Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion and analysis contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, and we intend that such forward-looking statements be subject to the safe harbors created thereby. Forward-looking statements are statements other than historical information or statements of current condition. Words such as may, expect, believe, plan, anticipate, intend, could, estimate, continue, or similar expressions or the negative of such expressions are intended to identify forward-looking statements. In addition, any statement that refers to expectations, projections or other characterizations of future events and circumstances are considered forward-looking statements. They are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those in forward-looking statements due to various factors including, but not limited to, macroeconomic uncertainty as well as capital spending and network deployment levels in the telecommunications industry (including our ability to quickly adapt cost structures with anticipated levels of business and our ability to manage inventory levels with market demand); future economic, competitive, financial and market conditions; consolidation in the global telecommunications test and service assurance industry and increased competition among vendors; limited visibility with regards to customer orders and the timing of such orders; fluctuating exchange rates; concentration of sales; timely release and market acceptance of our new products and other upcoming products; our ability to successfully expand international operations; our ability to successfully integrate businesses that we acquire; and the retention of key technical and management personnel. Assumptions relating to the foregoing involve judgments and risks, all of which are difficult or impossible to predict and many of which are beyond our control. Other risk factors that may affect our future performance and operations are detailed in our Annual Report, on Form 20-F, and our other filings with the U.S. Securities and Exchange Commission and the Canadian securities commissions. We believe that the expectations reflected in the forward-looking statements are reasonable based on information currently available to us, but we cannot assure that the expectations will prove to have been correct. Accordingly, you should not place undue reliance on these forward-looking statements. These statements speak only as of the date of this document. Unless required by law or applicable regulations, we undertake no obligation to revise or update any of them to reflect events or circumstances that occur after the date of this document.

The following discussion and analysis of financial condition and results of operations is dated January 8, 2014.

All dollar amounts are expressed in US dollars, except as otherwise noted.

COMPANY OVERVIEW AND RECENT DEVELOPMENTS

We are a leading provider of next-generation test and service assurance solutions for network operators and equipment manufacturers in the global telecommunications industry. We offer core-to-edge solutions that enable customers to increase network capacity and optimize reliability on their wireline and wireless IP (Internet protocol) networks. As such, we target high-growth market opportunities related to increasing bandwidth and improving quality of experience on network infrastructures : 4G/LTE (long-term evolution), wireless backhaul, small cells and distributed antenna systems (DAS), 100G network upgrades and fiber-to-the-home (FTTH)/fiber-to-the-curb (FTTC)/fiber-to-the-node (FTTN) deployments.

We launched nine new products in the first quarter of fiscal 2014, including among others an all-in-one optical and Ethernet test module that accelerates the deployment and troubleshooting of wireless backhaul, small cell and metro Ethernet networks; a tablet-based OTDR series that simplifies and speeds up testing in fixed and mobile networks; a software application that transforms an Android-based phone into a mobile probe to monitor quality of experience in public venues like stadiums and malls; and a next-generation fiber inspection probe that eliminates error risks while accelerating connector certification time by more than 50%. We also expanded the capabilities of our Power Blazer, making it the industry's only multiservice, field test module covering all transmission rates from 10 Mbit/s to 100 Gbit/s.

We reported sales of $56.0 million in the first quarter of fiscal 2014, which represents a decrease of 6.4% compared to $59.8 million for the same period last year. We also reported bookings of $57.9 million in the first quarter of fiscal 2014, for a book-to-bill ratio of 1.03, compared to $64.3 million for the same period last year.

Net loss amounted to $747,000, or $0.01 per share, in the first quarter of fiscal 2014, compared to $1.6 million, or $0.03 per share, for the same period last year. Net loss for the first quarter of fiscal 2014 included $1.1 million in after-tax amortization of intangible assets, $463,000 in stock-based compensation costs and a foreign exchange gain of $802,000.

Adjusted EBITDA (net loss before interest, income taxes, depreciation and amortization, stock-based compensation costs and foreign exchange gain) reached $2.3 million, or 4.1% of sales in the first quarter of fiscal 2014, compared to $2.7 million, or 4.5% of sales for the same period last year. See page 10 in this document for a complete reconciliation of adjusted EBITDA to IFRS net loss.

RESULTS OF OPERATIONS
(in thousands of US dollars, except per share data, and as a percentage of sales for the periods indicated)

	Three months ended November 30,		Three months ended November 30,	
	2013	2012	**2013**	2012
Sales	**$ 56,003**	$ 59,821	**100.0 %**	100.0 %
Cost of sales (1)	**21,185**	23,657	**37.8**	39.5
Selling and administrative	**21,708**	22,290	**38.8**	37.3
Net research and development	**11,281**	11,602	**20.1**	19.4
Depreciation of property, plant and equipment	**1,275**	1,605	**2.2**	2.7
Amortization of intangible assets	**1,182**	1,962	**2.1**	3.3
Interest income	**(27)**	(33)	**–**	–
Foreign exchange gain	**(802)**	(756)	**(1.4)**	(1.4)
Earnings (loss) before income taxes	**201**	(506)	**0.4**	(0.8)
Income taxes	**948**	1,132	**1.7**	1.9
Net loss for the period	**$ (747)**	$ (1,638)	**(1.3) %**	(2.7) %
Basic and diluted net loss per share	**$ (0.01)**	$ (0.03)		

Other selected information:

Gross margin (2)	**$ 34,818**	$ 36,164	**62.2 %**	60.5 %
Research and development:				
Gross research and development	**$ 13,309**	$ 13,898	**23.8 %**	23.2 %
Net research and development	**$ 11,281**	$ 11,602	**20.1 %**	19.4 %
Adjusted EBITDA (2)	**$ 2,292**	$ 2,720	**4.1 %**	4.5 %

(1) The cost of sales is exclusive of depreciation and amortization, shown separately.
(2) Refer to page 10 for non-IFRS measures.

SALES AND BOOKINGS

For the three months ended November 30, 2013, our sales decreased 6.4% to $56.0 million, compared to $59.8 million for the same period last year, and our bookings decreased 9.9% to $57.9 million, compared to $64.3 million for the same period last year, for a book-to-bill ratio of 1.03.

In the first quarter of fiscal 2014, market conditions in the Americas have been more challenging than expected due to order delays and lower spending levels, especially among key customers. We believe projects and strategic initiatives were not cancelled, but rather being pushed out to 2014; consequently, this region delivered a year-over-year decrease in sales and bookings. In addition, in the first quarter of fiscal 2013, we shipped large orders of copper-access products to a tier-1 North American network operator. We did not have such large orders for the same period this year. Finally, in the first quarter of fiscal 2014, we did not benefit from any calendar year-end budget spending on the part of network operators in the Americas due to tight management of budgets, while we benefited from some of these spending in the same period last year.

In addition, in the first quarter of fiscal 2014, we faced increased competition and pricing pressure compared to the same period last year, which reduced our sales and bookings year-over-year.

However, in the first quarter of fiscal 2014, we witnessed some stability in the Europe, Middle-East and Africa (EMEA) and Asia-Pacific regions as sales increased year-over-year.

Finally, in the first quarter of fiscal 2014, we recorded in our sales foreign exchange losses of $84,000 on our forward exchange contracts, compared to a foreign exchange gains of $202,000 for the same period last year, which contributed to decreasing our sales 0.5% year-over-year.

Geographic distribution

In the first quarter of fiscal 2014, sales to the Americas, EMEA and Asia-Pacific accounted for 51%, 29% and 20% of sales respectively, compared to 56%, 27% and 17% for the same period last year respectively.

Customer concentration

We sell our products to a broad range of customers, including network service providers, network equipment manufacturers, wireless operators and cable TV operators. In the first quarter of fiscal 2013 and 2014, no customer accounted for more than 10% of our sales, and our top three customers accounted for 10.2% and 12.5% of our sales respectively.

GROSS MARGIN (non-IFRS measure — refer to page 10 of this document)

Gross margin reached 62.2% of sales for the three months ended November 30, 2013, compared to 60.5% for the same period last year.

In the first quarter of fiscal 2014, a larger portion of our sales came from products manufactured in our facilities in China compared to the same period last year, which had a positive impact on our gross margin year-over-year, as those products have lower cost of goods than those manufactured in Canada and Finland.

However, a lower sales volume in the first quarter of fiscal 2014 compared to the same period last year (6.4%) resulted in a lower absorption of our fixed manufacturing costs, which prevented us from further improving our gross margin year-over-year.

Considering the expected sales growth, the expected increase in sales of protocol products as well as software-intensive products and services, the cost-effective design of our products, and our tight control on costs, we expect our gross margin to improve in the future. However, our gross margin may fluctuate quarter-over-quarter due to the mix of our products and as our sales may fluctuate. Furthermore, our gross margin can be negatively affected by increased competitive pricing pressure, customer concentration and/or consolidation, increased obsolescence and warranty costs, shifts in customer mix, under-absorption of fixed manufacturing costs, increases in product offerings by other suppliers in our industry, as well as unfavorable exchange rates.

SELLING AND ADMINISTRATIVE EXPENSES

For the three months ended November 30, 2013, selling and administrative expenses were $21.7 million, or 38.8% of sales, compared to $22.3 million, or 37.3% of sales for the same period last year.

In the first quarter of fiscal 2014, our selling and administrative expenses decreased due to tight control on expenses, including some employee reductions and to the increase in the average value of the US dollar compared to the Canadian dollar year-over-year, as a portion of our selling and administrative expenses are incurred in this currency and we report our results in US dollars.

For fiscal 2014, we expect our selling and administrative expenses to decrease as percentage of sales and range between 33% and 35%. However, any increase (decrease) in the strength of the Canadian dollar and the euro versus the US dollar in the upcoming quarters would cause our selling and administrative expenses to increase (decrease), as a portion of these expenses are incurred in these currencies and we report our results in US dollars.

RESEARCH AND DEVELOPMENT EXPENSES

Gross research and development expenses

For the three months ended November 30, 2013, gross research and development expenses totaled $13.3 million, or 23.8% of sales, compared to $13.9 million, or 23.2% of sales for the same period last year.

In the first quarter of fiscal 2014, the year-over-year increase in the average value of the US dollar compared to the Canadian dollar and the Indian rupee had a positive impact on our gross research and development expenses as most of these expenses are incurred in these currencies and we report our results in US dollars. In addition, a shift in the mix and timing of research and development projects resulted in decreased gross research and development expenses compared to the same period last year, mainly for subcontracting and consultant expenses.

Tax credits and grants

We are entitled to tax credits from the Canadian federal and provincial governments for eligible research and development activities conducted in Canada. We are also eligible to grants by a Finnish technology organization on certain research and development projects conducted in Finland.

For the three months ended November 30, 2013, tax credits and grants for research and development activities were $2.0 million, or 15.2% of gross research and development expenses, compared to $2.3 million, or 16.5% of gross research and development expenses for the same period last year.

The decrease in our tax credits and grants in the first quarter of fiscal 2014, compared to the same period last year, mainly results from the decrease in gross research and development expenses year-over-year as we were entitled to the same tax credit and grant programs year-over-year.

For fiscal 2014, we expect our net research and development expenses to slightly decrease as a percentage of sales and range between 17% and 19%. However, any increase (decrease) in the strength of the Canadian dollar, the euro and the Indian rupee versus the US dollar in the upcoming quarters would cause our net research and development expenses to increase (decrease), as most of these expenses are incurred in these currencies and we report our results in US dollars.

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

In the first quarter of fiscal 2014, depreciation of property, plant and equipment amounted to $1.3 million, compared to $1.6 million for the same period last year.

The decrease in depreciation expenses in the first quarter of fiscal 2014, compared to the same period last year, was due to the fact that some assets became fully depreciated in fiscal 2013 as well as to the increase in the average value of the US dollar versus the Canadian dollar and the Indian rupee year-over-year, as a significant portion of our depreciation expenses is incurred in these currencies and we report our results in US dollars.

AMORTIZATION OF INTANGIBLE ASSETS

In the first quarter of fiscal 2014, amortization of intangible assets amounted to $1.2 million, compared to $2.0 million for the same period last year.

The decrease in amortization expenses in the first quarter of fiscal 2014 compared to the same period last year is mainly due to the fact that core technology related to the acquisition of Brix Networks Inc. (acquired in fiscal 2008) became fully amortized during fiscal 2013, and that the average value of the US dollar increased compared to the Canadian dollar year-over-year, as a significant portion of our amortization expense is incurred in this currency and we report our results in US dollars.

FOREIGN EXCHANGE GAIN

Foreign exchange gains and losses are mainly the result of the translation of operating activities denominated in currencies other than our functional currency, which is the Canadian dollar. A portion of our foreign exchange gains or losses results from the translation of cash balances and deferred income taxes denominated in US dollars. We manage our exposure to currency risks in part with forward exchange contracts. In addition, some of our entities' operating activities are denominated in US dollars, euros or other currencies, which further hedges these risks. However, we remain exposed to currency risks; namely, any increase in the value of the Canadian dollar, compared to the US dollar, would have a negative impact on our operating results.

For the three months ended November 30, 2013, we recorded a foreign exchange gain of $802,000 compared to $756,000 for the same period last year.

During the first quarter of fiscal 2014, the period-end value of the Canadian dollar decreased versus the US dollar, the euro and the British pound, compared to the previous quarter, which resulted in a foreign exchange gain of $802,000 during that period. In fact, the period-end value of the Canadian dollar decreased 0.9% versus the US dollar to CA$1.0620 = US$1.00 in the first quarter of fiscal 2014, compared to CA$1.0530 = US$1.00 at the end of the previous quarter, decreased 3.3% versus the euro to CA$1.4420 = €1.00 in the first quarter of fiscal 2014, compared to CA$1.3936 = €1.00 at the end of the previous quarter, and decreased 5.9% versus the British pound to CA$1.7353 = £1.00 in the first quarter of fiscal 2014, compared to CA$1.6323 = £1.00 at the end of the previous quarter.

During the same period last year, the period-end value of the Canadian dollar decreased versus the US dollar and the euro, compared to the previous quarter, which resulted in a foreign exchange gain of $756,000 during that period. In fact, the period-end value of the Canadian dollar decreased 0.7% to CA$0.9932 = US$1.00 in the first quarter of fiscal 2013, compared to CA$0.9863 = US$1.00 at the end of the previous quarter, and decreased 3.9% versus the euro to CA$1.2921 = €1.00 in the first quarter of fiscal 2013, compared to CA$1.2438 = €1.00 at the end of the previous quarter.

Foreign-exchange-rate fluctuations also flow through the statement of earnings line items as a significant portion of our operating items are denominated in Canadian dollars and Indian rupees, and we report our results in US dollars. Consequently, the increase in the average value of the US dollar in the first quarter of fiscal 2014, compared to these currencies year-over-year, resulted in a positive impact on our financial results. In fact, the average value of the US dollar in the first quarter of fiscal 2014 increased 5.1% and 13.0% respectively year-over-year, compared to the Canadian dollar and the Indian rupee.

INCOME TAXES

For the three months ended November 30, 2013, our income tax expenses totaled $948,000, compared to $1.1 million for the same period last year.

For the three months ended November 30, 2013, we reported income tax expenses of $948,000 on earnings before income taxes of $201,000. For the three months ended November 30, 2012, we reported income tax expenses of $1.1 million on a loss before income taxes of $506,000. These situations mainly resulted from the fact that we did not recognize deferred income tax assets for some of our subsidiaries at loss and had some non-deductible loss and expenses, such as stock-based compensation costs. However, a significant portion of our foreign exchange gain was created by the translation of financial statements of our foreign subsidiaries, and was therefore non-taxable. Otherwise, the actual tax rate would have been closer to the combined Canadian and provincial statutory tax rate of 27% for both periods.

Please refer to note 6 to our condensed unaudited interim consolidated financial statements for a full reconciliation of our income tax provision.

LIQUIDITY AND CAPITAL RESOURCES

Cash requirements and capital resources

As at November 30, 2013, cash and short-term investments totaled $52.6 million, while our working capital was at $110.1 million. Our cash and short-term investments increased $2.3 million in the first quarter of fiscal 2014, compared to the previous quarter. During the first quarter of fiscal 2014, operating activities generated $3.3 million in cash. However, during the quarter, we made cash payments of $701,000 for the purchase of capital assets and we recorded an unrealized foreign exchange loss on our cash and short-term investments of $405,000. This unrealized foreign exchange loss resulted from the translation, in US dollars, of our Canadian-dollar-denominated cash and short-term investments and was included in the accumulated other comprehensive income in the balance sheet.

Our short-term investments consist of a banker acceptance issued by high-credit-quality corporation; therefore, we consider the risk of non-performance of this financial instrument to be limited. This debt instrument is not expected to be affected by a significant liquidity risk. For the purpose of managing our cash position, we have established a cash management policy, which we follow and monitor on a regular basis. Our cash and short-term investments will be used for working capital and other general corporate purposes as well as potential acquisitions. As at November 30, 2013, cash balances included an amount of $33.6 million that bears interest at an annual rate of 1.5%.

We believe that our cash balances and short-term investments will be sufficient to meet our liquidity and capital requirements for the foreseeable future. In addition to these assets, we have unused available lines of credit totaling $15.7 million for working capital and other general corporate purposes, and unused lines of credit of $21.9 million for foreign currency exposure related to forward exchange contracts. However, possible operating losses, additional restructuring costs and/or possible investments in or acquisitions of complementary businesses, products or technologies may require additional financing. There can be no assurance that additional debt or equity financing will be available when required or, if available, that it can be secured on satisfactory terms.

Sources and uses of cash

We finance our operations and meet our capital expenditure requirements mainly through cash flows from operating activities, the use of our cash and short-term investments as well as the issuance of subordinate voting shares.

Operating activities

Cash flows provided by operating activities were $3.3 million for the three months ended November 30, 2013, compared to cash flows used of $4.8 million for the same period last year.

Cash flows provided by operating activities in the first quarter of fiscal 2014 were attributable to the net earnings after items not affecting cash of $938,000, and the positive net change in non-cash operating items of $2.4 million; this was mainly due to the positive effect on cash of the increase of $5.5 million in our accounts payable, accrued liabilities and provisions due to the timing of purchases and payments during the quarter, as well as the decrease of $743,000 in our income tax and tax credits recoverable due to tax credits recovered during the quarter. These positive effects on cash were offset in part by the negative effect on cash of the increase of $1.7 million in our accounts receivable due to the timing of sales during the quarter as well as the increase of $2.3 million in our inventories to meet future demand.

Cash flows used by operating activities in the first quarter of fiscal 2013 were attributable to the net earnings after items not affecting cash of $1.6 million more than offset by the negative net change in non-cash operating items of $6.3 million; this was mainly due to the negative effect on cash of the increase of $8.1 million in our accounts receivable due to the increase and the timing of sales during the quarter as well as the increase of $1.9 million in our income tax and tax credits recoverable due to tax credits earned during the quarter not yet recovered. These negative effects on cash were offset in part by the positive effect on cash of the increase of $3.6 million in our accounts payable, accrued liabilities and provisions due to timing of purchases and payments during the quarter.

Investing activities

Cash flows used by investing activities were $710,000 for the three months ended November 30, 2013, compared to $2.0 million for the same period last year.

In the first quarter of fiscal 2013 and 2014, we paid $2.0 million and $701,000 respectively for the purchase of capital assets.

Financing activities

Cash flows provided by financing activities were $106,000 for the three months ended November 30, 2013, compared to cash flows used of $922,000 for the same period last year.

In the first quarter of fiscal 2014, we received $106,000 from the exercise of stock options.

For the corresponding period last year, we redeemed share capital for a cash consideration of $973,000. However, we received $51,000 from the exercise of stock options.

FORWARD EXCHANGE CONTRACTS

We utilize forward exchange contracts to manage our foreign currency exposure. Our policy is not to utilize those derivative financial instruments for trading or speculative purposes.

Our forward exchange contracts, which are used to hedge anticipated US-dollar-denominated sales, qualify for hedge accounting; therefore, realized foreign exchange translation gains and losses on these contracts are recognized as an adjustment of the revenues when the corresponding sales are recorded.

As at November 30, 2013, we held forward exchange contracts to sell US dollars at various forward rates, which are summarized as follows:

Expiry dates	Contractual amounts	Weighted average contractual forward rates
December 2013 to August 2014	$ 16,500,000	1.0283
September 2014 to August 2015	15,000,000	1.0529
September 2015 to August 2016	6,800,000	1.0719
September 2016 and October 2016	1,200,000	1.0803
Total	$ 39,500,000	1.0468

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 $808,000 as at August 31, 2013 and $922,000 as at November 30, 2013. The quarter-end exchange rate was CA$1.0620 = US$1.00 as at November 30, 2013.

SHARE CAPITAL

Share capital

As at January 8, 2014, EXFO had 31,643,000 multiple voting shares outstanding, entitling to 10 votes each and 28,801,683 subordinate voting shares outstanding. The multiple voting shares and the subordinate voting shares are unlimited as to number and without par value.

OFF-BALANCE SHEET ARRANGEMENTS

As at November 30, 2013, our off-balance sheet arrangements consisted of letters of guarantee amounting to $551,000 for our own selling and purchasing requirements, which were reserved from our lines of credit; these letters of guarantee expire at various dates through fiscal 2017.

SPECIAL-PURPOSE ENTITIES

As at November 30, 2013, we did not have interests in any special-purpose entities.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

For a description of the critical accounting policies, judgments in applying accounting policies as well as estimates and assumptions used in the preparation of our consolidated financial statements, refer to our Annual Report on Form 20-F for the year ended August 31, 2013, filed with the U.S. Securities and Exchange Commission and the Canadian securities commissions.

NEW IFRS PRONOUNCEMENTS AND AMENDMENTS

Refer to note 2 to our condensed unaudited interim consolidated financial statements for the three months ended November 30, 2013 and to our consolidated financial statements for the year ended August 31, 2013 for the effect of certain recent accounting pronouncements on our consolidated financial statements.

RISKS AND UNCERTAINTIES

For the first quarter of fiscal 2014, there have been no material changes from the risk factors disclosed in our Annual Report on Form 20-F for the year ended August 31, 2013.

NON-IFRS MEASURES

We provide non-IFRS measures (gross margin* and adjusted EBITDA**) as supplemental information regarding our operational performance. We use these measures for the purpose of evaluating our historical and prospective financial performance, as well as our performance relative to our competitors. These measures also help us to plan and forecast future periods as well as to make operational and strategic decisions. We believe that providing this information to our investors, in addition to the IFRS measures, allows them to see the company's results through the eyes of management, and to better understand our historical and future financial performance.

The presentation of this additional information is not prepared in accordance with IFRS. Therefore, the information may not necessarily be comparable to that of other companies and should be considered as a supplement to, not a substitute for, the corresponding measures calculated in accordance with IFRS.

* Gross margin represents sales less cost of sales, excluding depreciation and amortization.

** Adjusted EBITDA represents net loss before interest, income taxes, depreciation and amortization, stock-based compensation costs and foreign exchange gain.

The following table summarizes the reconciliation of adjusted EBITDA to IFRS net loss, in thousands of US dollars:

Adjusted EBITDA

	Three months ended November 30, 2013	Three months ended November 30, 2012
IFRS net loss for the period	$ (747)	$ (1,638)
Add (deduct):		
Depreciation of property, plant and equipment	1,275	1,605
Amortization of intangible assets	1,182	1,962
Interest income	(27)	(33)
Income taxes	948	1,132
Stock-based compensation costs	463	448
Foreign exchange gain	(802)	(756)
Adjusted EBITDA for the period	$ 2,292	$ 2,720
Adjusted EBITDA in percentage of sales	4.1%	4.5%

QUARTERLY SUMMARY FINANCIAL INFORMATION (unaudited)
(tabular amounts in thousands of US dollars, except per share data)

	Quarters ended			
	November 30, 2013	**August 31, 2013**	**May 31, 2013**	**February 28, 2013**
Sales	$ 56,003	$ 60,888	$ 58,865	$ 62,576
Cost of sales (1)	$ 21,185	$ 22,574	$ 22,574	$ 23,664
Net earnings (loss)	$ (747)	$ 3,802	$ (862)	$ 39
Basic and diluted net earnings (loss) per share	$ (0.01)	$ 0.06	$ (0.01)	$ 0.00

	Quarters ended			
	November 30, 2012	**August 31, 2012**	**May 31, 2012**	**February 29, 2012**
Sales	$ 59,821	$ 57,156	$ 59,505	$ 66,917
Cost of sales (1)	$ 23,657	$ 21,257	$ 23,549	$ 23,616
Net earnings (loss)	$ (1,638)	$ (3,714)	$ (3,720)	$ 954
Basic and diluted net earnings (loss) per share	$ (0.03)	$ (0.06)	$ (0.06)	$ 0.02

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