

# EXFO Inc.

## Condensed Unaudited Interim Consolidated Balance Sheets

(in thousands of US dollars)

	<b>As at May 31, 2020</b>	<b>As at August 31, 2019</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 17,070	\$ 16,518
Short-term investments	3,384	2,918
Accounts receivable		
Trade	56,842	51,517
Other	4,543	3,396
Income taxes and tax credits recoverable	4,912	3,159
Inventories	42,745	38,017
Prepaid expenses	5,553	6,510
Other assets	3,800	3,083
	138,849	125,118
<b>Tax credits recoverable</b>	45,203	46,704
<b>Property, plant and equipment</b>	37,814	39,364
<b>Right-of-use assets</b>	10,636	–
<b>Intangible assets</b>	17,523	21,654
<b>Goodwill</b>	37,842	38,648
<b>Deferred income tax assets</b>	4,407	4,821
<b>Other assets</b>	1,257	1,293
	\$ 293,531	\$ 277,602
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank loan	\$ 33,821	\$ 5,000
Accounts payable and accrued liabilities	43,954	50,790
Provisions	706	1,065
Income taxes payable	249	704
Deferred revenue	21,634	24,422
Other liabilities	1,616	1,606
Current portion of lease liabilities	3,188	–
Current portion of long-term debt	2,043	2,449
	107,211	86,036
<b>Provisions</b>	2,490	2,737
<b>Deferred revenue</b>	7,669	9,056
<b>Lease liabilities</b>	7,453	–
<b>Long-term debt</b>	2,118	3,293
<b>Deferred income tax liabilities</b>	2,760	3,598
<b>Other liabilities</b>	878	318
	130,579	105,038
<b>Shareholders' equity</b>		
Share capital	93,999	92,706
Contributed surplus	19,149	19,196
Retained earnings	106,266	112,173
Accumulated other comprehensive loss	(56,462)	(51,511)
	162,952	172,564
	\$ 293,531	\$ 277,602

# EXFO Inc.

## Condensed Unaudited Interim Consolidated Statements of Earnings

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

	Three months ended May 31, 2020	Nine months ended May 31, 2020	Three months ended May 31, 2019	Nine months ended May 31, 2019
<b>Sales</b>	\$ 66,147	\$ 195,011	\$ 73,587	\$ 216,715
Cost of sales <sup>(1)</sup>	27,948	81,985	30,458	88,417
Selling and administrative	18,898	67,705	23,761	75,610
Net research and development	9,168	33,483	11,970	39,410
Depreciation of property, plant and equipment	1,291	4,158	1,368	4,187
Depreciation of lease right-of-use assets	844	2,549	–	–
Amortization of intangible assets	1,698	5,025	2,072	7,142
Interest and other (income) expense	291	975	698	(439)
Foreign exchange (gain) loss	141	649	(146)	55
<b>Earnings (loss) before income taxes</b>	<u>5,868</u>	<u>(1,518)</u>	<u>3,406</u>	<u>2,333</u>
<b>Income taxes</b>	<u>2,691</u>	<u>4,389</u>	<u>3,385</u>	<u>4,586</u>
<b>Net earnings (loss) for the period</b>	<u>\$ 3,177</u>	<u>\$ (5,907)</u>	<u>\$ 21</u>	<u>\$ (2,253)</u>
<b>Basic and diluted net earnings (loss) per share</b>	\$ 0.06	\$ (0.11)	\$ 0.00	\$ (0.04)
<b>Basic weighted average number of shares outstanding (000's)</b>	55,678	55,573	55,392	55,306
<b>Diluted weighted average number of shares outstanding (000's)</b>	56,724	55,573	56,437	55,306

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

# EXFO Inc.

## Condensed Unaudited Interim Consolidated Statements of Comprehensive Loss

(in thousands of US dollars)

	Three months ended <u>May 31, 2020</u>	Nine months ended <u>May 31, 2020</u>	Three months ended <u>May 31, 2019</u>	Nine months ended <u>May 31, 2019</u>
<b>Net earnings (loss) for the period</b>	\$ 3,177	\$ (5,907)	\$ 21	\$ (2,253)
Other comprehensive income (loss), net of income taxes				
Items that may be reclassified subsequently to net earnings				
Foreign currency translation adjustment	(3,317)	(4,075)	(4,611)	(6,160)
Unrealized gains/losses on forward exchange contracts	(1,052)	(1,805)	(1,046)	(1,237)
Reclassification of realized gains/losses on forward exchange contracts	251	607	(91)	210
Deferred income tax effect on gains/losses on forward exchange contracts	206	322	314	356
Other comprehensive loss	<u>(3,912)</u>	<u>(4,951)</u>	<u>(5,434)</u>	<u>(6,831)</u>
<b>Comprehensive loss for the period</b>	<u>\$ (735)</u>	<u>\$ (10,858)</u>	<u>\$ (5,413)</u>	<u>\$ (9,084)</u>

# EXFO Inc.

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

(in thousands of US dollars)

	Nine months ended May 31, 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 at September 1, 2018	91,937	18,428	114,653	(47,350)	177,668
Reclassification of stock-based compensation costs	1,078	(1,078)	–	–	–
Redemption of share capital	(126)	21	–	–	(105)
Stock-based compensation costs	–	1,363	–	–	1,363
Net loss for the period	–	–	(2,253)	–	(2,253)
Other comprehensive loss					
Foreign currency translation adjustment	–	–	–	(6,160)	(6,160)
Changes in unrealized gains/losses on forward exchange contracts, net of deferred income taxes of \$356	–	–	–	(671)	(671)
Total comprehensive loss for the period					(9,084)
Balance as at May 31, 2019	<u>\$ 92,889</u>	<u>\$ 18,734</u>	<u>\$ 112,400</u>	<u>\$ (54,181)</u>	<u>\$ 169,842</u>

	Nine months ended May 31, 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	1,505	(1,505)	–	–	–
Redemption of share capital	(212)	(13)	–	–	(225)
Stock-based compensation costs	–	1,471	–	–	1,471
Net loss for the period	–	–	(5,907)	–	(5,907)
Other comprehensive loss					
Foreign currency translation adjustment	–	–	–	(4,075)	(4,075)
Changes in unrealized gains/losses on forward exchange contracts, net of deferred income taxes of \$322	–	–	–	(876)	(876)
Total comprehensive loss for the period					(10,858)
Balance as at May 31, 2020	<u>\$ 93,999</u>	<u>\$ 19,149</u>	<u>\$ 106,266</u>	<u>\$ (56,462)</u>	<u>\$ 162,952</u>

# EXFO Inc.

## Condensed Unaudited Interim Consolidated Statements of Cash Flows

(in thousands of US dollars)

	Three months ended May 31, 2020	Nine months ended May 31, 2020	Three months ended May 31, 2019	Nine months ended May 31, 2019
<b>Cash flows from operating activities</b>				
Net earnings (loss) for the period	\$ 3,177	\$ (5,907)	\$ 21	\$ (2,253)
Add (deduct) items not affecting cash				
Stock-based compensation costs	523	1,446	475	1,354
Depreciation and amortization	3,833	11,732	3,440	11,329
Gain on disposal of capital assets	–	–	–	(1,732)
Write-off of capital assets	–	216	–	261
Deferred revenue	(329)	(3,144)	1,676	11,619
Deferred income taxes	493	(161)	(142)	(2,295)
Changes in foreign exchange gain/loss	869	1,750	143	(310)
	<u>8,566</u>	<u>5,932</u>	<u>5,613</u>	<u>17,973</u>
Changes in non-cash operating items				
Accounts receivable	(25,485)	(6,874)	(12,857)	(7,038)
Income taxes and tax credits	44	(2,618)	1,596	1,629
Inventories	(2,282)	(6,233)	(306)	(668)
Prepaid expenses	(773)	215	(585)	(380)
Other assets	(256)	(712)	(664)	(1,003)
Accounts payable, accrued liabilities and provisions	3,253	(6,020)	1,995	2,013
Other liabilities	53	95	(6)	(1,527)
	<u>(16,880)</u>	<u>(16,215)</u>	<u>(5,214)</u>	<u>10,999</u>
<b>Cash flows from investing activities</b>				
Additions to short-term investments	(1,927)	(2,074)	(286)	(578)
Disposal of short-term investments	–	1,264	826	1,168
Purchases of capital assets	(1,880)	(6,066)	(1,639)	(6,318)
Proceeds from disposal of capital assets	–	–	–	3,318
	<u>(3,807)</u>	<u>(6,876)</u>	<u>(1,099)</u>	<u>(2,410)</u>
<b>Cash flows from financing activities</b>				
Bank loan	19,934	28,304	(3,808)	(5,052)
Repayment of lease liabilities	(844)	(2,534)	–	–
Repayment of long-term debt	(292)	(1,607)	(713)	(2,165)
Redemption of share capital	–	(225)	–	(105)
	<u>18,798</u>	<u>23,938</u>	<u>(4,521)</u>	<u>(7,322)</u>
<b>Effect of foreign exchange rate changes on cash</b>	<u>(167)</u>	<u>(295)</u>	<u>(306)</u>	<u>(402)</u>
<b>Change in cash during the period</b>	(2,056)	552	(11,140)	865
<b>Cash – Beginning of the period</b>	19,126	16,518	24,763	12,758
<b>Cash – End of the period</b>	<u>\$ 17,070</u>	<u>\$ 17,070</u>	<u>\$ 13,623</u>	<u>\$ 13,623</u>