

# EXFO Inc.

## Condensed Unaudited Interim Consolidated Balance Sheets

(in thousands of US dollars)

	As at August 31,	
	2019	2018
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 16,518	\$ 12,758
Short-term investments	2,918	2,282
Accounts receivable		
Trade	51,517	47,273
Other	3,396	4,137
Income taxes and tax credits recoverable	3,159	4,790
Inventories	38,017	38,589
Prepaid expenses	6,510	5,291
Other assets	3,083	2,279
	125,118	117,399
<b>Tax credits recoverable</b>	46,704	47,677
<b>Property, plant and equipment</b>	39,364	44,310
<b>Intangible assets</b>	21,654	29,866
<b>Goodwill</b>	38,648	39,892
<b>Deferred income tax assets</b>	4,821	4,714
<b>Other assets</b>	1,293	686
	\$ 277,602	\$ 284,544
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank loan	\$ 5,000	\$ 10,692
Accounts payable and accrued liabilities	50,790	47,898
Provisions	1,065	2,954
Income taxes payable	704	873
Deferred revenue	24,422	16,556
Other liabilities	1,606	3,197
Current portion of long-term debt	2,449	2,921
	86,036	85,091
<b>Provisions</b>	2,737	2,347
<b>Deferred revenue</b>	9,056	6,947
<b>Long-term debt</b>	3,293	5,907
<b>Deferred income tax liabilities</b>	3,598	5,910
<b>Other liabilities</b>	318	421
	105,038	106,623
<b>Shareholders' equity</b>		
Share capital	92,706	91,937
Contributed surplus	19,196	18,428
Retained earnings	112,173	114,906
Accumulated other comprehensive loss	(51,511)	(47,350)
	172,564	177,921
	\$ 277,602	\$ 284,544

# EXFO Inc.

## Condensed Unaudited Interim Consolidated Statements of Earnings

(in thousands of US dollars, except share and per share data)

	<b>Three months ended August 31, 2019</b>	<b>Twelve months ended August 31, 2019</b>	<b>Three months ended August 31, 2018</b>	<b>Twelve months ended August 31, 2018</b>
<b>Sales</b>	\$ 70,175	\$ 286,890	\$ 69,216	\$ 269,546
Cost of sales <sup>(1,2)</sup>	30,260	118,677	27,426	105,004
Selling and administrative <sup>(2)</sup>	23,036	98,646	24,728	98,794
Net research and development <sup>(2)</sup>	11,143	50,553	16,714	57,154
Depreciation of property, plant and equipment	1,282	5,469	1,472	5,444
Amortization of intangible assets	1,870	9,012	1,942	10,327
Change in fair value of cash contingent consideration	–	–	46	(670)
Interest and other expense	1,157	718	508	1,378
Foreign exchange (gain) loss	894	949	77	(1,309)
Share in net loss of an associate	–	–	–	2,080
Gain on deemed disposal of the investment in an associate	–	–	–	(2,080)
<b>Earnings (loss) before income taxes</b>	<u>533</u>	<u>2,866</u>	<u>(3,697)</u>	<u>(6,576)</u>
<b>Income taxes</b>	<u>760</u>	<u>5,346</u>	<u>254</u>	<u>5,678</u>
<b>Net loss for the period</b>	\$ (227)	\$ (2,480)	\$ (3,951)	\$ (12,254)
<b>Net loss for the period attributable to non- controlling interest</b>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ (352)</u>
<b>Net loss for the period attributable to parent interest</b>	<u>\$ (227)</u>	<u>\$ (2,480)</u>	<u>\$ (3,951)</u>	<u>\$ (11,902)</u>
<b>Basic and diluted net loss attributable to parent interest per share</b>	\$ (0.00)	\$ (0.04)	\$ (0.07)	\$ (0.22)
<b>Basic and diluted weighted average number of shares outstanding (000's)</b>	55,379	55,325	55,112	54,998

(1) The cost of sales is exclusive of depreciation and amortization, shown separately.

(2) Restructuring charges included in:

Cost of sales	\$ –	\$ 304	\$ 517	\$ 517
Selling and administrative	–	495	673	673
Net research and development	–	2,506	3,219	3,219
Interest and other expense	–	–	150	150
Income taxes	–	(63)	(1,150)	(1,150)
	<u>\$ –</u>	<u>\$ 3,242</u>	<u>\$ 3,409</u>	<u>\$ 3,409</u>

# EXFO Inc.

## Condensed Unaudited Interim Consolidated Statements of Comprehensive Income (Loss)

(in thousands of US dollars)

	<b>Three months ended August 31, 2019</b>	<b>Twelve months ended August 31, 2019</b>	<b>Three months ended August 31, 2018</b>	<b>Twelve months ended August 31, 2018</b>
<b>Net loss for the period</b>	\$ (227)	\$ (2,480)	\$ (3,951)	\$ (12,254)
Other comprehensive income (loss), net of income taxes				
Items that may be reclassified subsequently to net earnings				
Foreign currency translation adjustment	1,983	(4,177)	(1,458)	(6,491)
Unrealized gains/losses on forward exchange contracts	442	(795)	(505)	(1,476)
Reclassification of realized gains/losses on forward exchange contracts in net earnings	534	744	(132)	(972)
Deferred income tax effect of gains/losses on forward exchange contracts	(289)	67	136	554
Other comprehensive income (loss)	<u>2,670</u>	<u>(4,161)</u>	<u>(1,959)</u>	<u>(8,385)</u>
<b>Comprehensive income (loss) for the period</b>	2,443	(6,641)	(5,910)	(20,639)
<b>Comprehensive loss for the period attributable to non-controlling interest</b>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(352)</u>
<b>Comprehensive income (loss) for the period attributable to parent interest</b>	<u>\$ 2,443</u>	<u>\$ (6,641)</u>	<u>\$ (5,910)</u>	<u>\$ (20,287)</u>

# EXFO Inc.

## Condensed Unaudited Interim Consolidated Statements of Changes in Shareholders' Equity

(in thousands of US dollars)

	Year ended August 31, 2018					Total shareholders' equity
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Non-controlling interest	
Balance as at September 1, 2017	\$ 90,411	\$ 18,184	\$ 127,160	\$ (38,965)	\$ –	\$ 196,790
Reclassification of stock-based compensation costs	1,526	(1,526)	–	–	–	–
Stock-based compensation costs	–	1,770	–	–	–	1,770
Business combination	–	–	–	–	(3,662)	(3,662)
Acquisition of non-controlling interest on acquisition of subsidiary	–	–	(352)	–	4,014	3,662
Net loss for the year	–	–	(11,902)	–	(352)	(12,254)
Other comprehensive loss						
Foreign currency translation adjustment	–	–	–	(6,491)	–	(6,491)
Changes in unrealized gains/losses on forward exchange contracts, net of deferred income taxes of \$554	–	–	–	(1,894)	–	(1,894)
Total comprehensive loss for the year						(20,639)
Balance as at August 31, 2018	<u>\$ 91,937</u>	<u>\$ 18,428</u>	<u>\$ 114,906</u>	<u>\$ (47,350)</u>	<u>\$ –</u>	<u>\$ 177,921</u>

	Year ended August 31, 2019					Total shareholders' equity
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Non-controlling interest	
Balance as at August 31, 2018	\$ 91,937	\$ 18,428	\$ 114,906	\$ (47,350)	\$ –	\$ 177,921
Adoption of IFRS 9	–	–	(253)	–	–	(253)
Adjusted balance as at September 1, 2018	91,937	18,428	114,653	(47,350)	–	177,668
Reclassification of stock-based compensation costs	1,106	(1,106)	–	–	–	–
Redemption of share capital	(337)	25	–	–	–	(312)
Stock-based compensation costs	–	1,849	–	–	–	1,849
Net loss for the year	–	–	(2,480)	–	–	(2,480)
Other comprehensive income (loss)						
Foreign currency translation adjustment	–	–	–	(4,177)	–	(4,177)
Changes in unrealized gains/losses on forward exchange contracts, net of deferred income taxes of \$67	–	–	–	16	–	16
Total comprehensive loss for the year						(6,641)
Balance as at August 31, 2019	<u>\$ 92,706</u>	<u>\$ 19,196</u>	<u>\$ 112,173</u>	<u>\$ (51,511)</u>	<u>\$ –</u>	<u>\$ 172,564</u>

# EXFO Inc.

## Condensed Unaudited Interim Consolidated Statements of Cash Flows

(in thousands of US dollars)

	Three months ended August 31, 2019	Twelve months ended August 31, 2019	Three months ended August 31, 2018	Twelve months ended August 31, 2018
<b>Cash flows from operating activities</b>				
Net loss for the period	\$ (227)	\$ (2,480)	\$ (3,951)	\$ (12,254)
Add (deduct) items not affecting cash				
Stock-based compensation costs	477	1,831	468	1,748
Depreciation and amortization	3,152	14,481	3,414	15,771
Gain on disposal of capital assets	–	(1,732)	–	–
Write-off of capital assets	1,125	1,386	267	592
Change in fair value of cash contingent consideration	–	–	46	(670)
Deferred revenue	(1,142)	10,477	316	1,998
Deferred income taxes	192	(2,103)	(1,165)	1,368
Share in net loss of an associate	–	–	–	2,080
Gain on deemed disposal of the investment in an associate	–	–	–	(2,080)
Changes in foreign exchange gain/loss	264	(46)	58	(181)
	<u>3,841</u>	<u>21,814</u>	<u>(547)</u>	<u>8,372</u>
Changes in non-cash operating items				
Accounts receivable	2,252	(4,786)	(418)	7,275
Income taxes and tax credits	(93)	1,536	2,873	86
Inventories	534	(134)	(1,008)	(1,020)
Prepaid expenses	(927)	(1,307)	(148)	57
Other assets	(456)	(1,459)	(542)	(1,311)
Accounts payable, accrued liabilities and provisions	1,171	3,184	1,028	1,033
Other liabilities	(79)	(1,606)	(223)	(122)
	<u>6,243</u>	<u>17,242</u>	<u>1,015</u>	<u>14,370</u>
<b>Cash flows from investing activities</b>				
Additions to short-term investments	(1,301)	(1,879)	(1,068)	(1,550)
Proceeds from disposal and maturity of short- term investments	–	1,168	–	234
Purchases of capital assets	(1,180)	(7,498)	(2,772)	(10,452)
Proceeds from disposal of capital assets	–	3,318	–	–
Investment in an associate	–	–	–	(12,530)
Business combinations, net of cash acquired	–	–	(480)	(19,600)
	<u>(2,481)</u>	<u>(4,891)</u>	<u>(4,320)</u>	<u>(43,898)</u>
<b>Cash flows from financing activities</b>				
Bank loan	(143)	(5,195)	(189)	11,061
Repayment of long-term debt	(652)	(2,817)	(661)	(1,688)
Redemption of share capital	(207)	(312)	–	–
Other liabilities	–	–	(1,449)	(1,449)
Acquisition of non-controlling interest	–	–	–	(3,657)
	<u>(1,002)</u>	<u>(8,324)</u>	<u>(2,299)</u>	<u>4,267</u>
<b>Effect of foreign exchange rate changes on cash</b>	<u>135</u>	<u>(267)</u>	<u>(127)</u>	<u>(416)</u>
<b>Change in cash</b>	2,895	3,760	(5,731)	(25,677)
<b>Cash – Beginning of the period</b>	<u>13,623</u>	<u>12,758</u>	<u>18,489</u>	<u>38,435</u>
<b>Cash – End of the period</b>	<u>\$ 16,518</u>	<u>\$ 16,518</u>	<u>\$ 12,758</u>	<u>\$ 12,758</u>