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EXFO ELECTRO OPTICAL ENGINEERING INC  
Form 6-K  
October 15, 2004

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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, 2004

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 of Form 20-F or Form 40-F.

Form 20-F                            Form 40-F     

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 October 14, 2004, 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, 2004. 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 2004 fiscal year. This press release and information relating to EXFO's financial condition and results of operations for the fourth fiscal quarter and year end of the 2004 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/ Benoit Ringuette

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Name: Benoit Ringuette  
Title: Legal Counsel and Corporate Secretary

Date: October 15, 2004

[GRAPHIC OMITTED]  
[LOGO - EXFO]

Corporate Headquarters 400 Godin Avenue, Vanier (Quebec) G1M 2K2 CANADA

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EXFO REPORTS 20.5% YEAR-OVER-YEAR SALES GROWTH FOR FISCAL 2004

- o RAISES GROSS MARGIN TO 53.7% IN 2004 FROM 47.4% IN 2003
- o GENERATES POSITIVE CASH FLOWS FROM OPERATIONS FOR FISCAL YEAR
- o FOCUSES ON GROWTH AREAS LIKE FIBER-TO-THE-PREMISES (FTTP) DEPLOYMENTS AND IP NETWORKING

QUEBEC CITY, CANADA, October 14, 2004--EXFO Electro-Optical Engineering Inc. (NASDAQ: EXFO, TSX: EXF.SV) reported today 20.5% year-over-year sales growth for fiscal 2004.

Sales reached US\$74.6 million in the fiscal year ended August 31, 2004, compared to US\$61.9 million in 2003. In the fourth quarter of 2004, sales increased 4.3% to US\$21.3 million from US\$20.5 million in the previous quarter and 48.9% from US\$14.3 million in the fourth quarter of 2003.

GAAP net loss in fiscal 2004 totaled US\$8.4 million, or US\$0.13 per share, compared to US\$55.0 million, or US\$0.87 per share, in 2003. In the fourth quarter of 2004, GAAP net loss amounted to US\$2.3 million, or US\$0.03 per share, compared to US\$1.2 million, or US\$0.02 per share, in the third quarter of 2004 and US\$10.1 million, or US\$0.16 per share, in the fourth quarter of 2003. GAAP net loss in the fourth quarter of 2004 includes restructuring and other charges as well as an impairment of a long-lived asset for a total of US\$2.3 million.

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Gross margin amounted to 53.7% in fiscal 2004 compared to 47.4% (excluding inventory write-offs and a non-recurring gain) in 2003. In the fourth quarter of 2004, gross margin increased to 55.1% from 52.9% in the previous quarter and 45.8% (excluding inventory write-offs and a non-recurring gain) in the fourth quarter of 2003.

"Through a superior customer value proposition, we delivered our second-best sales performance in history--ahead of our 2000 sales level--with 21% annual revenue growth, four consecutive quarters of revenue growth, profitability on a pro forma basis in the last two quarters, and a significant improvement in gross margin year-over-year, despite a still difficult market place," said Germain Lamonde, EXFO's Chairman, President and CEO. "We also displayed our ability to gain market share--a key metric--in good and bad times. We are among very few companies that steadily invested in R&D throughout the downturn, maintaining a long-term course to make EXFO the market leader in key, emerging growth areas like FTTP and next-generation, IP networking."

EXFO also announced that it achieved three out of four corporate objectives it had outlined at the beginning of fiscal 2004:

### CORPORATE PERFORMANCE OBJECTIVES IN FISCAL 2004

GOAL	METRIC	RESULT
Increase sales through market-share gains	10% sales growth year-over-year	20.5% sales growth year-over-year
Maximize profitability and growth	50% gross margin	53.7% gross margin
Innovate out of the downturn	45% of sales from new products (<two years on the market)	31.7% of sales from new products
Maintain a sound financial position	Positive cash flows from operations in at least one quarter	Positive cash flows from operations for fiscal year

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"I am pleased that we adhered to best disclosure practices by formally communicating our fiscal 2004 corporate performance objectives," Mr. Lamonde said. "While we successfully reached three out of four of these targets, I believe our innovation results will improve as traction on our 20 new product introductions converts to dollars. Turning to fiscal 2005, our relentless efforts during the last three years should produce significant sales growth, a return to profitability on a pro forma basis, and continued market-focused innovation as we create long-term value for our customers, shareholders and employees."

### CORPORATE PERFORMANCE OBJECTIVES IN FISCAL 2005

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GOAL	METRIC
Increase sales through market-share gains	20% sales growth year-over-year
Maximize profitability	Profitable on a pro forma basis for the fiscal year*
Focus on innovation	45% of sales from new products ( <two years on the market)

\*GAAP NET LOSS EXCLUDING STOCK-BASED COMPENSATION COSTS, AMORTIZATION OF INTANGIBLE ASSETS, RESTRUCTURING CHARGES AND OTHER UNUSUAL ITEMS.

### SEGMENTED RESULTS (IN MILLIONS OF US DOLLARS)

SALES					
BUSINESS SEGMENT	Q4 2004	Q3 2004	Q4 2003	FY 2004	FY 2003
Telecom Division	\$16.8	\$16.7	\$10.8	\$58.9	\$48.8
Photonics & Life Sciences Div.	\$4.5	\$3.8	\$3.5	\$15.7	\$13.1

EARNINGS (LOSS) FROM OPERATIONS*			
BUSINESS SEGMENT	Q4 2004	Q3 2004	FY 2004
Telecom Division	\$0.0	(\$0.8)	(\$5.6)
Photonics & Life Sciences Div.	(\$2.1)	(\$1.1)	(\$5.0)

\*Segmented loss from operations is not available for comparative periods.

### FISCAL 2004 BUSINESS HIGHLIGHTS

- o Confirming its market-share gains, EXFO received the 2004 Growth Strategy Excellence Award from Frost and Sullivan. This leading market research firm reported that EXFO's overall market share increased from 6.4% in 2001 to 8.4% in 2003--the single largest increase within the global optical test and measurement industry. EXFO was also deemed leader in the optical test installation and maintenance space with an estimated 17% market share worldwide.
- o Maximizing efficiency and cost control, EXFO merged its protocol test operations in Montreal and announced the consolidation of its Photonics and Life Sciences Division in Toronto. These initiatives will enable the company to streamline its R&D/manufacturing sites from five to three. Overall for fiscal 2004, EXFO increased its gross margin to 53.7% from 47.4% (excluding inventory write-offs and a non-recurring gain) in 2003.

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- o Focusing on market-driven innovation, EXFO launched 20 new products in fiscal 2004, including several aimed at establishing leadership in the FTTP test market and others dedicated to life science activities. The company also strengthened its competitive position in protocol testing with the introduction of a next-generation Fibre Channel test set for security-intensive applications and, subsequent to the year-end, it released a next-generation SONET/SDH analyzer for data-centric IP networks and a VoIP-ready Gigabit Ethernet test solution.
- o Continuing efforts to improve its balance sheet, EXFO closed a bought-deal financing of US\$29.2 million (C\$38.4 million) to attain a total cash position of US\$89.1 million at the end of the fiscal year. The company also generated positive cash flows from operations for the fiscal year.

### OPERATING EXPENSES

Selling and administrative expenses amounted to US\$25.9 million, or 34.7% of sales, in fiscal 2004 compared to US\$27.0 million, or 43.6% of sales, in 2003. In the fourth quarter of 2004, selling and administrative expenses totaled US\$6.3 million, or 29.8% of sales, compared to US\$6.9 million, or 33.9% of sales, in the third quarter of 2004 and 6.0 million, or 42.1% of sales, in the fourth quarter of 2003.

Gross research and development (R&D) expenses amounted to US\$15.7 million, or 21.0% of sales, in fiscal 2004 compared to US\$17.1 million, or 27.7% of sales, in 2003. In the fourth quarter of 2004, gross R&D expenses decreased to US\$3.6 million, or 17.0% of sales, from US\$4.2 million or, 20.4% of sales, in the previous quarter and US\$3.9 million, or 27.0% of sales, in the fourth quarter of 2003.

### BUSINESS OUTLOOK

EXFO forecasted sales between US\$20.0 million and US\$23.0 million and a GAAP net loss between US\$0.04 and US\$0.01 per share for the first quarter of fiscal 2005. Excluding stock-based compensation costs, amortization of intangible assets, restructuring charges and other unusual items, the company expects to report pro forma net loss/earnings between a loss of \$0.02 per share and earnings of US\$0.01 per share.

### 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 2004. To listen to the conference call and participate in the question period via telephone, dial 1-416-695-9753. 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 21, 2004. The replay number is 1-416-695-5275. 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).

EXFO Press Release

## ABOUT EXFO

EXFO is the recognized test and measurement expert in the global telecommunications industry through the design and manufacture of advanced and innovative solutions as well as best-in-class customer support. 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 PC/Windows-based modular platforms that host a wide range of tests across optical, physical, data and network layers, while maximizing technology reuse across several market segments. The Photonics and Life Sciences Division mainly leverages core telecom technologies to offer value-added solutions in the life sciences, high-precision manufacturing and research sectors. For more information about EXFO, visit [WWW.EXFO.COM](http://WWW.EXFO.COM).

## FORWARD-LOOKING STATEMENTS

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.

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## FOR MORE INFORMATION

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EXFO ELECTRO-OPTICAL ENGINEERING INC.  
INTERIM CONSOLIDATED BALANCE SHEET

(in thousands of US dollars)

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	AS AT AUGUST 31, 2004	AS AT AUGUST 31, 2003
	-----	-----
ASSETS		
CURRENT ASSETS		
Cash	\$ 5,159	\$ 5,366
Short-term investments	83,969	52,010
Accounts receivable		
Trade, less allowance for doubtful accounts		
of \$510 (\$568 as at August 31, 2003)	12,080	9,639
Other	1,532	834
Income taxes and tax credits recoverable	7,836	6,003
Inventories	15,371	15,602
Prepaid expenses	1,513	2,041
	-----	-----
	127,460	91,495
INCOME TAXES AND TAX CREDITS RECOVERABLE	449	1,377
PROPERTY, PLANT AND EQUIPMENT	15,442	21,862
LONG-LIVED ASSET HELD FOR SALE	1,600	--
INTANGIBLE ASSETS	9,447	13,847
GOODWILL	18,393	17,673
	-----	-----
	\$ 172,791	\$ 146,254
	=====	=====
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 11,393	\$ 12,026
Income taxes payable	--	1,803
Deferred revenue	805	148
Current portion of long-term debt	121	110
	-----	-----
	12,319	14,087
DEFERRED REVENUE	1,123	352
DEFERRED GRANTS	1,690	1,536
LONG-TERM DEBT	332	453
	-----	-----
	15,464	16,428
	-----	-----
SHAREHOLDERS' EQUITY		
Share capital	521,733	492,452
Contributed surplus	1,986	1,519
Cumulative translation adjustment	13,820	7,643
Deficit	(380,212)	(371,788)
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157,327	129,826
-----	-----
\$ 172,791	\$ 146,254
=====	=====

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, 2004	TWELVE MONTHS ENDED AUGUST 31, 2004	THREE AUG
	-----	-----	-----
	(unaudited)		
SALES	\$ 21,332	\$ 74,630	
COST OF SALES (1,2)	9,576	34,556	
	-----	-----	
GROSS MARGIN	11,756	40,074	
	-----	-----	
OPERATING EXPENSES			
Selling and administrative (1)	6,347	25,890	
Net research and development (1)	2,748	12,390	
Amortization of property, plant and equipment	1,121	4,935	
Amortization of intangible assets	1,243	5,080	
Impairment of long-lived assets and goodwill	620	620	
Restructuring and other charges	1,729	1,729	
	-----	-----	
TOTAL OPERATING EXPENSES	13,808	50,644	
	-----	-----	
LOSS FROM OPERATIONS	(2,052)	(10,570)	
Interest and other income	370	1,438	
Foreign exchange loss	(402)	(278)	
	-----	-----	
LOSS BEFORE INCOME TAXES	(2,084)	(9,410)	
INCOME TAXES	259	(986)	
	-----	-----	
NET LOSS FOR THE PERIOD	\$ (2,343)	\$ (8,424)	
	=====	=====	
BASIC AND DILUTED NET LOSS PER SHARE	\$ (0.03)	\$ (0.13)	
BASIC WEIGHTED AVERAGE NUMBER OF SHARES			



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OUTSTANDING (000'S)	68,431	66,020
DILUTED WEIGHTED AVERAGE NUMBER OF SHARES		
OUTSTANDING (000'S)	68,983	66,615
 (1) STOCK-BASED COMPENSATION COSTS INCLUDED IN:		
Cost of sales	\$ 25	\$ 62
Selling and administrative	91	265
Net research and development	44	122
	-----	-----
	\$ 160	\$ 449
	=====	=====
 (2) Including inventory write-offs of \$2,475 and \$4,121 for the three months and the twelve months ended August 31, 2003, respectively.		

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

(in thousands of US dollars)

	THREE MONTHS ENDED AUGUST 31, 2004	TWELVE MONTHS ENDED AUGUST 31, 2004
	-----	-----
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (2,343)	\$ (8,424)
Add (deduct) items not affecting cash		
Discount on short-term investments	(164)	197
Stock-based compensation costs	160	449
Inventory and tax credit write-offs	--	--
Amortization	2,364	10,015
Impairment of long-lived assets and goodwill	620	620
Restructuring and other charges	1,261	1,261
Future income taxes	--	--
Deferred revenue	118	1,404
 Deferred grants	 369	 154
	-----	-----
	2,385	5,676
Change in non-cash operating items		
Accounts receivable	(506)	(2,677)
Income taxes and tax credits	(843)	(2,464)
Inventories	1,297	1,016
Prepaid expenses	(193)	(449)
Accounts payable and accrued liabilities	(627)	(351)
	-----	-----
	1,513	751

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CASH FLOWS FROM INVESTING ACTIVITIES	-----	-----
Additions to short-term investments	(146,604)	(653,348)
Proceeds from disposal of short-term investments	145,983	624,722
Additions to property, plant and equipment and intangible assets	(278)	(851)
Business combination	--	(241)
	-----	-----
	(899)	(29,718)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(29)	(109)
Net proceeds of offering	--	29,164
Share issue expenses	34	(137)
Exercise of stock options	8	254
Redemption of share capital	(2)	(5)
Resale of share capital	10	23
	-----	-----
	21	29,190
	-----	-----
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	218	(430)
	-----	-----
CHANGE IN CASH	853	(207)
CASH - BEGINNING OF PERIOD	4,306	5,366
	-----	-----
CASH - END OF PERIOD	\$ 5,159	\$ 5,159
	=====	=====