

EXFO Inc.
Condensed Unaudited Interim Consolidated Balance Sheets

(in thousands of US dollars)

	As at February 28, 2015	As at August 31, 2014
Assets		
Current assets		
Cash	\$ 30,357	\$ 54,121
Short-term investments	2,582	5,726
Accounts receivable		
Trade	41,308	46,031
Other	1,924	2,001
Income taxes and tax credits recoverable	4,788	3,796
Inventories	32,238	35,232
Prepaid expenses	2,435	2,281
	115,632	149,188
Tax credits recoverable	35,977	41,745
Property, plant and equipment	37,083	42,780
Intangible assets	4,776	7,293
Goodwill	23,003	26,488
Deferred income tax assets	10,826	9,816
Other assets	502	721
	\$ 227,799	\$ 278,031
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 35,215	\$ 29,553
Provisions	427	532
Income taxes payable	615	840
Deferred revenue	8,359	8,990
	44,616	39,915
Deferred revenue	2,912	3,319
Deferred income tax liabilities	2,503	3,087
Other liabilities	1,308	340
	51,339	46,661
Shareholders' equity		
Share capital (note 4)	86,527	111,491
Contributed surplus	17,153	16,503
Retained earnings	116,047	113,635
Accumulated other comprehensive loss	(43,267)	(10,259)
	176,460	231,370
	\$ 227,799	\$ 278,031

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

EXFO Inc.

Condensed Unaudited Interim Consolidated Statements of Earnings

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

	Three months ended February 28, 2015	Six months ended February 28, 2015	Three months ended February 28, 2014	Six months ended February 28, 2014
Sales	\$ 50,990	\$ 107,714	\$ 51,179	\$ 107,182
Cost of sales ⁽¹⁾ (note 5)	19,546	40,783	20,073	41,258
Selling and administrative (note 5)	20,168	41,200	21,537	43,245
Net research and development (note 5)	10,506	22,164	10,973	22,254
Depreciation of property, plant and equipment (note 5)	1,256	2,501	1,243	2,518
Amortization of intangible assets (note 5)	1,019	2,117	1,074	2,256
Interest income	(35)	(252)	(49)	(76)
Foreign exchange gain	(2,987)	(4,962)	(2,292)	(3,094)
Earnings (loss) before income taxes	<u>1,517</u>	<u>4,163</u>	<u>(1,380)</u>	<u>(1,179)</u>
Income taxes (note 6)	<u>586</u>	<u>1,751</u>	<u>(41)</u>	<u>907</u>
Net earnings (loss) for the period	<u>\$ 931</u>	<u>\$ 2,412</u>	<u>\$ (1,339)</u>	<u>\$ (2,086)</u>
Basic and diluted net earnings (loss) per share	\$ 0.02	\$ 0.04	\$ (0.02)	\$ (0.03)
Basic weighted average number of shares outstanding (000's)	59,216	59,775	60,414	60,316
Diluted weighted average number of shares outstanding (000's) (note 7)	59,813	60,396	60,414	60,316

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

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

EXFO Inc.

Condensed Unaudited Interim Consolidated Statements of Comprehensive Loss

(in thousands of US dollars)

	Three months ended February 28, 2015	Six months ended February 28, 2015	Three months ended February 28, 2014	Six months ended February 28, 2014
Net earnings (loss) for the period	\$ 931	\$ 2,412	\$ (1,339)	\$ (2,086)
Other comprehensive income (loss), net of income taxes				
Items that will not be reclassified subsequently to net earnings				
Foreign currency translation adjustment	(18,566)	(30,301)	(9,580)	(11,528)
Items that may be reclassified subsequently to net earnings				
Unrealized losses on forward exchange contracts	(2,697)	(4,202)	(1,289)	(1,529)
Reclassification of realized losses on forward exchange contracts in net earnings (loss)	338	500	191	365
Deferred income tax effect of losses on forward exchange contracts	622	995	294	312
Other comprehensive loss	<u>(20,303)</u>	<u>(33,008)</u>	<u>(10,384)</u>	<u>(12,380)</u>
Comprehensive loss for the period	<u>\$ (19,372)</u>	<u>\$ (30,596)</u>	<u>\$ (11,723)</u>	<u>\$ (14,466)</u>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

EXFO Inc.

Condensed Unaudited Interim Consolidated Statements of Changes in Shareholders' Equity

(in thousands of US dollars)

	Six months ended February 28, 2014				
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance as at September 1, 2013	\$ 109,837	\$ 17,186	\$ 112,852	\$ (3,423)	\$ 236,452
Exercise of stock options (note 4)	195	–	–	–	195
Redemption of share capital (note 4)	(831)	(106)	–	–	(937)
Reclassification of stock-based compensation costs (note 4)	2,136	(2,136)	–	–	–
Stock-based compensation costs	–	843	–	–	843
Net loss for the period	–	–	(2,086)	–	(2,086)
Other comprehensive loss					
Foreign currency translation adjustment	–	–	–	(11,528)	(11,528)
Changes in unrealized losses on forward exchange contracts, net of deferred income taxes of \$312	–	–	–	(852)	(852)
Total comprehensive loss for the period					(14,466)
Balance as at February 28, 2014	<u>\$ 111,337</u>	<u>\$ 15,787</u>	<u>\$ 110,766</u>	<u>\$ (15,803)</u>	<u>\$ 222,087</u>

	Six months ended February 28, 2015				
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balance as at September 1, 2014	\$ 111,491	\$ 16,503	\$ 113,635	\$ (10,259)	\$ 231,370
Redemption of share capital (note 4)	(26,314)	1,211	–	–	(25,103)
Reclassification of stock-based compensation costs (note 4)	1,350	(1,350)	–	–	–
Stock-based compensation costs	–	789	–	–	789
Net earnings for the period	–	–	2,412	–	2,412
Other comprehensive loss					
Foreign currency translation adjustment	–	–	–	(30,301)	(30,301)
Changes in unrealized losses on forward exchange contracts, net of deferred income taxes of \$995	–	–	–	(2,707)	(2,707)
Total comprehensive loss for the period					(30,596)
Balance as at February 28, 2015	<u>\$ 86,527</u>	<u>\$ 17,153</u>	<u>\$ 116,047</u>	<u>\$ (43,267)</u>	<u>\$ 176,460</u>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

EXFO Inc.

Condensed Unaudited Interim Consolidated Statements of Cash Flows

(in thousands of US dollars)

	Three months ended February 28, 2015	Six months ended February 28, 2015	Three months ended February 28, 2014	Six months ended February 28, 2014
Cash flows from operating activities				
Net earnings (loss) for the period	\$ 931	\$ 2,412	\$ (1,339)	\$ (2,086)
Add (deduct) items not affecting cash				
Stock-based compensation costs	388	788	402	865
Depreciation and amortization	2,275	4,618	2,317	4,774
Deferred revenue	1,531	504	1,024	(728)
Deferred income taxes	(11)	(343)	(324)	301
Changes in foreign exchange gain/loss	(1,770)	(2,798)	(793)	(901)
	<u>3,344</u>	<u>5,181</u>	<u>1,287</u>	<u>2,225</u>
Changes in non-cash operating items				
Accounts receivable	3,719	(1,317)	6,182	4,525
Income taxes and tax credits	(1,211)	(1,423)	(1,686)	(943)
Inventories	(752)	(1,933)	(1,221)	(3,533)
Prepaid expenses	(165)	(501)	(787)	(616)
Other assets	(2)	(1)	(40)	(34)
Accounts payable, accrued liabilities and provisions	824	7,660	(94)	5,391
Other liabilities	(13)	(32)	(17)	(43)
	<u>5,744</u>	<u>7,634</u>	<u>3,624</u>	<u>6,972</u>
Cash flows from investing activities				
Additions to short-term investments	(5,818)	(19,509)	(4,790)	(14,571)
Proceeds from disposal and maturity of short-term investments	8,300	22,066	4,790	14,562
Additions to capital assets	(2,045)	(2,799)	(1,695)	(2,396)
	<u>437</u>	<u>(242)</u>	<u>(1,695)</u>	<u>(2,405)</u>
Cash flows from financing activities				
Repayment of long-term debt	–	–	(307)	(307)
Exercise of stock options	–	–	89	195
Redemption of share capital (note 4)	(24,250)	(25,103)	(937)	(937)
	<u>(24,250)</u>	<u>(25,103)</u>	<u>(1,155)</u>	<u>(1,049)</u>
Effect of foreign exchange rate changes on cash				
	<u>(3,795)</u>	<u>(6,053)</u>	<u>(1,475)</u>	<u>(1,840)</u>
Change in cash	(21,864)	(23,764)	(701)	1,678
Cash – Beginning of the period	<u>52,221</u>	<u>54,121</u>	<u>47,765</u>	<u>45,386</u>
Cash – End of the period	<u>\$ 30,357</u>	<u>\$ 30,357</u>	<u>\$ 47,064</u>	<u>\$ 47,064</u>
Supplementary information				
Income taxes paid	\$ 457	\$ 824	\$ 229	\$ 871
Additions to capital assets	\$ 2,048	\$ 2,938	\$ 1,196	\$ 2,680

As at February 28, 2014 and 2015, unpaid purchases of capital assets amounted to \$515 and \$495 respectively.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

EXFO Inc.

Notes to Condensed Unaudited Interim Consolidated Financial Statements

(tabular amounts in thousands of US dollars, except share and per share data and as otherwise noted)

1 Nature of Activities and Incorporation

EXFO Inc. and its subsidiaries (together “EXFO” or the company) design, manufacture and market test, service assurance and quality of experience solutions for wireless and wireline network operators and equipment manufacturers in the global telecommunications industry. The company’s core-to-edge solutions assess the performance and reliability of converged Internet protocol (IP) fixed and mobile networks.

EXFO is a company incorporated under the Canada Business Corporations Act and domiciled in Canada. The address of its headquarters is 400 Godin Avenue, Quebec, Province of Quebec, Canada, G1M 2K2.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on March 24, 2015.

2 Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including IAS 34, “*Interim Financial Reporting*”, and using the same accounting policies and methods used in the preparation of the company’s most recent annual consolidated financial statements. Consequently, these condensed interim consolidated financial statements should be read in conjunction with the company’s most recent annual consolidated financial statements, which have been prepared in accordance with IFRS as issued by the IASB.

New IFRS Pronouncements

Financial instruments

The final version of IFRS 9, “*Financial Instruments*”, was issued in July 2014 and will replace IAS 39, “*Financial Instruments: Recognition and Measurement*”. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Requirements relating to hedge accounting representing a new hedge accounting model have also been added to IFRS 9. The new standard is effective for annual periods beginning on or after January 1, 2018, and must be applied retrospectively. The company has not yet assessed the impact that the new standard will have on its consolidated financial statements.

Revenue from contracts with customers

IFRS 15, “*Revenue from Contracts with Customers*”, was issued in May 2014. The objective of this new standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability. This new standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This new standard is effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. The company has not yet assessed the impact that the new standard will have on its consolidated financial statements or whether or not to early adopt the new standard.

EXFO Inc.

Notes to Condensed Unaudited Interim Consolidated Financial Statements

(tabular amounts in thousands of US dollars, except share and per share data and as otherwise noted)

3 Financial Instruments

Fair Value of Financial Instruments

The company classifies its derivative and non-derivative financial assets and liabilities measured at fair value using the fair value hierarchy as follows:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly or indirectly;

Level 3: Unobservable inputs for the asset or liability.

The company's short-term investments and forward exchange contracts are measured at fair value at each balance sheet date. The company's short-term investments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices in active markets. The company's forward exchange contracts are classified within Level 2 of the fair value hierarchy because they are valued using quoted prices and forward exchange rates at the balance sheet dates.

The fair value of forward exchange contracts represents the amount at which they could be settled based on estimated current market rates.

The fair value of derivative and non-derivative financial assets and liabilities measured at fair value by level of fair value hierarchy, is as follows:

	As at February 28, 2015		As at August 31, 2014	
	Level 1	Level 2	Level 1	Level 2
Financial assets				
Short-term investments	\$ 2,582	\$ –	\$ 5,726	\$ –
Forward exchange contracts	\$ –	\$ 13	\$ –	\$ 193
Financial Liabilities				
Forward exchange contracts	\$ –	\$ 4,545	\$ –	\$ 690

Derivative Financial Instruments

The functional currency of the company is the Canadian dollar. The company is exposed to currency risk as a result of its export sales of products manufactured in Canada, China and Finland, the majority of which are denominated in US dollars and euros. This risk is partially hedged by forward exchange contracts and certain cost of sales and operating expenses (US dollars and euros). In addition, the company is exposed to currency risk as a result of its research and development activities in India (Indian rupees). This risk is partially hedged by forward exchange contracts. Forward exchange contracts, which are designated as cash flow hedging instruments, qualify for hedge accounting.

As at February 28, 2015, the company held contracts to sell US dollars for Canadian dollars and Indian rupees at various forward rates, which are summarized as follows:

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(tabular amounts in thousands of US dollars, except share and per share data and as otherwise noted)

US dollars – Canadian dollars

Expiry dates	Contractual amounts	Weighted average contractual forward rates
March 2015 to August 2015	\$ 15,600	1.1027
September 2015 to August 2016	20,200	1.1180
September 2016 to August 2017	8,000	1.1530
September 2017 to December 2017	1,600	1.2135
Total	\$ 45,400	1.1223

US dollars – Indian rupees

Expiry dates	Contractual amounts	Weighted average contractual forward rates
March 2015 to August 2015	\$ 2,400	64.00
September 2015 to February 2016	1,200	65.32
Total	\$ 3,600	64.44

The carrying amount of forward exchange contracts is equal to fair value, which is based on the amount at which they could be settled based on estimated current market rates. The fair value of forward exchange contracts amounted to net losses of \$497,000 as at August 31, 2014, and \$4,532,000 as at February 28, 2015.

As at February 28, 2015, forward exchange contracts in the amount of \$13,000 are presented as current assets in other accounts receivable, forward exchange contracts in the amount of \$3,392,000 are presented as current liabilities in accounts payable and accrued liabilities, and forward exchange contracts of \$1,153,000 are presented as long-term liabilities in other long-term liabilities in the balance sheet. Forward exchange contracts of \$618,000, included in accounts payable and accrued liabilities, for which related hedged sales are recognized, are recorded in the statement of earnings; otherwise, other forward exchange contracts are not yet recorded in the statement of earnings.

Based on the portfolio of forward exchange contracts as at February 28, 2015, the company estimates that the portion of the net unrealized losses on these contracts as of that date, which will be realized and reclassified from accumulated other comprehensive income to net earnings over the next 12 months, amounts to \$2,761,000.

During the three and six months ended February 28, 2014 and 2015, the company recognized within its sales the following foreign exchange losses on forward exchange contracts:

	Three months ended February 28, 2015	Six months ended February 28, 2015	Three months ended February 28, 2014	Six months ended February 28, 2014
Losses on forward exchange contracts	\$ 600	\$ 892	\$ 285	\$ 369

EXFO Inc.

Notes to Condensed Unaudited Interim Consolidated Financial Statements

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4 Share Capital

On January 7, 2015, the company announced that its Board of Directors had authorized a substantial issuer bid (the "Offer") to purchase for cancellation up to 7,142,857 subordinate voting shares for an aggregate purchase price not to exceed CA\$30,000,000. On February 20, 2015, pursuant to the Offer, the company purchased for cancellation 6,521,739 subordinate voting shares for an aggregate purchase price of CA\$30,000,000 (US\$24,027,000), plus related fees of \$223,000. The company used cash to fund the purchase of shares.

The following tables summarize changes in share capital for the six months ended February 28, 2014 and 2015.

	Six months ended February 28, 2014				
	Multiple voting shares		Subordinate voting shares		Total Amount
	Number	Amount	Number	Amount	
Balance as at September 1, 2013	31,643,000	\$ 1	28,401,790	\$ 109,836	\$ 109,837
Exercise of stock options	-	-	25,800	106	106
Redemption of restricted share units	-	-	315,583	-	-
Redemption of deferred share units	-	-	38,010	-	-
Reclassification of stock-based compensation costs to share capital upon exercise of stock awards	-	-	-	1,435	1,435
Balance as at November 30, 2013	31,643,000	1	28,781,183	111,377	111,378
Exercise of stock options	-	-	20,500	89	89
Redemption of restricted share units	-	-	95,882	-	-
Redemption of share capital	-	-	(214,470)	(831)	(831)
Reclassification of stock-based compensation costs to share capital upon exercise of stock awards	-	-	-	701	701
Balance as at February 28, 2014	<u>31,643,000</u>	<u>\$ 1</u>	<u>28,683,095</u>	<u>\$ 111,336</u>	<u>\$ 111,337</u>
	Six months ended February 28, 2015				
	Multiple voting shares		Subordinate voting shares		Total Amount
	Number	Amount	Number	Amount	
Balance as at September 1, 2014	31,643,000	\$ 1	28,703,750	\$ 111,490	\$ 111,491
Redemption of restricted share units	-	-	115,669	-	-
Redemption of share capital	-	-	(236,486)	(919)	(919)
Reclassification of stock-based compensation costs to share capital upon exercise of stock awards	-	-	-	443	443
Balance as at November 30, 2014	31,643,000	1	28,582,933	111,014	111,015
Redemption of restricted share units	-	-	107,099	-	-
Redemption of deferred share units	-	-	48,697	-	-
Redemption of share capital	-	-	(6,521,739)	(25,395)	(25,395)
Reclassification of stock-based compensation costs to share capital upon exercise of stock awards	-	-	-	907	907
Balance as at February 28, 2015	<u>31,643,000</u>	<u>\$ 1</u>	<u>22,216,990</u>	<u>\$ 86,526</u>	<u>\$ 86,527</u>

EXFO Inc.

Notes to Condensed Unaudited Interim Consolidated Financial Statements

(tabular amounts in thousands of US dollars, except share and per share data and as otherwise noted)

5 Statements of Earnings

Net research and development expenses comprise the following:

	Three months ended February 28, 2015	Six months ended February 28, 2015	Three months ended February 28, 2014	Six months ended February 28, 2014
Gross research and development expenses	\$ 12,176	\$ 25,485	\$ 13,046	\$ 26,355
Research and development tax credits and grants	<u>(1,670)</u>	<u>(3,321)</u>	<u>(2,073)</u>	<u>(4,101)</u>
Net research and development expenses for the period	<u>\$ 10,506</u>	<u>\$ 22,164</u>	<u>\$ 10,973</u>	<u>\$ 22,254</u>

Inventory write-down is as follows:

	Three months ended February 28, 2015	Six months ended February 28, 2015	Three months ended February 28, 2014	Six months ended February 28, 2014
Inventory write-down for the period	<u>\$ 1,046</u>	<u>\$ 1,979</u>	<u>\$ 1,251</u>	<u>\$ 2,438</u>

Depreciation and amortization expenses by functional area are as follows:

	Three months ended February 28, 2015	Six months ended February 28, 2015	Three months ended February 28, 2014	Six months ended February 28, 2014
Cost of sales				
Depreciation of property, plant and equipment	\$ 374	\$ 769	\$ 380	\$ 764
Amortization of intangible assets	<u>441</u>	<u>1,112</u>	<u>497</u>	<u>1,062</u>
	815	1,881	877	1,826
Selling and administrative expenses				
Depreciation of property, plant and equipment	135	277	234	481
Amortization of intangible assets	<u>338</u>	<u>702</u>	<u>380</u>	<u>775</u>
	473	979	614	1,256
Net research and development expenses				
Depreciation of property, plant and equipment	747	1,455	629	1,273
Amortization of intangible assets	<u>240</u>	<u>303</u>	<u>197</u>	<u>419</u>
	<u>987</u>	<u>1,758</u>	<u>826</u>	<u>1,692</u>
	<u>\$ 2,275</u>	<u>\$ 4,618</u>	<u>\$ 2,317</u>	<u>\$ 4,774</u>
Depreciation of property, plant and equipment	\$ 1,256	\$ 2,501	\$ 1,243	\$ 2,518
Amortization of intangible assets	<u>1,019</u>	<u>2,117</u>	<u>1,074</u>	<u>2,256</u>
	<u>\$ 2,275</u>	<u>\$ 4,618</u>	<u>\$ 2,317</u>	<u>\$ 4,774</u>

EXFO Inc.

Notes to Condensed Unaudited Interim Consolidated Financial Statements

(tabular amounts in thousands of US dollars, except share and per share data and as otherwise noted)

Employee compensation comprises the following:

	Three months ended February 28, 2015	Six months ended February 28, 2015	Three months ended February 28, 2014	Six months ended February 28, 2014
Salaries and benefits	\$ 29,097	\$ 59,307	\$ 30,700	\$ 60,720
Stock-based compensation costs	388	788	402	865
Total employee compensation for the period	<u>\$ 29,485</u>	<u>\$ 60,095</u>	<u>\$ 31,102</u>	<u>\$ 61,585</u>

Stock-based compensation costs by functional area are as follows:

	Three months ended February 28, 2015	Six months ended February 28, 2015	Three months ended February 28, 2014	Six months ended February 28, 2014
Cost of sales	\$ 38	\$ 83	\$ 45	\$ 100
Selling and administrative expenses	260	523	259	592
Net research and development expenses	90	182	98	173
Total stock-based compensation for the period	<u>\$ 388</u>	<u>\$ 788</u>	<u>\$ 402</u>	<u>\$ 865</u>

6 Income Taxes

For the three months and the six months ended February 28, 2014 and 2015, the reconciliation of the income tax provision calculated using the combined Canadian federal and provincial statutory income tax rate with the income tax provision in the financial statements is as follows:

	Three months ended February 28, 2015	Six months ended February 28, 2015	Three months ended February 28, 2014	Six months ended February 28, 2014
Income tax provision (recovery) at combined Canadian federal and provincial statutory tax rate (27%)	\$ 410	\$ 1,124	\$ (372)	\$ (318)
Increase (decrease) due to:				
Foreign income taxed at different rates	582	577	(209)	(295)
Non-taxable (income)/loss	243	1,074	(471)	(893)
Non-deductible expenses	172	374	181	407
Foreign exchange effect of translation of foreign subsidiaries in the functional currency	(2,126)	(3,119)	(34)	212
Utilization of previously unrecognized deferred income tax assets	(80)	(80)	12	(3)
Unrecognized deferred income tax assets on temporary deductible differences and unused tax losses	1,379	1,983	974	1,961
Other	6	(182)	(122)	(164)
Income tax provision for the period	<u>\$ 586</u>	<u>\$ 1,751</u>	<u>\$ (41)</u>	<u>\$ 907</u>

EXFO Inc.

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(tabular amounts in thousands of US dollars, except share and per share data and as otherwise noted)

The income tax provision (recovery) consists of the following:

	Three months ended February 28, 2015	Six months ended February 28, 2015	Three months ended February 28, 2014	Six months ended February 28, 2014
Current	\$ 597	\$ 2,094	\$ 283	\$ 606
Deferred	(11)	(343)	(324)	301
	<u>\$ 586</u>	<u>\$ 1,751</u>	<u>\$ (41)</u>	<u>\$ 907</u>

7 Earnings per Share

The following table summarizes the reconciliation of the basic weighted average number of shares outstanding and the diluted weighted average number of shares outstanding:

	Three months ended February 28, 2015	Six months ended February 28, 2015	Three months ended February 28, 2014	Six months ended February 28, 2014
Basic weighted average number of shares outstanding (000's)	59,216	59,775	60,414	60,316
Plus dilutive effect of (000's):				
Restricted share units	492	510	491	645
Deferred share units	105	111	90	102
Stock options	—	—	2	17
	<u>59,813</u>	<u>60,396</u>	<u>60,997</u>	<u>61,080</u>
Diluted weighted average number of shares outstanding (000's)				
Stock awards excluded from the calculation of diluted weighted average number of shares because their exercise price was greater than the average market price of the common shares (000's)	<u>67</u>	<u>88</u>	<u>259</u>	<u>129</u>

For the three and six months ended February 28, 2014, the diluted amount per share was the same amount as the basic amount per share since the dilutive effect of stock options, restricted share units and deferred share units was not included in the calculation; otherwise, the effect would have been antidilutive. Accordingly, the diluted amount per share for these periods was calculated using the basic weighted average number of shares outstanding.