

# Telecom Division



PPM-350B PON Power Meter

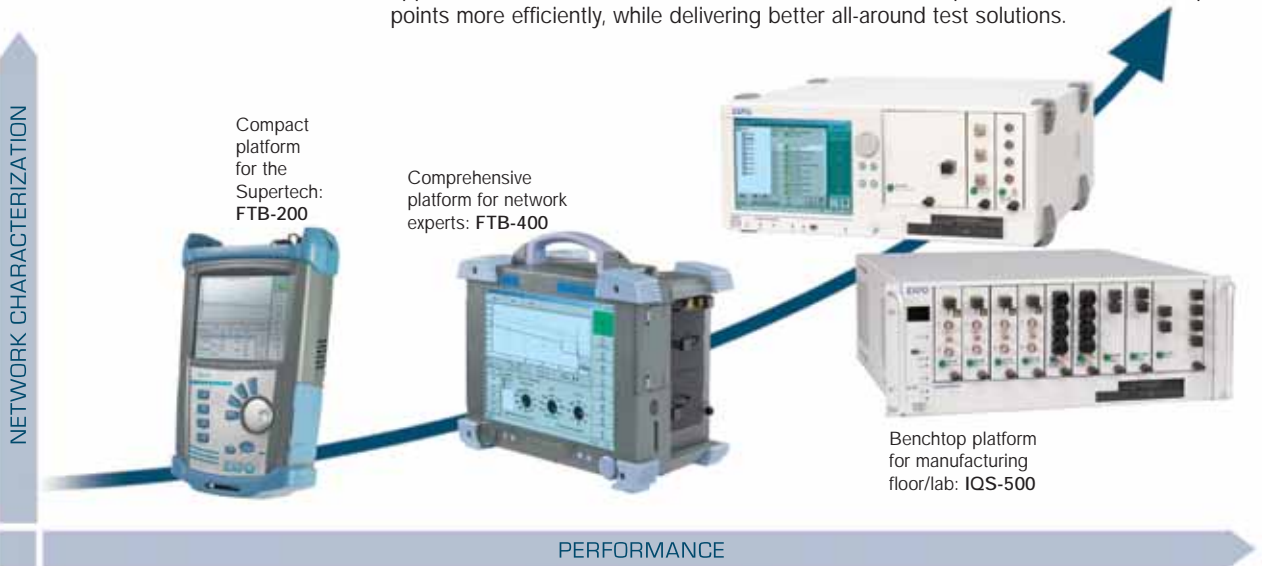
## BREAKING NEW GROUND WITH OUR EXPERTISE

EXFO continues to break new ground in the telecom test and measurement space. For several years, network service providers had built up their core and metropolitan optical networks to handle enormous growth in voice, data and video traffic. As a trusted partner, EXFO was there all along to resolve their complex testing issues with leading-edge test solutions. By enabling the installation, maintenance and troubleshooting of these networks, we inevitably assumed a leadership position. Now that fiber rollouts have shifted to access networks, EXFO is once again at the heart of efforts to bring broadband communications to homes and businesses. We first work closely with lead customers to define the necessary test methods for FTTx deployments and service activation, and then develop the right products to meet their requirements. Case in point: EXFO released the industry's first PON-specific power meter (PPM-350B), a low-cost handheld instrument designed for service activation and troubleshooting of FTTx networks. Our long-standing presence in the industry – 21 years and counting – facilitates this kind of market-driven innovation.

As a result, EXFO has quickly entrenched itself as the dominant player in the high-growth FTTx market segment. In 2006, we remained attuned to our customers' needs by launching the handheld AXS-100 OTDR for FTTx applications and GPON/EPON power meter for higher-bandwidth requirements in access networks. Following the fiscal year-end, we introduced FiberFinder™, a handy device to ensure that live fibers are not inadvertently disconnected in crowded fiber cabinets and patch panels. EXFO also released the next-generation IQS-12001B Cable Assembly and Component Test System, which boasts FTTx component testing capabilities. Once again, it all begins by listening to our customers and deploying our expertise.

## EXTRAORDINARY PLATFORM STRATEGY: GOOD, BETTER AND BEST

EXFO was first-to-market with PC-based, Windows-driven test platforms more than 10 years ago for field-test and manufacturing/lab applications. This common platform strategy enabled us to develop a high-end test solution for one market segment, and then leverage it across other segments to maximize revenues. By reusing technology, we gained the necessary time to develop superior test solutions and establish a sizeable market lead through the release of next-generation platforms (FTB-400 Universal Test System and IQS-500 Intelligent Test System) as well as new test modules. In 2006, we continued to build on our first-mover advantage with the introduction of the cost-effective FTB-200 Compact Platform for the Supertech. This lightweight handheld unit, which can hold up to two field-test modules, has been optimized for multi-medium and multi-layer characterization of access networks. As a result, our "Good, Better and Best" platform approach enables us to meet various customer needs, performance levels and price points more efficiently, while delivering better all-around test solutions.



## EXPANDING MARKET SHARE, IT'S IN OUR DNA

Market-share gains have always been an integral part of EXFO's DNA. We believe that we have grown faster than our end-markets every year since beginning operations in 1985. Confirming our internal numbers, Frost & Sullivan, a leading market research firm in the test and measurement industry, named EXFO recipient of the Growth Strategy Leadership Award for a third consecutive year in 2006. EXFO was the only company to achieve significant organic growth in the fiber-optic test equipment market in calendar 2005, moving from 10.3% to 11.0% for third place in the global industry and from 22.2% to 23.0% for the No. 1 spot in the portable installation and maintenance test market segment. But there's no silver bullet for gaining market share. We will remain diligent in our quest to understand market requirements, develop innovative test solutions and offer best-in-class customer service. Sure enough, these traits also happen to be part of our genetic makeup.



## EXCELLENT FIT WITH CONSULTRONICS

The Consultronics acquisition has proven to be an excellent fit. EXFO had already established itself as the supplier of choice for characterizing fiber-to-the-premises (FTTP) rollouts from the central office to residential and business subscribers. On the other hand, we were forced to hand last-mile testing applications in fiber-to-the-curb (FTTC) and fiber-to-the-node (FTTN) configurations to competitors, since it involved testing copper local loops and related services. Enter Consultronics. This leading supplier of test solutions for copper-based broadband access networks enables EXFO to offer end-to-end test solutions to its customers. Consultronics not only provided a wide range of DSL test sets, but also introduced value-added testing features for IPTV, VoIP and high-speed Internet. End result: EXFO is now leading the way in triple-play deployment testing.

## EXCLUSIVE PROTOCOL TEST PORTFOLIO

Timing is everything in the test and measurement industry. Witness the worldwide trend among telcos towards migrating their traditional, circuit-switched voice networks to packet-based, IP architectures. EXFO, who had the foresight to invest in next-generation IP test technologies for the past three years, is now well-positioned to meet this growing market demand. In 2006, we successively launched next-generation and traditional SONET/SDH test solutions for our three modular test platforms – namely, our FTB-200 Compact Platform for field-testing duties, our FTB-400 Universal Test System for advanced diagnostics in central offices, and our IQS-500 Intelligent Test System, dedicated to manufacturing and R&D applications – for testing transmission rates reaching 10 Gb/s. We also added optical transport network (OTN) testing capabilities, better known as ITU-T G.709, to offer the most compact OTN field-portable test solution on the market in tandem with the FTB-200. In recognition of our exclusive product portfolio for characterizing next-generation and traditional SONET/SDH networks, Frost & Sullivan named us recipient of the 2006 Product Differentiation Innovation Award. This award is presented annually to the telecom test and measurement supplier that best demonstrates the ability to develop products with more innovative capabilities than competing vendors.



## EXCITING DEVELOPMENT IN NETWORK MONITORING

Network service providers are increasingly seeking to improve network reliability through distributed automated network monitoring. EXFO had been an established player in this market segment with its remote fiber test system (RFTS) for monitoring fiber plants. In 2006, we expanded our product offering via turnkey voice and VoIP monitoring test systems from the Consultronics acquisition and gained customer traction, as demonstrated by recent contract wins.

