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EXFO ELECTRO OPTICAL ENGINEERING INC  
Form 6-K  
October 06, 2003

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13A-16 OR 15D-16  
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of October, 2003

EXFO ELECTRO-OPTICAL ENGINEERING INC.  
(Translation of registrant's name into English)

400 GODIN AVENUE, VANIER, QUEBEC, CANADA G1M 2K2  
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1).

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-\_\_\_\_\_.

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On September 30, 2003, EXFO Electro-Optical Engineering Inc., a Canadian corporation, reported its results of operations for the fourth fiscal quarter and year-end for the fiscal year ended August 31, 2003. This report on Form 6-K sets forth the news release relating to EXFO's announcement and certain information relating to EXFO's financial condition and results of operations for the fourth fiscal quarter of the 2003 fiscal year. This press release and information relating to EXFO's financial condition and results of operations for the fourth fiscal quarter of the 2003 fiscal year are hereby incorporated as a document by reference to Form F-3 (Registration Statement under the Securities Act of 1933) declared effective as of July 30, 2001 and to Form F-3 (Registration Statement under the Securities Act of 1933) declared effective as of March 11, 2002 and to amend certain material information as set forth in these two Form F-3 documents.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EXFO ELECTRO-OPTICAL ENGINEERING INC.

By: /s/ Germain Lamonde

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Name: Germain Lamonde  
Title: President and Chief  
Executive Officer

Date: October 6, 2003

[GRAPHIC OMITTED -- COMPANY LOGO]  
EXFO

PRESS RELEASE

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EXFO REPORTS FOURTH-QUARTER AND YEAR-END RESULTS FOR FISCAL 2003

- o BUSINESS STRUCTURE REORGANIZED UNDER TWO NEW MARKET SEGMENTS
- o SALES DOWN 5% QUARTER-OVER-QUARTER AND 9% YEAR-OVER-YEAR
- o PORTABLE AND MONITORING DIVISION SALES UP 3% YEAR-OVER-YEAR

QUEBEC CITY, CANADA, September 30, 2003--EXFO Electro-Optical Engineering Inc. (NASDAQ: EXFO, TSX: EXF) announced today fourth-quarter and year-end results for fiscal 2003.

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Sales decreased 5% to US\$14.3 million in the fourth quarter ended August 31, 2003 from \$15.1 million in the previous quarter and 17% from US\$17.2 million in the fourth quarter of 2002. Overall for fiscal 2003, sales fell 9% to US\$61.9 million from US\$68.3 million in 2002.

EXFO's pro forma net loss\* in the fourth quarter of fiscal 2003 amounted to US\$2.7 million, or US\$0.04 per share, compared to a pro forma net loss of US\$4.1 million, or US\$0.06 per share, in the third quarter of 2003 and a pro forma net loss of US\$1.2 million, or US\$0.02 per share, in the fourth quarter of 2002. Net loss in the fourth quarter of fiscal 2003 totaled US\$10.1 million, or US\$0.16 per share, compared to a net loss of US\$38.4 million, or US\$0.61 per share, in the previous quarter and a net loss of US\$3.0 million, or US\$0.05 per share, in the fourth quarter of 2002.

Pro forma net loss for fiscal 2003 amounted to US\$11.5 million, or US\$0.18 per share, compared to a pro forma net loss of US\$11.2 million, or US\$0.19 per share, for 2002. Net loss for fiscal 2003 was US\$55.0 million, or US\$0.87 per share, compared to a net loss of US\$308.5 million, or US\$5.09 per share, for fiscal 2002.

Gross margin increased to 45.8% of sales in the fourth quarter of fiscal 2003, excluding inventory write-offs of US\$2.5 million and a non-recurring gain of US\$473,000. Including inventory write-offs and the non-recurring gain, gross margin was 31.8% in the fourth quarter. In comparison, gross margin represented 41.7% of sales in the third quarter of 2003, excluding inventory write-offs, or 34.7% including inventory write-offs. In the fourth quarter of 2002, gross margin was 49.2%.

Overall for fiscal 2003, gross margin declined to 47.4% of sales, excluding inventory write-offs of US\$4.1 million and the non-recurring gain. Including inventory write-offs and the non-recurring gain, gross margin was 41.6% in 2003. In comparison, gross margin was 50.4% in 2002, excluding inventory write-offs, or 23.4% including inventory write-offs. In the fourth quarter of 2003, a new presentation was adopted with certain expenses reclassified from selling and administrative expenses to cost of sales. Consequently, comparative figures have been reclassified.

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"The past two years have been a period of transition for EXFO as we adapted to the new telecom environment," said Germain Lamonde, Chairman, President and CEO of EXFO. "We improved our long-term strategic position by refocusing our business towards network service providers and system manufacturers--the first two segments in the communications supply chain. The end result is that sales of our Portable and Monitoring product lines, which progressed from almost one-third of our revenues in fiscal 2001 to two-thirds in 2003, increased 3% year-over-year despite depressed spending levels. Protocol testing is a key element of our strategy for these sectors. I am pleased with our protocol results in the last three quarters and we will maintain our strong R&D program."

At the beginning of the fourth quarter, EXFO announced a restructuring plan

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providing approximately US\$10 million in annualized pre-tax savings. The company reduced its workforce by 30%, exited the optical component manufacturing automation business and streamlined manufacturing operations. Cost-reduction initiatives incurred charges of approximately US\$4.1 million in fiscal 2003, including US\$3.8 million in the fourth quarter.

To begin fiscal 2004, EXFO has reorganized its business under two new market segments. The new Telecom Division consists of former Portable and Monitoring and telecom-related Industrial and Scientific product lines. The new Photonics & Life Sciences Division includes previous non-telecom Industrial and Scientific product lines.

### BUSINESS HIGHLIGHTS

EXFO introduced approximately 15 new products in fiscal 2003. Key product launches for the network service provider market included a next-generation Polarization Mode Dispersion (PMD) Analyzer that sweeps through amplifiers to characterize entire optical networks at once; a Fibre Channel test module for emerging storage area networks (SANs); and an Integrated Applications Suite that automates the operation of test modules within the FTB-400 platform. For the system vendor market, EXFO released a 2.5+ Gigabit Multi-Rate Transceiver that optimizes the design and manufacturing of next-generation SONET/SDH, IP-based networks.

### OPERATING EXPENSES

Selling and administrative expenses amounted to US\$6.0 million (including a non-recurring gain of US\$239,000), or 42.1% of sales, in the fourth quarter of fiscal 2003 compared to US\$7.1 million, or 46.7% of sales, in the third quarter of 2003 and US\$6.7 million, or 38.7% of sales, in the fourth quarter of 2002. In fiscal 2003, selling and administrative expenses totaled US\$27.0 million, or 43.6% of sales, compared to US\$33.9 million, or 49.6% of sales, in 2002.

Gross research and development expenses amounted to US\$3.9 million, or 27.0% of sales, in the fourth quarter of fiscal 2003 compared to US\$4.6 million, or 30.7% of sales, in the previous quarter and US\$3.2 million, or 18.8% of sales, in the fourth quarter of 2002. In fiscal 2003, gross research and development expenses reached US\$17.1 million, or 27.7% of sales, compared to US\$17.0 million, or 24.9% of sales, in 2002.

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### BUSINESS OUTLOOK

EXFO forecasted sales between US\$13.0 million and US\$16.0 million and a GAAP net loss between US\$0.10 and US\$0.07 per share for the first quarter of fiscal 2004. GAAP net loss includes a loss representing amortization of intangible assets and income tax recovery that is expected to amount to US\$0.01 per share in the first quarter of 2004.

\* PRO FORMA NET LOSS REPRESENTS NET LOSS EXCLUDING AMORTIZATION AND WRITE-DOWN OF GOODWILL, NON-RECURRING TAX RECOVERY, FUTURE INCOME TAX ASSETS VALUATION ALLOWANCE AND THE AFTER-TAX EFFECT OF AMORTIZATION AND WRITE-DOWN OF

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INTANGIBLE ASSETS, RESTRUCTURING AND OTHER CHARGES, INVENTORY AND TAX CREDIT WRITE-OFFS AND NON-RECURRING GRANTS RECOVERY. ALL FIGURES ARE IN THOUSANDS OF US DOLLARS EXCEPT PER SHARE DATA.

	THREE MONTHS ENDED AUGUST 31, 2003 -----	THREE MONTHS ENDED AUGUST 31, 2002 -----	TWELVE MONTHS ENDED AUGUST 31, 2003 -----	TWE AUGU -----
	(unaudited)			
Net loss in accordance with GAAP	\$ (10,119)	\$ (2,968)	\$ (54,950)	\$
Pro forma adjustments:				
Amortization of goodwill	--	690	--	
Amortization of intangible assets	1,001	1,639	4,747	
Write-down of goodwill	--	--	4,505	
Write-down of intangible assets	--	--	2,922	
Tax effect on amortization of intangible assets	(393)	(544)	(1,699)	
Tax effect on write-down of intangible assets	--	--	(1,046)	
Restructuring and other charges and inventory and tax credit write-offs	6,261	--	10,549	
Tax effect on restructuring and other charges and inventory and tax credit write-offs	(2,461)	--	(3,777)	
Non-recurring tax and grants recovery	(1,357)	--	(1,357)	
Tax effect on non-recurring grants recovery	280	--	245	
Future income tax valuation allowance	4,125	--	28,385	
	-----	-----	-----	-----
Pro forma net loss	\$ (2,663)	\$ (1,183)	\$ (11,476)	\$
	=====	=====	=====	=====
Basic and diluted net loss per share	\$ (0.16)	\$ (0.05)	\$ (0.87)	\$
Basic and diluted pro forma net loss per share	\$ (0.04)	\$ (0.02)	\$ (0.18)	\$

EXFO PROVIDES PRO FORMA FINANCIAL INFORMATION TO HELP THE INVESTOR BETTER UNDERSTAND ITS OPERATING RESULTS. THIS INFORMATION IS NOT IN ACCORDANCE WITH, OR AN ALTERNATIVE FOR, GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND MAY NOT BE COMPARABLE TO SIMILARLY TITLED MEASURES REPORTED BY OTHER COMPANIES.

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### CONFERENCE CALL AND WEBCAST

EXFO will host a conference call today at 5 p.m. (EDT) to review its fourth-quarter and year-end results for fiscal 2003. To listen to the conference call and participate in the question period via telephone, dial 1-416-695-9713. Germain Lamonde, Chairman, President and CEO, and Pierre Plamondon, CA, Vice-President of Finance and Chief Financial Officer, will participate in the call. An audio replay of the conference call will be available between 7 a.m. and 11 p.m. until October 7, 2003. The replay number is 1-416-252-1143. The audio Webcast of the conference call will also be available on EXFO's Website at [WWW.EXFO.COM/INVESTORS](http://WWW.EXFO.COM/INVESTORS).

### ABOUT EXFO

EXFO designs and manufacturers innovative test and measurement solutions for the global communications industry. The Telecom Division, which represents the company's main business activity, offers fully integrated and complete test solutions to network service providers, system vendors and component manufacturers in approximately 70 countries. One of EXFO's strongest competitive advantages is its modular platform design, providing PC-based, Windows-centric test solutions that maximize technology reuse across several market segments. The Photonics and Life Sciences Division mainly leverages core telecom technologies to offer value-added solutions in high-tech industrial manufacturing and research sectors. For more information about EXFO, visit [WWW.EXFO.COM](http://WWW.EXFO.COM).

This news 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 that refer to expectations, projections or other characterizations of future events and circumstances. 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 global geo-political, economic, competitive and market uncertainty and our ability to execute successfully in these uncertain conditions; capital spending levels in the telecommunications sector; market acceptance of new products and upcoming new products; limited visibility of customer orders and the timing thereof; the competitive landscape; and successful integration of our acquired and to-be-acquired companies. 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 and shall not be revised or updated to reflect events after the date of this document.

### FOR MORE INFORMATION:

Vance Oliver  
Investor Relations  
(418) 683-0211  
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EXFO ELECTRO-OPTICAL ENGINEERING INC.  
INTERIM CONSOLIDATED BALANCE SHEET

(in thousands of US dollars)

	AS AT AUGUST 31,	
	2003	2002
ASSETS		
CURRENT ASSETS		
Cash	\$ 5,366	\$ 9,128
Short-term investments	52,010	40,553
Accounts receivable		
Trade, less allowance for doubtful accounts of \$568		
(\$520 as at August 31, 2002)	9,639	9,881
Other	834	3,267
Income taxes and tax credits recoverable	6,003	13,473
Inventories	15,602	23,822
Prepaid expenses	2,041	1,280
Future income taxes	--	1,272
	91,495	102,676
INCOME TAXES AND TAX CREDITS RECOVERABLE	1,377	6,234
PROPERTY, PLANT AND EQUIPMENT	24,931	26,246
INTANGIBLE ASSETS	10,778	16,464
GOODWILL	17,673	17,576
FUTURE INCOME TAXES	--	8,730
	\$ 146,254	\$ 177,926
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 12,026	\$ 10,699
Income taxes payable	2,200	--
Deferred revenue	500	503
Current portion of long-term debt	110	100
	14,836	11,302
DEFERRED GRANTS	1,139	654
LONG-TERM DEBT	453	564
	16,428	12,520
SHAREHOLDERS' EQUITY		

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SHARE CAPITAL	492,452	489,611
CONTRIBUTED SURPLUS	1,519	1,487
CUMULATIVE TRANSLATION ADJUSTMENT	7,643	(8,854)
DEFICIT	(371,788)	(316,838)
	-----	-----
	129,826	165,406
	-----	-----
	\$ 146,254	\$ 177,926
	=====	=====

EXFO ELECTRO-OPTICAL ENGINEERING INC.  
INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

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

	THREE MONTHS ENDED AUGUST 31, 2003 ----- (UNAUDITED)	TWELVE MONTHS ENDED AUGUST 31, 2003 -----	THREE MONTHS ENDED AUGUST 31, 2002 ----- (UNAUDITED)
SALES	\$ 14,326	\$ 61,930	\$ 17,000
COST OF SALES(1) (2)	9,767	36,197	8,000
	-----	-----	-----
GROSS MARGIN	4,559	25,733	8,000
	-----	-----	-----
OPERATING EXPENSES			
Selling and administrative(2)	6,036	26,991	6,000
Net research and development	3,198	15,879	2,000
Amortization of property, plant and equipment	1,551	6,139	1,000
Amortization of intangible assets	1,001	4,747	1,000
Write-down of intangible assets	--	2,922	
Restructuring and other charges	3,786	4,134	
	-----	-----	-----
TOTAL OPERATING EXPENSES	15,572	60,812	12,000
	-----	-----	-----
LOSS FROM OPERATIONS	(11,013)	(35,079)	(3,000)
Interest income, net	316	1,245	
Foreign exchange gain (loss)	(242)	(1,552)	
	-----	-----	-----
LOSS BEFORE INCOME TAXES AND AMORTIZATION AND WRITE-DOWN OF GOODWILL	(10,939)	(35,386)	(3,000)
	-----	-----	-----



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INCOME TAXES			
Current	(966)	4,921	(3,
Future	(3,979)	(18,247)	2,
Future income tax assets valuation allowance	4,125	28,385	
	-----	-----	-----
	(820)	15,059	(1,
	-----	-----	-----
LOSS BEFORE AMORTIZATION AND WRITE-DOWN OF GOODWILL			
	(10,119)	(50,445)	(2,
AMORTIZATION OF GOODWILL			
	--	--	
WRITE-DOWN OF GOODWILL			
	--	4,505	
	-----	-----	-----
NET LOSS FOR THE PERIOD	\$ (10,119)	\$ (54,950)	\$ (2,
	=====	=====	=====
BASIC AND DILUTED LOSS PER SHARE			
Loss before amortization and write-down of goodwill			
	\$ (0.16)	\$ (0.80)	\$ (0,
Net loss	\$ (0.16)	\$ (0.87)	\$ (0,
BASIC WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (000'S)			
	63,030	62,852	61,
DILUTED WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (000'S)			
	63,555	63,317	61,

(1) Including inventory write-offs of \$2,475 and \$4,121 for the three months and the twelve months ended August 31, 2003, and of nil and \$18,463 for the three months and the twelve months ended August 31, 2002, respectively.

(2) Certain comparative figures have been reclassified to conform with the current year's presentation.

EXFO ELECTRO-OPTICAL ENGINEERING INC.  
INTERIM UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of US dollars)

	THREE MONTHS ENDED AUGUST 31, 2003	TWELVE MONTHS ENDED AUGUST 31, 2003	THREE MONTHS ENDED AUGUST 31, 2002
	----- (UNAUDITED)	----- (UNAUDITED)	----- (UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period	\$ (10,119)	\$ (54,950)	\$ (2,
Add (deduct) items not affecting cash			
Discount on short-term investments	(280)	(54)	(
Inventory and tax credit write-offs	2,475	6,418	

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Amortization	2,552	10,886	3,
Foreign exchange gain on disposal of short-term investments	--	(42)	
Restructuring and other charges	512	512	
Future income taxes	(3,979)	(18,247)	(2,
Future income tax assets valuation allowance	4,125	28,385	
Write-down of goodwill and intangible assets	--	7,427	
Change in non-cash operating items			
Accounts receivable	1,180	3,957	
Income taxes and tax credits	(1,806)	13,886	(3,
Inventories	2,403	7,925	2,
Prepaid expenses	(434)	(569)	
Accounts payable and accrued liabilities	126	(349)	(2,
Deferred revenue	223	(24)	
Deferred grants	(720)	420	
	(3,742)	5,581	
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term debt	(25)	(133)	
Issuance of share capital	24	45	
Redemption of share capital	(9)	(16)	
Resale of share capital	30	48	
Share issue expenses	--	--	
	20	(56)	
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to short-term investments	(54,212)	(401,105)	(14,
Proceeds from disposal of short-term investments	57,788	395,699	17,
Additions to property, plant and equipment and intangible assets	(402)	(2,652)	(
Business combinations	--	(1,867)	
	3,174	(9,925)	2,
CHANGE IN CASH	(548)	(4,400)	2,
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	(122)	638	(
CASH - BEGINNING OF PERIOD	6,036	9,128	7,
CASH - END OF PERIOD	\$ 5,366	\$ 5,366	\$ 9,