

EXFO Inc.

Condensed Unaudited Interim Consolidated Balance Sheets

(in thousands of US dollars)

	<u>As at November 30, 2020</u>	<u>As at August 31, 2020</u>
Assets		
Current assets		
Cash	\$ 15,392	\$ 32,818
Short-term investments	1,106	919
Accounts receivable		
Trade	55,541	56,291
Other	6,090	4,055
Income taxes and tax credits recoverable	2,337	4,203
Inventories	41,769	38,865
Prepaid expenses	5,422	5,631
Other assets	4,009	5,493
	<u>131,666</u>	<u>148,275</u>
Tax credits recoverable	49,961	48,812
Property, plant and equipment	39,303	39,722
Lease right-of-use assets	9,228	10,758
Intangible assets	15,481	17,616
Goodwill	40,451	40,290
Deferred income tax assets	4,147	3,633
Other assets	1,521	1,548
	<u>\$ 291,758</u>	<u>\$ 310,654</u>
Liabilities		
Current liabilities		
Bank loan	\$ 16,314	\$ 32,737
Accounts payable and accrued liabilities	39,405	41,348
Provisions	2,333	3,792
Income taxes payable	242	43
Deferred revenue	24,345	25,785
Other liabilities	4,040	4,032
Current portion of lease liabilities	2,870	3,249
Current portion of long-term debt	1,880	2,076
	<u>91,429</u>	<u>113,062</u>
Provisions	2,784	2,782
Deferred revenue	8,887	8,858
Lease liabilities	6,715	7,334
Long-term debt	1,759	2,144
Deferred income tax liabilities	2,925	3,760
Other liabilities	144	151
	<u>114,643</u>	<u>138,091</u>
Shareholders' equity		
Share capital	94,190	94,024
Contributed surplus	19,724	19,680
Retained earnings	106,187	102,633
Accumulated other comprehensive loss	(42,986)	(43,774)
	<u>177,115</u>	<u>172,563</u>
	<u>\$ 291,758</u>	<u>\$ 310,654</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,	
	2020	2019
Sales	\$ 71,512	\$ 73,551
Cost of sales ⁽¹⁾	29,869	30,241
Selling and administrative	21,606	24,504
Net research and development	11,199	11,749
Depreciation of property, plant and equipment	1,341	1,443
Depreciation of lease right-of-use assets	833	851
Amortization of intangible assets	2,549	1,632
Interest and other (income) expense	(1,866)	399
Foreign exchange loss	246	126
Earnings before income taxes	5,735	2,606
Income taxes	2,181	2,669
Net earnings (loss) for the period	<u>\$ 3,554</u>	<u>\$ (63)</u>
Basic and diluted net earnings (loss) per share	\$ 0.06	\$ (0.00)
Basic weighted average number of shares outstanding (000's)	55,749	55,439
Diluted weighted average number of shares outstanding (000's)	57,023	55,439

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

EXFO Inc.

Condensed Unaudited Interim Consolidated Statements of Comprehensive Income

(in thousands of US dollars)

	Three months ended	
	November 30,	
	2020	2019
Net earnings (loss) for the period	\$ 3,554	\$ (63)
Other comprehensive income (loss), net of income taxes		
Items that may be reclassified subsequently to net earnings (loss)		
Foreign currency translation adjustment	722	561
Unrealized gains/losses on forward exchange contracts	256	(35)
Reclassification of realized gains/losses on forward exchange contracts in net earnings (loss)	(156)	183
Deferred income tax effect of gains/losses on forward exchange contracts	(34)	(30)
Other comprehensive income	788	679
Comprehensive income for the period	\$ 4,342	\$ 616

EXFO Inc.

Condensed Unaudited Interim Consolidated Statements of Changes in Shareholders' Equity

(in thousands of US dollars)

	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
Total comprehensive income for the period					616
Balance as at November 30, 2019	<u>\$ 93,355</u>	<u>\$ 18,816</u>	<u>\$ 112,110</u>	<u>\$ (50,832)</u>	<u>\$ 173,449</u>
	Three months ended November 30, 2020				
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance as at September 1, 2020	\$ 94,024	\$ 19,680	\$ 102,633	\$ (43,774)	\$ 172,563
Reclassification of stock-based compensation costs	704	(704)	–	–	–
Redemption of share capital	(538)	158	–	–	(380)
Stock-based compensation costs	–	590	–	–	590
Net earnings for the period	–	–	3,554	–	3,554
Other comprehensive income					
Foreign currency translation adjustment	–	–	–	722	722
Changes in unrealized gains/losses on forward exchange contracts, net of deferred income taxes of \$34	–	–	–	66	66
Total comprehensive income for the period					4,342
Balance as at November 30, 2020	<u>\$ 94,190</u>	<u>\$ 19,724</u>	<u>\$ 106,187</u>	<u>\$ (42,986)</u>	<u>\$ 177,115</u>

EXFO Inc.

Condensed Unaudited Interim Consolidated Statements of Cash Flows

(in thousands of US dollars)

	Three months ended November 30,	
	2020	2019
Cash flows from operating activities		
Net earnings (loss) for the period	\$ 3,554	\$ (63)
Add (deduct) items not affecting cash		
Stock-based compensation costs	568	487
Depreciation and amortization	4,723	3,926
Write-off of capital assets	10	216
Deferred revenue	(1,600)	(4,372)
Deferred income taxes	(1,318)	(442)
Changes in foreign exchange gain/loss	212	(21)
	6,149	(269)
 Changes in non-cash operating items		
Accounts receivable	(831)	72
Income taxes and tax credits	1,220	516
Inventories	(2,605)	(3,493)
Prepaid expenses	579	378
Other assets	1,391	35
Accounts payable, accrued liabilities and provisions	(3,833)	(3,693)
Other liabilities	(8)	(16)
	2,062	(6,470)
 Cash flows from investing activities		
Additions to short-term investments	(230)	(147)
Disposal of short-term investments	30	563
Purchases of capital assets	(1,111)	(2,040)
	(1,311)	(1,624)
 Cash flows from financing activities		
Bank loan	(16,338)	8,354
Repayment of lease liabilities	(833)	(844)
Repayment of long-term debt	(581)	(676)
Redemption of share capital	(380)	(225)
	(18,132)	6,609
 Effect of foreign exchange rate changes on cash	(45)	12
 Change in cash	(17,426)	(1,473)
Cash – Beginning of the period	32,818	16,518
Cash – End of the period	\$ 15,392	\$ 15,045