

**With The Telecom Boom Creating A Demand For Broadband Bandwidth,
Alliance Fiber Optic Products Is In The Right Place At The Right Time
With Their Innovative Fiber Optic Components, Sub-Systems And Modules**

**Sector: Technology
Industry: Fiber Optic
(AFOP-NASDAQ)**

Alliance Fiber Optic Products, Inc.

**275 Gibraltar Drive
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**Peter C. Chang
Chairman, President and CEO**

BIO:

With more than 40 patents to his name and 25 years experience in the fiber optics industry, Mr. Chang founded AFOP in 1995. Previously, Mr. Chang spent five years at Hon Hai Foxconn Group in Taiwan, where as Division Manager he implemented and managed the company's fiber optics division. Prior to that, Mr. Chang was an engineer at Allied Signal and a member of the technology staff at Lucent Bell Labs.

Mr. Chang has a BS degree in mechanical engineering from National Taiwan University and a M.S. in Mechanical Engineering from the University of Notre Dame.

Company Profile:

Founded in 1995, Alliance Fiber Optic Products, Inc. designs, manufactures, and markets a broad range of high performance fiber optic components and integrated optical modules. AFOP's products are used by leading and emerging communications equipment manufacturers to deliver optical networking systems to the long-haul, enterprise, metropolitan, and last mile access segments of the communications network. AFOP offers a broad product line of passive optical components including interconnect systems, couplers and splitters, thin film DWDM and Compact CWDM components and modules, fixed and variable optical attenuators, and switches. AFOP is headquartered in Sunnyvale, California, with manufacturing and product development capabilities in the United States, Taiwan, and China.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com**

CEOCFO: Mr. Chang, what was your vision when you founded the company and what is your focus today?

Mr. Chang: "The company was founded back in 1996. We understood that there was a tremendous demand for broadband during the telecom boom. The only solution was fiber optics. Fiber optics technology can provide unlimited bandwidth to meet these broadband bandwidth demands. That is how we decided to found this company and to focus on design and manufacturing of fiber optics components, sub-systems, and modules, to facilitate the whole fiber optics revolution. We have been successful in growing the company from the start, and we went

public in the year 2000. After 2000, there was the telecom bubble, and then there was the trouble caused by the financial crisis. However, we have been growing since 2003 on and have been profitable in the last 13 quarters."

CEOCFO: Would you tell us about the products and services you provide today?

Mr. Chang: "We divide our products into two major areas. One is the connectivity part where we have competitors like Corning, Tyco, or 3M. Basically, we provide fiber optics connections with devices, cable assemblies, and ribbon harnesses, either by the discrete connectors or as finished products. The other part are the fiber optic passives that include completed interconnect systems, couplers and splitters, thin film DWDM and CWDM components and modules, fixed and variable optical attenuators, and switches."

CEOCFO: Where do you see growth?

Mr. Chang: "Fiber optics are a part of the macro-economy, so these days it is definitely impacted by the current recession. However, Fiber Optics has a different market; the one for passive devices is more focused on the telecom side. On the other side, the current activities include both broadband and Fiber To the Home. For connectivity, there are data centers and networks, so you are talking about some infrastructure built for schools or for factories, and offices. You are always in need of optimum network there. The basic fiber products require connectivity, so for the passive part for broadband, with the economy the way it is, the connectivity will continue to have some demand for these passives, and it is where we are seeing the economy get better and see some recovery."

CEOCFO: Why are companies choosing your products; what sets them apart?

Mr. Chang: "We have our strengths in technology, quality, and manufacturing excellence. What we have been doing is looking at what the customer needs, and we put effort to develop technical solutions, which cannot be copied easily by somebody else, because we have patents there. That helps our competitiveness. On the other side, we have been doing our own manufacturing from the start; we were manufacturing our products in Taiwan and China. We were operating on a global basis from the beginning, so that is how we can provide quality and innovative solutions and maintain our competitive cost. That is why if you look at our earnings report you will see a pretty decent growth in margins while our revenue top-line has not been relatively that big."

CEOCFO: How have you adapted to the current economic situation?

Mr. Chang: "2008 is not the first time for the fiber optic industry to see hard times, because as I said earlier in 2001 there was a fiber optic bubble. At that time other fiber optic players disappeared; they didn't survive. However, we came through the tough times and came out stronger, so we know how to manage in that kind of situation. Most importantly, is through that tough period, we had to figure out a strategy for the short and long term. Short-term we can survive and long-term we can thrive. So for us, even though it is tough and the top line revenues are impacted like everybody, our gross margin didn't suffer much and our

bottom line was positive because we know how to react quickly. Most importantly, we even know how to in this tough time to avoid splintering ourselves, so we can thrive at the point of recovery."

CEOCFO: Are there any changes in the fiber optic industry?

Mr. Chang: "It depends on what you mean by changes. There are always continuous new innovations needed for sure. The fiber optics industry is still young compared to the semi-conductor industry. However, on the other side technology, in the macro, is steady. We are not talking about revolutionizing it, but you don't need to. Communication Speed is always needed and also when ever you have a higher speed in the optimum network, there are many technology and scientific changes there. So that is where the manufacturer has to come up with a solution to overcome those challenges."

CEOCFO: What is ahead?

Mr. Chang: "Right now we are still young; our revenues are over \$35 million. We are profitable, we have almost \$40 million in cash, and our valuation is not higher than our net cash value. So our focus now is to continue strengthening our market share, and in the meantime, we are looking aggressively at acquisitions for our inorganic growth."

CEOCFO: How do you reach your customers?

Mr. Chang: "On a customer side we have very broad and diversified customers, and that is why we are not penalized

by focusing on a limited customer base. Fiber optics is only about twenty or thirty years old. Our management team has been in this industry for twenty to thirty years. So we know almost who-is-who in this industry and we sell mostly directly to our customers. We also work closely with our customers and provide our innovative solutions, not only for short term, but also for the long-term."

CEOCFO: Final thoughts, why should potential investors be paying attention to Alliance Fiber Optic Products?

Mr. Chang: "Unfortunately, during this financial crisis, not to many people have paid attention to the stock market. However, with the recovery investors will have a reason to look at a company like Alliance Fiber Optic Products. They should take note that this fiber optic technology will be needed forever. So, this industry will come back, and then we will be a shining star as company that knows how to manage its continuous growth while producing continuing profitability. We have great resources, we have a customer base, a technology base, and a manufacturing base, so when there is recovery we are definitely going to grow faster and make more money. Therefore, right now it is a good opportunity for a shrewd investor trying to find the right potential investment with manageable risk."



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