

EXFO Inc.

Condensed Unaudited Interim Consolidated Balance Sheets

(in thousands of US dollars)

	<u>As at February 29, 2020</u>	<u>As at August 31, 2019</u>
Assets		
Current assets		
Cash	\$ 19,126	\$ 16,518
Short-term investments	1,755	2,918
Accounts receivable		
Trade	33,221	51,517
Other	3,083	3,396
Income taxes and tax credits recoverable	5,833	3,159
Inventories	41,530	38,017
Prepaid expenses	4,994	6,510
Other assets	3,669	3,083
	<u>113,211</u>	<u>125,118</u>
Tax credits recoverable	45,574	46,704
Property, plant and equipment	39,156	39,364
Right-of-use assets	9,634	–
Intangible assets	18,830	21,654
Goodwill	38,728	38,648
Deferred income tax assets	5,126	4,821
Other assets	1,110	1,293
	<u>\$ 271,369</u>	<u>\$ 277,602</u>
Liabilities		
Current liabilities		
Bank loan	\$ 13,650	\$ 5,000
Accounts payable and accrued liabilities	41,410	50,790
Provisions	834	1,065
Income taxes payable	128	704
Deferred revenue	21,904	24,422
Other liabilities	1,600	1,606
Current portion of lease liabilities	2,925	–
Current portion of long-term debt	2,158	2,449
	<u>84,609</u>	<u>86,036</u>
Provisions	2,544	2,737
Deferred revenue	8,453	9,056
Lease liabilities	6,665	–
Long-term debt	2,252	3,293
Deferred income tax liabilities	3,130	3,598
Other liabilities	570	318
	<u>108,223</u>	<u>105,038</u>
Shareholders' equity		
Share capital	93,827	92,706
Contributed surplus	18,780	19,196
Retained earnings	103,089	112,173
Accumulated other comprehensive loss	(52,550)	(51,511)
	<u>163,146</u>	<u>172,564</u>
	<u>\$ 271,369</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 February 29, 2020	Six months ended February 29, 2020	Three months ended February 28, 2019	Six months ended February 28, 2019
Sales	\$ 55,313	\$ 128,864	\$ 73,927	\$ 143,128
Cost of sales ⁽¹⁾	23,796	54,037	29,062	57,959
Selling and administrative	24,303	48,807	25,474	51,849
Net research and development	12,566	24,315	12,216	27,440
Depreciation of property, plant and equipment	1,424	2,867	1,390	2,819
Depreciation of right-of-use assets	854	1,705	–	–
Amortization of intangible assets	1,695	3,327	2,130	5,070
Interest and other (income) expense	285	684	(1,514)	(1,137)
Foreign exchange loss	382	508	416	201
Earnings (loss) before income taxes	<u>(9,992)</u>	<u>(7,386)</u>	<u>4,753</u>	<u>(1,073)</u>
Income taxes	<u>(971)</u>	<u>1,698</u>	<u>(440)</u>	<u>1,201</u>
Net earnings (loss) for the period	<u>\$ (9,021)</u>	<u>\$ (9,084)</u>	<u>\$ 5,193</u>	<u>\$ (2,274)</u>
Basic and diluted net earnings (loss) per share	\$ (0.16)	\$ (0.16)	\$ 0.09	\$ (0.04)
Basic weighted average number of shares outstanding (000's)	55,603	55,521	55,343	55,263
Diluted weighted average number of shares outstanding (000's)	55,603	55,521	56,160	55,263

(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 February 29, 2020	Six months ended February 29, 2020	Three months ended February 28, 2019	Six months ended February 28, 2019
Net earnings (loss) for the period	\$ (9,021)	\$ (9,084)	\$ 5,193	\$ (2,274)
Other comprehensive income (loss), net of income taxes				
Items that may be reclassified subsequently to net earnings				
Foreign currency translation adjustment	(1,319)	(758)	1,807	(1,549)
Unrealized gains/losses on forward exchange contracts	(718)	(753)	496	(191)
Reclassification of realized gains/losses on forward exchange contracts	173	356	210	301
Deferred income tax effect of gains/losses on forward exchange contracts	146	116	(167)	42
Other comprehensive income (loss)	(1,718)	(1,039)	2,346	(1,397)
Comprehensive income (loss) for the period	<u>\$ (10,739)</u>	<u>\$ (10,123)</u>	<u>\$ 7,539</u>	<u>\$ (3,671)</u>

EXFO Inc.

Condensed Unaudited Interim Consolidated Statements of Changes in Shareholders' Equity

(in thousands of US dollars)

	Six months ended February 28, 2019				
	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 of September 1, 2018	91,937	18,428	114,653	(47,350)	177,668
Reclassification of stock-based compensation costs	1,067	(1,067)	-	-	-
Redemption of share capital	(126)	21	-	-	(105)
Stock-based compensation costs	-	895	-	-	895
Net loss for the period	-	-	(2,274)	-	(2,274)
Other comprehensive income (loss)					
Foreign currency translation adjustment	-	-	-	(1,549)	(1,549)
Changes in unrealized gains/losses on forward exchange contracts, net of deferred income taxes of \$42	-	-	-	152	152
Total comprehensive loss for the period					(3,671)
Balance as at February 28, 2019	<u>\$ 92,878</u>	<u>\$ 18,277</u>	<u>\$ 112,379</u>	<u>\$ (48,747)</u>	<u>\$ 174,787</u>
	Six months ended February 29, 2020				
	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	1,333	(1,333)	-	-	-
Redemption of share capital	(212)	(13)	-	-	(225)
Stock-based compensation costs	-	930	-	-	930
Net loss for the period	-	-	(9,084)	-	(9,084)
Other comprehensive loss					
Foreign currency translation adjustment	-	-	-	(758)	(758)
Changes in unrealized gains/losses on forward exchange contracts, net of deferred income taxes of \$116	-	-	-	(281)	(281)
Total comprehensive loss for the period					(10,123)
Balance as at February 29, 2020	<u>\$ 93,827</u>	<u>\$ 18,780</u>	<u>\$ 103,089</u>	<u>\$ (52,550)</u>	<u>\$ 163,146</u>

EXFO Inc.

Condensed Unaudited Interim Consolidated Statements of Cash Flows

(in thousands of US dollars)

	Three months ended February 29, 2020	Six months ended February 29, 2020	Three months ended February 28, 2019	Six months ended February 28, 2019
Cash flows from operating activities				
Net earnings (loss) for the period	\$ (9,021)	\$ (9,084)	\$ 5,193	\$ (2,274)
Add (deduct) items not affecting cash				
Stock-based compensation costs	436	923	461	879
Depreciation and amortization	3,973	7,899	3,520	7,889
Gain on disposal of capital assets	–	–	(1,732)	(1,732)
Write-off of capital assets	–	216	261	261
Deferred revenue	1,557	(2,815)	6,021	9,943
Deferred income taxes	(212)	(654)	(2,124)	(2,153)
Changes in foreign exchange gain/loss	902	881	76	(453)
	<u>(2,365)</u>	<u>(2,634)</u>	<u>11,676</u>	<u>12,360</u>
Changes in non-cash operating items				
Accounts receivable	18,539	18,611	9,871	5,819
Income taxes and tax credits	(3,178)	(2,662)	1,031	33
Inventories	(458)	(3,951)	999	(362)
Prepaid expenses	610	988	22	205
Other assets	(491)	(456)	(327)	(339)
Accounts payable, accrued liabilities and provisions	(5,580)	(9,273)	(3,114)	18
Other liabilities	58	42	(1,470)	(1,521)
	<u>7,135</u>	<u>665</u>	<u>18,688</u>	<u>16,213</u>
Cash flows from investing activities				
Additions to short-term investments	–	(147)	(292)	(292)
Disposal of short-term investments	701	1,264	–	342
Purchases of capital assets	(2,146)	(4,186)	(1,797)	(4,679)
Proceeds from disposal of capital assets	–	–	3,318	3,318
	<u>(1,445)</u>	<u>(3,069)</u>	<u>1,229</u>	<u>(1,311)</u>
Cash flows from financing activities				
Bank loan	16	8,370	(12,501)	(1,244)
Repayment of lease liabilities	(846)	(1,690)	–	–
Repayment of long-term debt	(639)	(1,315)	(735)	(1,452)
Redemption of share capital	–	(225)	(105)	(105)
	<u>(1,469)</u>	<u>5,140</u>	<u>(13,341)</u>	<u>(2,801)</u>
Effect of foreign exchange rate changes on cash	<u>(140)</u>	<u>(128)</u>	<u>100</u>	<u>(96)</u>
Change in cash during the period	4,081	2,608	6,676	12,005
Cash – Beginning of the period	15,045	16,518	18,087	12,758
Cash – End of the period	<u>\$ 19,126</u>	<u>\$ 19,126</u>	<u>\$ 24,763</u>	<u>\$ 24,763</u>