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# Acquisition of Navtel Communications

**EXFO**

EXPERTISE REACHING OUT

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# Forward-Looking Statements

Certain statements in this presentation, or given in response to your questions, may constitute forward-looking statements within the meaning of the Securities Act of 1934. The Private Securities Litigation Reform Act of 1995 provides “safe-harbors” for such forward-looking statements and we intend that any forward-looking statements made today be subject to the safe harbors. We caution you that any forward-looking statements are just predictions. They are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those projected in forward-looking statements and we invite you to review the company’s most recent filings with the Securities and Exchange Commission or Canadian securities commissions for a discussion of the factors at risk.

This presentation is being made on March 26, 2008, and the content is accurate only for this date. Unless required by law or applicable regulations, EXFO will not be reviewing or updating the material that is contained herein.

# Transaction Highlights

- EXFO acquires Navtel Communications for C\$11.0 M (all-cash deal)
- Expected to be neutral to earnings for remainder of FY 2008 and accretive in FY 2009, excluding amortization of intangible assets
- No plans to restructure company
- No dilution to shareholders to maximize value creation
- Future income tax assets of approximately C\$15 M

# Overview of Navtel Communications

- Privately held Navtel brings a wealth of technology, expertise and relationships after >30 years in the test and measurement industry
  - Founded in 1976 to focus on testing datacom and packet networks
  - Acquired by GN Great Nordic in 1990 and re-branded as GN NetTest Canada (focused on testing ATM networks for NSPs)
  - Management team and VCs bought out company in 2003 to re-focus on emerging network technologies
- Leading supplier of test solutions for high-growth IMS & VoIP markets
- Posted sales of C\$5.7 M and a GAAP net loss of C\$0.5 M in CY 2007
- High gross margin (>80%)
- About 35 employees, mainly in Toronto area
- Global customer relationships with leading NEMs and NSP labs
- Strong management team remaining on-board

# Rationale – Why

- Strategically expands EXFO's fast-growing protocol test segment
  - Protocol sales CAGR >60% over last two years; strong growth in first half of FY 2008
- EXFO is moving higher up the innovation chain
  - Network equipment manufacturers (NEMs) are driving innovation
  - These innovations can be leveraged throughout full technology lifecycle
  - NEMs largely influence NSP network choices
  - Expanding addressable market
- Navtel's products address rapidly growing IMS and VoIP test segments
- IMS is the proposed architecture for quadruple IP convergence
- Navtel has strong relationships with Tier-1 NEMs worldwide
- Significant synergies (sales channels, customer relationships, technology transfer, etc.)
- Complements EXFO's product offering
  - IQS-600 platform, NGE SONET/SDH/OTN/10GigE Power Blazer, 40G/43G Transport Blazer for NEMs
  - Best-of-class portable solutions for NSPs

# Strengthens Presence at NEMs and NSP Labs

At NEMs: R&D → Manufacturing → Field Installation



At NSPs: Carrier Labs → Field Installation

## At NEMs

- Navtel's solutions complement EXFO's IQS platform for NEM applications (recent launches: IQS-600 platform, IQS-81X0 NGE SONET/SDH/OTN/10GigE, IQS-8140 40/43G, Optical)
- Completes portable offering to NEM installation teams (EXFO is world's 2<sup>nd</sup> largest supplier)
- Expanding sales team, account relationships and coverage
- Moving up to software-intensive Application Layer (L4-L7)
- Strengthening NSP influence/earlier in technology cycle

## At NSPs

- Strengthening presence at NSP labs
- Complements EXFO's IQS and FTB product offering
- Earlier presence in technology cycle
- Moving up to software-intensive Application Layer
- Leveraging NSP lab's influence for portable product selections
- Increasing market coverage at NSP labs

# Navtel's Value Proposition to Customers

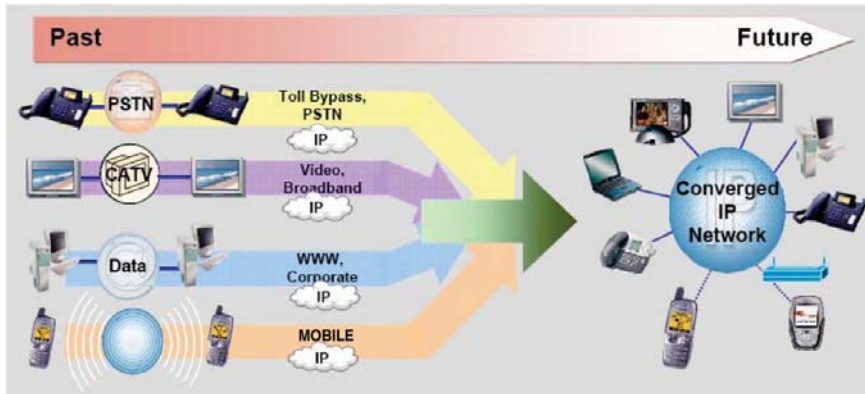
## Network Equipment Manufacturers

- Cost-effective, easy-to-use and scalable simulation and analysis platform that facilitates all phases of the product lifecycle
- Capacity, performance, stress and load testing
- Multi-user, scalable hardware and software solution delivers the industry's lowest cost of ownership

## NSP Labs

- Cost-effective simulation and analysis platform that helps NSPs determine optimal network technologies, plan for deployment, and assess the realistic performance specifications of the planned network
- Evaluate and qualify next-generation switches, routers, session border controllers and media gateways

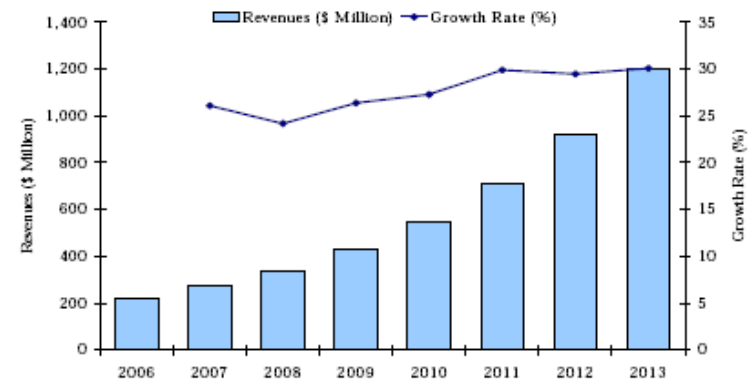
# IMS: Critical Architecture for IP Convergence



Source: Industry Canada.

- IMS allows wireline and wireless carriers to use a common IP application platform to deliver new multi-media services that can be combined with legacy services across a number of different access technologies.

Total IMS Test and Monitoring Equipment Market: Revenue Forecasts (World), 2006-2013



Note: All figures are rounded; the base year is 2007. Source: Frost & Sullivan

- IMS test & monitoring market estimated at \$274 M in 2007
- Navtel addressed about \$130 M of this market (IMS testing) in 2007
- Market CAGR of 27.9% from 2007 to 2013
- NEMs represented 65.8% and NSPs 34.2% of market in 2007



# Navtel Products

## InterWatch®

### Next-Generation Communications Session Testing

Powerful bench-top modular solution that performs the most scalable, concurrent testing for next-generation session border controllers and advanced routers and switches.

## Session Border Controller Testing

### SIP signaling and RTP media gen/analysis

- Emulates up to 256,000 SIP User Agents on a single chassis
- Supports up to 128,000 concurrent RTP streams on a single chassis



## IMS/TISPAN (“BGF”) Performance Test Suite

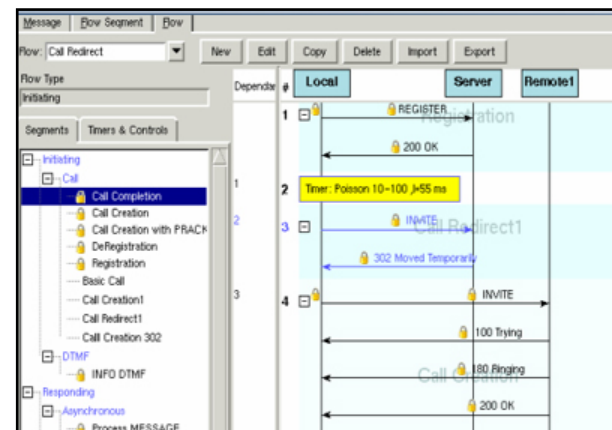
Simulates both the SIP endpoints and the Border Gate Controller (H.248 communication to the gateway)

- Flexible Call Flow Editor using Ladder Diagram Support
- Simulates 384,000 subscribers for BGF testing

## PacketCable (“CMS”) Performance Test Suite

Emulates hundreds of thousands of Packet Cable Access network devices (MTAs)

Plus hundreds of Cable Modem Termination Systems (“CMTSs”) and generates high volumes of Network Call Signaling (“NCS”), IP Security and Dynamic Quality of Service (“D-QoS”) traffic



# Navtel Products

## SIP User Agent Performance Test Tool

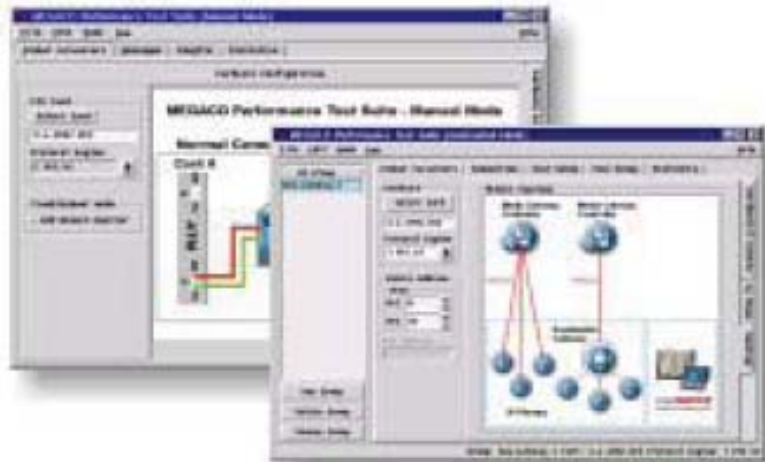
### Call flow customization

SIP User Agent Functional and Performance Test Tool emulates multiple User Agents or Media Gateway Controllers and provides users with a flexible manual mode

## ISUP Performance Test Suite

### SIP signaling and RTP media gen/analysis

ISUP Performance Test Suite is an advanced hardware and software solution that emulates the whole SS7 network and generates high volumes of ISUP traffic



## Media Gateway Controller Test Tool

### Generates high volumes of calls to Media Gateway Controllers

MEGACO/H.248 MGC Functional and Performance Test Tool emulates multiple high-performance Media Gateways and provides users with a flexible manual mode

## SIP FLEX – New Product!

### Simulate real-world network traffic and call completion

SIP FLEX is a new application that allows InterWatch to test other elements within an IMS network such as Call Session Control Functions (i.e., P-CSCF, I-CSCF, S-CSCF), Media Servers and Application Servers

- Simulate 80% basic calls , 10% call hold, 10% call forward, 5% three-way calls – 70% of calls are answered, 10% of subscribers are busy, 10% of subscribers do not answer, 10% of calls are dropped



# Customers

## Network Equipment Manufacturers



## Network Service Providers



- Navtel's customer base expands EXFO's relationships with Tier-1 NEMs
- NEMs are key drivers of the innovation curve
- Most expenditures now taking place during pre-deployment (NEMs and NSP labs)
- EXFO intends to leverage its global, Tier-1 NSP customer base to build on Navtel's relationships with NSP labs

# Summary

- Accelerating EXFO's growth in protocol test segment
  - >60% sales CAGR in last two years; strong growth in first half of FY 2008
- Expanding into high-growth IMS and VoIP test markets
- Moving up the innovation chain with R&D/NEMs and NSP labs
- Cross-synergies in sales and technology
- Complements EXFO's offering to NEMs (IQS and FTB test solutions)
- Strong relationships with Tier-1 NEMs worldwide