Q4 2013

- ***Sales total US$60.9 million, up 6.5% year-over-year and 3.4% sequentially***
- ***Gross margin reaches 62.9%, highest level in last six quarters***
- ***Adjusted EBITDA amounts to US$7.1 million, or 11.6% of sales***

Fiscal 2013

- ***Sales total US$242.2 million, down 3.1% year-over-year***
- ***Operating expenses decrease US$9.0 million year-over-year***
- ***Adjusted EBITDA amounts to US$17.3 million, or 7.2% of sales***

QUEBEC CITY, Oct. 8, 2013 /PRNewswire/ - EXFO Inc. (NASDAQ: EXFO) (TSX: EXF) announced today financial results for the fourth quarter and fiscal year ended August 31, 2013.

Sales in the fourth quarter of fiscal 2013 increased 3.4% to US$60.9 million from US$58.9 million in the third quarter of 2013 and 6.5% from US$57.2 million in the fourth quarter of 2012. Annual sales decreased 3.1% to US$242.2 million in fiscal 2013 from US$250.0 million in 2012.

Bookings totaled US$54.0 million for a book-to-bill ratio of 0.89 in the seasonally weak fourth quarter of fiscal 2013 compared to US$61.8 million in the third quarter of 2013 and US$55.2 million in the fourth quarter of 2012. Overall for fiscal 2013, bookings amounted to US$233.5 million for a book-to-bill ratio of 0.96 compared to US$244.8 million in 2012.

Gross margin* reached 62.9% of sales in the fourth quarter of fiscal 2013 compared to 61.7% in the third quarter of 2013 and 62.8% in the fourth quarter of 2012. In fiscal 2013, gross margin attained 61.8% of sales compared to 63.3% in 2012.

In the fourth quarter of fiscal 2013, IFRS net earnings amounted to US$3.8 million, or US$0.06 per diluted share, including US$1.1 million in after-tax amortization of intangible assets, US$0.4 million in stock-based compensation costs and a foreign exchange gain of US$1.3 million.

In the third quarter of 2013, IFRS net loss totaled US$0.9 million, or US$0.01 per share, including US$1.5 million in after-tax amortization of intangible assets, US$0.4 million in stock-based compensation costs and a foreign exchange gain of US$0.3 million.

In the fourth quarter of 2012, IFRS net loss amounted to US$3.7 million, or US$0.06 per share, including
US$2.1 million
in after-tax amortization of intangible assets,
US$1.9 million
in after-tax restructuring charges and
US$0.4 million
in stock-based compensation costs. EXFO also incurred a foreign exchange loss of
US$1.9 million
in the fourth quarter of 2012.

In fiscal 2013, IFRS net earnings totaled US$1.3 million, or US$0.02 per diluted share, including US$6.4 million in
after-tax amortization of intangible assets,
US$1.8 million
in stock-based compensation costs,
US$0.1 million
in after-tax restructuring charges and a foreign exchange gain of
US$4.1 million
.

In 2012, IFRS net losstotaled US$3.6 million, or US$0.06 per share, including US$7.8 million in after-tax amortization of intangible assets,
US$1.9 million
in after-tax restructuring charges,
US$1.9 million
in stock-based compensation costs and a gain of
US$0.3 million
for changes in the fair value of the cash contingent consideration related to the NetHawk acquisition. EXFO also incurred a foreign exchange loss of
US$0.7 million
in 2012.

Adjusted EBITDA** totaled US$7.1 million, or 11.6% of sales, in the fourth quarter of fiscal 2013 compared to US$3.1 million, or 5.3% of sales, in the third quarter of 2013 and
US$4.5 million
, or 8.0% of sales, in the fourth quarter of 2012. Adjusted EBITDA reached
US$17.3 million
, or 7.2% of sales, in fiscal 2013 compared to

US$18.4 million
, or 7.3% of sales in 2012.

"While fiscal 2013 will not rank as a vintage year by EXFO's standards, I am pleased with the strongly improved market positioning of our Protocol-layer product group and heightened results in the wireless industry," said Germain Lamonde, EXFO's Chairman, President and CEO. "Sales to wireless customers increased from approximately 24% of total sales to 28% in 2013, but more importantly I am excited by the market acceptance of several new solutions among leading mobile network operators, who are faced with the daunting challenge of increasing network capacity and improving quality of experience while reducing their operating expenses. Looking ahead to 2014, I fully expect our two main product groups and our wireless business to deliver growth, and the entire organization remains steadfastly focused on the execution of our profitable growth strategy which will benefit from a reduced cost base of
US$9.0 million
."

Selected Financial Information (unaudited)(In thousands of US dollars)

		Q4 2013
Sales	$	60,888
Gross margin*	$	38,314
		62.9%

Other selected information:

Net earnings (loss)	$	3,802
Amortization of intangible assets	$	1,173
Stock-based compensation costs	$	437
Restructuring charges	$	–
Net income tax effect of the above items	$	(64)
Changes in fair value of cash contingent consideration	$	–
Foreign exchange gain (loss)	$	1,312
Adjusted EBITDA **		$

Operating Expenses Selling and administrative expenses totaled US$21.4 million, or 35.1% of sales, in the fourth quarter of fiscal 2013 compared to
US$22.0 million
, or 37.4% of sales, in the third quarter of 2013 and
US$22.2 million
, or 38.9% of sales, in the fourth quarter of 2012. In fiscal 2013, selling and administrative

expenses amounted to
US$88.8 million
, or 36.6% of sales, compared to
US$94.1 million
, or 37.7% of sales, in 2012.

Gross R&D expenses attained US$12.5 million, or 20.6% of sales, in the fourth quarter of fiscal 2013 compared to US$13.8 million, or 23.4% of sales, in the previous quarter and
US$14.1 million
, or 24.7% of sales, in the fourth quarter of 2012. In fiscal 2013, gross R&D expenses reached
US$54.3 million
, or 22.4% of sales, compared to
US$59.3 million
, or 23.7% of sales, in 2012.

Net R&D expenses amounted to US$10.3 million, or 16.9% of sales, in the fourth quarter of fiscal 2013 compared to US$11.6 million, or 19.7% of sales, in the third quarter of 2013 and
US$11.9 million
, or 20.8% of sales, in the fourth quarter of 2012. In fiscal 2013, net R&D expenses totaled
US$45.4 million
, or 18.8% of sales, compared to
US$49.9 million
, or 19.9% of sales, in 2012.

FY 2013 Highlights

- **Sales Growth.** Despite difficult market conditions, sales of Physical-Layer solutions (Optical and Copper Access) increased 4.3% in fiscal 2013 mainly due to market-share leadership in portable Optical testing and strong growth from Copper Access products. Sales of Protocol-Layer solutions (Transport & Datacom, Wireless and Service Assurance) decreased 11.3% year-over-year as the company upgraded several product lines during the course of the year and endured delayed investments by fixed and mobile network operators. Overall, EXFO's sales decreased 3.1% year-over-year.

Sales to wireless customers improved to approximately 28% of total sales in fiscal 2013 from 24% in 2012.

EXFO's largest customer accounted for 6.1% of sales in fiscal 2013, while the company's top-three customers represented 13.5%. In comparison, EXFO's largest customer accounted for 4.4% of sales in 2012, while the company's top-three customers represented 12.0%.

- **Profitability.** EXFO generated adjusted EBITDA of US$17.3 million, or 7.2% of sales, in fiscal 2013 compared to US$18.4 million, or 7.3% of sales, in 2012. The company also reduced selling and administrative expenses, net R&D expenses, as well as depreciation and amortization expenses by a total of US$9.0 million in 2013, excluding restructuring charges.

- **Innovation.** EXFO launched 15 new products in fiscal 2013, including two in the fourth quarter. Key new Protocol-layer product introductions during 2013 included among others the TravelHawk Pro, a 4G/LTE capture and analysis tool for network troubleshooting that has been selected by the three of the world's top-five LTE operators; FTB-88100NGE Power Blazer, the first and most versatile portable, multiservice test solution supporting transmission rates from 100M to 100G; BV-100 service assurance probe that enables network operators to validate service-level agreements and end-user quality of experience at customer premises and cell sites; and following the year-end, the company released Brix Mobile Agent, a software application that transforms Android-based 3G/4G cellular phones into mobile probes in order to capture quality of experience (QoE) data at highly attended events like football games or rock concerts inside stadiums.

Business Outlook EXFO forecasts sales between US$58 million and US$63 million for the first quarter of fiscal 2014, while IFRS net loss should range between US$0.04 and US$0.00 per share. IFRS net loss includes US$0.03 per share in after-tax amortization of intangible assets and stock-based compensation costs.

This guidance was established by management based on existing backlog as of the date of this press release, seasonality, expected bookings for the remaining of the quarter, as well as an estimated foreign exchange loss of US$0.9 million based on exchange rates as of the day of this press release.

Conference Call and Webcast EXFO will host a conference call today at 5 p.m. (Eastern time) to review its fourth-quarter and year-end financial results for fiscal 2013. To listen to the conference call and participate in the question period via telephone, dial 1-416-981-9007. Germain Lamonde, Chairman, President and CEO, and Pierre Plamondon, CPA, CA, Vice-President of Finance and Chief Financial Officer, will participate in the call. An audio replay will be available one hour after the end of the conference call until 7 p.m. on October 15, 2013. The replay number is 1-402-977-9141 and the reservation number is 21672676. The live audio Webcast and replay of the conference call will also be available on EXFO's Website at www.EXFO.com/investors.

About EXFO Listed on the NASDAQ and TSX stock exchanges, EXFO is among the leading providers of next-generation test and service assurance solutions for wireline and wireless network operators and equipment manufacturers in the global telecommunications industry. The company offers innovative solutions for the development, installation, management and maintenance of converged, IP fixed and mobile networks-from the core to the edge. Key technologies supported include 3G, 4G/LTE, IMS, Ethernet, OTN, FTTx, VDSL2, ADSL2+ and various optical technologies accounting for more than 35% of the portable fiber-optic test market. EXFO has a staff of approximately 1600 people in 25 countries, supporting more than 2000 customers worldwide. For more information, visit www.EXFO.com and follow us on the EXFO Blog, Twitter, LinkedIn, Facebook, Google+ and YouTube.

Forward-Looking Statements This press release 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, will, expect, believe, anticipate, intend, could, estimate, continue, or the negative or comparable terminology are intended to identify forward-looking statements. In addition, any statements that refer 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 macro-economic 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 integrate our acquired and to-be-acquired businesses; our ability to successfully expand international operations; 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 you 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.

NON-IFRS MEASURES

EXFO provides non-IFRS measures (gross margin* and adjusted EBITDA**) as supplemental information regarding its operational performance. The company uses these measures for the purposes of evaluating historical and prospective financial performance, as well as its performance relative to competitors. These measures also help the company to plan and forecast future periods as well as to make operational and strategic decisions. EXFO believes that providing this information, in addition to IFRS measures, allows investors to see the company's results through the eyes of management, and to better understand its 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 co

** Adjusted EBITDA represents net earnings (loss) before interest, income taxes

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

Adjusted EBITDA

		Q4 2013
IFRS net earnings (loss) for the period	$	3,802
Add (deduct):		
Depreciation of property, plant and equipment		1,446
Amortization of intangible assets		1,173
Interest income		(37)
Income taxes		1,543
Restructuring charges		
Changes in fair value of cash contingent consideration		-
Stock-based compensation costs		437
Foreign exchange (gain) loss		(1,312)
Adjusted EBITDA for the period	$	7,052
Adjusted EBITDA in percentage of sales		11.6%

EXFO Inc.Unaudited Interim Consolidated Balance Sheets

(in thousands of US dollars)

	As at August 31, 2013
Assets	

Current assets		
Cash	$	45,386
Short-term investments		4,868
Accounts receivable		
Trade		
Other		
Income taxes and tax credits recoverable		6,525
Inventories		35,705
Prepaid expenses		2,561
		147,940
Tax credits recoverable		41,719
Property, plant and equipment		45,523
Intangible assets		7,543
Goodwill		27,313
Deferred income tax assets		10,807
Other assets		693
	$	281,538
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$	25,679
Provisions		756
Income taxes payable		679
Current portion of long-term debt		296
Deferred revenue		9,467
		37,451
Deferred revenue		3,932
Long-term debt		-
Deferred income tax liabilities		3,226
Other liabilities		477
		45,086
Shareholders' equity		
Share capital		109,837
Contributed surplus		17,186
Retained earnings		112,852
Accumulated other comprehensive income (loss)		(3,423)
		236,452

	$	281,538

EXFO Inc.Unaudited Interim Consolidated Statements of Earnings

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

	Three months	ended	Au
Sales	$	60,888	
Cost of sales (1)			
Selling and administrative		21,390	
Net research and development		10,309	
Depreciation of property, plant and equipment		1,446	
Amortization of intangible assets		1,173	
Changes in fair value of cash contingent consideration			
Interest income		(37)	
Foreign exchange (gain) loss		(1,312)	
Earnings (loss) before income taxes		5,345	
Income taxes		1,543	
Net earnings (loss) for the period	$	3,802	
Basic and diluted net earnings (loss) per share	$	0.06	
Basic weighted average number of shares outstanding (000's)			
Diluted weighted average number of shares outstanding (000's)			

(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	Au

Net earnings (loss) for the period	$	3,802
Other comprehensive income (loss), net of income taxes		
Items that will not be reclassifiedsubsequently to net earnings		
Foreign currency translation adjustment		
Items that may be reclassified subsequentlyto net earnings		
Unrealized gains/losses on forwardexchange contracts		
Reclassification of realized gains/losseson forward exchange contracts innet e		
Deferred income tax effect ofgains/losses on forward exchangecontracts		
Other comprehensive income (loss)		(3,941)
Comprehensive income (loss) for the period	$	(139)

EXFO Inc.Unaudited Interim Consolidated Statements of Changes in Shareholders' Equity

(in thousands of US dollars)

	Year ended August 31, 2012	
	Share	**capital**
Balance as at September 1, 2011	$	110,341
Exercise of stock options		310
Redemption of share capital		(1,696)
Reclassification of stock-based compensation costs		2,010
Stock-based compensation costs		-
Net loss for the year		-
Other comprehensive loss		
Foreign currency translation adjustment		
Changes in unrealized gains on forward exchangecontracts, net of deferred inc		
Total comprehensive loss for the year		-
Balance as at August 31, 2012	$	110,965

	Year ended August 31, 2013	
	Share	**capital**
Balance as at September 1, 2012	$	110,965
Exercise of stock options		87
Redemption of share capital		(2,565)
Reclassification of stock-based compensation costs		1,350
Stock-based compensation costs		-

Net earnings for the year		-
Other comprehensive loss		
Foreign currency translation adjustment		
Changes in unrealized gains/losses on forwardexchange contracts, net of defe		
Total comprehensive income (loss) for the year		-
Balance as at August 31, 2013	$	109,837

EXFO Inc.Unaudited Interim Consolidated Statements of Cash Flows

(in thousands of US dollars)

		Three months	ended	Au
Cash flows from operating activities				
Net earnings (loss) for the period	$		3,802	
Add (deduct) items not affecting cash				
Change in discount on short-terminvestments				
Stock-based compensation costs				
Depreciation and amortization				
Changes in fair value of cash contingentconsideration				
Deferred revenue				
Deferred income taxes				
Changes in foreign exchange gain/loss				
			6,103	
Change in non-cash operating items				
Accounts receivable				
Income taxes and tax credits				
Inventories				
Prepaid expenses				
Other assets				
Accounts payable and accrued liabilitiesand provisions				
Other liabilities				
			(634)	
Cash flows from investing activities				
Additions to short-term investments			(9,786)	
Proceeds from disposal and maturity ofshort-term investments			9,783	
Additions to capital assets			(2,074)	
			(2,077)	
Cash flows from financing activities				
Bank loan				
Repayment of long-term debt			(296)	
Exercise of stock options				

Redemption of share capital		(795)
		(1,091)
Effect of foreign exchange rate changes on cash		
Change in cash		(4,472)
Cash - Beginning of period		49,858
Cash - End of period	$	45,386

SOURCE EXFO inc.