DragonWave Plans to Acquire Nokia Siemens Networks Microwave Transport Business

DragonWave plans to acquire Nokia Siemens Networks' microwave transport business, including its associated operational support systems (OSS) and related support functions (the "business"). Under the terms of the "Master Acquisition Agreement" signed, as well as acquiring the business, DragonWave would also become the preferred, strategic supplier to Nokia Siemens Networks of packet microwave and related products, and the companies would jointly coordinate technology development activities. The planned transaction is subject to any applicable regulatory, exchange and third party approvals, a consultation process with trade union representatives, and other customary terms and conditions.

Nokia Siemens Networks and DragonWave believe the proposed acquisition and supply agreements would accelerate innovation in backhaul products, supporting world class microwave solutions for mobile operators. The companies aim to complete the planned acquisition and supply agreements in the first quarter 2012 (the "closing date").

Following the proposed acquisition, Nokia Siemens Networks would retain responsibility for its existing solution sales and associated services for microwave transport, while DragonWave would be responsible for the product line, including R&D, product management and operations functions.

"Through this strategic relationship, customers would continue to receive high-quality services and sales support from Nokia Siemens Networks, while DragonWave's best of breed products would ensure they have access to industry leading technology," said Marc Rouanne, head of Network Systems, Nokia Siemens Networks. "Our intention is to capitalize on DragonWave's proven capabilities for innovative product development and focus on our end-to-end solutions."

"DragonWave is very proud to partner with Nokia Siemens Networks. We hope to welcome new employees as a valuable addition to the DragonWave team," said Peter Allen, president & chief executive officer of DragonWave. "This relationship is transformational, giving us the ability to serve customers who want to access an integrated solution. In addition, it provides DragonWave an expanded technology base to address those customers who wish to purchase stand-alone best-in-breed products. Our increased scale, diversity and customer footprint, coupled with significantly enhanced resources and capabilities, will provide a solid foundation for faster innovation and broader market penetration."

The consideration paid by DragonWave on closing will include approximately 10 million euros in cash subject to customary purchase price adjustments and 5 million euros worth of DragonWave common shares which will be subject to a lock-up agreement restricting sale or disposition of the shares (subject to customary

exceptions) for 24 months. DragonWave will also assume employee liabilities of approximately 10 million euros and will enter into a capital asset lease arrangement for approximately 5 million euros. The terms of the Master Acquisition Agreement also provides for sales performance based earn-out payments to be made following closing. The hardware and basic software earn-out period runs for 18 months following closing and the earn-out period on application software upgrades runs for four years following closing. The earn-out payments could raise the value of the transaction by approximately 80 million euros.

DragonWave expects to finance the transaction through a combination of cash on its balance sheet and increased debt facilities provided by Comerica Bank and Export Development Canada. Such debt facilities are subject to conditions and will be entered into on, and subject to, closing of the acquisition.

The planned deal would substantially broaden and strengthen DragonWave's product presence in major mobile operators throughout the world through Nokia Siemens Networks' extensive global sales channel.

As part of the proposed acquisition, the companies expect approximately 360 Nokia Siemens Networks employees, mainly based in Milan, Italy and Shanghai, China, to transfer to DragonWave. The companies will shortly enter into consultation regarding the proposed acquisition with employees and employee representatives in accordance with applicable law provisions and relevant timelines.

Both Nokia Siemens Networks and DragonWave believe the planned acquisition would provide transferring employees with attractive new opportunities in a solid, technologically advanced company, with its focus on their core areas of expertise.

This planned deal is a "significant acquisition" for DragonWave under applicable securities laws and, accordingly, DragonWave will file a Business Acquisition Report within 75 days of closing. Canaccord Genuity Corp. acted as exclusive financial advisor to DragonWave.

Conference Call and Webcast
DragonWave will host a conference call and webcast beginning at 08:30 a.m. (Eastern Time) on Friday, November 4, 2011.

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The live webcast will be available: http://investor.dragonwaveinc.com/events.cfm [1].

Posted by Janine E. Mooney, Editor

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