



MRV Announces Definitive Agreement to Acquire Fiberxon

MRV to Combine Fiberxon With Luminent With the Goal of Creating One of the Largest, Most Comprehensive Manufacturers of Optical Transceivers for Telecommunication Networks

CHATSWORTH, Calif., Jan. 26, 2007 -- MRV COMMUNICATIONS, INC. (Nasdaq: MRVC) announced today that it has entered into a definitive agreement to acquire Fiberxon, Inc., a leading supplier of transceivers for Metro, Access, and PON applications. The consideration from MRV to Fiberxon shareholders is approximately \$131 million in a combination of cash and stock. Following the closing of the transaction, MRV intends on combining Fiberxon with Luminent, its wholly-owned subsidiary. Luminent is a global supplier of Metro transceivers and the market-leader in transceivers for fiber-to-the-premise (FTTP) deployments.

Near Margalit, CEO of Luminent, stated "Consolidation among the communications service providers and the convergence of telecom and datacom networks is forcing changes throughout the communications equipment supply chain. System OEMs are merging and in turn are seeking optical component suppliers that provide a broader range of solutions, continued device innovation and competitive prices. The inclusion of Fiberxon into Luminent addresses the objectives of our customers, increases customer diversification and positions the combined company to be the leading supplier of optical component solutions for applications from the edge to the core of today's networks. We are very impressed with what Fiberxon has accomplished since their inception, and believe the integration of the two senior management teams will strengthen the combined company. We envision that the combined Luminent/Fiberxon will have the customer relationships, technology and manufacturing scale required to service large scale Tier 1 system manufacturers globally."

With headquarters in Santa Clara, California, and product development and manufacturing facilities in Shenzhen and Chengdu, China, Fiberxon has today over 700 employees and over 170 engineers. The company has emerged as a highly competitive supplier of one of the broadest portfolios of metro, access, EPON and GPON transceivers in the market, a result of innovative technology, high quality and a favorable business model. According to Fiberxon, its unaudited 2006 revenues are expected to be in the range of \$45 to \$48 million.

Luminent, with facilities in Chatsworth, California and Hsinchu, Taiwan, has pioneered the field of triplexer transceivers for video, voice and data triple play service and has successfully established its position as the dominant supplier of optical transceivers for BPON FTTP deployments with over 1 million units shipped to date. Luminent has also leveraged this market leadership to GPON, shipping over 100,000 GPON transceivers globally in 2006.

The combination of Luminent and Fiberxon has the goal of creating one of the largest, most comprehensive manufacturers of optical transceivers for telecommunications networks. At current run rates, the combined company would produce more than 2 million transceivers per

year. According to industry studies, the global market for transceivers, including the metro, access and Fiber-to-the-Home (FTTH) market segments, is estimated to reach \$2 billion annually in 2007. FTTH is one of the largest segments for service provider spending in Asia and the United States and deployments are expected to continue to expand worldwide. The combined market position, technology and manufacturing capabilities of the two companies are expected to support participation in this market on a truly global scale.

It is anticipated that the combined company will benefit from synergies leading to enhanced competitiveness, profitability and growth. An expanded base of Asian operations and consolidation of supply chains, manufacturing lines and technical expertise should reduce the cost of production through economies of scale and increased productivity. Luminent/Fiberxon is expected to benefit from product line expansion and diversification through a complementary, worldwide customer base. Fiberxon's established suite of 10Gb/s products for both SONET and 10GbE applications complements Luminent's newly announced 10Gb/s long reach transceivers including the industry's first 120km DWDM XFP. This expanded 10Gb/s product portfolio will allow the combined company to pursue a leadership position across the 10 Gb/s market segment, one of the fastest growing segments in the optical components market. The combined company will expand its PON transceiver product line to include the full suite of EPON, BPON, and GPON transceivers, allowing the company to participate across FTTH deployments globally. In addition, Luminent's advanced optoelectronic foundry, based in Hsinchu, Taiwan, will be fully utilized to provide an in-house sourcing capability for critical optical components covering all product lines.

The combined company, with headquarters in Chatsworth, California, will have over 1,300 employees based in facilities in the US, mainland China, and Taiwan. The consideration to be paid by MRV to Fiberxon stockholders is approximately \$131 million, comprised of (i) approximately \$17 million in cash, (ii) approximately 21 million shares of MRV common stock, including shares of MRV common stock underlying the assumption of Fiberxon outstanding stock options and (iii) an obligation to pay an additional amount of approximately \$31.5 million in cash and/or shares of MRV common stock, or a combination thereof, within 18 months of the close of the transaction. The latter component of the purchase consideration may amount to more or less than \$31.5 million depending on certain conditions. The transaction is expected to close during the first half of 2007, and is subject to obtaining necessary governmental and third-party approvals and consents in the U.S. and China as well as other customary closing conditions.