

**EXFO Inc.**  
**Condensed Unaudited Interim Consolidated Balance Sheets**

(in thousands of US dollars)

	<b>As at November 30, 2013</b>	<b>As at August 31, 2013</b>
	<u>          </u>	<u>          </u>
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 47,765	\$ 45,386
Short-term investments	4,837	4,868
Accounts receivable		
Trade	51,417	50,117
Other	2,765	2,778
Income taxes and tax credits recoverable	4,821	6,525
Inventories	37,653	35,705
Prepaid expenses	2,367	2,561
	<u>151,625</u>	<u>147,940</u>
<b>Tax credits recoverable</b>	41,924	41,719
<b>Property, plant and equipment</b>	44,834	45,523
<b>Intangible assets</b>	6,787	7,543
<b>Goodwill</b>	27,082	27,313
<b>Deferred income taxes</b>	10,539	10,807
<b>Other assets</b>	681	693
	<u>\$ 283,472</u>	<u>\$ 281,538</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 32,306	\$ 26,253
Provisions	728	756
Income taxes payable	331	679
Current portion of long-term debt	304	296
Deferred revenue	7,869	9,467
	<u>41,538</u>	<u>37,451</u>
<b>Deferred revenue</b>	3,703	3,932
<b>Deferred income taxes</b>	3,525	3,226
<b>Other liabilities</b>	474	477
	<u>49,240</u>	<u>45,086</u>
<b>Shareholders' equity</b>		
Share capital	111,378	109,837
Contributed surplus	16,168	17,186
Retained earnings	112,105	112,852
Accumulated other comprehensive loss	(5,419)	(3,423)
	<u>234,232</u>	<u>236,452</u>
	<u>\$ 283,472</u>	<u>\$ 281,538</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,	
	2013	2012
<b>Sales</b>	\$ 56,003	\$ 59,821
Cost of sales <sup>(1)</sup>	21,185	23,657
Selling and administrative	21,708	22,290
Net research and development	11,281	11,602
Depreciation of property, plant and equipment	1,275	1,605
Amortization of intangible assets	1,182	1,962
Interest income	(27)	(33)
Foreign exchange gain	(802)	(756)
<b>Earnings (loss) before income taxes</b>	201	(506)
<b>Income taxes</b>	948	1,132
<b>Net loss for the period</b>	\$ (747)	\$ (1,638)
<b>Basic and diluted net loss per share</b>	\$ (0.01)	\$ (0.03)
<b>Basic and diluted weighted average number of shares outstanding (000's)</b>	60,217	60,389

(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,	
	2013	2012
<b>Net loss for the period</b>	\$ (747)	\$ (1,638)
Other comprehensive income (loss), net of income taxes		
Items that will not be reclassified subsequently to net earnings		
Foreign currency translation adjustment	(1,948)	(1,708)
Items that may be reclassified subsequently to net earnings		
Unrealized gains/losses on forward exchange contracts	(240)	(83)
Reclassification of realized gains/losses on forward exchange contracts		
in net loss	174	(199)
Deferred income tax effect of gains/losses on forward exchange contracts	18	76
Other comprehensive loss	(1,996)	(1,914)
<b>Comprehensive loss for the period</b>	<u>\$ (2,743)</u>	<u>\$ (3,552)</u>

# EXFO Inc.

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

(in thousands of US dollars)

	<b>Three months ended November 30, 2012</b>				
	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Retained earnings</b>	<b>Accumulated other comprehensive income</b>	<b>Total shareholders' equity</b>
Balance as at September 1, 2012	\$ 110,965	\$ 17,298	\$ 111,511	\$ 13,507	\$ 253,281
Exercise of stock options	51	-	-	-	51
Redemption of share capital	(793)	(180)	-	-	(973)
Reclassification of stock-based compensation costs	612	(612)	-	-	-
Stock-based compensation costs	-	444	-	-	444
Net loss for the period	-	-	(1,638)	-	(1,638)
Other comprehensive loss					
Foreign currency translation adjustment	-	-	-	(1,708)	(1,708)
Changes in unrealized gains on forward exchange contracts, net of deferred income taxes of \$76	-	-	-	(206)	(206)
Total comprehensive loss for the period	-	-	(1,638)	(1,914)	(3,552)
Balance as at November 30, 2012	<u>\$ 110,835</u>	<u>\$ 16,950</u>	<u>\$ 109,873</u>	<u>\$ 11,593</u>	<u>\$ 249,251</u>
	<b>Three months ended November 30, 2013</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, 2013	\$ 109,837	\$ 17,186	\$ 112,852	\$ (3,423)	\$ 236,452
Exercise of stock options	106	-	-	-	106
Reclassification of stock-based compensation costs	1,435	(1,435)	-	-	-
Stock-based compensation costs	-	417	-	-	417
Net loss for the period	-	-	(747)	-	(747)
Other comprehensive loss					
Foreign currency translation adjustment	-	-	-	(1,948)	(1,948)
Changes in unrealized losses on forward exchange contracts, net of deferred income taxes of \$18	-	-	-	(48)	(48)
Total comprehensive loss for the period	-	-	(747)	(1,996)	(2,743)
Balance as at November 30, 2013	<u>\$ 111,378</u>	<u>\$ 16,168</u>	<u>\$ 112,105</u>	<u>\$ (5,419)</u>	<u>\$ 234,232</u>

**EXFO Inc.**  
**Condensed Unaudited Interim Consolidated Statements of Cash Flows**

(in thousands of US dollars)

	Three months ended November 30,	
	2013	2012
<b>Cash flows from operating activities</b>		
Net loss for the period	\$ (747)	\$ (1,638)
Add (deduct) items not affecting cash		
Changes in discount on short-term investments	–	2
Stock-based compensation costs	463	448
Depreciation and amortization	2,457	3,567
Deferred revenue	(1,752)	(1,531)
Deferred income taxes	625	733
Changes in foreign exchange gain/loss	(108)	(23)
	938	1,558
Changes in non-cash operating items		
Accounts receivable	(1,657)	(8,104)
Income taxes and tax credits	743	(1,873)
Inventories	(2,312)	(160)
Prepaid expenses	171	359
Other assets	6	–
Accounts payable, accrued liabilities and provisions	5,485	3,637
Other liabilities	(26)	(195)
	3,348	(4,778)
<b>Cash flows from investing activities</b>		
Additions to short-term investments	(9,781)	(24,533)
Proceeds from disposal and maturity of short-term investments	9,772	24,527
Additions to capital assets	(701)	(1,989)
	(710)	(1,995)
<b>Cash flows from financing activities</b>		
Exercise of stock options	106	51
Redemption of share capital	–	(973)
	106	(922)
<b>Effect of foreign exchange rate changes on cash</b>	(365)	(355)
<b>Change in cash</b>	2,379	(8,050)
<b>Cash – Beginning of the period</b>	45,386	58,868
<b>Cash – End of the period</b>	\$ 47,765	\$ 50,818