



Unleash the Optical Layer

Nov. 10, 2005

Legal Disclaimer

This Presentation contains forward-looking statements including forward-looking statements regarding cost reduction and restructuring measures, our competitive position, expected operating performance, market opportunities and changes in market conditions. Actual results could differ materially from those projected in or contemplated by the forward-looking statements. Factors that could cause actual results to differ include general economic conditions, the pace of spending and timing of economic recovery in the telecommunications industry and in particular the optical networks industry, the Company's inability to sufficiently anticipate market needs and develop products and product enhancements that achieve market acceptance, problems or delays in integrating the businesses acquired from Alcatel, Corning and Vitesse Semiconductor, or in reducing the cost structure of the combined Company, the Company's inability to achieve the anticipated benefits of the acquired businesses, to effect its restructuring goals or to successfully transfer manufacturing operations to lower cost regions, any slowdown or deferral of new orders for our products, higher than anticipated expenses the Company may incur in future quarters or the inability to identify expenses which can be eliminated. In addition, please refer to the risk factors contained in the Company's SEC filings including the Company's Annual Report on Form 10-K filed with the SEC.

Avanex assumes no obligation and does not intend to update any forward- looking statements, whether as a result of new information, future events or otherwise.



Financial Summary

	Fiscal Q4 2005	Fiscal Q1 2006
Revenue	\$42.7 M	\$41.2 M
SG&A	\$8.1 M	\$9.1 M
R&D	\$8.2 M	\$7.1 M
Net Loss	\$42.8 M \$0.30 per share	\$16.9 M \$0.12 per share
Gross Margins (GAAP)	0%	5%
Cash and Investments	\$74.0 M	\$ 54.0 M



Investment Merits

- ◆ **Industry Leader and Consolidator**

Combined strengths of Corning Photonics, Vitesse, and Alcatel Optronics

- ◆ **Strong Balance Sheet**

\$54 million in cash as of Sept 30, 2005

- ◆ **Markets Entering Growth Phase**

Telecom optics: opportunities in long haul, metro, submarine

- ◆ **Innovative Cost Structure**

Unique in the optical industry



Avanex Strategy

- ◆ **Low fixed cost manufacturing**
 - ◆ Centralize operations in Thailand
 - ◆ Contract manufacturers for all product manufacturing
 - ◆ Local sourcing in low-cost areas for basic materials
- ◆ **Cost effective product development**
 - ◆ Convert traditional sites into small innovation centers
 - ◆ Utilize low-cost resources for basic engineering
 - ◆ Introduce products at fraction of the cost of traditional approaches
- ◆ **Be a consolidator within the industry**
 - ◆ Corning/Alcatel/Vitesse as example
- ◆ **Strengthen financial performance**
- ◆ **Move into adjacent market segments**



Avanex Operating Model

Low-Cost Manufacturing

- ◆ Utilize Contract Manufacturing
- ◆ Centralize Manufacturing Overhead
- ◆ Leverage Certain Functions in Asia

Hybrid R&D

- ◆ Leverage Asian Engineering Talent
- ◆ Higher Levels of Productivity
- ◆ Horsepower for Innovation

Initial Results

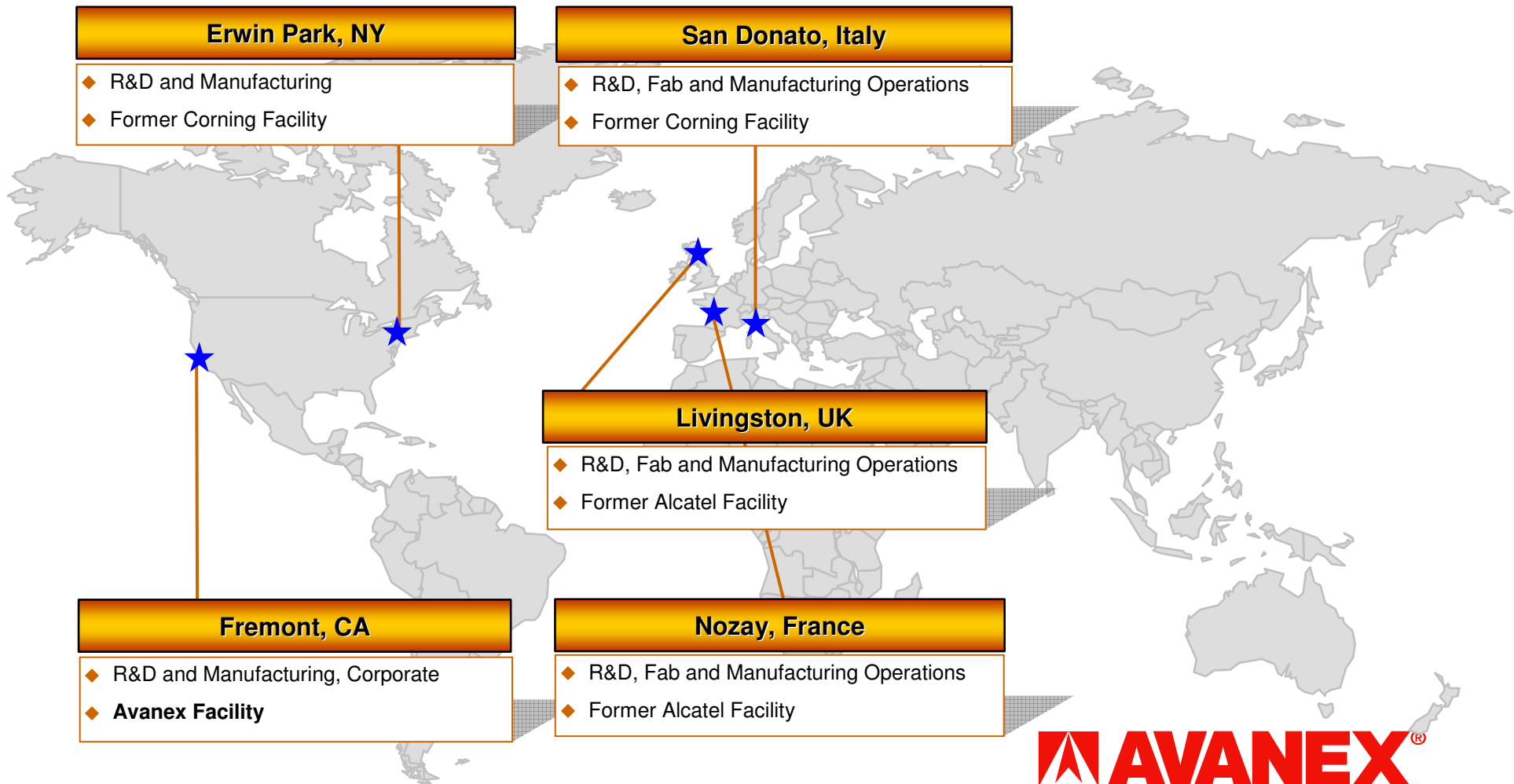
- ◆ Revenue Growth
- ◆ Increasing Productivity
- ◆ Increasing Effectiveness of R+D
- ◆ Bottom Line Growth



Avanex: Post Acquisitions

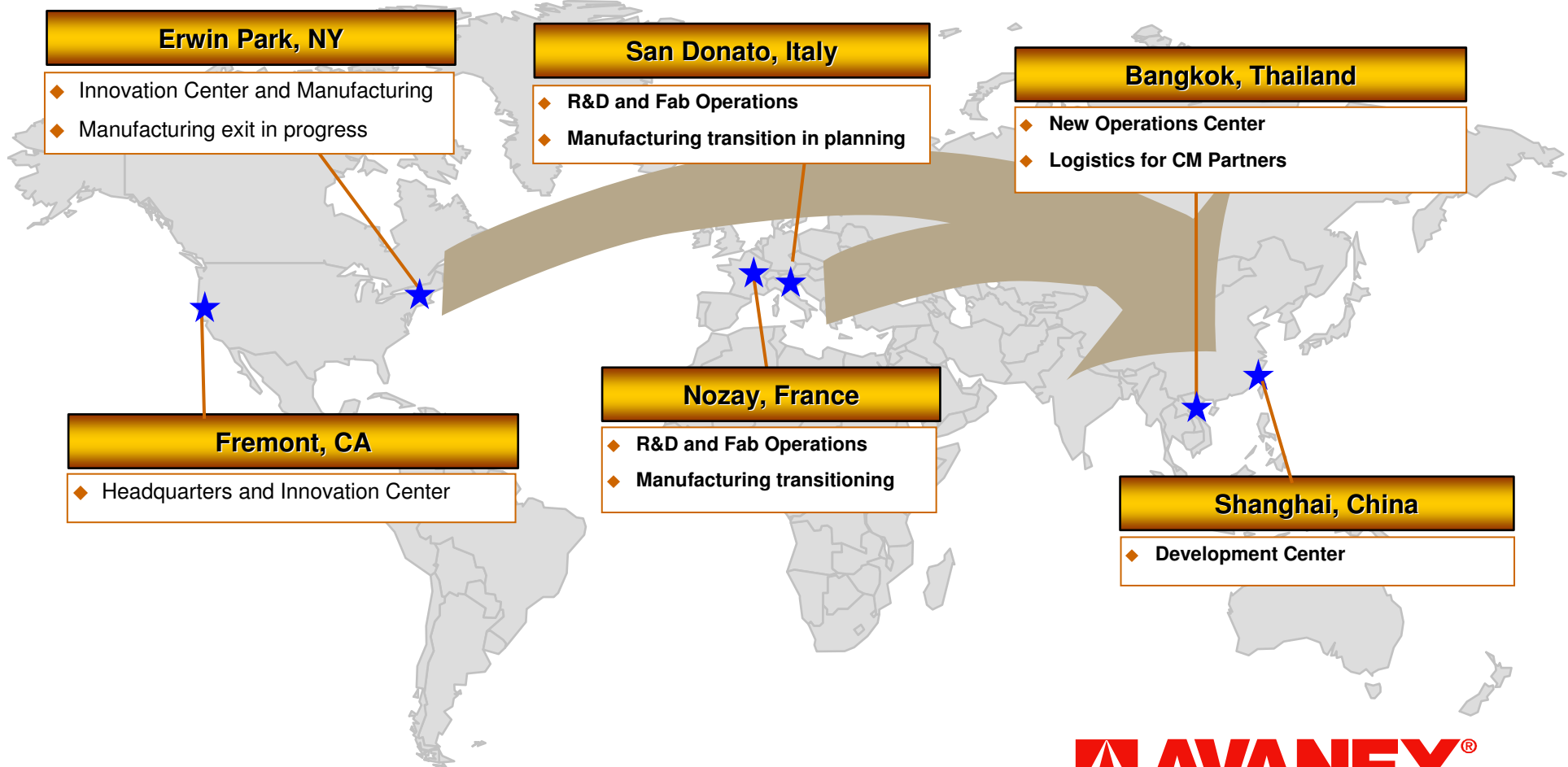
August 2003:

5 Sites/~1300 Employees in N.A. and W. Europe

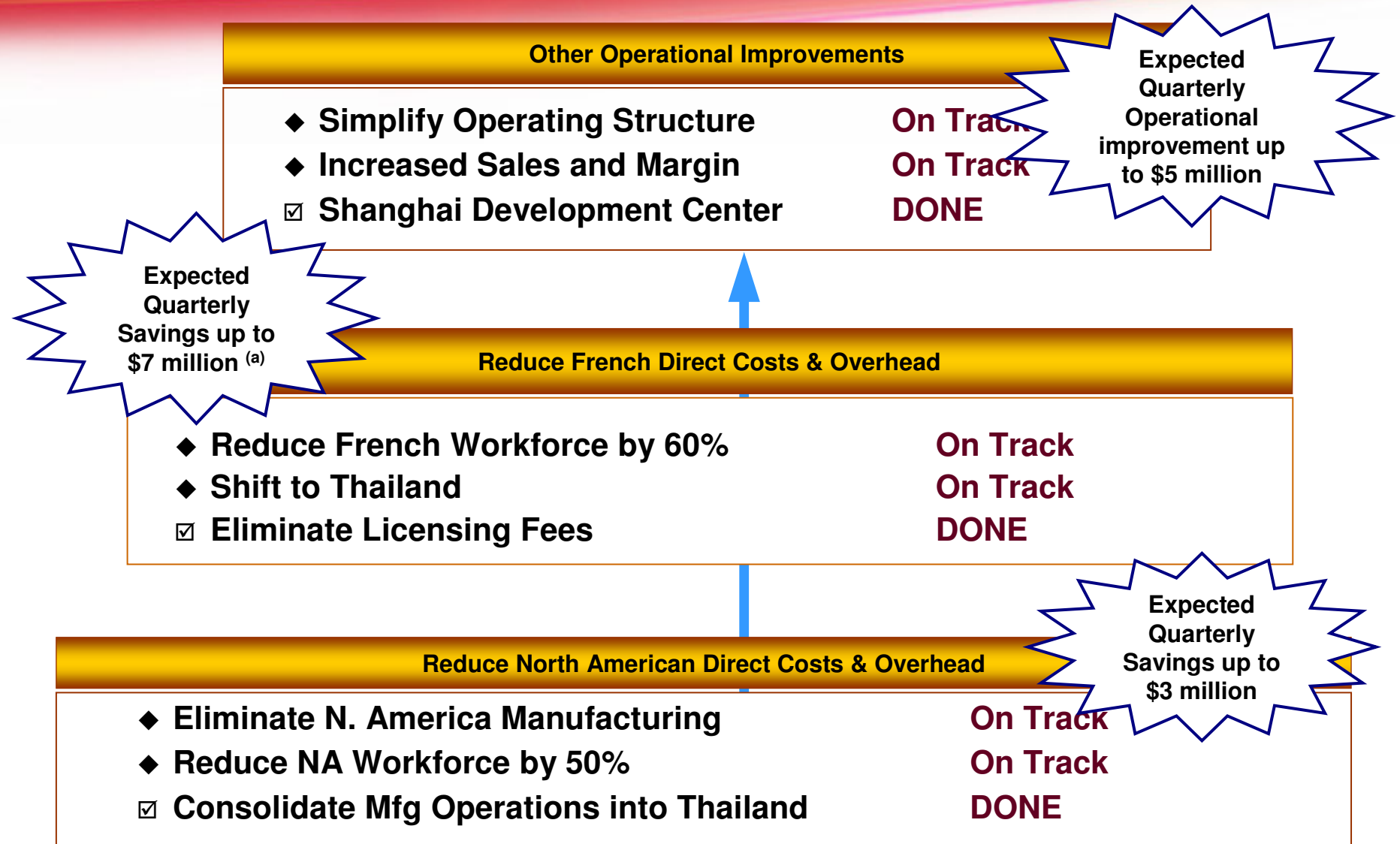


Avanex: In Transition

Sept 30, 2005: ~702 Employees
4 sites in N. America and W. Europe
2 sites in Asia



Expected Improvements



(a) Includes full time and temporary employees.

(b) Expectations as of Sept. 30, 2005



Alcatel/Avanex Collaboration

- ◆ **Real Estate Savings (Announced Oct. 28)**
 - ◆ Alcatel 18 month rent and facilities *credit of ~\$7M (€5.6M)*
 - ◆ Alcatel also pays for the facilities restructuring
 - Consolidates people and equipment into one building
- ◆ **Two-year supply agreement (Announced Oct. 31)**
 - ◆ October 2005 to October 2007
 - ◆ 70% share agreement for certain Alcatel optical component needs
 - ◆ ~\$6M (€5 M) *cash infusion* in Q2/Q3 FY2006 for **payments due** after Q2/Q3 FY2007

Combined benefit of ~\$13M (€10.6 M)



Key Milestones

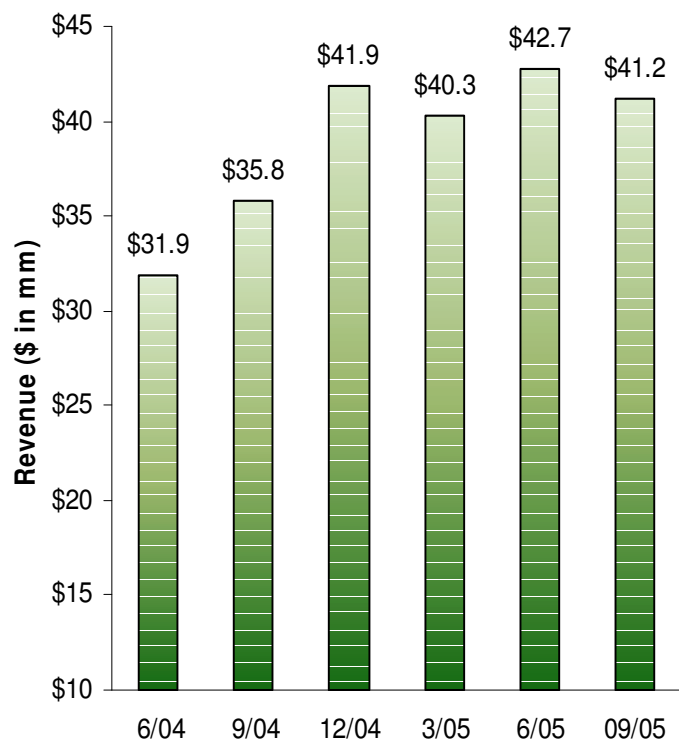
Announced Plans

Milestones Hit

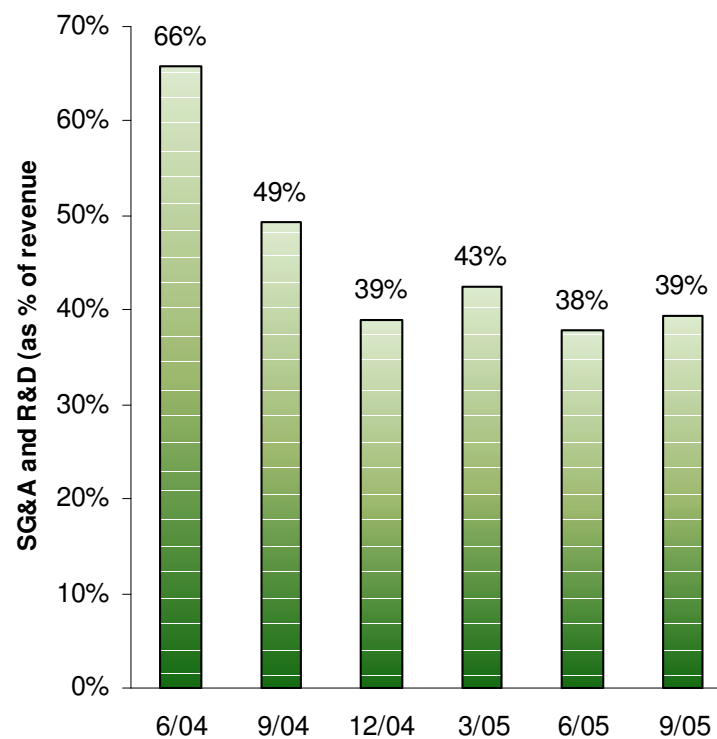
◆ Elimination of U.S. MFG	<input checked="" type="checkbox"/> Fremont Manufacturing
◆ Elimination of European assembly MFG	<input type="checkbox"/> New York – Complete this quarter <input type="checkbox"/> France – Complete by Feb. 2006 <input type="checkbox"/> Italy – Complete by Feb. 2006
◆ Shift to Asian Operations	<input checked="" type="checkbox"/> Thailand AOC Operational in July <input checked="" type="checkbox"/> Shanghai Development Center Operational
◆ Hybrid R&D Model	<input checked="" type="checkbox"/> Design Wins in Q3/Q4
◆ Functional Simplification/Reductions	<input type="checkbox"/> Consolidate MRP and ERP <input type="checkbox"/> Consolidate customer service

Execution During Transition

Revenue Traction



SG&A and R&D Reductions



Improving Financials

	FY2004	FY2005	Annualized Q1
Revenue	\$107 M	\$160 M	\$165M
Gross Margins (GAAP)	-25%	-3%	5%
SG&A and R&D As percentage of revenue	81%	42%	39%
Cash and Investments	\$144 M	\$74 M	\$54m



A Consolidating Market

2000 LANDSCAPE

Avanex	Agere OE
ADC Telecom	Alcatel Optronics
Bookham	Corning
Fujitsu OC	Hitachi
JDS Uniphase	Lightwave
Marconi OC	NEC
Network Elements	New Focus
Nortel HPOCS	Oplink
TriQuint	Vitesse

2005 LANDSCAPE

Avanex	Bookham
Fujitsu OC	Hitachi
JDS Uniphase	NEC
Oplink	Opnext

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ADC Telecom	Agere OE
Alcatel Optronics	Corning
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Nortel HPOCS	TriQuint
Vitesse	



Avanex: Industry Consolidator

1997

- ◆ Founded in 1997 by former E-Tek Dynamics executives
- ◆ Leader in passive modules and subsystems

2003

ALCATEL

- ◆ Optronics business
- ◆ Strong OEM relationships

CORNING

- ◆ Photonic technology business
- ◆ Photonics products such as amplifiers and dispersion compensators

VITESSE

- ◆ Optical subsystems division
- ◆ Leader in transponder market

Today

- ◆ Broad product offering
- ◆ Robust IP portfolio 772 patents
- ◆ All key OEMs as customers
- ◆ Aggressive cost structure

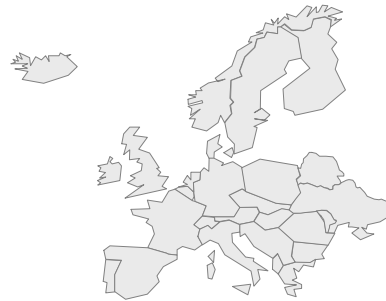
 **AVANEX®**

Leading Customers Worldwide

North America



Europe

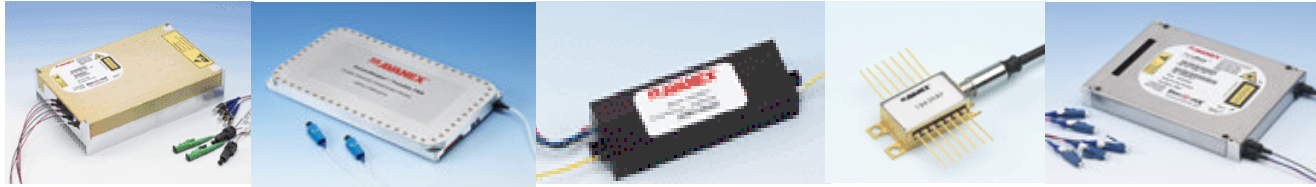


Asia

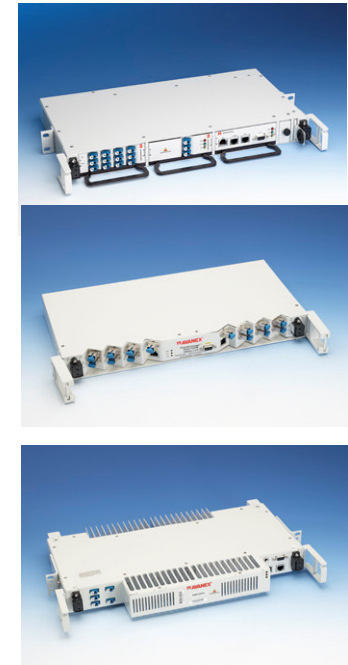


Consolidated Product Line

Amplification



Network Managed Subsystems



Transmission



Multiplexing and Signal Processing



Dispersion Compensation



Meets needs of OEM supply chain consolidation

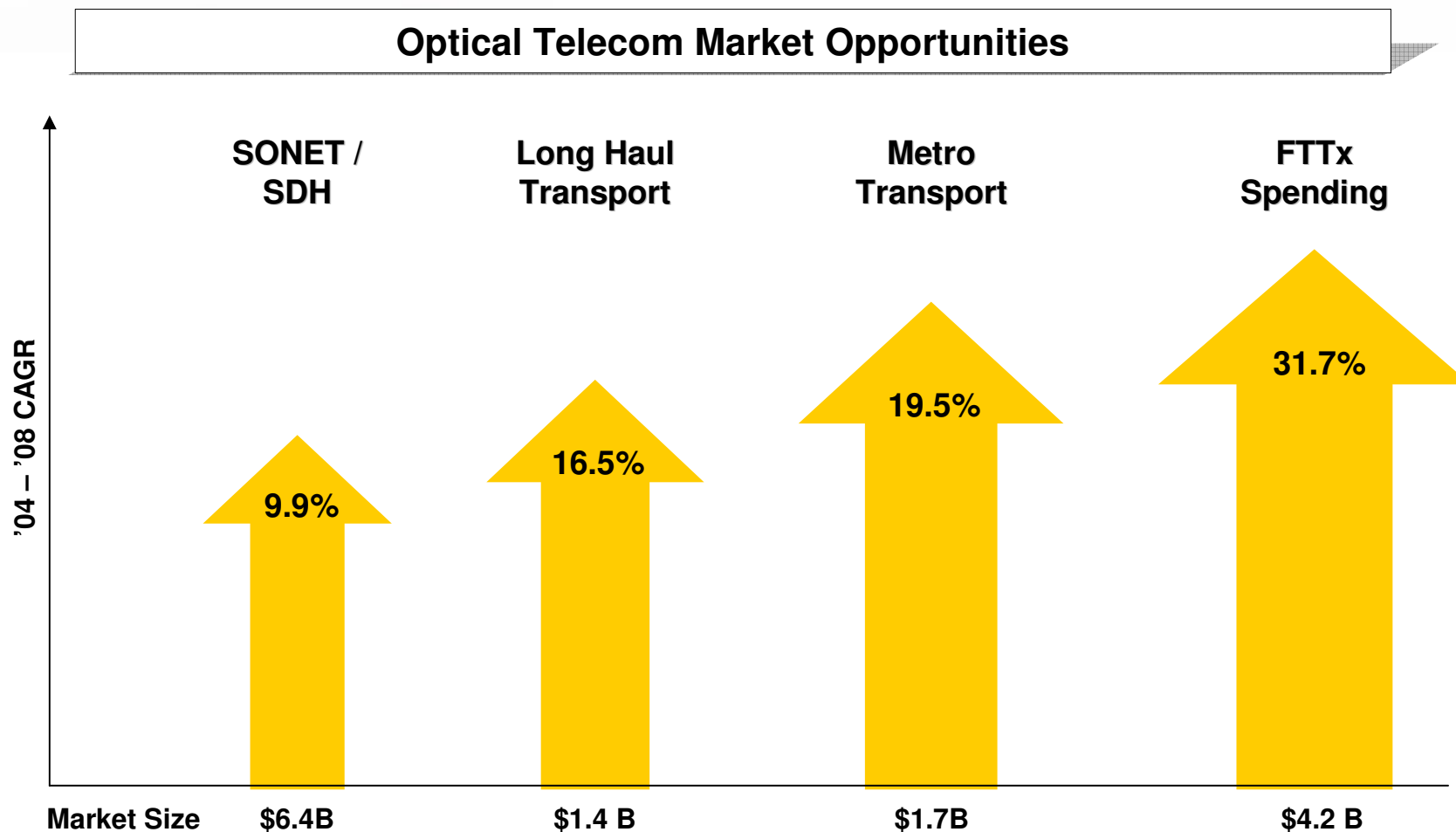
AVANEX®

Consolidation Benefits

	FY2003	FY2004	FY2005
Revenue	\$21 M	\$107 M	\$160 M
Product Breadth	2 product lines (passives only)	6 product lines (passive and active)	6 product lines
Locations & Employees	1 US site ~200	5 → 4 US/EU sites 960 employees	4 US/EU sites 2 Asian sites 790 employees
Intellectual Property	> 100 patents	> 1300 patents	772 patents
Customers	< 30 total customers	> 100 customers	> 100 customers



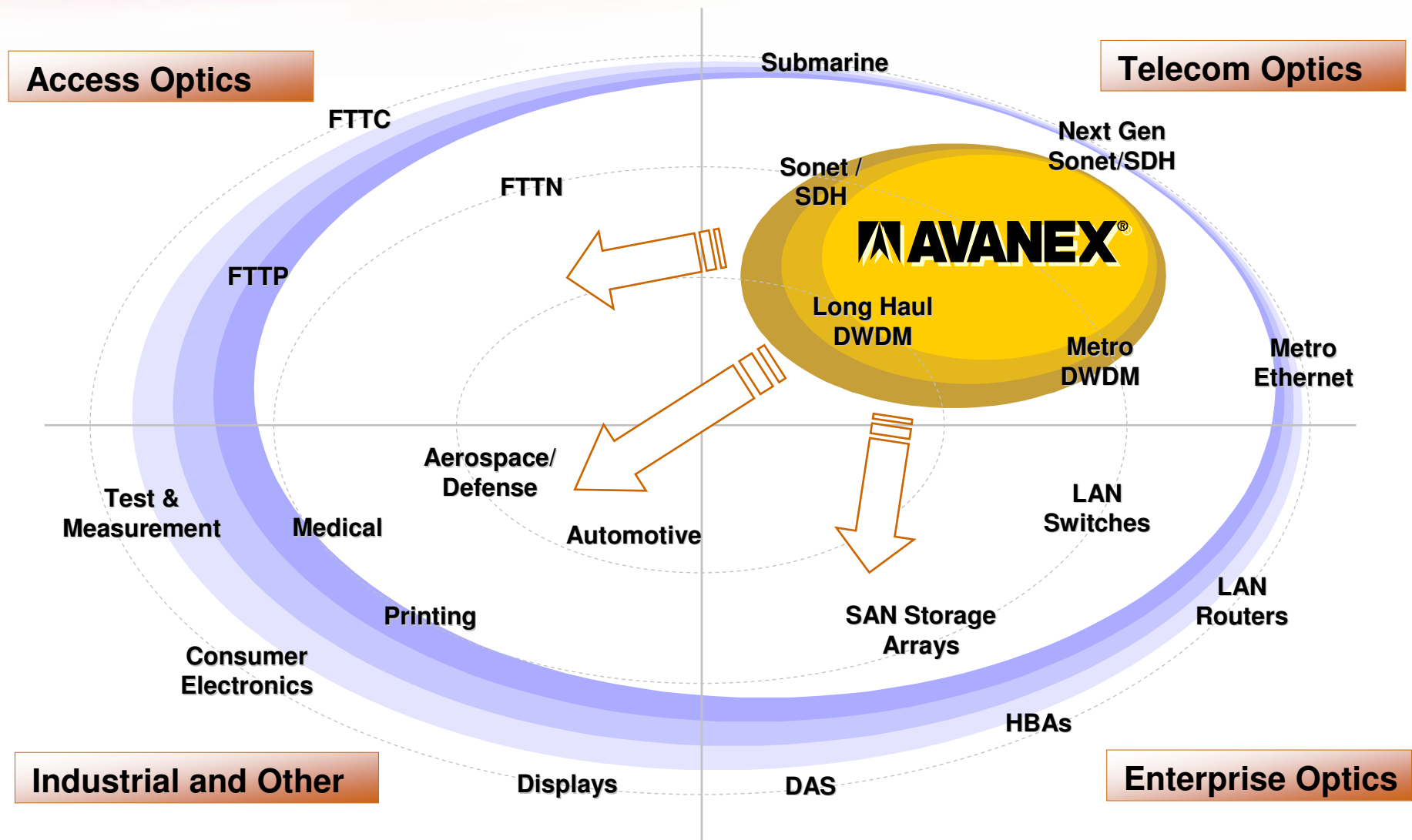
Served Markets Are Growing



(a) Source: Gartner, October 2004.



Opportunities for Expansion



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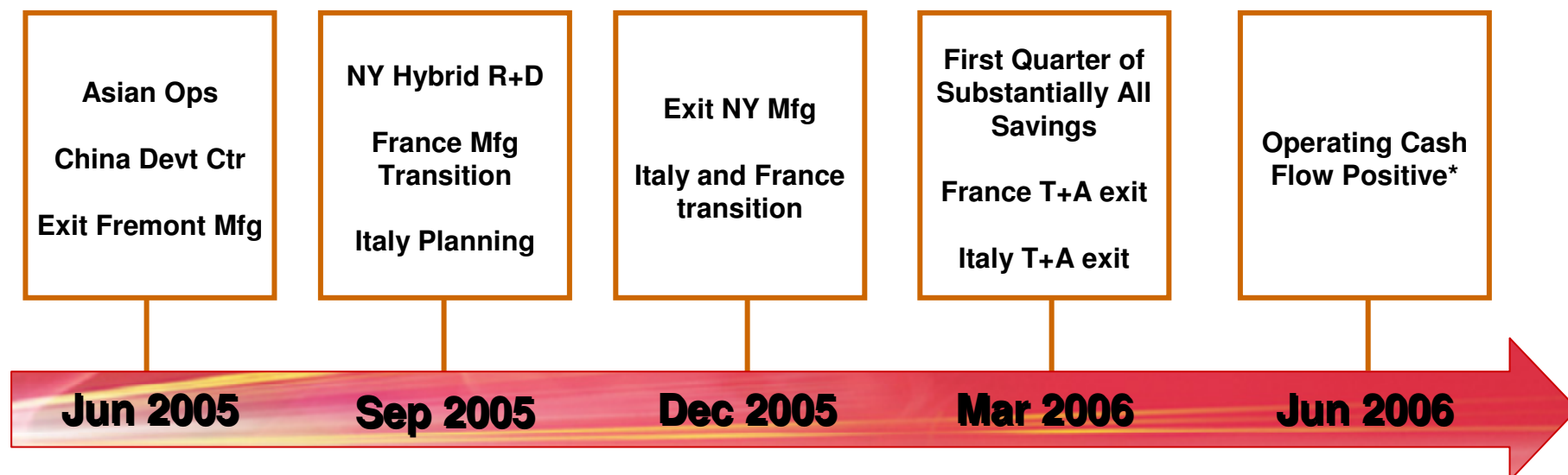
Improving Liquidity

Event	Value/Time Frame
◆ Alcatel Supply Agreement	<input checked="" type="checkbox"/> ~\$6M cash infusion in Q2/Q3 FY2006
◆ Alcatel Facilities Agreement	<input checked="" type="checkbox"/> ~\$7M rent and facilities credit <input checked="" type="checkbox"/> + ~\$2M avoidance of costs to move
◆ Thales Purchase Agreement	<input checked="" type="checkbox"/> 1.8M Euros / ~\$2.1M total value
◆ French Tax Credits and Unbilled Receivables	<input type="checkbox"/> ~\$10M in 2H FY06

Strong liquidity assistance over next three quarters



Targeted at Profitability



- ◆ End markets entering growth phase
- ◆ Broad product offering
- ◆ Leading OEM customers
- ◆ Robust patent portfolio
- ◆ Exiting calendar year with full savings from manufacturing transition
- ◆ Sustainable model for profitability

*operating cash flow positive excluding certain working capital items, primarily from restructuring



Investor Summary

- ◆ **Industry Leader and Consolidator**
- ◆ **Growth Phase for Existing Markets**
- ◆ **Strong Customer Base**
- ◆ **Improved Operating structure**
- ◆ **Innovative Cost Structure**
- ◆ **Strong Balance Sheet**



World Leader in Photonic Solutions