



EXFO Reports Record Sales and Bookings for Second Quarter of Fiscal 2010

- ***Sales increase 16.7% year-over-year to US\$54.1 million***
- ***Bookings improve 22.2% year-over-year to US\$57.8 million, book-to-bill ratio of 1.07***
- ***Earnings from operations reach US\$3.9 million or 7.3% of sales***
- ***NetHawk acquisition expands reach into high-growth 3G and 4G/LTE wireless market***

QUEBEC CITY, CANADA, March 30, 2010—EXFO Inc. (NASDAQ: EXFO; TSX: EXF) reported today record sales and bookings for its second quarter ended February 28, 2010.

Sales increased 16.7% to US\$54.1 million in the second quarter of fiscal 2010 from US\$46.4 million in the second quarter of 2009 and 18.8% from US\$45.6 million in the first quarter of 2010. Net bookings improved 22.2% to US\$57.8 million the second quarter of fiscal 2010 from US\$47.3 million in the same period last year and 10.8% from US\$52.2 million in the first quarter of 2010. The company's book-to-bill ratio was 1.07 in the second quarter of 2010.

Gross margin decreased to 60.0% of sales in the second quarter of fiscal 2010 from 60.4% in the second quarter of 2009 and 63.9% in the first quarter of 2010.

GAAP net earnings in the second quarter of fiscal 2010 totaled US\$1.2 million, or US\$0.02 per diluted share, compared to US\$2.7 million, or US\$0.04 per diluted share, in the same period last year and US\$0.3 million, or US\$0.01 per diluted share, in the first quarter of fiscal 2010. It should be noted that EXFO recorded a pre-tax, foreign exchange loss of US\$1.0 million in the second quarter of fiscal 2010 compared to a gain of US\$1.1 million in the second quarter of 2009 and a loss of US\$1.1 million in the first quarter of 2010. GAAP net earnings in the second quarter of fiscal 2010 included US\$1.5 million in amortization of intangible assets and US\$0.5 million in stock-based compensation costs. The former item resulted in an income tax recovery of US\$0.5 million.

Following the quarter-end, EXFO announced the acquisition of NetHawk Oyj, the second-largest provider of 2G, 3G and 4G/LTE protocol analyzers and network simulators in the wireless test industry, in an all-cash transaction estimated at €37.3 million for all outstanding shares on a fully diluted basis, or €27.6 million excluding NetHawk's net cash. EXFO initially acquired 91% of NetHawk's outstanding shares and is in the process of purchasing the remaining shares pursuant to a statutory procedure under the Finnish Companies Act.

"I'm certainly delighted with the NetHawk acquisition, since its leading 3G and 4G/LTE technologies transform EXFO into a major force in the high-growth, high-margin wireless space and a top-five player in the global telecom test and service assurance industry," said Germain Lamonde, EXFO's Chairman, President and CEO. "I'm equally pleased with our record level of sales and bookings in the second quarter. Given our enhanced strategic positioning and overall improvement in our end-markets, I'm confident this will enable us to accelerate revenues and earnings even faster in the near future."

Unaudited Selected Financial Information
(In thousands of US dollars)

Segmented results:	Q2 2010	Q2 2009	Q1 2010
Sales:			
Telecom Division	\$ 47,951	\$ 41,367	\$ 40,292
Life Sciences and Industrial Division	6,159	5,005	5,268
Total	\$ 54,110	\$ 46,372	\$ 45,560
Earnings from operations:			
Telecom Division	\$ 2,748	\$ 2,117	\$ 2,041
Life Sciences and Industrial Division	1,187	482	687
Total	\$ 3,935	\$ 2,599	\$ 2,728
Other selected information:			
GAAP net earnings	\$ 1,154	\$ 2,655	\$ 334
Selected items included in GAAP net earnings:			
Amortization of intangible assets	\$ 1,502	\$ 1,246	\$ 1,469
Stock-based compensation costs	\$ 469	\$ 325	\$ 418
Income tax effect of the above selected items	\$ (484)	\$ (212)	\$ (471)

Operating Expenses

Selling and administrative expenses totaled US\$16.9 million, or 31.3% of sales, in the second quarter of fiscal 2010 compared to US\$15.8 million, or 34.1% of sales, in the same period last year and US\$15.4 million, or 33.7% of sales, in the first quarter of 2010.

Gross research and development expenses amounted to US\$10.4 million, or 19.2% of sales, in the second quarter of fiscal 2010 compared to US\$8.8 million, or 19.0% of sales, in the second quarter of 2009 and US\$9.8 million, or 21.5% of sales, in the first quarter of 2010.

Net R&D expenses totaled US\$8.8 million, or 16.3% of sales, in the second quarter of fiscal 2010 compared to US\$7.3 million, or 15.8% of sales, in the same period last year and US\$8.3 million, or 18.2% of sales, in the first quarter of 2010.

Second-Quarter Highlights

IP Fixed-Mobile Network Convergence and Broadband Deployments — EXFO announced several new product introductions in the second quarter related to its key growth drivers: IP fixed-mobile network convergence and broadband deployments. Major product launches included the release of a service assurance solution for 4G/LTE mobile broadband networks; the implementation of a new standards-based test (EtherSAM) across EXFO's Ethernet product offering; and a high-resolution optical spectrum analyzer (OSA) for in-depth characterization of 40 Gbit/s or 100 Gbit/s networks. Altogether, EXFO launched six new products in the second quarter of fiscal 2010, while 41.3% of sales were derived from products on the market two years or less. The company also reported that its AXS-200/635 Triple-Play Test Set had been approved by four tier-1 network operators to support their respective deployments of next-generation VDSL2 services and applications. Approximately US\$2 million in orders were recognized in the second quarter of 2010.

Following the quarter-end EXFO announced the acquisition of NetHawk, a leading supplier of 2G, 3G and 4G/LTE wireless test and service assurance solutions. NetHawk enables EXFO not only to expand into the high-growth 3G and 4G/LTE wireless market, but also provide end-to-end solutions that assess the performance and reliability of converged, IP fixed and mobile networks.

Profitable Growth Path — EXFO reported EBITDA of US\$5.7 million, or 10.6% of sales, in the second quarter of fiscal 2010 on revenue of US\$54.1 million compared to EBITDA of US\$6.0 million, or 12.6% of sales, in the second quarter of 2009 on revenue of US\$46.4 million. It should be noted EXFO recorded a pre-tax, foreign exchange loss of US\$1.0 million in the second quarter of 2010 compared to a gain of US\$1.1 million in the same period in 2009. Foreign exchange losses or gains are included in EBITDA. In contrast, the company generated US\$3.9 million in earnings from operations, or 7.3% of sales, in the second quarter of 2010 compared to US\$2.6 million, or 5.6% of sales, in the second quarter of 2009.

Updated Corporate Performance Objectives

Following the recent acquisition of NetHawk, EXFO updated its corporate performance objectives for the same three-year period extending from fiscal 2010 to 2012.

Former Corporate Performance Objectives	New Corporate Performance Objectives
Increase sales by a CAGR of 20%	Increase sales by a CAGR of at least 25%
Raise gross margin to 64%	Raise gross margin to 64%
Double EBITDA* in dollars (CAGR of 26%)	Increase EBITDA* in dollars by a CAGR of at least 30%

* EBITDA is defined as net earnings (loss) before interest, income taxes, amortization of property, plant and equipment, amortization of intangible assets, impairment of goodwill and extraordinary gain.

Business Outlook

EXFO forecasted sales between US\$60 million and US\$65 million and GAAP net results between a loss of US\$0.03 per share and earnings of US\$0.01 per share for the third quarter of 2010. GAAP net results assume an after-tax foreign exchange loss of US\$0.02 per share and include US\$0.04 per share in after-tax amortization of intangible assets and stock-based compensation costs.

This guidance was established by management based on existing backlog as of the date of this press release, seasonality, expected bookings for the remainder of the quarter, current exchange rates, as well as the preliminary allocation of the purchase price of the NetHawk acquisition.

Conference Call and Webcast

EXFO will host a conference call today at 5 p.m. (Eastern time) to review its financial results for the second quarter of fiscal 2010. To listen to the conference call and participate in the question period via telephone, dial 1-416-359-1270. Germain Lamonde, Chairman, President and CEO, and Pierre Plamondon, CA, Vice-President of Finance and Chief Financial Officer, will participate in the call. An audio replay of the conference call will be available one hour after the event until 7 p.m. on April 6, 2010. The replay number is 1-402-977-9141 and the reservation number is 21462627. The audio Webcast and replay of the conference call will also be available on EXFO's Website at www.EXFO.com, under the Investors section.

About EXFO

EXFO is a leading provider of next-generation test and service assurance solutions for wireless and wireline network operators and equipment manufacturers in the global telecommunications industry. The Telecom Division, which accounts for more than 90% of the company's revenues, offers core-to-edge solutions that assess the performance and reliability of converged, IP fixed and mobile networks. Key technologies supported include 3G, 4G/LTE, IMS, Ethernet, OTN, xDSL, and various optical technologies accounting for an estimated 33% of the portable fiber-optic test market. The Life Sciences and Industrial Division provides solutions in medical device and opto-electronics assembly, fluorescence microscopy and other life science sectors. EXFO has a staff of approximately 1,600 people in 25 countries, supporting more than 2,000 customers worldwide. For more information, visit www.EXFO.com.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and we intend that such forward-looking statements be subject to the safe harbors created thereby. Forward-looking statements are statements other than historical information or statements of current condition. Words such as may, will, expect, believe, anticipate, intend, could, estimate, continue, or the negative or comparable terminology, are intended to identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events and circumstances are considered forward-looking statements. They are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those in forward-looking statements due to various factors including our ability to successfully integrate our acquired and to-be-acquired businesses; fluctuating exchange rates; consolidation in the global telecommunications test, measurement and service assurance industry and increased competition among vendors; capital spending levels in the telecommunications, life sciences and high-precision assembly sectors; concentration of sales; the effects of the additional actions we have taken in response to economic uncertainty (including our ability to quickly adapt cost structures with anticipated levels of business, ability to manage inventory levels with market demand); market acceptance of our new products and other upcoming products; limited visibility with regards to customer orders and the timing of such orders; our ability to successfully expand international operations; the retention of key technical and management personnel; and future economic, competitive, financial and market condition.

Assumptions relating to the foregoing involve judgments and risks, all of which are difficult or impossible to predict and many of which are beyond our control. Other risk factors that may affect our future performance and operations are detailed in our Annual Report, on Form 20-F, and our other filings with the U.S. Securities and Exchange Commission and the Canadian securities commissions. We believe that the expectations reflected in the forward-looking statements are reasonable based on information currently available to us, but we cannot assure you that the expectations will prove to have been correct. Accordingly, you should not place undue reliance on these forward-looking statements. These statements speak only as of the date of this press release. Unless required by law or applicable regulations, we undertake no obligation to revise or update any of them to reflect events or circumstances that occur after the date of this document.

Non-GAAP Financial Measure

EXFO provides a non-GAAP financial measure (EBITDA*) as supplemental information regarding its operational performance. EXFO uses EBITDA for the purposes of evaluating its historical and prospective financial performance, as well as its performance relative to competitors. This measure also helps EXFO's management to plan and forecast future periods as well as to make operational and strategic decisions. EXFO believes that providing this information to investors, in addition to GAAP measures, allows them to see the company's results through the eyes of management, and to better understand historical and future financial performance.

The presentation of this additional information is not prepared in accordance with GAAP. Therefore, the information may not necessarily be comparable to that of other companies and should be considered as a supplement to, not a substitute for, the corresponding measures calculated in accordance with GAAP.

The following table summarizes the reconciliation of EBITDA to GAAP net earnings (in thousands of US dollars):

	<u>Q2 2010</u>	<u>Q2 2009</u>	<u>Q1 2010</u>
GAAP net earnings for the period	\$ 1,154	\$ 2,655	\$ 334
Add (deduct):			
Amortization of property, plant and equipment	1,312	1,049	1,291
Amortization of intangible assets	1,502	1,246	1,469
Interest (income) expense	76	(175)	42
Income taxes	1,668	1,209	1,243
EBITDA for the period	<u>\$ 5,712</u>	<u>\$ 5,984</u>	<u>\$ 4,379</u>
EBITDA in percentage of sales	<u>10.6%</u>	<u>12.9 %</u>	<u>9.6 %</u>

* EBITDA is defined as net earnings before interest, income taxes, amortization of property, plant and equipment and amortization of intangible assets.

For more information

Vance Oliver
 Manager, Investor Relations
 (418) 683-0913, Ext. 3733
vance.oliver@exfo.com