

# 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

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Year ended August 31, 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Year ended August 31, 2017
IFRS net earnings (loss) for the period	\$ 1,766	\$ 3,963	\$ 919	\$ 2,252	\$ 8,900	\$ 3,303	\$ 1,008	\$ (4,304)	\$ 844	\$ 851
Add (deduct):										
Depreciation of property, plant and equipment	975	924	958	957	3,814	903	962	1,029	1,008	3,902
Amortization of intangible assets	300	286	294	292	1,172	427	768	1,046	1,048	3,289
Interest and other (income) expenses	63	(470)	(309)	(112)	(828)	(20)	(9)	57	275	303
Income taxes	2,116	1,364	2,096	2,188	7,764	1,962	1,521	2,012	1,113	6,608
Stock-based compensation costs	376	314	386	302	1,378	258	353	372	431	1,414
Restructuring charges	-	-	-	-	-	-	-	3,813	1,266	5,079
Change in fair value of cash contingent consideration	-	-	-	-	-	-	-	-	(383)	(383)
Foreign exchange (gain) loss	(310)	(1,101)	957	293	(161)	(512)	272	(1,725)	2,943	978
Adjusted EBITDA for the period	\$ 5,286	\$ 5,280	\$ 5,301	\$ 6,172	\$ 22,039	\$ 6,321	\$ 4,875	\$ 2,300	\$ 8,545	\$ 22,041
Adjusted EBITDA in percentage of sales	9.6%	9.9%	8.7%	9.8%	9.5%	10.2%	8.1%	3.9%	13.6%	9.1%