

# EXFO Inc.

## Condensed Unaudited Interim Consolidated Balance Sheets

(in thousands of US dollars)

	As at August 31,	
	2020	2019
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 32,818	\$ 16,518
Short-term investments	919	2,918
Accounts receivable		
Trade	56,291	51,517
Other	4,055	3,396
Income taxes and tax credits recoverable	4,203	3,159
Inventories	38,865	38,017
Prepaid expenses	5,631	6,510
Other assets	5,493	3,083
	148,275	125,118
<b>Tax credits recoverable</b>	48,812	46,704
<b>Property, plant and equipment</b>	39,722	39,364
<b>Lease right-of-use assets</b>	10,758	–
<b>Intangible assets</b>	17,616	21,654
<b>Goodwill</b>	40,290	38,648
<b>Deferred income tax assets</b>	3,633	4,821
<b>Other assets</b>	1,548	1,293
	\$ 310,654	\$ 277,602
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank loan	\$ 32,737	\$ 5,000
Accounts payable and accrued liabilities	41,348	50,790
Provisions	3,792	1,065
Income taxes payable	43	704
Deferred revenue	25,785	24,422
Other liabilities	4,032	1,606
Current portion of lease liabilities	3,249	–
Current portion of long-term debt	2,076	2,449
	113,062	86,036
<b>Provisions</b>	2,782	2,737
<b>Deferred revenue</b>	8,858	9,056
<b>Lease liabilities</b>	7,334	–
<b>Long-term debt</b>	2,144	3,293
<b>Deferred income tax liabilities</b>	3,760	3,598
<b>Other liabilities</b>	151	318
	138,091	105,038
<b>Shareholders' equity</b>		
Share capital	94,024	92,706
Contributed surplus	19,680	19,196
Retained earnings	102,633	112,173
Accumulated other comprehensive loss	(43,774)	(51,511)
	172,563	172,564
	\$ 310,654	\$ 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 <u>August 31, 2020</u>	Twelve months ended <u>August 31, 2020</u>	Three months ended <u>August 31, 2019</u>	Twelve months ended <u>August 31, 2019</u>
<b>Sales</b>	\$ 70,572	\$ 265,583	\$ 70,175	\$ 286,890
Cost of sales <sup>(1,2)</sup>	32,573	114,558	30,260	118,677
Selling and administrative <sup>(2)</sup>	24,588	92,293	23,036	98,646
Net research and development <sup>(2)</sup>	12,004	45,487	11,143	50,553
Depreciation of property, plant and equipment	1,405	5,563	1,282	5,469
Depreciation of lease right-of-use assets	800	3,349	–	–
Amortization of intangible assets	1,442	6,467	1,870	9,012
Interest and other (income) expense	(19)	956	1,157	718
Foreign exchange (gain) loss	(221)	428	894	949
<b>Earnings (loss) before income taxes</b>	<u>(2,000)</u>	<u>(3,518)</u>	<u>533</u>	<u>2,866</u>
<b>Income taxes</b>	<u>1,633</u>	<u>6,022</u>	<u>760</u>	<u>5,346</u>
<b>Net loss for the period</b>	<u>\$ (3,633)</u>	<u>\$ (9,540)</u>	<u>\$ (227)</u>	<u>\$ (2,480)</u>
<b>Basic and diluted net loss per share</b>	\$ (0.07)	\$ (0.17)	\$ (0.00)	\$ (0.04)
<b>Basic and diluted weighted average number of shares outstanding (000's)</b>	55,698	55,604	55,379	55,325

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

(2) Restructuring charges included in:

Cost of sales	\$ 898	\$ 898	\$ –	\$ 304
Selling and administrative	1,882	1,882	–	495
Net research and development	106	106	–	2,506
Income taxes	(533)	(533)	–	(63)
	<u>\$ 2,353</u>	<u>\$ 2,353</u>	<u>\$ –</u>	<u>\$ 3,242</u>

# EXFO Inc.

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

(in thousands of US dollars)

	<b>Three months ended August 31, 2020</b>	<b>Twelve months ended August 31, 2020</b>	<b>Three months ended August 31, 2019</b>	<b>Twelve months ended August 31, 2019</b>
<b>Net loss for the period</b>	\$ (3,633)	\$ (9,540)	\$ (227)	\$ (2,480)
Other comprehensive income (loss), net of income taxes				
Items that may be reclassified subsequently to net earnings				
Foreign currency translation adjustment	10,069	5,994	1,983	(4,177)
Unrealized gains/losses on forward exchange contracts	3,026	1,221	442	(795)
Reclassification of realized gains/losses on forward exchange contracts in net earnings	493	1,100	534	744
Deferred income tax effect of gains/losses on forward exchange contracts	(900)	(578)	(289)	67
Other comprehensive income (loss)	<u>12,688</u>	<u>7,737</u>	<u>2,670</u>	<u>(4,161)</u>
<b>Comprehensive income (loss) for the period</b>	<u>\$ 9,055</u>	<u>\$ (1,803)</u>	<u>\$ 2,443</u>	<u>\$ (6,641)</u>

# EXFO Inc.

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

(in thousands of US dollars)

	Year ended August 31, 2019				
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
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>\$ 172,564</u>
	Year ended August 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	1,530	(1,530)	–	–	–
Redemption of share capital	(212)	(13)	–	–	(225)
Stock-based compensation costs	–	2,027	–	–	2,027
Net loss for the year	–	–	(9,540)	–	(9,540)
Other comprehensive income					
Foreign currency translation adjustment	–	–	–	5,994	5,994
Changes in unrealized gains/losses on forward exchange contracts, net of deferred income taxes of \$578	–	–	–	1,743	1,743
Total comprehensive loss for the year					(1,803)
Balance as at August 31, 2020	<u>\$ 94,024</u>	<u>\$ 19,680</u>	<u>\$ 102,633</u>	<u>\$ (43,774)</u>	<u>\$ 172,563</u>

# EXFO Inc.

## Condensed Unaudited Interim Consolidated Statements of Cash Flows

(in thousands of US dollars)

	Three months ended August 31, 2020	Twelve months ended August 31, 2020	Three months ended August 31, 2019	Twelve months ended August 31, 2019
<b>Cash flows from operating activities</b>				
Net loss for the period	\$ (3,633)	\$ (9,540)	\$ (227)	\$ (2,480)
Add (deduct) items not affecting cash				
Stock-based compensation costs	575	2,021	477	1,831
Depreciation and amortization	3,647	15,379	3,152	14,481
Gain on disposal of capital assets	(340)	(340)	–	(1,732)
Write-off of capital assets	7	223	1,125	1,386
Deferred revenue	3,545	401	(1,142)	10,477
Deferred income taxes	818	657	192	(2,103)
Changes in foreign exchange gain/loss	(314)	1,436	264	(46)
	<u>4,305</u>	<u>10,237</u>	<u>3,841</u>	<u>21,814</u>
Changes in non-cash operating items				
Accounts receivable	5,251	(1,623)	2,252	(4,786)
Income taxes and tax credits	(253)	(2,871)	(93)	1,536
Inventories	6,188	(45)	534	(134)
Prepaid expenses	247	462	(927)	(1,307)
Other assets	(1,251)	(1,963)	(456)	(1,459)
Accounts payable, accrued liabilities and provisions	(362)	(6,382)	1,171	3,184
Other liabilities	(47)	48	(79)	(1,606)
	<u>14,078</u>	<u>(2,137)</u>	<u>6,243</u>	<u>17,242</u>
<b>Cash flows from investing activities</b>				
Additions to short-term investments	(500)	(2,574)	(1,301)	(1,879)
Proceeds from disposal and maturity of short- term investments	3,052	4,316	–	1,168
Purchases of capital assets	(1,580)	(7,646)	(1,180)	(7,498)
Proceeds from disposal of capital assets	230	230	–	3,318
	<u>1,202</u>	<u>(5,674)</u>	<u>(2,481)</u>	<u>(4,891)</u>
<b>Cash flows from financing activities</b>				
Bank loan	(1,772)	26,532	(143)	(5,195)
Other liabilities	2,355	2,355	–	–
Repayment of lease liabilities	(800)	(3,334)	–	–
Repayment of long-term debt	(240)	(1,847)	(652)	(2,817)
Redemption of share capital	–	(225)	(207)	(312)
	<u>(457)</u>	<u>23,481</u>	<u>(1,002)</u>	<u>(8,324)</u>
<b>Effect of foreign exchange rate changes on cash</b>	<u>925</u>	<u>630</u>	<u>135</u>	<u>(267)</u>
<b>Change in cash</b>	15,748	16,300	2,895	3,760
<b>Cash – Beginning of the period</b>	<u>17,070</u>	<u>16,518</u>	<u>13,623</u>	<u>12,758</u>
<b>Cash – End of the period</b>	<u>\$ 32,818</u>	<u>\$ 32,818</u>	<u>\$ 16,518</u>	<u>\$ 16,518</u>