

EXFO Inc.

Condensed Unaudited Interim Consolidated Balance Sheets

(in thousands of US dollars)

	<u>As at November 30, 2019</u>	<u>As at August 31, 2019</u>
Assets		
Current assets		
Cash	\$ 15,045	\$ 16,518
Short-term investments	2,491	2,918
Accounts receivable		
Trade	51,429	51,517
Other	3,404	3,396
Income taxes and tax credits recoverable	3,692	3,159
Inventories	41,513	38,017
Prepaid expenses	5,663	6,510
Other assets	3,364	3,083
	<u>126,601</u>	<u>125,118</u>
Tax credits recoverable	45,285	46,704
Property, plant and equipment	39,719	39,364
Lease right-of-use assets	10,498	–
Intangible assets	20,495	21,654
Goodwill	39,076	38,648
Deferred income tax assets	4,819	4,821
Other assets	979	1,293
	<u>\$ 287,472</u>	<u>\$ 277,602</u>
Liabilities		
Current liabilities		
Bank loan	\$ 13,322	\$ 5,000
Accounts payable and accrued liabilities	47,482	50,790
Provisions	942	1,065
Income taxes payable	311	704
Deferred revenue	20,120	24,422
Other liabilities	1,602	1,606
Current portion of lease liabilities	2,962	–
Current portion of long-term debt	2,335	2,449
	<u>89,076</u>	<u>86,036</u>
Provisions	2,615	2,737
Deferred revenue	9,021	9,056
Lease liabilities	7,158	–
Long-term debt	2,718	3,293
Deferred income tax liabilities	3,166	3,598
Other liabilities	269	318
	<u>114,023</u>	<u>105,038</u>
Shareholders' equity		
Share capital	93,355	92,706
Contributed surplus	18,816	19,196
Retained earnings	112,110	112,173
Accumulated other comprehensive loss	(50,832)	(51,511)
	<u>173,449</u>	<u>172,564</u>
	<u>\$ 287,472</u>	<u>\$ 277,602</u>

EXFO Inc.

Condensed Unaudited Interim Consolidated Statements of Earnings

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

	Three months ended November 30,	
	2019	2018
Sales	\$ 73,551	\$ 69,201
Cost of sales ⁽¹⁾	30,241	28,897
Selling and administrative	24,504	26,375
Net research and development	11,749	15,224
Depreciation of property, plant and equipment	1,443	1,429
Depreciation of lease right-of-use assets	851	–
Amortization of intangible assets	1,632	2,940
Interest and other expense	399	377
Foreign exchange (gain) loss	126	(215)
Earnings (loss) before income taxes	2,606	(5,826)
Income taxes	2,669	1,641
Net loss for the period	\$ (63)	\$ (7,467)
Basic and diluted net loss per share	\$ (0.00)	\$ (0.14)
Basic weighted average number of shares outstanding (000's)	55,439	55,184
Diluted weighted average number of shares outstanding (000's)	55,439	55,184

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

EXFO Inc.

Condensed Unaudited Interim Consolidated Statements of Comprehensive Income (Loss)

(in thousands of US dollars)

	Three months ended	
	November 30,	
	2019	2018
Net loss for the period	\$ (63)	\$ (7,467)
Other comprehensive income (loss), net of income taxes		
Items that may be reclassified subsequently to net loss		
Foreign currency translation adjustment	561	(3,356)
Unrealized gains/losses on forward exchange contracts	(35)	(687)
Reclassification of realized gains/losses on forward exchange contracts in net loss	183	91
Deferred income tax effect of gains/losses on forward exchange contracts	(30)	209
Other comprehensive income (loss)	679	(3,743)
Comprehensive income (loss) for the period	\$ 616	\$ (11,210)

EXFO Inc.

Condensed Unaudited Interim Consolidated Statements of Changes in Shareholders' Equity

(in thousands of US dollars)

	Three months ended November 30, 2018				
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance as at September 1, 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	643	(643)	–	–	–
Stock-based compensation costs	–	460	–	–	460
Net loss for the period	–	–	(7,467)	–	(7,467)
Other comprehensive loss					
Foreign currency translation adjustment	–	–	–	(3,356)	(3,356)
Changes in unrealized gains/losses on forward exchange contracts, net of deferred income taxes of \$209	–	–	–	(387)	(387)
	–	–	–	(387)	(387)
Total comprehensive loss for the period					(11,210)
Balance as at November 30, 2018	\$ 92,580	\$ 18,245	\$ 107,186	\$ (51,093)	\$ 166,918

	Three months ended November 30, 2019				
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance as at September 1, 2019	\$ 92,706	\$ 19,196	\$ 112,173	\$ (51,511)	\$ 172,564
Reclassification of stock-based compensation costs	861	(861)	–	–	–
Redemption of share capital	(212)	(13)	–	–	(225)
Stock-based compensation costs	–	494	–	–	494
Net loss for the period	–	–	(63)	–	(63)
Other comprehensive income					
Foreign currency translation adjustment	–	–	–	561	561
Changes in unrealized gains/losses on forward exchange contracts, net of deferred income taxes of \$30	–	–	–	118	118
	–	–	–	118	118
Total comprehensive income for the period					616
Balance as at November 30, 2019	\$ 93,355	\$ 18,816	\$ 112,110	\$ (50,832)	\$ 173,449

EXFO Inc.

Condensed Unaudited Interim Consolidated Statements of Cash Flows

(in thousands of US dollars)

	Three months ended November 30,	
	2019	2018
Cash flows from operating activities		
Net loss for the period	\$ (63)	\$ (7,467)
Add (deduct) items not affecting cash		
Stock-based compensation costs	487	418
Depreciation and amortization	3,926	4,369
Write-off of capital assets	216	–
Deferred revenue	(4,372)	3,922
Deferred income taxes	(442)	(29)
Changes in foreign exchange gain/loss	(21)	(529)
	(269)	684
 Changes in non-cash operating items		
Accounts receivable	72	(4,052)
Income taxes and tax credits	516	(998)
Inventories	(3,493)	(1,361)
Prepaid expenses	378	183
Other assets	35	(12)
Accounts payable, accrued liabilities and provisions	(3,693)	3,132
Other liabilities	(16)	(51)
	(6,470)	(2,475)
 Cash flows from investing activities		
Additions to short-term investments	(147)	–
Disposal of short-term investments	563	342
Purchases of capital assets	(2,040)	(2,882)
	(1,624)	(2,540)
 Cash flows from financing activities		
Bank loan	8,354	11,257
Repayment of lease liabilities	(844)	–
Repayment of long-term debt	(676)	(717)
Redemption of share capital	(225)	–
	6,609	10,540
 Effect of foreign exchange rate changes on cash	12	(196)
 Change in cash	(1,473)	5,329
Cash – Beginning of the period	16,518	12,758
Cash – End of the period	\$ 15,045	\$ 18,087