

TELECOM DIVISION

Twenty Years of Shared Expertise

EXFO is no longer a teenager. The telecom test and measurement company, which was created with a \$100 investment inside a student apartment in 1985, has turned 20! Right from the beginning, EXFO distinguished itself with market-driven innovation, strong focus on market leadership and commitment to excellence in order to accomplish its ambitious goal of becoming the leader in the global test and measurement industry. Along the way, we have established a number of industry firsts:

- | The first PC-based, modular test platform for field applications;
- | The first all-in-one optical loss test set combining several instruments;
- | The first portable polarization mode dispersion (PMD) analyzer;
- | The first modular test platform to combine optical and protocol test solutions; and
- | The first line of portable test instruments designed for FTTx testing.

Innovation aside, we have reached out to customers to share our expertise and garner their feedback. Many of our best product introductions, in fact, were the result of working with customers to resolve their problems. Not surprisingly, several customer relationships have evolved into genuine partnerships over the years. Marketing books call this "customer intimacy"; at EXFO, we call this putting the customer in the driver's seat. Today, we have grown into a global test and measurement company with more than 2,000 customers in 70 countries and 20 years of experience in our back pocket.

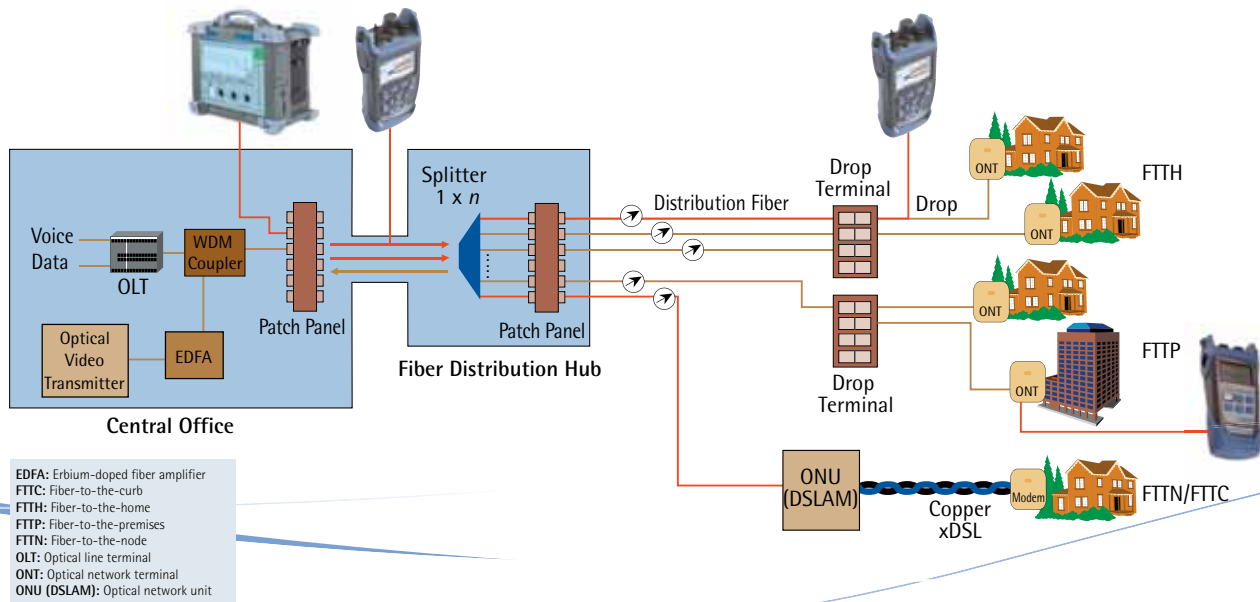
Leadership in FTTx Testing

Network operators are increasingly bundling voice, video and data services over a common link, while stepping up transmission rates to meet growing demand for bandwidth-hungry applications. Undoubtedly, one of the biggest issues facing network operators today is, "How much bandwidth do end-users really need?" Depending upon their answer, operators have opted for various fiber-rich network configurations falling under the generic FTTx name:

- | Fiber-to-the-node (FTTN), which leverages the existing copper plant and new electronics in the field, typically brings fiber to within 3,000 feet of the premises in order to supply approximately 20 Mb/s of bandwidth. This deployment strategy necessitates less initial capital expenditures (CAPEX) than the other two solutions, but requires more maintenance expenses (OPEX).
- | Fiber-to-the-curb (FTTC) extends fiber to within approximately 500 feet of the premises with the remaining link being copper. This network architecture, a compromise solution between FTTN and FTTH, still requires significant electronics in the field and maintenance costs to deliver around 40 Mb/s.
- | Fiber-to-the-home or premises (FTTH/FTTP) represents the most future-proof solution, since it can deliver 100 Mb/s to a home or business. It can easily handle several HDTV channels, video-on-demand, peer-to-peer file sharing, audio and video downloading. FTTH/FTTP requires significant initial capital expenditures, but less long-term support costs.

EXFO has positioned itself as the leading provider of FTTx test solutions – whatever the preferred architecture. Twenty years of closely working with lead customers around the world has enabled us to develop a line of FTTx products that is unmatched in terms of breadth, scope and effectiveness. As a result, we have become the preferred FTTx test vendor for leading carriers in the US and Europe.

FTTx deployment architectures



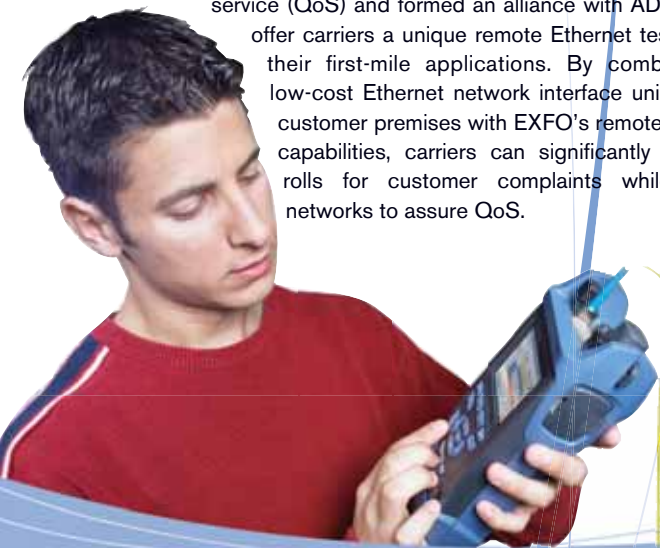
Converged, IP-Based Test Solutions

There's no turning back. Telecom carriers are migrating their traditional, circuit-switched voice networks to packet-based, IP architectures in order to better deliver cost-effective triple-play services and reduce operating expenses. British Telecom Group, for example, has announced its 21st Century Network with enormous potential for cost savings. Carriers worldwide are now deploying packet-aware, add/drop multiplexers and multi-service provisioning platforms (MSPPs) to provide efficient means of transporting packet-based signals like Ethernet over next-generation SONET/SDH architectures.



FTB-8100 | Next-Generation SONET/SDH Analyzer

Always attuned to technological change, EXFO introduced new protocol analyzers that test the latest standards forming the basis of Ethernet and next-generation SONET/SDH networks: generic framing procedure (GFP), virtual concatenation (VCAT), link capacity adjustment scheme (LCAS) and Ethernet-over-SONET (EoS). These technologies essentially optimize the transport of packet-based services over existing SONET/SDH links. EXFO also launched a 10 Gigabit Ethernet test solution to help carriers ensure quality of service (QoS) and formed an alliance with ADC Telecom to offer carriers a unique remote Ethernet test solution for their first-mile applications. By combining ADC's low-cost Ethernet network interface units (ENIUs) at customer premises with EXFO's remote Ethernet test capabilities, carriers can significantly reduce truck rolls for customer complaints while monitoring networks to assure QoS.



Growth Strategy Leadership Award

Market share and EXFO go hand in hand. For the second consecutive year, Frost & Sullivan, the leading authority on the fiber-optic test industry, named EXFO recipient of the Growth Strategy Leadership Award for the largest market-share gains. We moved from fifth to second place overall in the global fiber-optic test market in 2004, attaining 10.3% of the world market share. Based on the Frost & Sullivan report, we were the only vendor among the top six to gain market share in 2004; we finished first overall in seven portable product categories; and we improved our leadership position in the fiber-optic installation and maintenance test market segment from 17.4% to 22.2% during the same period. "EXFO not only registered significant market-share growth in multiple market segments of the optical test equipment industry in 2004, but it has consistently done so for the past several years," Frost & Sullivan said.



Unique Modular Platform Strategy

It is well known EXFO was first to market with the introduction of PC-based, Windows-driven modular test platforms that can accommodate several plug-and-play modules, depending on the testing requirements. The inherent value proposition lies in increased flexibility, reduced training and long-term investment protection for the customer. On the other hand, it allows EXFO to quickly develop best-in-class technologies for one market segment and leverage the same R&D investment onto other markets through a common platform strategy. This unique modular platform strategy has been strengthened over the last 10 years through the release of next-generation platforms, continued introduction of new test modules, and the development of fully automated test sequences for ease of use in the field and optimal efficiency on the manufacturing floor.



FTB-400 | Universal Test System



FTB-8510G | 10 Gigabit Ethernet Packet Blazer™
FTB-8520 | SAN Packet Blazer™
FTB-8510 | Ethernet Packet Blazer™



IQS-2700 | ECL Tunable Laser Source
IQS-8510 | Ethernet Packet Blazer™
IQS-8510G | 10 Gigabit Ethernet Packet Blazer™



IQS-500 | Intelligent Test System