

# EXFO Inc.

## Condensed Unaudited Interim Consolidated Balance Sheets

(in thousands of US dollars)

	<u>As at November 30, 2018</u>	<u>As at August 31, 2018</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 18,087	\$ 12,758
Short-term investments	1,976	2,282
Accounts receivable		
Trade	50,364	47,273
Other	3,693	4,137
Income taxes and tax credits recoverable	4,694	4,790
Inventories	39,186	38,589
Prepaid expenses	5,019	5,291
Other assets	2,264	2,279
	<u>125,283</u>	<u>117,399</u>
<b>Tax credits recoverable</b>	47,527	47,677
<b>Property, plant and equipment</b>	43,687	44,310
<b>Intangible assets</b>	26,507	29,866
<b>Goodwill</b>	39,115	39,892
<b>Deferred income tax assets</b>	4,270	4,714
<b>Other assets</b>	661	686
	<u>\$ 287,050</u>	<u>\$ 284,544</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank loan	\$ 21,399	\$ 10,692
Accounts payable and accrued liabilities	49,590	47,898
Provisions	2,338	2,954
Income taxes payable	557	873
Deferred revenue	18,564	16,556
Other liabilities	3,109	3,197
Current portion of long-term debt	2,808	2,921
	<u>98,365</u>	<u>85,091</u>
<b>Provisions</b>	2,605	2,347
<b>Deferred revenue</b>	8,320	6,947
<b>Long-term debt</b>	5,185	5,907
<b>Deferred income tax liabilities</b>	5,117	5,910
<b>Other liabilities</b>	540	421
	<u>120,132</u>	<u>106,623</u>
<b>Shareholders' equity</b>		
Share capital	92,580	91,937
Contributed surplus	18,245	18,428
Retained earnings	107,186	114,906
Accumulated other comprehensive loss	(51,093)	(47,350)
	<u>166,918</u>	<u>177,921</u>
	<u>\$ 287,050</u>	<u>\$ 284,544</u>

**EXFO Inc.**  
**Condensed Unaudited Interim Consolidated Statements of Earnings**

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

	<b>Three months ended</b>	
	<b>November 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Sales</b>	\$ 69,201	\$ 63,391
Cost of sales <sup>(1)</sup>	28,897	23,289
Selling and administrative	26,375	23,193
Net research and development	15,224	11,252
Depreciation of property, plant and equipment	1,429	1,154
Amortization of intangible assets	2,940	1,119
Change in fair value of cash contingent consideration	–	(155)
Interest and other expense	377	338
Foreign exchange gain	(215)	(1,218)
<b>Earnings (loss) before income taxes</b>	(5,826)	4,419
<b>Income taxes</b>	1,641	1,740
<b>Net earnings (loss) for the period</b>	<u>\$ (7,467)</u>	<u>\$ 2,679</u>
<b>Basic and diluted net earnings (loss) per share</b>	\$ (0.14)	\$ 0.05
<b>Basic weighted average number of shares outstanding (000's)</b>	55,184	54,805
<b>Diluted weighted average number of shares outstanding (000's)</b>	55,184	55,793

(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	
	November 30,	
	2018	2017
<b>Net earnings (loss) for the period</b>	\$ (7,467)	\$ 2,679
Other comprehensive income (loss), net of income taxes		
Items that may be reclassified subsequently to net earnings (loss)		
Foreign currency translation adjustment	(3,356)	(4,130)
Unrealized gains/losses on forward exchange contracts	(687)	(524)
Reclassification of realized gains/losses on forward exchange contracts in net earnings (loss)	91	(383)
Deferred income tax effect of gains/losses on forward exchange contracts	209	215
Other comprehensive loss	(3,743)	(4,822)
<b>Comprehensive loss for the period</b>	<b>\$ (11,210)</b>	<b>\$ (2,143)</b>

# EXFO Inc.

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

(in thousands of US dollars)

	<b>Three months ended November 30, 2017</b>				
	<b>Share capital</b>	<b>Contributed surplus</b>	<b>Retained earnings</b>	<b>Accumulated other comprehensive loss</b>	<b>Total shareholders' equity</b>
Balance as at September 1, 2017	\$ 90,411	\$ 18,184	\$ 127,160	\$ (38,965)	\$ 196,790
Reclassification of stock-based compensation costs	598	(598)	-	-	-
Stock-based compensation costs	-	430	-	-	430
Net earnings for the period	-	-	2,679	-	2,679
Other comprehensive loss					
Foreign currency translation adjustment	-	-	-	(4,130)	(4,130)
Changes in unrealized gains/losses on forward exchange contracts, net of deferred income taxes of \$215	-	-	-	(692)	(692)
Total comprehensive loss for the period					(2,143)
Balance as at November 30, 2017	<u>\$ 91,009</u>	<u>\$ 18,016</u>	<u>\$ 129,839</u>	<u>\$ (43,787)</u>	<u>\$ 195,077</u>

	<b>Three months ended November 30, 2018</b>				
	<b>Share capital</b>	<b>Contributed surplus</b>	<b>Retained earnings</b>	<b>Accumulated other comprehensive loss</b>	<b>Total shareholders' equity</b>
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)
Total comprehensive loss for the period					(11,210)
Balance as at November 30, 2018	<u>\$ 92,580</u>	<u>\$ 18,245</u>	<u>\$ 107,186</u>	<u>\$ (51,093)</u>	<u>\$ 166,918</u>

# EXFO Inc.

## Condensed Unaudited Interim Consolidated Statements of Cash Flows

(in thousands of US dollars)

	Three months ended November 30,	
	2018	2017
<b>Cash flows from operating activities</b>		
Net earnings (loss) for the period	\$ (7,467)	\$ 2,679
Add (deduct) items not affecting cash		
Stock-based compensation costs	418	402
Depreciation and amortization	4,369	2,273
Write-off of capital assets	–	124
Change in fair value of cash contingent consideration	–	(155)
Deferred revenue	3,922	(782)
Deferred income taxes	(29)	(240)
Changes in foreign exchange gain/loss	(529)	(247)
	684	4,054
 Changes in non-cash operating items		
Accounts receivable	(4,052)	1,085
Income taxes and tax credits	(998)	59
Inventories	(1,361)	(1,953)
Prepaid expenses	183	318
Other assets	(12)	4
Accounts payable, accrued liabilities and provisions	3,132	(1,369)
Other liabilities	(51)	188
	(2,475)	2,386
 <b>Cash flows from investing activities</b>		
Additions to short-term investments	–	(234)
Proceeds from disposal of short-term investments	342	–
Purchases of capital assets	(2,882)	(1,991)
Investment in an associate	–	(10,311)
Business combination, net of cash acquired	–	(9,540)
	(2,540)	(22,076)
 <b>Cash flows from financing activities</b>		
Bank loan	11,257	2
Repayment of long-term debt	(717)	(70)
	10,540	(68)
 <b>Effect of foreign exchange rate changes on cash</b>	(196)	(226)
 <b>Change in cash</b>	5,329	(19,984)
<b>Cash – Beginning of the period</b>	12,758	38,435
<b>Cash – End of the period</b>	\$ 18,087	\$ 18,451