centralized test systems around the world. Tollgrade designs, engineers, markets and supports centralized test systems, test access and status monitoring products, and next generation network assurance technologies. Tollgrade's customers range from the top telecom and cable providers, to numerous independent telecom, cable and broadband providers around the world. Tollgrade's network testing, measurement and monitoring solutions support the infrastructure of cable and telecom companies offering current and emerging triple play services, as well as for power distribution companies. For more information, visit Tollgrade's web site at www.tollgrade.com

TOLLGRADE COMMUNICATIONS, INC. AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Operations
(In thousands, except per-share data)

| | Three Months Ended | |
|----------------------------------------------------------|---------------------------------|---------------------------------|
| | <u>March 28,</u> <u>2009</u> | <u>March 29,</u> <u>2008</u> |
| Revenues: | | |
| Products | \$7,114 | \$7,139 |
| Services | 4,931 | 6,045 |
| | 12,045 | 13,184 |
| Cost of sales: | | |
| Products | 3,450 | 3,616 |
| Services | 1,579 | 1,986 |
| Amortization | 698 | 1,014 |
| Severance | 183 | 21 |
| Intangible impairment | --- | 3,291 |
| Inventory impairment | --- | 738 |
| | 5,910 | 10,666 |
| Gross profit | 6,135 | 2,518 |
| Operating expenses: | | |
| Selling and marketing | 1,993 | 2,435 |
| General and administrative | 2,576 | 2,579 |
| Research and development | 2,545 | 3,616 |
| Severance | 63 | 435 |
| Total operating expenses | 7,177 | 9,065 |
| Loss from operations | (1,042) | (6,547) |
| Other income | 118 | 492 |
| Loss before income taxes | (924) | (6,055) |
| Provision for income taxes | 97 | 449 |
| Net loss | \$(1,021) | (\$6,504) |
| Diluted earnings per-share information: | | |
| Weighted average shares of common stock and equivalents: | 12,679 | 13,158 |
| Net loss per common and common equivalent shares | \$(0.08) | (\$0.49) |

TOLLGRADE COMMUNICATIONS, INC. AND SUBSIDIARIES
Unaudited Condensed Consolidated Balance Sheets
(In thousands)

| | <u>March 28,</u> <u>2009</u> | <u>December</u> <u>31, 2008</u> |
|---------------------------------------------------|---------------------------------|------------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$59,572 | \$57,976 |
| Short-term investments | 451 | 2,419 |
| Accounts receivable: | | |
| Trade | 12,691 | 10,560 |
| Other | 273 | 668 |
| Inventories | 10,161 | 10,673 |
| Prepaid expenses and deposits | 1,209 | 1,449 |
| Deferred and refundable tax assets | 462 | 453 |
| Total current assets | 84,819 | 84,198 |
| Property and equipment, net | 2,688 | 2,953 |
| Intangibles | 36,042 | 36,853 |
| Deferred tax assets | 78 | 81 |
| Other assets | 262 | 262 |
| Total assets | \$123,889 | \$124,347 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$1,281 | \$1,265 |
| Accrued warranty | 1,433 | 1,590 |
| Accrued expenses | 2,285 | 1,655 |
| Accrued salaries and wages | 272 | 363 |
| Accrued royalties payable | 112 | 299 |
| Income tax payable | 143 | 268 |
| Deferred revenue | 3,711 | 3,283 |
| Total current liabilities | 9,237 | 8,723 |
| Pension obligation | 883 | 889 |
| Deferred tax liabilities | 1,804 | 1,792 |
| Other tax liabilities | 541 | 489 |
| Total liabilities | 12,465 | 11,893 |
| Total shareholders' equity | 111,424 | 112,454 |
| Total liabilities and shareholders' equity | \$123,889 | \$124,347 |

TOLLGRADE COMMUNICATIONS, INC. AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Cash Flows
(In thousands)

Three Months Ended
March 28, 2009 March 29, 2008

| Cash flows from operating activities: | | |
|---------------------------------------------------------------------------------|------------------|-----------|
| Net loss | \$(1,021) | \$(6,504) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Impairment of goodwill & intangible assets | --- | 3,291 |
| Depreciation and amortization | 1,036 | 1,480 |
| Stock-based compensation expense | 308 | (23) |
| Valuation allowance | --- | 187 |
| Deferred income taxes | 64 | 28 |
| Write-down of inventory | --- | 761 |
| Provisions for losses on inventory | 40 | 61 |
| Provision for allowance for doubtful accounts | 79 | 37 |
| Changes in assets and liabilities: | | |
| Accounts receivable-trade | (2,639) | (602) |
| Accounts receivable-other | 1,040 | 401 |
| Inventory | 472 | (475) |
| Prepaid expense and other assets | 234 | (25) |
| Accounts payable | 338 | (1,542) |
| Accrued warranty | (156) | (295) |
| Accrued expenses and deferred income | 243 | 426 |
| Accrued royalties payable | (188) | (596) |
| Income taxes payable | (112) | 228 |
| Net cash used in operating activities | (262) | (3,162) |
| Cash flows from investing activities: | | |
| Purchase of short-term investments | --- | (2,186) |
| Redemption/maturity of short-term investments | 1,968 | 464 |
| Capital expenditures, including capitalized software | (86) | (275) |
| Sale of assets held for sale | --- | 198 |
| Net cash provided by (used in) investing activities | 1,882 | (1,799) |
| Net increase (decrease) in cash and cash equivalents | 1,620 | (4,961) |
| Effect of exchange rate changes on cash & cash equivalents | (24) | 264 |
| Cash and cash equivalents at beginning of year | 57,976 | 58,222 |
| Cash and cash equivalents at end of year | \$59,572 | \$53,525 |

Explanation of Non-GAAP Measures

During the first quarter 2009, we continued the restructuring programs that were implemented beginning on January 30, 2008 and March 17, 2009, aimed at reducing the Company's existing cost structure. We have provided non-GAAP financial measures (e.g., non-GAAP earnings per share) that exclude the charges associated with the continuation of the restructuring initiatives, as well as the related income tax effects of such items, stock-based compensation expense, write-downs and impairments. These non-GAAP financial measures are provided to enhance the user's overall understanding of our financial performance in the first quarter of 2009. We believe that by excluding these charges, as well as the related income tax effects, our non-GAAP measures provide supplemental information to both management and investors that is useful in assessing our core operating performance, in evaluating our ongoing business operations and in comparing our results of operations on a consistent basis from period to period. These non-GAAP financial measures are also used by management to plan and forecast future periods and to assist us in making operating and strategic decisions. The presentation of this additional information is not prepared in accordance with GAAP. The information may, therefore, not necessarily be comparable to that of other companies and should be considered as a supplement to, and not a substitute for, or superior to, the corresponding measures calculated in accordance with GAAP.

To supplement the presentation of our non-GAAP financial measures for the three month periods ended March 28, 2009 and March 29, 2008, we have prepared the following tables that reconcile the differences between the non-GAAP financial measures with the most comparable measures prepared in accordance with GAAP. Our non-GAAP financial measures are not meant to be used in isolation from, or as a substitute for, comparable GAAP measures, and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. Our non-GAAP financial measures reflect adjustments based on the following items, as well as the related income tax effect:

- Severance expense: For the three month periods ended March 28, 2009 and March 29, 2008, we have excluded the effect of severance expense from our GAAP operating expense, operating loss, net loss and diluted EPS. We believe it is useful for investors to understand the effect of these expenses on our operating performance.
- Stock-based compensation expense: For the three month periods ended March 28, 2009 and March 29, 2008, we have excluded the effect of employee stock-based compensation expense on operating expenses, operating loss, net loss and diluted earnings per share. We exclude employee stock-based compensation expense from our non-GAAP measures primarily because they are non-cash expenses that we believe are not reflective of our core operating performance.
- Impairment charges: For the three month period ended March 29, 2008, we have excluded the effect of certain intangible and inventory impairment charges on gross profit, gross margin, operating loss, net loss and diluted earnings per share. We believe it is useful for investors to understand the effect of these charges on our operating performance. There were no comparable charges in the three month period ended March 28, 2009.

Reconciliation to GAAP- Quarter Ended March 28, 2009 (Unaudited)

| (In thousands, except per share amount) | Gross Profit | Gross Profit Percentage | Operating Expense | Operating Loss | Net Loss | Diluted EPS |
|--------------------------------------------------|----------------|-------------------------|-------------------|------------------|------------------|-----------------|
| GAAP Reported Results | \$6,135 | 50.9% | \$7,177 | \$(1,042) | \$(1,021) | \$(0.08) |
| Severance | 183 | 1.5% | (63) | 246 | 246 | 0.02 |
| Stock-based Compensation | - | - | (308) | 308 | 308 | 0.02 |
| Non-GAAP Results, Excluding special items | \$6,318 | 52.4% | \$6,806 | \$(488) | \$(467) | \$(0.04) |

Reconciliation to GAAP- Quarter Ended March 29, 2008

| (In thousands, except per share amount) | Gross Profit | Gross Profit Percentage | Operating Expense | Operating Loss | Net Loss | Diluted EPS |
|--------------------------------------------------|----------------|-------------------------|-------------------|------------------|------------------|-----------------|
| GAAP Reported Results | \$2,518 | 19.1% | \$9,065 | \$(6,547) | \$(6,504) | \$(0.49) |
| Intangible Impairment | 3,291 | 25.0% | - | 3,291 | 3,291 | 0.25 |
| Inventory Impairment | 738 | 5.7% | - | 738 | 738 | 0.05 |
| Severance | 21 | - | (435) | 456 | 456 | 0.03 |
| Stock-based Compensation | - | - | 23 | (23) | (23) | - |
| Non-GAAP Results, Excluding special items | \$6,568 | 49.8% | \$8,653 | \$(2,085) | \$(2,042) | \$(0.16) |

Forward Looking Statements

The foregoing release contains "forward looking statements" regarding future events or results within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements concerning the Company's current expectations regarding revenue for the second quarter 2009. The Company cautions readers that such "forward looking statements" are, in fact, predictions that are subject to risks and uncertainties and that actual events or results may differ materially from those anticipated events or results expressed or implied by such forward looking statements. The Company disclaims any current intention to update its "forward looking statements," and the estimates and assumptions within them, at any time or for any reason.

In particular, the following factors, among others could cause actual results to differ materially from those described in the "forward looking statements": (a) possible delays in, or the inability to complete, negotiation and execution of purchase and service agreements with new or existing customers, in particular, the two major customers whose maintenance and support agreements are currently being negotiated; (b) negative impact from changes in exchange rates of foreign currencies in which we transact business relative to the U.S. dollar; (c) the inability to effectively integrate the hired employees and tools and resources from the large managed services agreement or to achieve expected revenues and profitability therefrom; (d) the inability of the Company to realize the benefits of its revenue and cost initiatives due to unforeseen delays, changes in its markets or other factors, and the risk that these initiatives will not promote revenue growth or restore profitability in the timeframe anticipated by the Company; (e) inability of the Company to recognize all or a portion of its backlog as expected, including without limitation the cable product backlog expected to ship in the second quarter 2009; (f) the risk that our previous cost-cutting initiatives may have impaired, or that our current and future initiatives may impair, the Company's ability to effectively develop and market products and remain competitive in the telecom business; (g) inability of the management team to implement the strategic repositioning of the Company to focus on its service assurance offerings in the telecom markets; (h) inability to complete or possible delays in completing certain research and development efforts required for new products and solutions and delays in market acceptance of our new network acceptance solutions beyond the timeframes anticipated or at all; (i) general economic uncertainty and its impact on the capital budgets for certain of our major customers; (j) the inability to make changes in business strategy, development plans and product offerings to respond to the needs of the significantly changing telecommunications markets and network technologies; (k) further declines in demand for our existing cable testing products; (l) pricing pressures affecting our cable-related products as a result of increased competition, consolidation within the cable industry and the adoption of standards-based protocols; (m) our dependence upon a limited number of third party subcontractors and component suppliers to manufacture or supply certain aspects of the products we sell; (n) the ability to manage the risks associated with and to grow our business; (o) the uncertain economic and political climate in certain parts of the world where we conduct business and the potential that such climate may deteriorate; and (p) our ability to efficiently integrate acquired businesses and achieve expected synergies. Other factors that could cause actual events or results to differ materially from those contained in the "forward looking statements" are included in the Company's filings with the U.S. Securities and Exchange Commission (the "SEC") including, but not limited to, the Company's Form 10-K for the year ended December 31, 2008 and any subsequently filed reports. All documents are also available through the SEC's Electronic Data Gathering Analysis and Retrieval system at www.sec.gov or from the Company's website at www.tollgrade.com.

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