



# Investor Presentation

**ROTH 2007 New York Conference**

Connectivity Unlimited™

# **MRV Forward-Looking Statements**

**This presentation contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, and is subject to the safe harbor created by that section. These forward-looking statements include statements by MRV's management team relating to the competitive environment in 2007 and the Company's expectations of future success in achieving its objectives. Any forward-looking statements in this press release/teleconference/presentation are subject to a number of risks and uncertainties, including the strength of the overall economy and the high technology market in particular, competition, product development efforts, and acceptance of MRV Communications' current and future products. Actual results could differ materially from those projected in our forward-looking statements. For further information regarding risks and uncertainties associated with MRV's business, please refer to the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and "Risk Factors" sections of MRV's SEC filings, including, but not limited to, its annual report on Form 10-K and quarterly reports on Form 10-Q, copies of which may be obtained by contacting MRV's investor relations department or at MRV's investor relations website at <http://ir.mrv.com>.**

**All information in this presentation is as of September 5, 2007. MRV undertakes no duty to update any forward-looking statement to conform the statement to actual results or changes in MRV's expectations.**



## **Important Information Regarding Non-GAAP Financial Measures**

**During this presentation references to financial measures of MRV will include references to non-GAAP financial measures for the periods provided. These non-GAAP financial measures exclude the non-cash share-based compensation expense as a result of the adoption of SFAS No. 123(R) on January 1, 2006 and impairments of purchased intangible assets. Prior period amounts have not been restated to include share-based compensation expense, as permitted by SFAS No. 123(R). A reconciliation between GAAP and non-GAAP financial information is available on the MRV website at [ir.mrv.com](http://ir.mrv.com).**

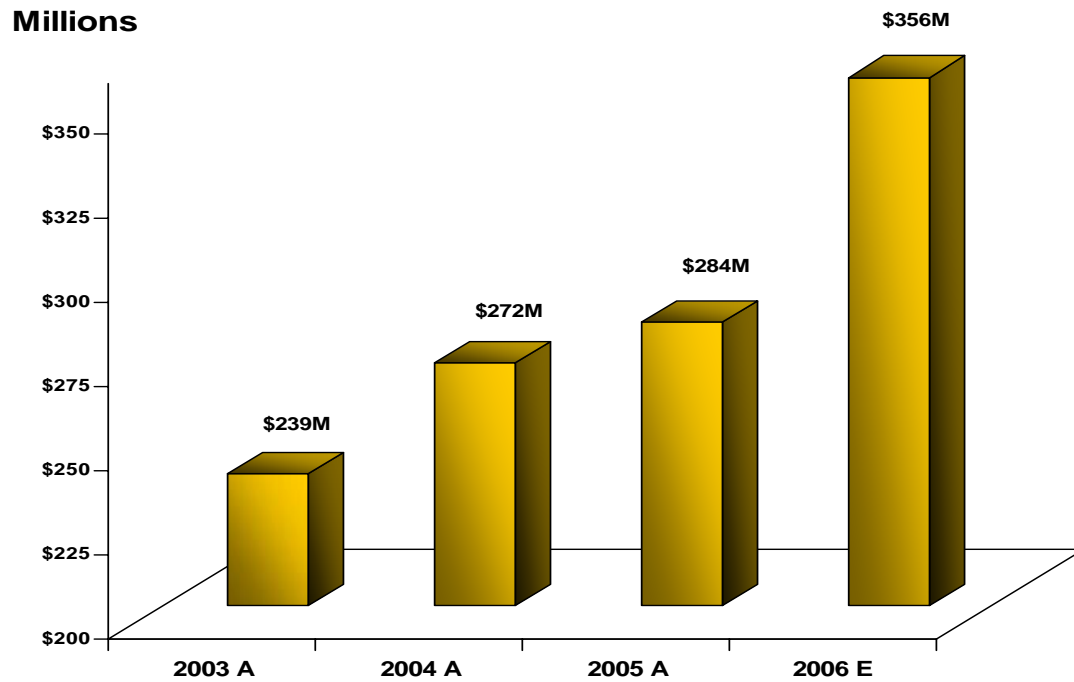
# **MRV** Highlights

- Fast growing market opportunities
  - Metro Ethernet
  - Data Center / Lab Infrastructure
  - Fiber to the Home
  - 10gb/s Transceivers
- Solid Revenue Growth
  - Q2'07 consolidated revenue up 17% year-over-year
  - FY'06 consolidated revenue up 26% year-over-year
- Closed Fiberxon Inc. Acquisition On July 1, 2007
  - Combination of Fiberxon and Luminent creates one of the largest, most comprehensive manufacturers of optical transceivers for telecommunications networks

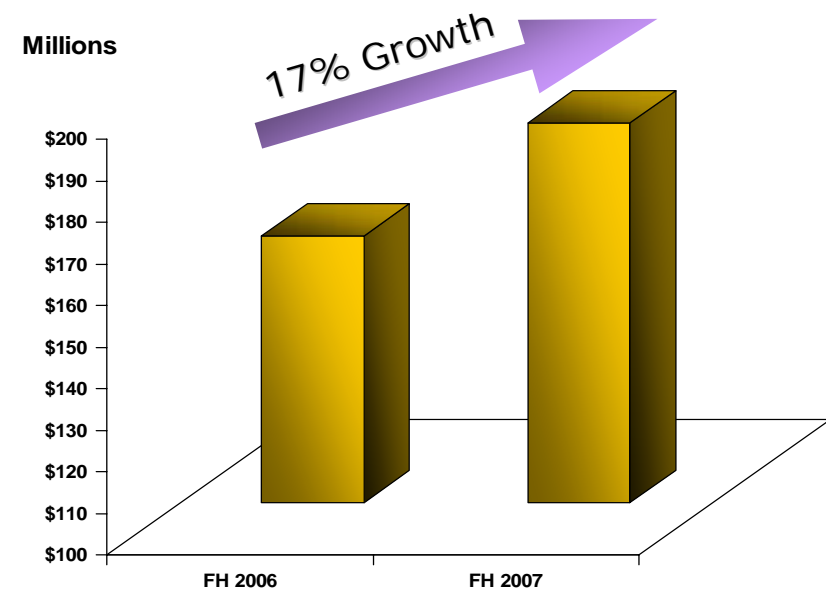


# Strong Revenue Growth

## Annual Revenue 2003 – 2006



## Revenue FH06 vs. FH07





**source**  
P H O T O N I C S

**(Luminent & Fiberxon Inc. Combined Company)**



# Source Photonics - Highlights

Luminent 

&

  
*Fiberxon*

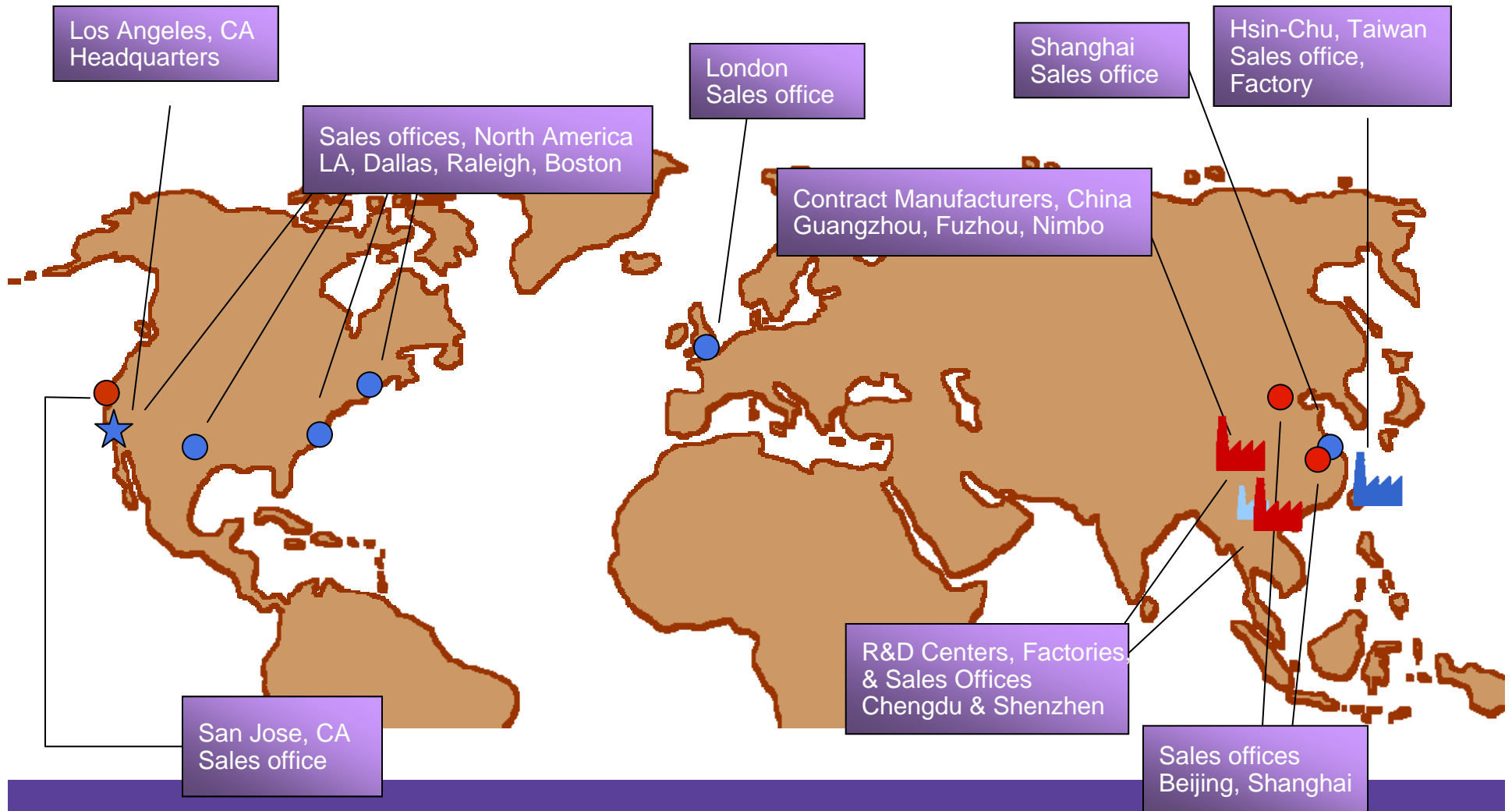
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- Overview
  - Key facilities in California, Taiwan, and China
  - ~1600 employees primarily in China and Taiwan based manufacturing facilities, corporate headquarters in California, and a worldwide sales force through regional offices and distribution partners
  - Cost efficient company with high technology and R&D capability
  - Global customer base and support services
- Leading product line of PON-related products for FTTP
- Broad portfolio of transceivers covering Enterprise, Access, and Metro Area Networks



# Global Presence, Global Scale



Connectivity Unlimited™



# Global Customer Base



Connectivity Unlimited™

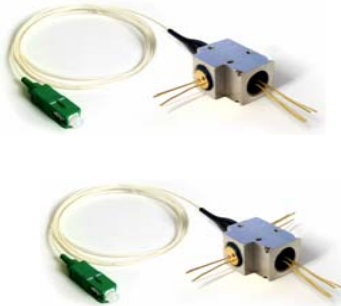


# Current FTTP Product Line



WDM SFP Transceivers  
Metro Rings

**BPON  
GPON**



Diplexer & Triplexer  
Optical Blocks



SFF Diplexer Transceivers  
Digital ONT (IPTV)

**GEPON  
GPON**



ITR/ITC/ITD  
Triplexer transceivers  
With video overlay



Bi-directional SFP  
OLT Head end

**GEPON  
GPON**

**Increasing Integration and Functionality**

Connectivity Unlimited™

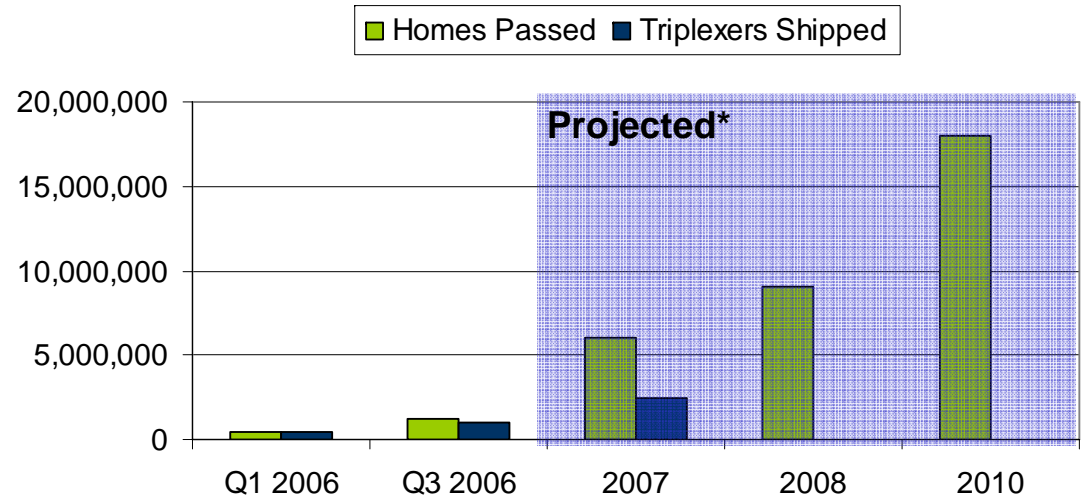


# Leading FTTP Market Position

- Leading supplier of FTTP optical components
  - First to develop video and data triplexer in 1998
  - 1<sup>st</sup> to market; Technology leader
  - More than 1,300,000 SFU ONT triplexers shipped
  - 90+% market share of BPON Market
  - Clear volume leader for GPON transceivers
  - Strong GEPON presence in Asia



## Verizon FiOS Deployment Plan

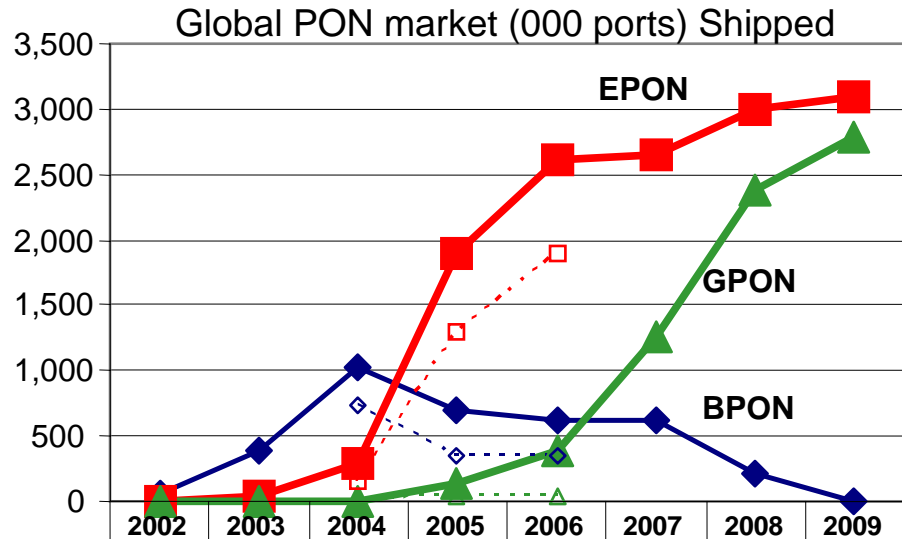




# Worldwide PON Market Forecast

DATA SOURCES:



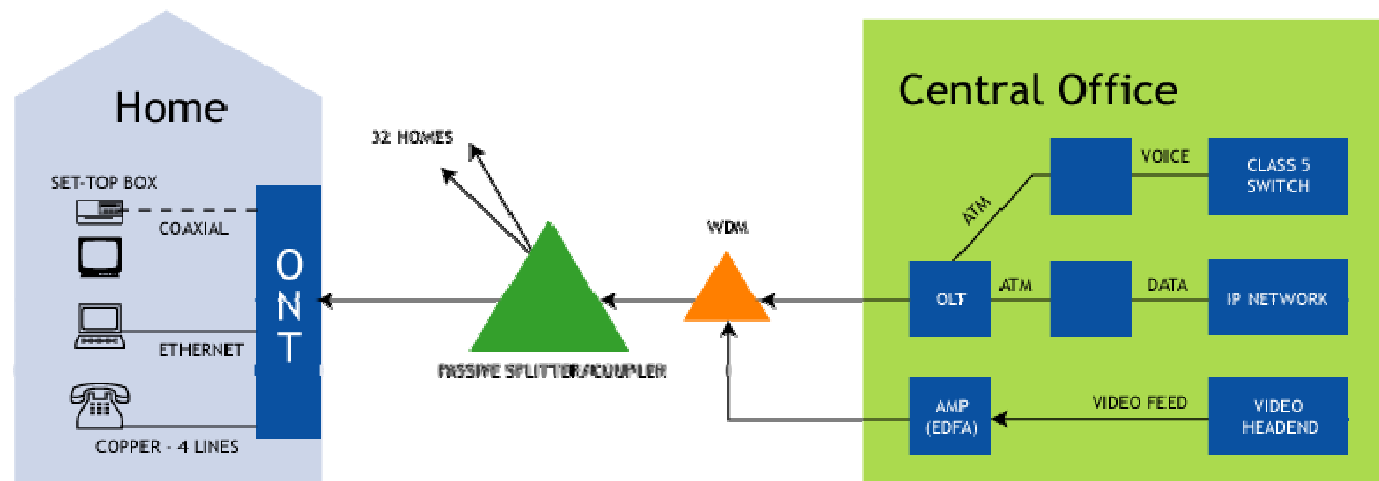
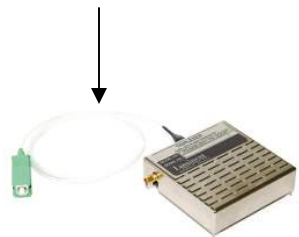


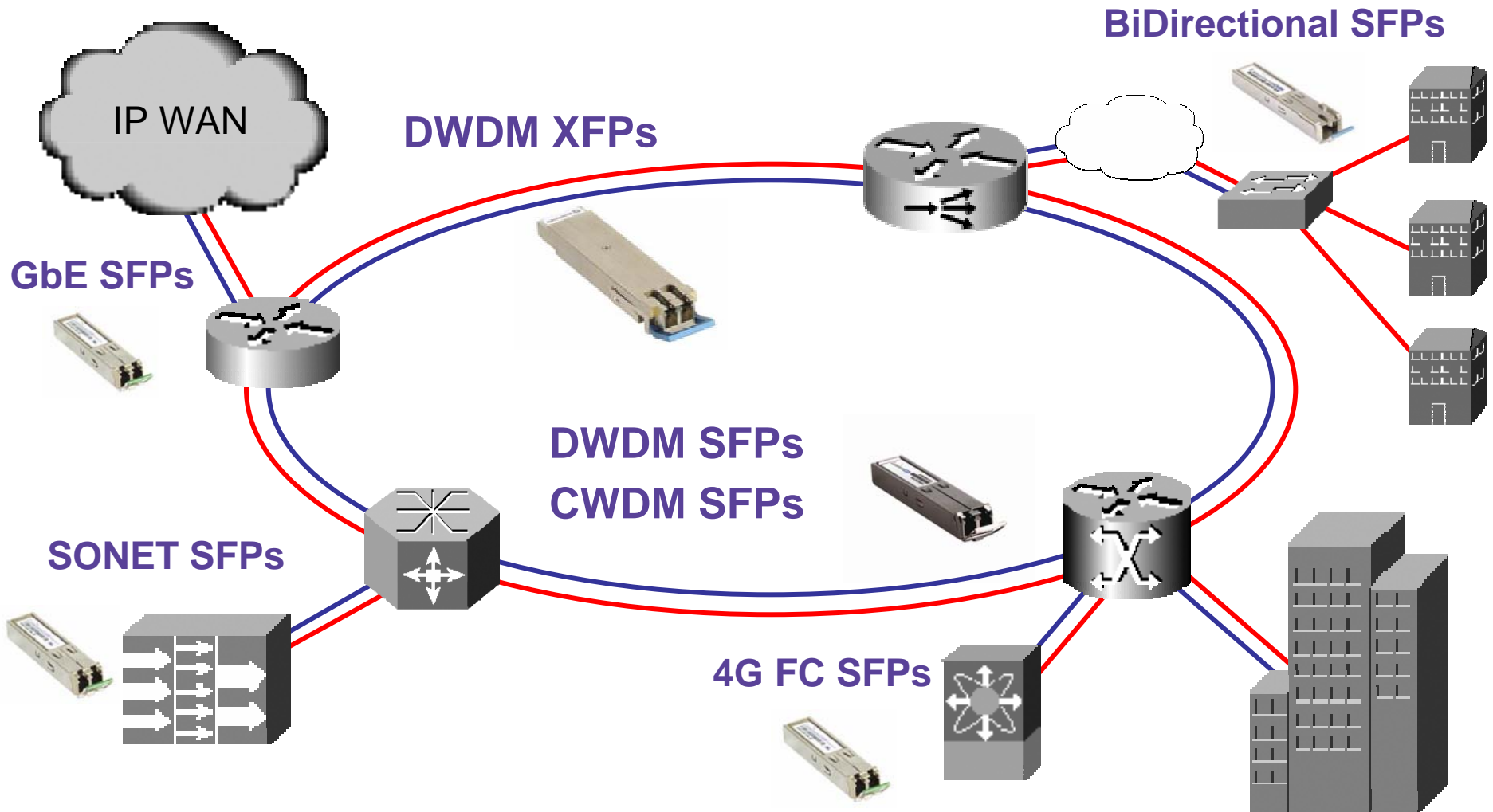
—◆— BPON - BBTrends	60	389	1,026	701	618	614	205	0
—■— EPON - BBTrends	4	33	290	1,902	2,612	2,644	2,992	3,092
—▲— GPON - BBTrends	0	1	7	140	381	1,248	2,373	2,791
- - -◆- - - BPON - Dell'Oro			737	347	344			
- - -■- - - EPON - Dell'Oro			155	1,304	1,902			
- - -▲- - - GPON - Dell'Oro			21	36	47			

- Customer retention
- Provides much needed Cable TV services
- Ultra-fast broadband connectivity
- Significant OPEX savings



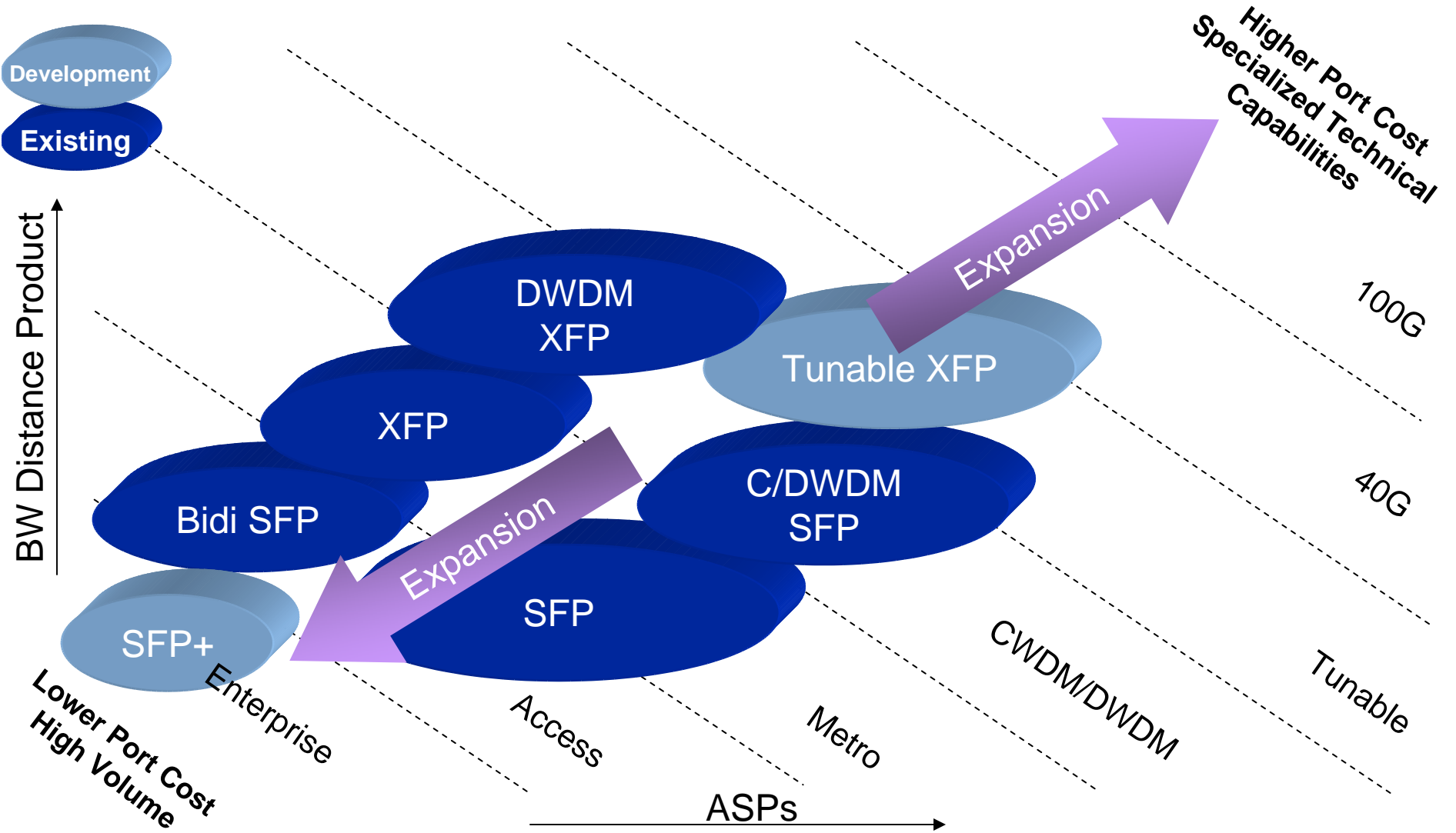
**Luminent  
Integrated  
Triplexer  
One Per Home**





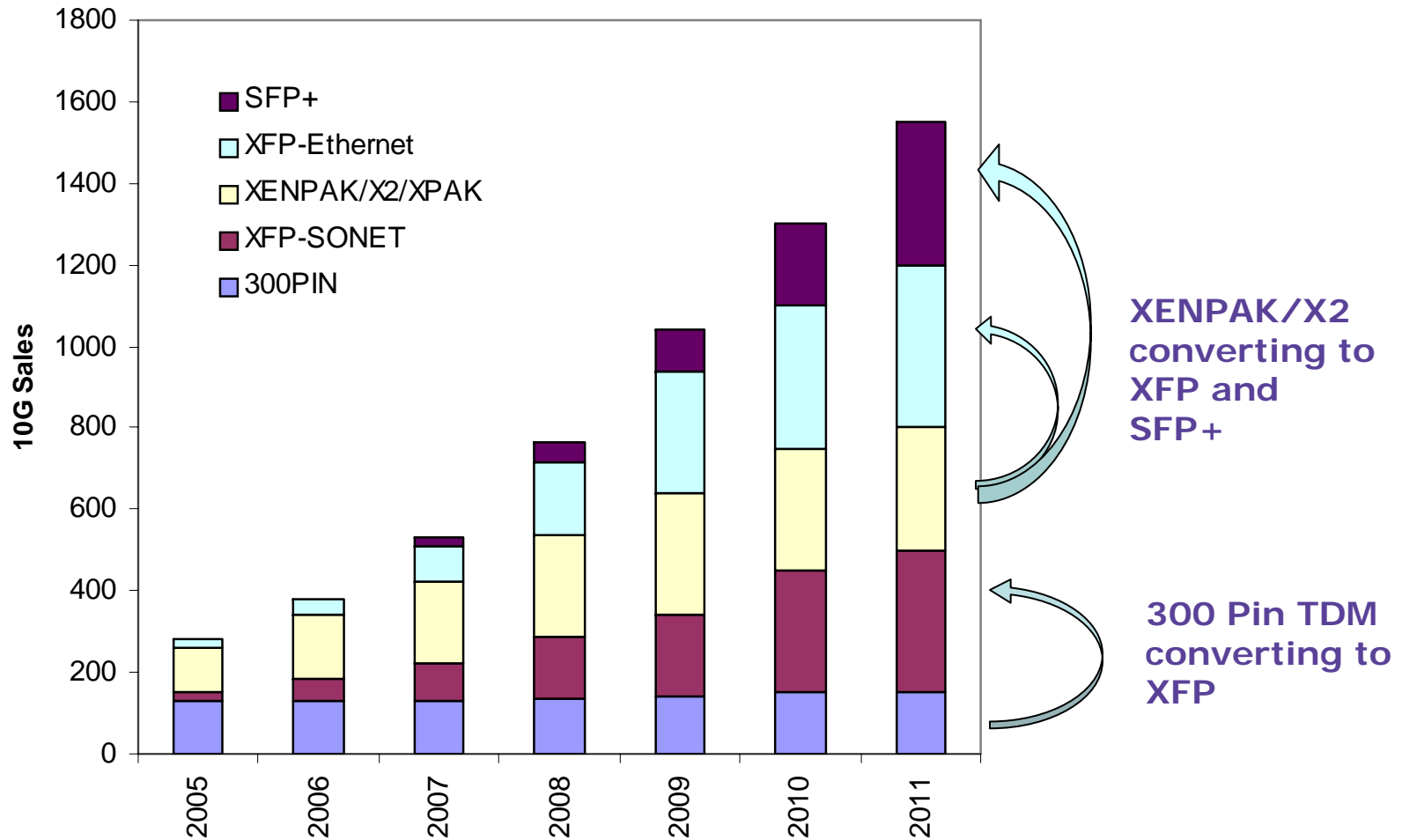


# Current Transceiver Market Coverage

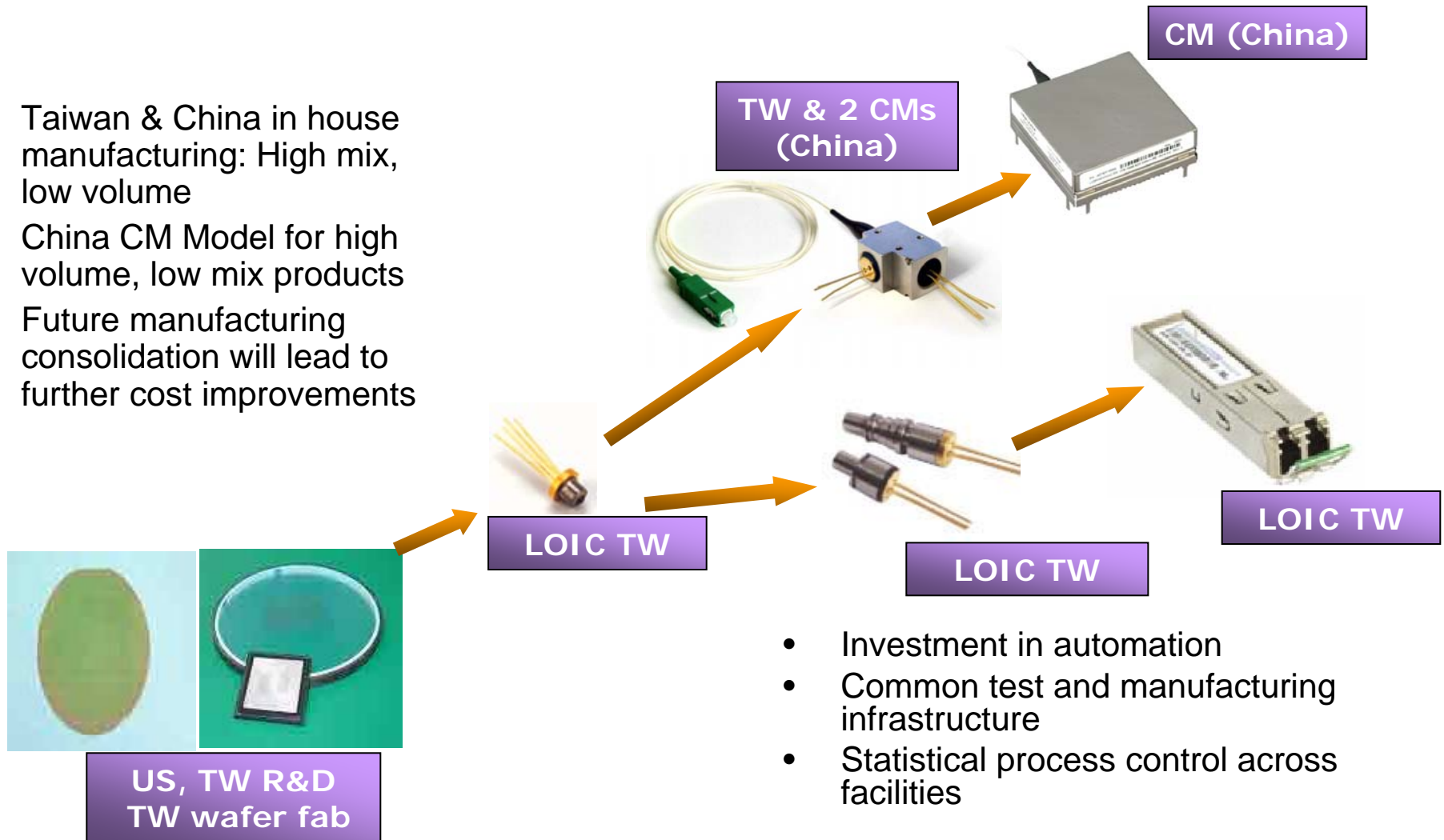




# 10G Transceiver Market Projection



- Taiwan & China in house manufacturing: High mix, low volume
- China CM Model for high volume, low mix products
- Future manufacturing consolidation will lead to further cost improvements



- Investment in automation
- Common test and manufacturing infrastructure
- Statistical process control across facilities



# Source Photonics - Long-Term Vision

Luminent 

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*Fiberx*on

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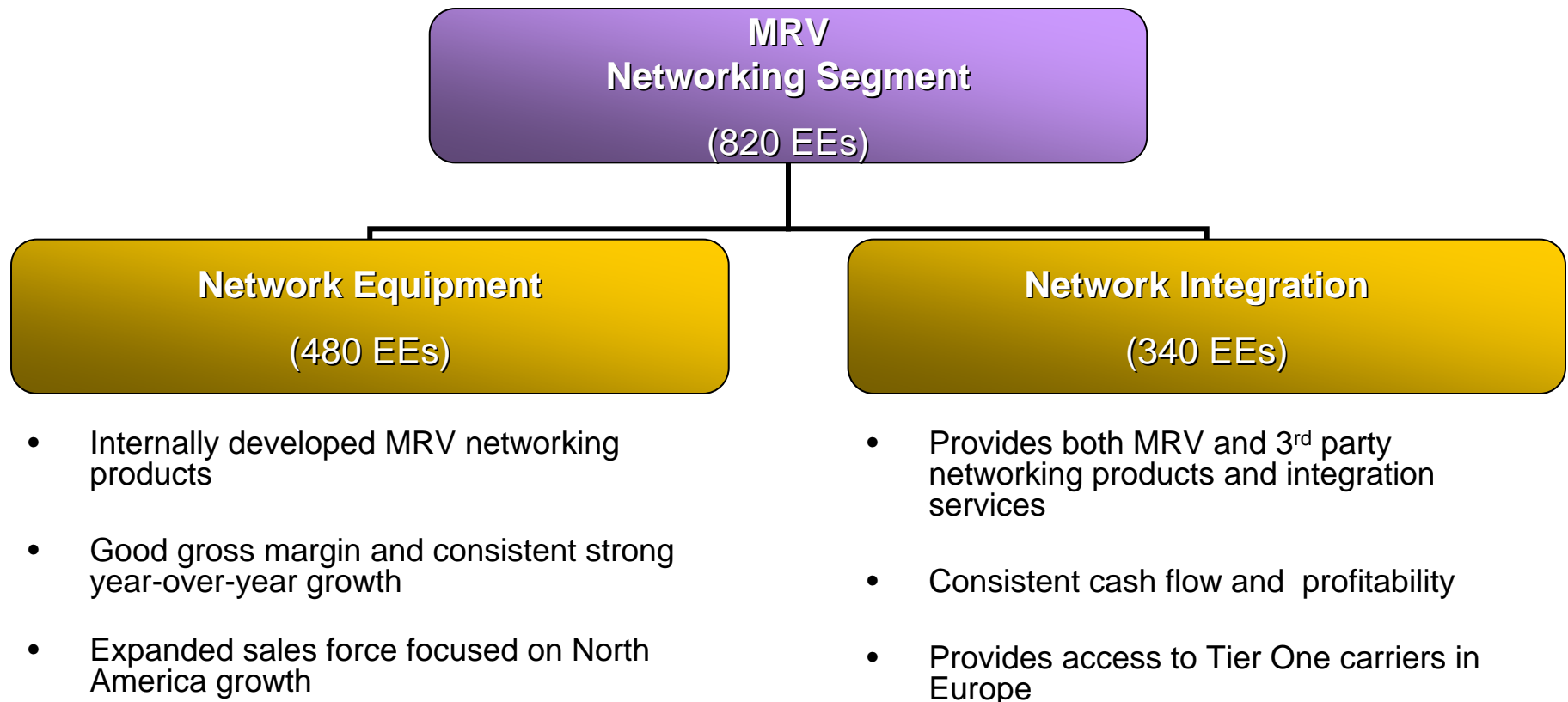
- Worldwide leader in PON transceivers
  - Leverage highest volume and best technologies
- High growth disruptive company in Metro/Access transceivers
  - Cost efficient company with high technology capability
- Long-term Tier 1 player
  - Deliver on: Technology innovation, Operation Efficiency, and Customer Relationship
- Financial Excellence
  - Strong revenue growth
  - Long-term target of gross margin in 25% to 30% range
  - Long-term target of operating cost as a percent of revenue of 15%



# Networking Business

Connectivity Unlimited™

# **MRV Networking Business**



# MRV Network Equipment - Sample Customers



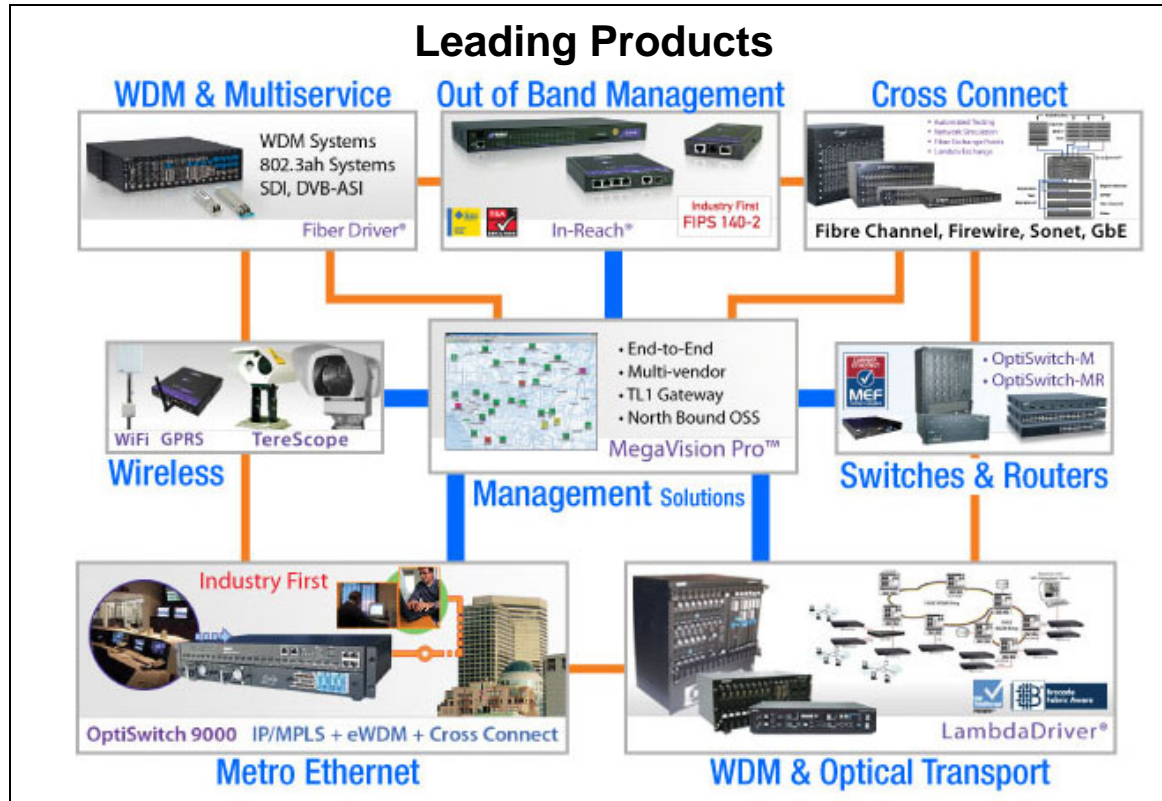
CALTECH



Bank of America



## Leading Products



TeliaSonera



Lucent



PHILIPS

NORTHROP GRUMMAN



H&R BLOCK®

Connectivity Unlimited™

# Network Equipment - Markets Addressed

Market	MRV Product Family	Representative Customer
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Metro Ethernet	Metro Access and Aggregation and Optical Transport (10GE, WDM)	
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Data Center Management & Control	Out-of-Band Networking (OOBN), Power, Console Sensor and Configuration Management	
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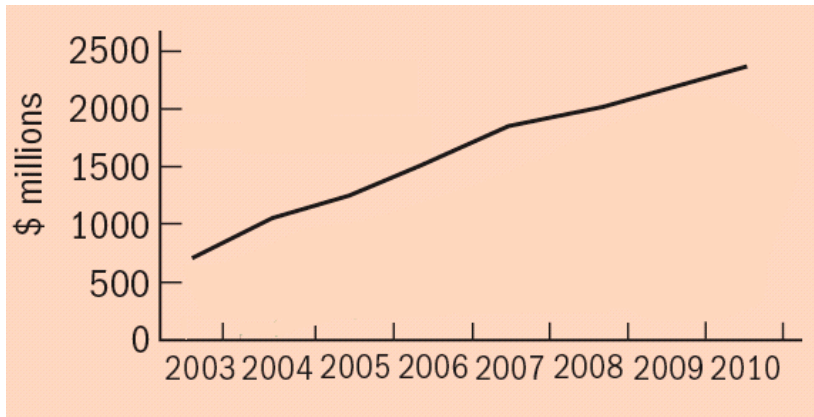


Defense	Various military applications	
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# MRV Market Opportunities

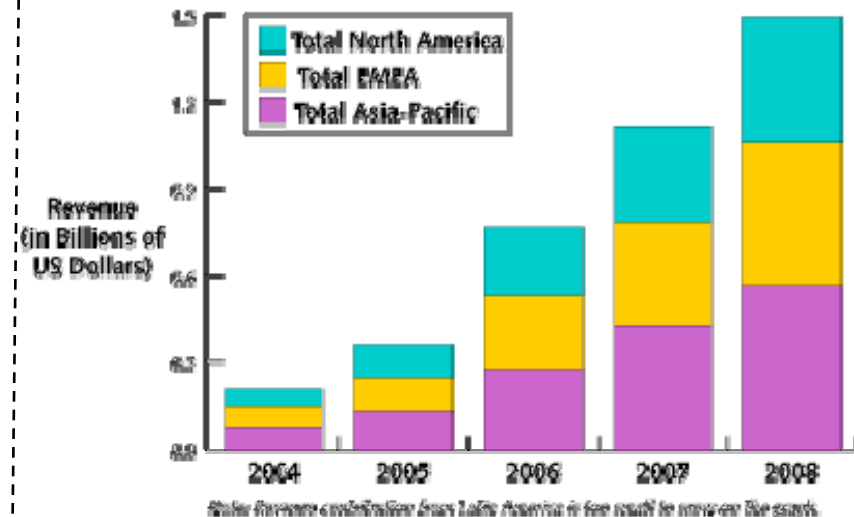
## WDM Metro growth



According to Ovum-RHK's December 2005 forecast

**Worldwide Optical Market (MFG Revenue)**  
**\$8.4 Billion – 22% Y/Y growth**

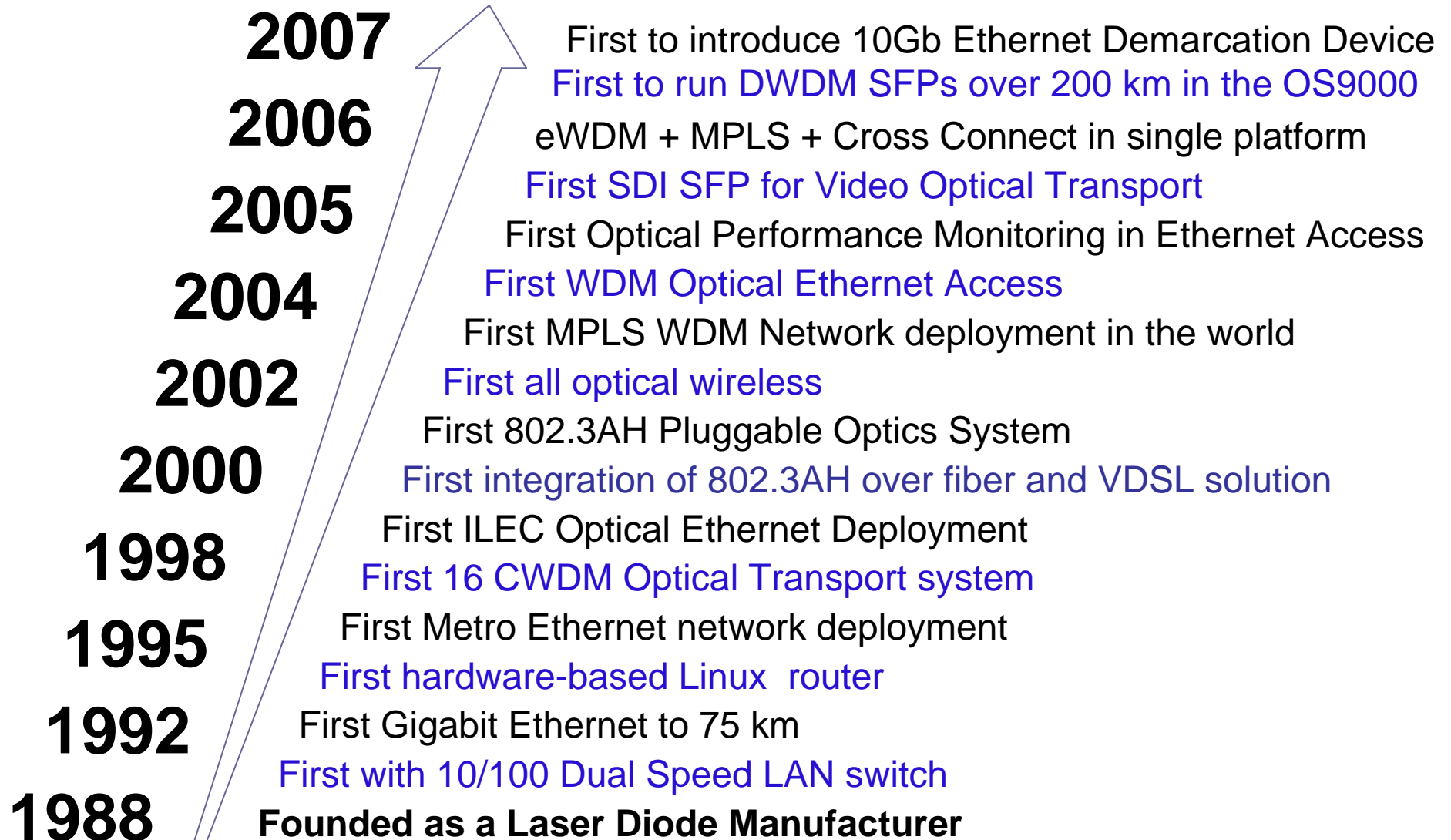
## Worldwide Carrier Ethernet Forecast



**Double-Digit Growth Rates**  
**Expected for Next Two Years**

**Dell'Oro Group Forecasts Ethernet Switch Market**  
**Revenues to Exceed \$18 Billion in 2010**

# **MRV** 19 Years of Optical Innovation





# Engineering Excellence and Industry Recognition



NXTcomm



MRV won “Best of Show for Technology” where the Optiswitch 930, the first 10Gb Ethernet demarcation device, was voted NXTcomm’s “Best of Show for Optical Innovation in Optical Networking.”

F R O S T & S U L L I V A N

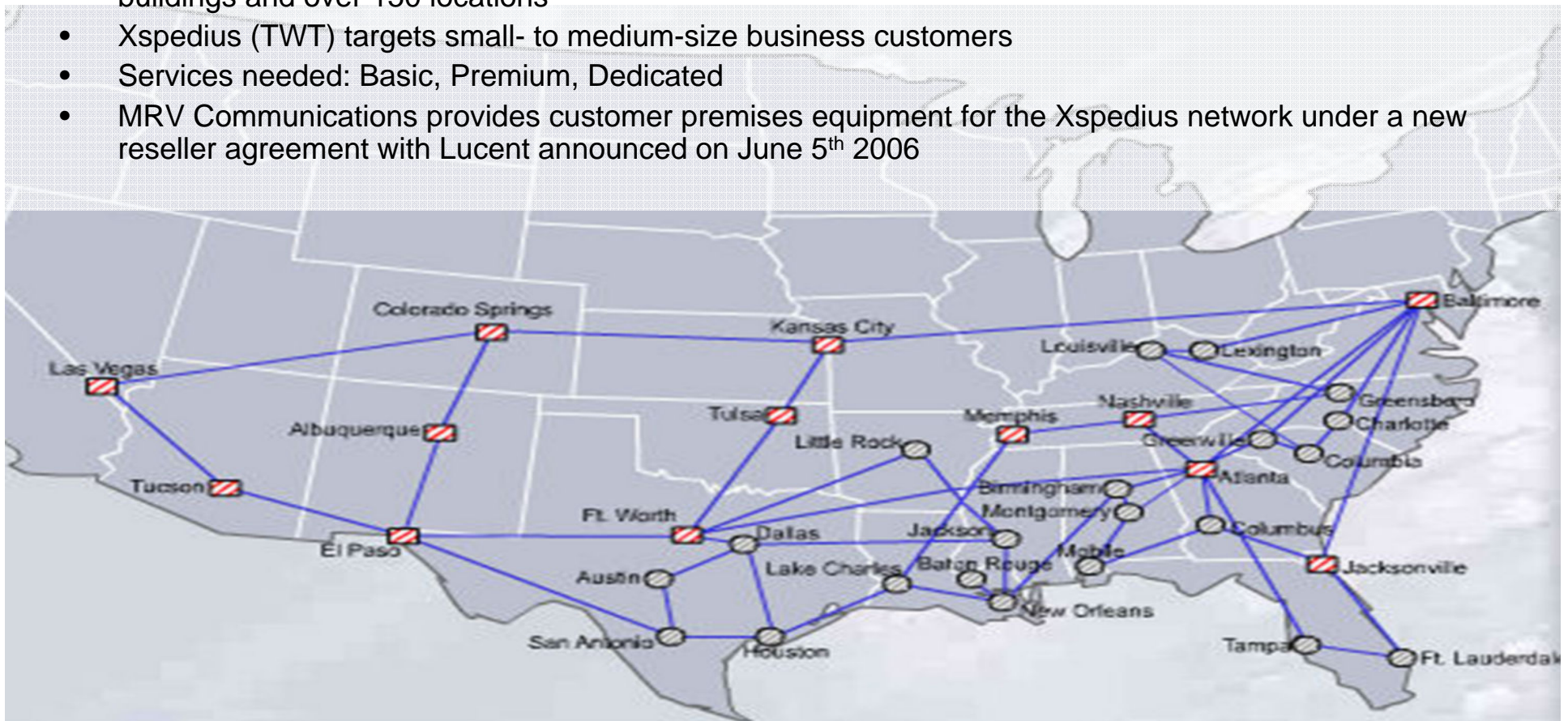
MRV was named “World Metro Demarcation Market Leader” by Frost & Sullivan based on recommendation of their analysts who track competitor revenue, market share, and market and technology innovation.

*Frost & Sullivan: “In the emerging demarc segment, MRV has truly established itself with the range of features supported on its products, an impressive customer base, and a successful strategy.”*

# MRV Case Study – Metro Ethernet (Time Warner)

## Problem

- Xspedius (TWT) Communications provides services in 20 states, 3,500 route miles of fiber, 600 On-Net buildings and over 150 locations
- Xspedius (TWT) targets small- to medium-size business customers
- Services needed: Basic, Premium, Dedicated
- MRV Communications provides customer premises equipment for the Xspedius network under a new reseller agreement with Lucent announced on June 5<sup>th</sup> 2006





# Case Study – Metro Ethernet for Emerging Carriers

## Total Solution

- Customer Access
- Optical Transport
- Service-Aware Aggregation

### NOC



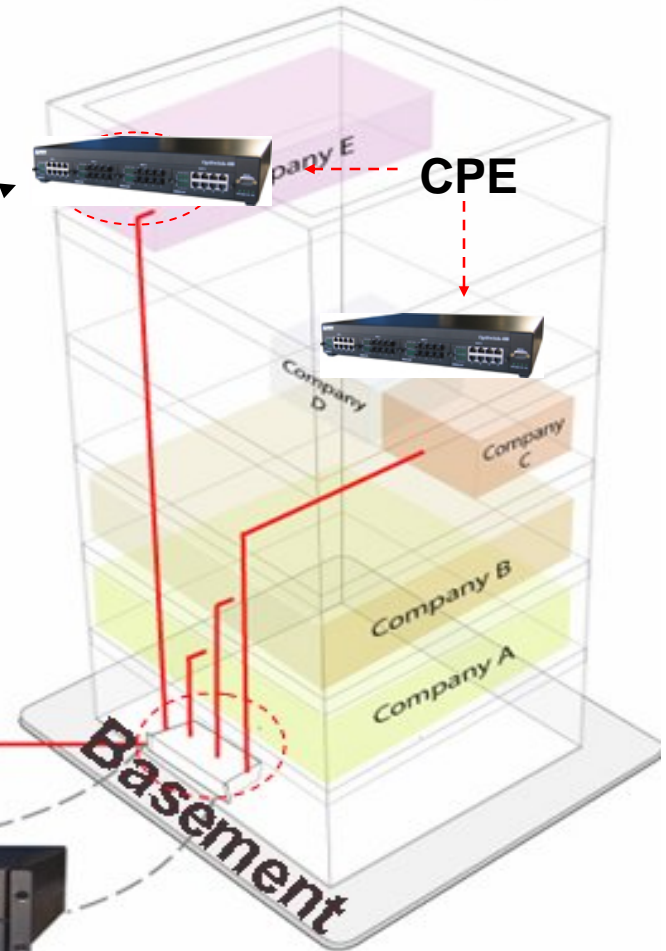
IP/SNMP

Metro Ethernet Network

Aggregation



Business building





## MRV Data Center Successes



### MRV's Console/Power Solution

Centralized access

Secure remote access

Remote diagnostics

Authentication/Logging

Power management for cost savings

### **Tellme Networks** (acquired by Microsoft)

World's largest VoiceXML Network





## Emerging Markets for Console/Power Solutions

- Government
  - DoD Security Certification (FIPS140-2)
  - DoD Testing (JTIC)
- Telcos
  - High End NEBS Certifications
  - Sensor/Alarm Capabilities
  - Wireless modem access
  - Security

# Network Integration & Distribution

- Consistent **Cash Flow** and **Profitability**
- Access to Tier One Carriers in Europe
- Enhances **MRV** Brand Name




**Strong European  
Systems integration  
Presence in Europe**



Sweden  
Germany  
France  
Belgium  
Switzerland  
UK  
Italy  
Israel  
Finland  
Norway  
Denmark  
Netherlands  
Russia  
Spain  
Hungary

# Financial Information

# MRV Q3'07E Guidance

	Q2'07		Q3'07E
Total Revenue	\$102M		\$112M-\$118M*
Optical Component Revenue	\$27M		\$40M-\$44M*
Non-GAAP EPS	\$(0.01)		\$(0.02) - \$0.01

***\*Q3'07E will include a full quarter of revenue contribution from Fiberxon***

# Q2 '07 Performance (Non-GAAP)

(in 000s - Non-GAAP)

	Q2 '06	Q3 '06	Q4 '06	Q1 '07	Q2 '07
Revenue	86,965	89,616	102,646	89,679	<b>101,962</b>
Gross Profit	26,859	28,737	31,384	28,401	<b>29,979</b>
Gross Margin	31%	32%	31%	32%	<b>29%</b>
R&D	6,488	7,141	7,008	7,116	<b>6,665</b>
SG&A	21,282	20,402	23,491	22,190	<b>23,477</b>
Total OPEX	27,770	27,543	30,499	29,306	<b>30,142</b>
Operating Income (Loss)	(911)	1,194	885	(905)	<b>(163)</b>
Net Income (Loss)	(1,716)	1,078	1,559	(1,392)	<b>(1,641)</b>
EPS	(0.01)	0.01	0.01	(0.01)	<b>(0.01)</b>

# MRV Q2 '07 Key Balance Sheet Measures

(in 000s)	Q2 '06	Q3 '06	Q4 '06	Q1 '07	Q2 '07
Cash <sup>(1)</sup>	121,288	116,759	118,407	116,726	107,435
Accounts Receivable	84,914	87,513	95,244	84,956	98,264
Days Sales Outstanding <sup>(2)</sup>	89	89	84	86	88
Inventory	65,428	70,399	61,361	65,215	68,800
Days in Inventory <sup>(2)</sup>	99	105	78	97	87
Short-Term Obligations <sup>(3)</sup>	21,656	23,352	26,289	21,565	22,765
Convertible Notes	23,000	23,000	23,000	23,000	23,000
Headcount	~ 1,500	~ 1,430	~ 1,450	~ 1,425	~ 1,425

(1) Includes cash and cash equivalents, time deposits and short- and long-term marketable securities

(2) Presented in terms of days

(3) Includes short-term obligations and current portion of long-term debt