



Expertise Reaching Out

The growing number of Internet users and their sheer demand for broadband applications—video conferencing, data storage, e-commerce, online gaming, rich media streaming and peer-to-peer file sharing, to name a few—have placed an enormous strain on access networks connecting businesses and homes. This insatiable appetite for bandwidth is driving capital expenditures much deeper into optical networks.

Telecom carriers and cable multiple-system operators (MSOs) are increasing their investments to deliver a bundled offering—commonly known as the triple-play—to secure the consumer's bill for television, Internet and telephone services. The consensus is that converged, IP-based networks represent the ideal solution to support triple-play services via a single architecture with increased savings, simplification and efficiency. Not surprisingly, both carriers and cable MSOs are making significant investments in this area.

Growth Strategy Excellence Award



EXFO has expanded its market share in optical testing through ongoing investments in R&D and a proven product portfolio review process. We introduce products that make a difference to our customers. As a result, Frost and Sullivan named EXFO recipient of the 2004 Growth Strategy Excellence Award. This leading market research firm reported that we increased overall market share from 6.4% in 2001 to 8.4% in 2003—the single largest increase within the global optical test and measurement industry. We were also deemed leader in the optical test installation and maintenance space with an estimated 17% market share worldwide. These share gains should increase following 20.5% sales growth within a flat marketplace in 2004. "With a technically advanced product line and a good focus on the end-user, EXFO is likely to grab major market share in the near future," Frost and Sullivan said.

Leading Provider of FTTx Test Solutions

To bundle video, data and voice services in a single offering, a number of carriers have opted for FTTx technology, which encompasses deployment strategies such as fiber-to-the-premises (FTTP), fiber-to-the-curb (FTTC), fiber-to-the-home (FTTH), fiber-to-the-node (FTTN) etc. In fiscal 2004, EXFO worked closely with lead customers to develop and introduce the most advanced products dedicated to this technology:

- A passive optical network (PON) test set for installation and service-activation;
- A patented, multi-function automated tester to increase crew productivity;
- A comparable multi-function automated test module for our flagship FTB-400 platform;
- A new line of handheld instruments dedicated to service-activation requirements; and
- A next-generation OTDR module mainly used for installation applications.



Line of handheld FTTx products

In addition, we published our FTTx PON Guide to help carriers optimize their deployment strategies, thus positioning EXFO as the leading provider of FTTx test solutions. KMI Research, a leading market research firm in the optical networking industry, estimates that the FTTP market for equipment, cable and apparatus in the U.S. will reach \$3.2 billion in 2009, representing a compound annual growth rate (CAGR) of 54% from 2003.





Next-Generation SONET/SDH and Gigabit Ethernet Test Solutions

IP-based system deployments have been widely accepted by carriers as an effective strategy to reduce capital (CAPEX) and operating expenditures (OPEX), while allowing highly scalable and flexible technology to support a host of applications over a single network architecture. EXFO has prepared itself for this market development through strategic acquisitions and significant R&D investments as evidenced by recent product launches:

- A SONET/SDH analyzer that is fully scalable from low rates to 10 Gb/s as well as a next-generation solution for data-centric IP networks—all within our FTB-400 field-testing platform;
- A Gigabit Ethernet solution with VoIP test functionality; and
- A Fibre Channel test solution for security-intensive network applications.



Gigabit Ethernet tester



Next-generation
SONET/SDH analyzer



Fibre Channel analyzer

Within a short period of time, EXFO has established itself as a disruptive force in protocol testing. On the strength of our rich product pipeline, we will continue introducing additional products in fiscal 2005 and beyond.

Serving the Entire Telecom Supply Chain

EXFO covers the entire supply chain in the telecom industry through an extensive portfolio of handheld, modular and benchtop test instruments that meet customers' specific needs. Whether talking about installation, maintenance and network monitoring applications for NSPs, or R&D and manufacturing applications for system/component vendors, EXFO has the ready-made solution to enable significant CAPEX and OPEX savings.

Teaming Up with System Vendors

Over the years, we have forged strong relationships with system vendors because they ultimately create the next-generation technologies that define the telecom industry. We also have implemented a multi-platform design strategy, developing one high-end test solution for the system manufacturing/laboratory market and leveraging it onto the NSP market. For instance, test modules found inside our FTB-400 field-testing platform are fully compatible with our IQS-500 manufacturing/lab platform and vice versa. Clearly, EXFO remains ahead of the innovation curve by teaming up with system vendors and deploying a single solution across multiple market segments.



IQS-500
Manufacturing/lab platform



FTB-400
Field-testing platform

Global Market Presence

EXFO has created a network of sales offices and service centers, as well as a web of direct sales representatives and distribution partners, to reach customers worldwide. We have a sales presence in more than 70 countries within the Americas, Europe, Middle East and Africa (EMEA), and the Asia-Pacific region. This global market presence will be further enhanced in fiscal 2005 as we leverage our leading-edge solutions via direct and indirect sales channels.

Going the Extra Mile

As we enter our 20th year of operation, the 'EX' in EXFO has become increasingly meaningful to customers because they rely more than ever on our 'EXpertise' to cope with network complexity. EXFO has built a strong brand name over the years, not only based on product and technological leadership, but also on the commitment of our subject-matter experts to go the extra mile in a market environment where many customers have reduced their pool of in-house experts. In short, we do everything within our power to deliver a best-in-class solution that customers have come to expect from a strategic partner like EXFO.