

NON-IFRS FINANCIAL MEASURES

EXFO provides non-IFRS measures (constant currency data, gross margin and adjusted EBITDA) as supplemental information regarding its operational performance. The company uses these measures for the purposes of evaluating its 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 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.

Constant currency data represents data before foreign currency impact. Data for the current period is translated using foreign exchange rates of the corresponding period from the preceding year.

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

Adjusted EBITDA represents net earnings before interest, income taxes, depreciation and amortization, restructuring charges, unusual charge, stock-based compensation costs and foreign exchange gain or loss.

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

Adjusted EBITDA	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
IFRS net earnings (loss) for the period	\$ 1,882	\$ 1,766	\$ 3,963	\$ 919	\$ 2,252	\$ 3,303	\$ 1,008	\$ (4,304)
Add (deduct):								
Depreciation of property, plant and equipment	1,171	975	924	958	957	903	962	1,029
Amortization of intangible assets	322	300	286	294	292	427	768	1,046
Interest and other (income) expenses	61	63	(470)	(309)	(112)	(20)	(9)	57
Income taxes	1,578	2,116	1,364	2,096	2,188	1,962	1,521	2,012
Restructuring charges	1,637	–	–	–	–	–	–	3,813
Unusual charge	603	–	–	–	–	–	–	–
Stock-based compensation costs	133	376	314	386	302	258	353	372
Foreign exchange (gain) loss	(2,425)	(310)	(1,101)	957	293	(512)	272	(1,725)
Adjusted EBITDA for the period	\$ 4,962	\$ 5,286	\$ 5,280	\$ 5,301	\$ 6,172	\$ 6,321	\$ 4,875	\$ 2,300
Adjusted EBITDA in percentage of sales	8.8%	9.6%	9.9%	8.7%	9.8%	10.2%	8.1%	3.9%