

# INVESTOR FACT SHEET

## Q4 2006

### Corporate Profile

EXFO is a recognized test and measurement expert in the global telecommunications industry. The Telecom Division, which represents the majority of the company's business, offers a full suite of test solutions and monitoring systems to network service providers, cable TV operators, telecom system vendors and component manufacturers in approximately 70 countries. EXFO is the global market leader for portable optical test solutions and a leading supplier of protocol and access test solutions to enable triple-play deployments and converged IP networking. Its PC/Windows-based modular FTB-200, FTB-400 and IQS-500 test platforms host a wide range of modular test solutions across optical, physical, data and network layers, while maximizing technology reuse across several market segments. The Life Sciences and Industrial Division, which leverages several core telecom technologies, offers value-added solutions in the life sciences and high-precision assembly sectors based on advanced spot-curing, fluorescence microscopy and nanopositioning solutions. For more information about EXFO, visit [www.EXFO.com](http://www.EXFO.com).

### FY 2006 Corporate Performance Metrics

STRATEGIC OBJECTIVE	METRIC	AFTER Q4 2006
Increase sales through market-share gains	25%* sales growth year-over-year	31.9%
Maximize profitability	GAAP operating margin of 5%	6.3%
Focus on innovation	40% of sales from new products (on the market two years or less)	37.1%

\* Sales growth metric was updated at the end of Q2 2006 to reflect mid-year results and Consultronics acquisition.

### Selected Financial Information



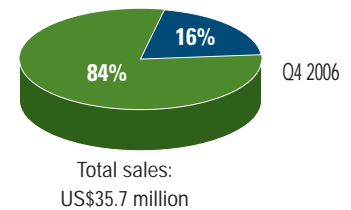
(In thousands of US dollars)

Segmented results:	Q4 2006	Q3 2006	Q4 2005	FY 2006	FY 2005
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Sales:</b>					
Telecom Division	\$ 30,111	\$ 29,935	\$ 21,174	\$ 107,376	\$ 80,120
Life Sciences and Industrial Division	5,622	5,475	5,130	20,877	17,096
<b>Total</b>	<b>\$ 35,733</b>	<b>\$ 35,410</b>	<b>\$ 26,304</b>	<b>\$ 128,253</b>	<b>\$ 97,216</b>
<b>Earnings (loss) from operations:</b>					
Telecom Division	\$ 1,275	\$ 3,696	\$ 523	\$ 6,679	\$ 763
Life Sciences and Industrial Division	1,088	(88)	288	1,383	(962)
<b>Total</b>	<b>\$ 2,363</b>	<b>\$ 3,608</b>	<b>\$ 811</b>	<b>\$ 8,062</b>	<b>\$ (199)</b>
<b>Other selected information:</b>					
GAAP net earnings	\$ 2,910	\$ 3,504	\$ 454	\$ 8,135	\$ (1,634)
Amortization of intangible assets	\$ 1,043	\$ 994	\$ 1,198	\$ 4,394	\$ 4,836
Stock-based compensation costs	\$ 213	\$ 264	\$ 288	\$ 1,032	\$ 963
Impairment of long-lived assets	\$ —	\$ 604	\$ —	\$ 604	\$ —
Grants revenue	\$ —	\$ (1,307)	\$ —	\$ (1,307)	\$ —
Restructuring	\$ —	\$ —	\$ —	\$ —	\$ 292

### Revenue Mix

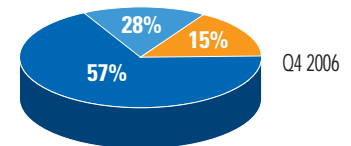
#### Segment Sales

- Telecom Division
- Life Sciences and Industrial Division



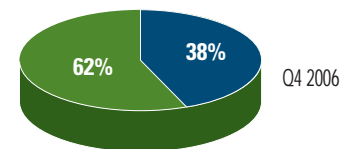
#### Geographic Sales

- Americas
- Asia-Pacific
- EMEA



#### New-Product Sales

- Products on the market two years or less
- Products on the market for more than two years



# Fiscal 2006 and Fourth-Quarter Business Highlights

■ **Market expansion** – EXFO increased its sales 31.9% year-over-year to US\$128.3 million in fiscal 2006 largely due to market-share gains in the telecom test equipment market. At the beginning of the fiscal year, the company had established its corporate sales growth metric at 15%, but the strong performance in the first half of the year coupled with the Consultronics acquisition prompted it to raise the bar to 25%. The Telecom Division and Life Sciences & Industrial Division delivered year-over-year sales growth of 34.0% and 22.1%, respectively. Confirming market-share gains in the optical test equipment market, Frost & Sullivan named EXFO recipient of the Growth Strategy Leadership Award for the third consecutive year. Continuing efforts to diversify its end-markets, EXFO expanded into broadband copper access testing for IPTV and VoIP applications through the Consultronics acquisition. In terms of customer diversity and market expansion, EXFO's top customer represented 13.8% of sales in fiscal 2006 compared to 23.3% in 2005, while sales to Europe, Middle East and Africa (EMEA) and Asia-Pacific improved from 31.9% of sales in 2005 to 40.3% in 2006.

■ **Profitability** – EXFO completed fiscal 2006 with GAAP net earnings of \$8.1 million or \$0.12 per diluted share. In the fourth quarter, GAAP net earnings totaled US\$2.9 million or US\$0.04 per diluted share. Looking at operating margin, it reached 6.3% of sales in 2006, while the company's published goal was 5%. For every additional sales dollar in fiscal 2006 over 2005, US\$0.31 flowed to earnings before income taxes. The company also generated US\$12.3 million in cash flows from operating activities in 2006, raising its cash and short-term investments to \$111.3 million.

■ **Innovation** – EXFO launched two new products in the fourth quarter, including optical transport network (OTN-1/2) testing functionalities for its Transport Blazer field and manufacturing/R&D test modules and the enhanced CoVALT, a handheld tester for digital subscriber line (DSL) circuits and voice-over Internet Protocol (VoIP) services. Altogether, the company released 18 new products in fiscal 2006, compared to 15 in 2005, to strengthen its market position in protocol and IP testing as well as FTTx and broadband deployment testing. Innovation delivered a strong return on investment with products on the market two years or less accounting for 37.1% of sales in 2006, while the stated goal was 40%.



FTB-200 with OTN testing functionalities

## Executive Team

### Germain Lamonde

Chairman of the Board, President and Chief Executive Officer

### Stephen Bull

Vice-President, Research and Development Telecom Division

### Normand Durocher

Vice-President, Human Resources

### Allan Firhoj

Vice-President and General Manager Life Sciences and Industrial Division

### Robert Fitts

Vice-President, Copper Access Product Management

### Étienne Gagnon

Vice-President, Optical and Protocol Layer Product Management

### Luc Gagnon

Vice-President, Telecom Manufacturing Operations

### Juan Felipe González

Vice-President, Global Telecom Sales

### Pierre Plamondon, CA

Vice-President, Finance and Chief Financial Officer

### Dana Yearian

Vice-President, North American Telecom Sales

## Stock Information

(as of August 31, 2006)

Listings: EXFO, NASDAQ: EXF, TSX  
 Shares outstanding: 69.3 million  
 Market capitalization: US\$363.8 million  
 Closing share price: US\$5.25  
 12-month price range: US\$4.32 to US\$8.69

### Contact Information

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All financial information in this document is accurate only for the stated period and is not indicative of the future performance of the company.

[www.EXFO.com](http://www.EXFO.com)

## Financial Highlights

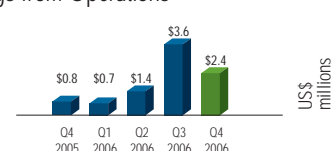
### Sales/Bookings



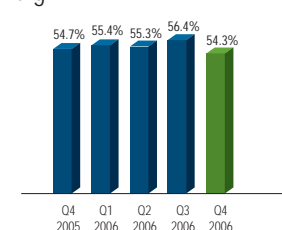
### GAAP Net Earnings



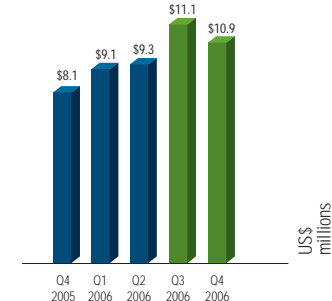
### Earnings from Operations



### Gross Margin



### SG&A



### Gross/Net R&D

