

EXFO Inc.

Unaudited Interim Consolidated Balance Sheets

(in thousands of US dollars)

	As at August 31,	
	2013	2012
Assets		
Current assets		
Cash	\$ 45,386	\$ 58,868
Short-term investments	4,868	8,236
Accounts receivable		
Trade	50,117	37,643
Other	2,778	4,283
Income taxes and tax credits recoverable	6,525	9,024
Inventories	35,705	41,212
Prepaid expenses	2,561	3,800
	147,940	163,066
Tax credits recoverable	41,719	38,397
Property, plant and equipment	45,523	49,848
Intangible assets	7,543	14,132
Goodwill	27,313	29,160
Deferred income tax assets	10,807	12,080
Other assets	693	–
	\$ 281,538	\$ 306,683
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 26,253	\$ 32,392
Provisions	756	952
Income taxes payable	679	917
Current portion of long-term debt	296	565
Deferred revenue	9,467	10,583
	37,451	45,409
Deferred revenue	3,932	4,997
Long-term debt	–	282
Deferred income tax liabilities	3,226	2,105
Other liabilities	477	609
	45,086	53,402
Shareholders' equity		
Share capital	109,837	110,965
Contributed surplus	17,186	17,298
Retained earnings	112,852	111,511
Accumulated other comprehensive income (loss)	(3,423)	13,507
	236,452	253,281
	\$ 281,538	\$ 306,683

EXFO Inc.

Unaudited Interim Consolidated Statements of Earnings

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

	Three months ended <u>August 31, 2013</u>	Twelve months ended <u>August 31, 2013</u>	Three months ended <u>August 31, 2012</u>	Twelve months ended <u>August 31, 2012</u>
Sales	\$ 60,888	\$ 242,150	\$ 57,156	\$ 249,966
Cost of sales ⁽¹⁾	22,574	92,469	21,257	91,792
Selling and administrative	21,390	88,756	22,220	94,139
Net research and development	10,309	45,444	11,891	49,854
Depreciation of property, plant and equipment	1,446	6,028	1,535	6,169
Amortization of intangible assets	1,173	6,643	1,931	7,819
Changes in fair value of cash contingent consideration	-	-	-	(311)
Interest income	(37)	(113)	(63)	(131)
Foreign exchange (gain) loss	(1,312)	(4,082)	1,940	657
Earnings (loss) before income taxes	5,345	7,005	(3,555)	(22)
Income taxes	1,543	5,664	159	3,571
Net earnings (loss) for the period	<u>\$ 3,802</u>	<u>\$ 1,341</u>	<u>\$ (3,714)</u>	<u>\$ (3,593)</u>
Basic and diluted net earnings (loss) per share	\$ 0.06	\$ 0.02	\$ (0.06)	\$ (0.06)
Basic weighted average number of shares outstanding (000's)	60,132	60,323	60,491	60,453
Diluted weighted average number of shares outstanding (000's)	60,929	61,110	60,491	60,453

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

EXFO Inc.

Unaudited Interim Consolidated Statements of Comprehensive Income (Loss)

(in thousands of US dollars)

	Three months ended <u>August 31, 2013</u>	Twelve months ended <u>August 31, 2013</u>	Three months ended <u>August 31, 2012</u>	Twelve months ended <u>August 31, 2012</u>
Net earnings (loss) for the period	\$ 3,802	\$ 1,341	\$ (3,714)	\$ (3,593)
Other comprehensive income (loss), net of income taxes				
Items that will not be reclassified subsequently to net earnings				
Foreign currency translation adjustment	(3,686)	(15,830)	10,956	(6,875)
Items that may be reclassified subsequently to net earnings				
Unrealized gains/losses on forward exchange contracts	(382)	(1,256)	1,107	185
Reclassification of realized gains/losses on forward exchange contracts in net earnings	34	(247)	157	(1,108)
Deferred income tax effect of gains/losses on forward exchange contracts	93	403	(338)	256
Other comprehensive income (loss)	<u>(3,941)</u>	<u>(16,930)</u>	<u>11,882</u>	<u>(7,542)</u>
Comprehensive income (loss) for the period	<u>\$ (139)</u>	<u>\$ (15,589)</u>	<u>\$ 8,168</u>	<u>\$ (11,135)</u>

EXFO Inc.

Unaudited Interim Consolidated Statements of Changes in Shareholders' Equity

(in thousands of US dollars)

	Year ended August 31, 2012				
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total shareholders' equity
Balance as at September 1, 2011	\$ 110,341	\$ 18,017	\$ 115,104	\$ 21,049	\$ 264,511
Exercise of stock options	310	–	–	–	310
Redemption of share capital	(1,696)	(540)	–	–	(2,236)
Reclassification of stock-based compensation costs	2,010	(2,010)	–	–	–
Stock-based compensation costs	–	1,831	–	–	1,831
Net loss for the year	–	–	(3,593)	–	(3,593)
Other comprehensive loss					
Foreign currency translation adjustment	–	–	–	(6,875)	(6,875)
Changes in unrealized gains on forward exchange contracts, net of deferred income taxes of \$256	–	–	–	(667)	(667)
Total comprehensive loss for the year	–	–	(3,593)	(7,542)	(11,135)
Balance as at August 31, 2012	<u>\$ 110,965</u>	<u>\$ 17,298</u>	<u>\$ 111,511</u>	<u>\$ 13,507</u>	<u>\$ 253,281</u>

	Year ended August 31, 2013				
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance as at September 1, 2012	\$ 110,965	\$ 17,298	\$ 111,511	\$ 13,507	\$ 253,281
Exercise of stock options	87	–	–	–	87
Redemption of share capital	(2,565)	(531)	–	–	(3,096)
Reclassification of stock-based compensation costs	1,350	(1,350)	–	–	–
Stock-based compensation costs	–	1,769	–	–	1,769
Net earnings for the year	–	–	1,341	–	1,341
Other comprehensive loss					
Foreign currency translation adjustment	–	–	–	(15,830)	(15,830)
Changes in unrealized gains/losses on forward exchange contracts, net of deferred income taxes of \$403	–	–	–	(1,100)	(1,100)
Total comprehensive income (loss) for the year	–	–	1,341	(16,930)	(15,589)
Balance as at August 31, 2013	<u>\$ 109,837</u>	<u>\$ 17,186</u>	<u>\$ 112,852</u>	<u>\$ (3,423)</u>	<u>\$ 236,452</u>

EXFO Inc.

Unaudited Interim Consolidated Statements of Cash Flows

(in thousands of US dollars)

	Three months ended August 31, 2013	Twelve months ended August 31, 2013	Three months ended August 31, 2012	Twelve months ended August 31, 2012
Cash flows from operating activities				
Net earnings (loss) for the period	\$ 3,802	\$ 1,341	\$ (3,714)	\$ (3,593)
Add (deduct) items not affecting cash				
Change in discount on short-term investments	–	–	2	45
Stock-based compensation costs	437	1,768	429	1,862
Depreciation and amortization	2,619	12,671	3,466	13,988
Changes in fair value of cash contingent consideration	–	–	–	(311)
Deferred revenue	(1,507)	(1,266)	(2,482)	(506)
Deferred income taxes	967	2,951	33	2,050
Changes in foreign exchange gain/loss	(215)	(1,091)	617	(1,510)
	<u>6,103</u>	<u>16,374</u>	<u>(1,649)</u>	<u>12,025</u>
Change in non-cash operating items				
Accounts receivable	(4,108)	(14,765)	7,706	7,974
Income taxes and tax credits	(2,004)	(4,205)	(2,004)	(5,570)
Inventories	2,125	2,916	1,306	10,879
Prepaid expenses	1,852	993	(138)	(589)
Other assets	(703)	(703)	–	–
Accounts payable and accrued liabilities and provisions	(3,876)	(2,373)	(2,800)	643
Other liabilities	(23)	(258)	(116)	(105)
	<u>(634)</u>	<u>(2,021)</u>	<u>2,305</u>	<u>25,257</u>
Cash flows from investing activities				
Additions to short-term investments	(9,786)	(54,489)	(23,918)	(115,886)
Proceeds from disposal and maturity of short-term investments	9,783	57,514	23,896	152,797
Additions to capital assets	(2,074)	(8,026)	(5,846)	(23,849)
	<u>(2,077)</u>	<u>(5,001)</u>	<u>(5,868)</u>	<u>13,062</u>
Cash flows from financing activities				
Bank loan	–	–	–	(782)
Repayment of long-term debt	(296)	(589)	(281)	(577)
Exercise of stock options	–	87	192	310
Redemption of share capital	(795)	(3,096)	(1,610)	(2,236)
	<u>(1,091)</u>	<u>(3,598)</u>	<u>(1,699)</u>	<u>(3,285)</u>
Effect of foreign exchange rate changes on cash				
	<u>(670)</u>	<u>(2,862)</u>	<u>2,221</u>	<u>1,063</u>
Change in cash	<u>(4,472)</u>	<u>(13,482)</u>	<u>(3,041)</u>	<u>36,097</u>
Cash – Beginning of period	49,858	58,868	61,909	22,771
Cash – End of period	<u>\$ 45,386</u>	<u>\$ 45,386</u>	<u>\$ 58,868</u>	<u>\$ 58,868</u>