

EXFO Inc.
Condensed Unaudited Interim Consolidated Balance Sheets

(in thousands of US dollars)

	As at August 31, 2015	As at August 31, 2014
Assets		
Current assets		
Cash	\$ 25,864	\$ 54,121
Short-term investments	1,487	5,726
Accounts receivable		
Trade	48,068	46,031
Other	2,384	2,001
Income taxes and tax credits recoverable	3,855	3,796
Inventories	27,951	35,232
Prepaid expenses	2,801	2,281
	112,410	149,188
Tax credits recoverable	35,625	41,745
Property, plant and equipment	35,695	42,780
Intangible assets	4,096	7,293
Goodwill	21,860	26,488
Deferred income tax assets	8,900	9,816
Other assets	416	721
	\$ 219,002	\$ 278,031
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 34,126	\$ 29,553
Provisions	427	532
Income taxes payable	779	840
Deferred revenue	7,647	8,990
	42,979	39,915
Deferred revenue	2,957	3,319
Deferred income tax liabilities	1,524	3,087
Other liabilities	791	340
	48,251	46,661
Shareholders' equity		
Share capital	86,045	111,491
Contributed surplus	17,778	16,503
Retained earnings	118,933	113,635
Accumulated other comprehensive loss	(52,005)	(10,259)
	170,751	231,370
	\$ 219,002	\$ 278,031

EXFO Inc.

Condensed Unaudited Interim Consolidated Statements of Earnings

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

	Three months ended August 31, 2015	Twelve months ended August 31, 2015	Three months ended August 31, 2014	Twelve months ended August 31, 2014
Sales	\$ 56,594	\$ 222,089	\$ 59,742	\$ 230,806
Cost of sales ^(1,2)	21,975	85,039	22,109	86,836
Selling and administrative ⁽²⁾	20,511	82,200	21,454	86,429
Net research and development ⁽²⁾	10,916	44,003	10,847	44,846
Depreciation of property, plant and equipment	1,171	4,835	1,258	4,995
Amortization of intangible assets	322	2,883	1,117	4,398
Interest and other (income) expense	61	(155)	(30)	(326)
Foreign exchange (gain) loss	(2,425)	(7,212)	334	(1,634)
Earnings before income taxes	<u>4,063</u>	<u>10,496</u>	<u>2,653</u>	<u>5,262</u>
Income taxes	<u>1,740</u>	<u>5,198</u>	<u>1,449</u>	<u>4,479</u>
Net earnings for the period	<u>\$ 2,323</u>	<u>\$ 5,298</u>	<u>\$ 1,204</u>	<u>\$ 783</u>
Basic and diluted net earnings per share	\$ 0.04	\$ 0.09	\$ 0.02	\$ 0.01
Basic weighted average number of shares outstanding (000's)	53,806	56,804	60,347	60,329
Diluted weighted average number of shares outstanding (000's)	54,473	57,457	61,043	61,015
 (1) The cost of sales is exclusive of depreciation and amortization, shown separately.				
(2) Restructuring charges included in:				
Cost of sales	\$ 290	\$ 290	\$ -	\$ -
Selling and administrative	586	586	-	-
Net research and development	761	761	-	-
	<u>\$ 1,637</u>	<u>\$ 1,637</u>	<u>\$ -</u>	<u>\$ -</u>

EXFO Inc.

Condensed Unaudited Interim Consolidated Statements of Comprehensive Income (Loss)

(in thousands of US dollars)

	Three months ended August 31, 2015	Twelve months ended August 31, 2015	Three months ended August 31, 2014	Twelve months ended August 31, 2014
Net earnings for the period	\$ 2,323	\$ 5,298	\$ 1,204	\$ 783
Other comprehensive income (loss), net of income taxes				
Items that will not be reclassified subsequently to net earnings				
Foreign currency translation adjustment	(9,676)	(39,175)	(294)	(7,086)
Items that may be reclassified subsequently to net earnings				
Unrealized losses on forward exchange contracts	(1,419)	(5,583)	76	(618)
Reclassification of realized losses on forward exchange contracts in net earnings	669	2,107	203	959
Deferred income tax effect of losses on forward exchange contracts	180	905	(75)	(91)
Other comprehensive loss	<u>(10,246)</u>	<u>(41,746)</u>	<u>(90)</u>	<u>(6,836)</u>
Comprehensive income (loss) for the period	<u>\$ (7,923)</u>	<u>\$ (36,448)</u>	<u>\$ 1,114</u>	<u>\$ (6,053)</u>

EXFO Inc.

Condensed Unaudited Interim Consolidated Statements of Changes in Shareholders' Equity

(in thousands of US dollars)

	Twelve months ended August 31, 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	225	–	–	–	225
Redemption of share capital	(831)	(106)	–	–	(937)
Reclassification of stock-based compensation costs	2,260	(2,260)	–	–	–
Stock-based compensation costs	–	1,683	–	–	1,683
Net earnings for the year	–	–	783	–	783
Other comprehensive income (loss)					
Foreign currency translation adjustment	–	–	–	(7,086)	(7,086)
Changes in unrealized losses on forward exchange contracts, net of deferred income taxes of \$91	–	–	–	250	250
Total comprehensive loss for the year					(6,053)
Balance as at August 31, 2014	<u>\$ 111,491</u>	<u>\$ 16,503</u>	<u>\$ 113,635</u>	<u>\$ (10,259)</u>	<u>\$ 231,370</u>

	Twelve months ended August 31, 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	(26,827)	1,333	–	–	(25,494)
Reclassification of stock-based compensation costs	1,381	(1,381)	–	–	–
Stock-based compensation costs	–	1,323	–	–	1,323
Net earnings for the year	–	–	5,298	–	5,298
Other comprehensive loss					
Foreign currency translation adjustment	–	–	–	(39,175)	(39,175)
Changes in unrealized losses on forward exchange contracts, net of deferred income taxes of \$905	–	–	–	(2,571)	(2,571)
Total comprehensive loss for the year					(36,448)
Balance as at August 31, 2015	<u>\$ 86,045</u>	<u>\$ 17,778</u>	<u>\$ 118,933</u>	<u>\$ (52,005)</u>	<u>\$ 170,751</u>

EXFO Inc.

Condensed Unaudited Interim Consolidated Statements of Cash Flows

(in thousands of US dollars)

	Three months ended August 31, 2015	Twelve months ended August 31, 2015	Three months ended August 31, 2014	Twelve months ended August 31, 2014
Cash flows from operating activities				
Net earnings for the period	\$ 2,323	\$ 5,298	\$ 1,204	\$ 783
Add (deduct) items not affecting cash				
Stock-based compensation costs	133	1,295	424	1,696
Depreciation and amortization	1,493	7,718	2,375	9,393
Deferred revenue	(962)	396	(285)	(804)
Deferred income taxes	366	565	(557)	891
Changes in foreign exchange gain/loss	(967)	(3,842)	32	(491)
	<u>2,386</u>	<u>11,430</u>	<u>3,193</u>	<u>11,468</u>
Changes in non-cash operating items				
Accounts receivable	(3,017)	(10,828)	7,261	3,578
Income taxes and tax credits	(98)	(2,062)	3,149	1,447
Inventories	1,803	820	2,072	(734)
Prepaid expenses	(107)	(982)	334	210
Other assets	32	61	73	92
Accounts payable, accrued liabilities and provisions	(862)	8,132	(6,124)	3,832
Other liabilities	(25)	(87)	(29)	(107)
	<u>112</u>	<u>6,484</u>	<u>9,929</u>	<u>19,786</u>
Cash flows from investing activities				
Additions to short-term investments	(558)	(20,067)	(9,830)	(34,222)
Proceeds from disposal and maturity of short-term investments	–	23,685	9,402	33,208
Additions to capital assets	(1,308)	(5,933)	(2,785)	(7,931)
	<u>(1,866)</u>	<u>(2,315)</u>	<u>(3,213)</u>	<u>(8,945)</u>
Cash flows from financing activities				
Repayment of long-term debt	–	–	–	(307)
Exercise of stock options	–	–	–	225
Redemption of share capital	(320)	(25,494)	–	(937)
	<u>(320)</u>	<u>(25,494)</u>	<u>–</u>	<u>(1,019)</u>
Effect of foreign exchange rate changes on cash				
	<u>(957)</u>	<u>(6,932)</u>	<u>(18)</u>	<u>(1,087)</u>
Change in cash	(3,031)	(28,257)	6,698	8,735
Cash – Beginning of the period	<u>28,895</u>	<u>54,121</u>	<u>47,423</u>	<u>45,386</u>
Cash – End of the period	<u>\$ 25,864</u>	<u>\$ 25,864</u>	<u>\$ 54,121</u>	<u>\$ 54,121</u>