YEARS ENDED OCTOBER 2016 AND 2015

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("MD&A") provides a review of Immunotec Inc.'s results of operations, financial condition and cash flows for the years ended October 31, 2016 and 2015. In this MD&A, the "Company", "Immunotec", "we", "us", "our" and the "Group" refer to Immunotec Inc. and its subsidiaries. This discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements for the years ended October 31, 2016 and 2015.

All amounts in this MD&A are presented in thousands of Canadian dollars, except for the number of shares and options, or otherwise noted. Information contained herein includes all significant developments as of January 26, 2017, the date upon which the MD&A was approved by the Company's Board of Directors. All percentages reflected herein are calculated on whole dollar amounts as contained in the Company's financial records and financial statements and not on the rounded amounts as disclosed herein. Additional information relating to the Company is available on SEDAR at www.sedar.com.

Immunotec is a Canadian-based company that develops, manufactures, markets and sells research-driven nutritional products through direct-to-consumer sales channels in Canada, the United States, Mexico, the Dominican Republic, the United Kingdom and Ireland. The Company offers an extensive family of nutritional, skin care and wellness products targeting health, weight management, energy and performance. The Immunocal® family of products is supported by over 40 published articles and supporting science in medical and scientific literature. Immunotec is headquartered near Montreal, Canada and operates two manufacturing and warehousing facilities in Blainville, Canada and Toluca, Mexico. Immunotec also operates customer service offices in Mexico City, Mexico and in Commerce, California, USA as well as at its head office.

1. FINANCIAL PERFORMANCE

Financial condition

The consolidated condensed statements of financial position as of October 31, 2016 and 2015 are presented in the following table:

Financial condition

As at October 31, *(000's of C$)*	**2016**	**2015**	**2014**
Cash and restricted cash	13,864	10,252	6,787
Inventories	7,375	5,907	6,218
Property, plant and equipment	6,190	6,188	5,994
Long-term liabilities	1,866	2,378	2,147
Total current assets	23,232	17,485	13,962
Total current liabilities	16,101	13,292	13,244
Net working capital balance	7,131	4,193	718
Total assets	34,588	30,117	25,673
Total liabilities	17,968	15,670	15,391
Equity	16,620	14,448	10,282
	34,588	30,118	25,673

Key elements from the consolidated condensed statement of financial position as of October 31

The consolidated condensed statement of financial position as of October 31, 2016 shows cash and restricted cash of $13.9M, an improvement compared to $10.3M as of October 31, 2015 which directly resulted from both the increase in cash flow from operations and positive leverage from the net working capital balances. At the same time, the long term debt was reduced by $0.5M.

Inventories as of October 31, 2016 were $7.4M compared to $5.9M as of October 31, 2015, an increase of $1.5M attributable to inventory build-up to support our expected increase in sales. On average during the fiscal years, Immunotec improved the inventory turnover[1] to 4.2X or the equivalent of 88 days of inventory in 2016 compared to 3.6X or 100 days over last year.

[1] Refer to the "NON-GAAP MEASURES" section

YEARS ENDED OCTOBER 2016 AND 2015

Results of operations

The consolidated condensed statements of operations for the fourth quarter and year ended October 31, 2016 compared to the same periods in 2015 are presented in the following table:

Results of operations

For the periods ended October 31, *('000s of C$, except for share and per share data)*	**Three-months**		**Twelve-months**	
	2016	**2015**	**2016**	**2015**
Revenues	32,113	24,804	109,013	84,758
Cost of sales	8,674	6,113	28,200	20,350
Margin before expenses	23,439	18,691	80,813	64,408
Expenses	22,708	16,819	77,009	59,194
Operating income	731	1,872	3,804	5,214
Net finance (income) expenses	(505)	(58)	179	137
Income taxes	650	215	1,510	1,035
Net profit	586	1,715	2,115	4,042
Total comprehensive income	663	1,626	1,934	4,006
Total basic and diluted net profit per common share	0.01	0.02	0.03	0.06
Weighted average number of common shares oustanding during the year				
Basic	69,761,628	69,287,627	69,639,953	69,152,836
Diluted	70,083,720	69,290,915	69,886,364	69,156,574

Revenues for the three- and twelve-month periods ended October 31, 2016 reached $32.1M and $109.0M compared to $24.8M and $84.8M during the same period in the previous year, an increase of $7.3M or 29.5% and $24.2M or 28.6%. In local currencies as presented below, the three- and twelve-month growth was 58.4% and 46.2% in Mexico, 15.9% and 22.5% in the Unites States and 6.7% and 6.3% in Canada.

Margin before expenses, as a percentage of revenues, decreased to 73.0% for the three-month period ended October 31, 2016 from 75.4% for the same period in the prior year. Margin before expenses decreased from 76.0% in the twelve-month period ended October 31, 2015 to 74.1% for the twelve-month period ended October 31, 2016. The decrease of 2.4% for the quarter and the decrease of 1.9% for the year are both predominately due to a devaluation of approximately 13%, from the Mexican Peso when converted to our reporting currency, the Canadian dollar.

Expenses for the three- and twelve-month periods ended October 31, 2016 amounted to $22.7M and $77.0M compared to $16.8M and $59.2M in the previous year, an increase of $5.9M or 35.0% and $17.8M or 30.1%, respectively. This increase is consistent with the growth in revenues reported above. The main cost centers are the “Field Incentives” which is a variable element, directly associated with the performance of network sales and “Selling, General and Administration”. More information on the “Field Incentives” and “Selling, General and Administration” performance are presented under the section Key performance metrics[1] below.

Net finance (income) expenses increased from $(0.1M) in the three-month period ended October 31, 2015 to $(0.5M) for the three-month period ended October 31, 2016. In the twelve-month period ended October 31, 2016, net finance (income) expenses increased to $0.2M from $0.1M for the twelve-month period ended October 31, 2015. Both years were influenced by a variation of $(0.4M) for the three-month period ended October 31, 2016 and $0.1M for the twelve-month period ended October 31, 2016 from foreign exchange fluctuations associated with the conversion of intercompany balances of foreign subsidiaries to the Canadian dollar.

Net profit for the three- and twelve-month periods ended October 31, 2016 was lower at $0.6M and $2.1M compared to $1.7M and $4.0M for the corresponding periods of the previous year. The overall decreases in net profit throughout the year is due to the devaluation of the Mexican currency. On a currency neutral basis, we estimates the total impact to approximately $3.4M less on Adjusted EBITDA[1] for the twelve month of fiscal 2016. Unfortunately the geopolitical situation between the United States and Mexico is ongoing and will likely be an important risk factor for the company during fiscal 2017. To mitigate a portion of the impact the Company implemented a price increase between 5% and 7% effective on January 2017 sales. Management is also reviewing and analyzing other mechanism to improve its profitability.

Total comprehensive income for the three- and twelve-month periods ended October 31, 2016 was $0.7M and $1.9M compared to $1.6M and $4.0M for the corresponding periods of the previous year.

Total basic and diluted net profit per common share for the three- and twelve-month periods ended October 31, 2016 was $0.01 and $0.03 compared to $0.02 and $0.06 for the corresponding periods of the previous year.

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[1] Refer to the “NON-GAAP MEASURES” section

Revenues and sponsoring[1]

Revenues and sponsoring [1]

For the periods ended October 31,	**Three-months**			**Twelve-months**		
('000s of C$)	**2016**	**2015**	*Variation*	**2016**	**2015**	*Variation*
Network sales	29,671	22,707	*30.7%*	100,602	77,320	*30.1%*
Other revenue	2,442	2,097	*16.4%*	8,411	7,438	*13.1%*
	32,113	24,804	*29.5%*	109,013	84,758	*28.6%*
Network sales in key markets in local currency	**2016**	**2015**	*Variation*	**2016**	**2015**	*Variation*
Mexico *('000s of Mexican pesos)*	241,970	152,738	*58.4%*	736,584	503,666	*46.2%*
United States *('000s of US$)*	6,695	5,778	*15.9%*	24,567	20,049	*22.5%*
Canada *('000s of C$)*	3,134	2,936	*6.7%*	12,022	11,312	*6.3%*
Sponsoring[1] of new customers and consultants in key markets *(# of people)*	**2016**	**2015**	*Variation*	**2016**	**2015**	*Variation*
Mexico	30,001	17,432	*72.1%*	83,923	55,515	*51.2%*
United States	6,158	6,137	*0.3%*	22,844	18,747	*21.9%*
Canada	1,967	1,691	*16.3%*	8,140	6,291	*29.4%*
	38,126	25,260	*50.9%*	114,907	80,553	*42.6%*

Network sales are the Company's most important performance indicator as they are driven by product sales from our network of customers and independent consultants. Network sales for the three- and twelve-month periods ended October 31, 2016 reached $29.7M and $100.6M compared to $22.7M and $77.3M for the corresponding periods of the previous year, an increase of $7.0M or 30.7% and $23.3M or 30.1%. In local currency, the Company recorded an increase in network sales in Mexico of 58.4% and 46.2%, in the United States of 15.9% and 22.5%, and, in Canada of 6.7% and 6.3% for the three- and twelve-month periods ended October 31, 2016 relative to the corresponding periods of the previous year.

Sponsoring activities in Mexico increased by 72.1% and 51.2% during the three- and twelve-month periods ended October 31, 2016, over the same period in the previous year. This year's performance is a significant improvement over the previous year, which was adversely affected by the Company's obligation to apply a Value Added Tax of 16% in October of 2014. Management believes that the Mexican market has now adapted to this reality.

In the United States, the increase in network sales is the result of an increase in the sponsoring[1] of new independent consultants and customers. For the three- and twelve-month periods ended October 31, 2016, the number of new independent consultants and customers in the United States increased by 0.3% and 21.9%. This increase primarily reflects the Company's continued success in attracting new customers and independent consultants throughout the United States.

In Canada, the number of new customers and independent consultants increased by 16.3% and 29.4% for the three- and twelve-month periods compared to the

[1] Refer to the "NON-GAAP MEASURES" section

same periods of the previous year. This increase predominantly emanated from the Western provinces of Canada where more leadership activities took place.

Other revenue, which includes revenues of products sold to licensees in countries which do not have a network of independent consultants (export sales), shipping revenue and educational material purchased by our network of independent consultants, was $2.4M and $8.4M for the three- and twelve-month periods ended October 31, 2016. This compares to $2.1M and $7.4M for the corresponding periods in the previous year, an increase of 16.4% and 13.1%, attributable predominantly to an increase in sales of educational material and shipping revenues.

Geographic distribution of revenues

Geographic distribution of revenues

For the periods ended October 31,	**Three-months**			**Twelve-months**		
('000s of C$)	**2016**	**2015**	*Variation*	**2016**	**2015**	*Variation*
Mexico	17,793	12,631	*40.9%*	56,415	42,473	*32.8%*
Rest of North America	12,797	11,177	*14.5%*	48,061	38,893	*23.6%*
Other countries	1,523	996	*52.8%*	4,537	3,392	*33.7%*
	32,113	24,804	*29.5%*	109,013	84,758	*28.6%*

Mexico is the Company's largest market, representing 55.4% and 51.7% of revenues in the three- and twelve-month periods ended October 31, 2016, compared to 50.9% and 50.1% in the same periods of the previous year. Mexican revenues were $17.8M and $56.4M in the three- and twelve-month periods ended October 31, 2016 compared to $12.6M and $42.5M during the corresponding periods of the previous year, an increase of 40.9% and 32.8%.

Revenues in the rest of North America, which includes the combined Canadian and United States markets, amounted to $12.8M or 39.9% of total revenues and $48.1M or 44.1% of total revenues for the three- and twelve-month periods ended October 31, 2016. This compares to $11.2M or 45.1% of total revenues and $38.9M or 45.9% of total revenues in the corresponding periods of the previous year. The increase in total revenues from the rest of North America was a result of improved sponsorship in both Canada and the United States along with favourable currency fluctuations related to the US dollar.

Revenues from other countries accounted for $1.5M or 4.7% of total revenues and $4.5M or 4.2% of total revenues for the three- and twelve-month periods ended October 31, 2016 compared to $1.0M or 4.0% of total revenues and $3.4M or 4.0% of total revenues in the corresponding periods in 2015. Revenues from other countries include two European countries, 15 countries in Asia and Latin America where the Company does not have a network of independent consultants, and network sales in the Dominican Republic.

Key performance metrics[1]

Key performance metrics[1]

For the periods ended October 31, ('000s of C$)	Three-months 2016	Three-months 2015	Twelve-months 2016	Twelve-months 2015
Revenues	32,113	24,804	109,013	84,758
Margin before expenses	23,439	18,691	80,813	64,408
as a % of Revenues	**73.0%**	**75.4%**	**74.1%**	**76.0%**
Selling, general and administrative	4,460	4,084	17,750	15,733
as a % of Revenues	**13.9%**	**16.5%**	**16.3%**	**18.6%**
Product revenues[1]	31,056	23,923	105,246	81,562
Cost of sales	8,674	6,113	28,200	20,350
as a % of Product revenues[1]	**27.9%**	**25.6%**	**26.8%**	**25.0%**
Network sales	29,671	22,707	100,602	77,320
Field incentives	18,033	12,528	57,533	42,596
as a % of Network sales	**60.8%**	**55.2%**	**57.2%**	**55.1%**

During the three- and twelve-month periods ended October 31, 2016, margin before expenses as a percentage of revenues amounted to 73.0% and 74.1% compared to 75.4% and 76.0% in the same periods of the previous year. The decrease in both the three- and twelve-month periods' margin is due predominantly, to the fluctuation of exchange rates of both the US dollar and the Mexican Peso when converted to the reporting, the Canadian dollar.

During the three- and twelve-month periods ended October 31, 2016, the selling, general and administrative expenses as a percentage of revenues amounted to 13.9% and 16.3% as compared to 16.5% and 18.6% during the same periods of the previous year, reflecting a disciplined management of corporate expenses.

During the three- and twelve-month periods ended October 31, 2016, cost of sales as a percentage of product revenues[1] amounted to 27.9% and 26.8% compared to 25.6% and 25.0% in the same periods of the previous year. As previously reported in this document, the combined effect of the strengthening of the US dollar along with the devaluation of the Mexican Pesos, created a double negative effect on Margins. Management constantly reviews its manufacturing strategies and implements, when appropriate, measures that can improve margins while maintaining high quality product standards. During the third quarter of fiscal year 2016, management completed certain improvements to its Blainville facility in Canada which has thus increased throughput efficiency for our US and international production. In lieu of a new protectionism risk, caused by the threat of

[1] Refer to the "NON-GAAP MEASURES" section

renegotiations of several free trade agreements, management will increase its focus on potentially expending future manufacturing activities directly in Mexico during fiscal 2017.

Field incentives are the Company's most significant expense, consisting of commissions from product sales, performance bonuses and other promotional incentives provided to qualifying independent consultants. During the three- and twelve-month periods ended October 31, 2016, field incentives amounted to $18.0M or 60.8% of network sales and $57.5M or 57.2% of network sales, compared to $12.5M or 55.2% of network sales and $42.6M or 55.1% of network sales during the same periods in the previous year. The increase in the field incentives percentage during the fourth quarter of fiscal 2016 is associated with a strong sponsoring performance and a stronger attendance and participation from field leaders to the leadership incentive trips event, resulting on more costs.

Adjusted EBITDA[1] analysis

Calculation of adjusted EBITDA [1]

For the periods ended October 31,	**Three-months**		**Twelve-months**	
('000s of C$)	**2016**	**2015**	**2016**	**2015**
Net profit	586	1,715	2,115	4,042
Add:				
Depreciation and amortization	169	177	680	668
Net finance (income) expenses	(505)	(58)	179	137
Other expenses	45	30	1,046	197
Income taxes	650	215	1,510	1,035
Adjusted EBITDA	945	2,079	5,530	6,079
as a % of Revenues	*2.9%*	*8.4%*	*5.1%*	*7.2%*

Adjusted EBITDA[1] for the three- and twelve-month periods ended October 31, 2016 amounted to $0.9M or 2.9% of revenues and $5.5M or 5.1% of revenues compared to $2.1M or 8.4% of revenues and $6.1M or 7.2% of revenues for the same periods of the previous year.

During the period ended October 31, 2016, the Company filed a criminal complaint with the General Prosecuting Office in the State of Chihuahua in Mexico, for facts associated with a fraud committed by independent consultants. For more information, please refer to the note 18 of the audited consolidated financial statements.

[1] Refer to the "NON-GAAP MEASURES" section

Net finance (income) expenses

Net finance (income) expenses

For the periods ended October 31, ('000s of C$)	Three-months 2016	Three-months 2015	Twelve-months 2016	Twelve-months 2015
Interest expense	45	54	186	151
Financing fees	-	29	-	88
Net foreign exchange gain	(550)	(141)	(7)	(102)
Net finance (income) expenses	(505)	(58)	179	137

Net finance (income) expenses are comprised of interest on long-term debt and on finance lease obligation, financing fees and foreign exchange gain. The gain in the Fourth Quarter is the result of the reimbursements associated with the conversion of intercompany balances of foreign subsidiaries.

Previous twelve quarters ended October 31, 2016

Summary of the last twelve quarters (in 000's of C$, except per share data)

	Revenues	Adjusted EBITDA[1] (in $ and % of revenues)		Net profit (loss)	Basic & diluted net profit (loss) per share
31/Oct/16	32,113	945	2.9%	586	0.01
31/Jul/16	28,370	960	3.4%	622	0.01
30/Apr/16*	25,586	2,370	9.3%	569	0.01
31/Jan/16*	22,944	1,254	5.5%	338	0.00
31/Oct/15	24,804	2,079	8.4%	1,715	0.02
31/Jul/15	22,068	1,484	6.7%	1,152	0.02
30/Apr/15	19,968	1,394	7.0%	323	0.00
31/Jan/15	17,918	1,122	6.3%	852	0.01
31/Oct/14	23,310	1,171	5.0%	48	0.00
31/Jul/14	22,263	1,665	7.5%	(4,270)	(0.06)
30/Apr/14	19,062	1,419	7.4%	770	0.01
31/Jan/14	16,155	763	4.7%	759	0.01

* Adjusted EBITDA[1] (in $ and % of revenues) has been modified to conform to the presentation adopted for the current period. Some costs had originally been recorded as Selling, general and administrative and they have been reclassified to Other expenses. The Company believes this presentation better reflects the nature of the expenses.

Adjusted EBITDA[1] has maintained an average of 6.2% and a high of 9.3% attained in the quarter ended April 30, 2016.

Net profit, comprehensive income and total basic and diluted net profit per share

Net profit for the three- and twelve-month periods ended October 31, 2016 totalled $0.6M and $2.1M compared to $1.7M and $4.0M for the corresponding periods in the previous year.

Total comprehensive income for the three- and twelve-month periods ended October 31, 2016 totalled $0.7M and $1.9M compared to $1.6M and $4.0M for the

[1] Refer to the “NON-GAAP MEASURES” section

corresponding periods in the previous year, reflecting the impact of the foreign currency translation of foreign subsidiaries.

Total basic and diluted profit per common share for the three- and twelve-month periods ended October 31, 2016 was $0.01 and $0.03 compared to $0.02 and $0.06 for the corresponding periods one year earlier.

2. LIQUIDITY

As of October 31, 2016 the Company had a cash position of $13.9M, of which $0.6M was restricted security against long-term debt, compared to $10.3M as of October 31, 2015 where $0.6M was restricted cash.

Based on risk and uncertainties associated with its business model, the Company maintains a capital structure that allows it to finance its operations and support its growth. The Company periodically monitors its capital structure which it defines as long-term debt and equity. The Company expects it will be able to meet its contractual obligations and continue to fund its planned activities for the next fiscal year.

It should be noted that the Company is currently involved in legal proceedings regarding Mexican import taxation authorities, as further discussed in the "Contingencies" section below.

The consolidated condensed cash flow statements for the year ended October 31, 2016 and the comparative period in 2015 are presented below:

Consolidated statements of cash flows

For the twelve-month period ended October 31, *('000s of C$)*	**2016**	**2015**
Operating activities		
Net profit	2,115	4,042
Adjustments for items not affecting cash	1,627	(1,410)
Cash from operating activities prior to working capital variation	3,742	2,632
Net change in non-cash working capital	1,453	969
Net cash provided by operating activities	5,195	3,601
Investing activities	(678)	(865)
Financing activities	(569)	409
Net increase in cash during the year	3,948	3,145
Cash — Beginning of the year	10,251	6,787
Effect of foreign exchange rate fluctuations on cash	(335)	319
Cash — End of the year	13,864	10,251

Cash flow from operating activities

Net cash provided by operating activities amounted to $5.2M during the year ended October 31, 2016 compared to $3.6M for the corresponding period in the previous year. This improvement is due to a more efficient Working Capital management elements and especially from the inventory levels.

Cash flow used in investing activities

The Company invested $0.7M in 2016 and $0.9M in 2015, primarily related to maintenance capital expenditures, leasehold improvements in Mexico and related investments in the existing facility in Blainville in 2016.

Cash flow used in financing activities

During the year ended October 31, 2016, the repayments on long-term liabilities were $0.6M compared to $0.4M in the same period the previous year.

Off-Balance sheet arrangements

To date, the Company has not had any unconsolidated entities or financial partnerships, such as those referred to as “structured finance” or “special purpose” entities, which are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Other than the Company's operating leases and the commitments disclosed in the annual consolidated financial statements, the Company has no other off-balance sheet transactions.

Related party transactions

For the three- and twelve-month periods ended October 31, 2016 and 2015, there were no transactions except normal wage and salaries with related parties. No guarantees have been given to, or received from, any related parties.

3. CONTINGENCIES

In the normal course of business, the Company and its subsidiaries are subject of tax audits by government authorities in their respective countries. In certain of these audits, taxation authorities could propose different tax or commodity tax treatments which could result in additional amounts due, as well as related interest or penalties. The Company believes that the current tax treatments are correct and it has a reasonable defense for any allegations that additional amounts are owed. When appropriate, the Company contests notices of assessment and administrative or judicial decisions in this respect. At the moment, the Company is subject to the following taxation processes:

i. In December 2012 and January 2013, the Mexican Tax Administration Service ("MTAS") issued resolutions which denied the Company's Mexican subsidiary's refund requests for a number of favourable value added tax "VAT" balances in aggregate, totaling approximately $0.5M. The denials were based on the MTAS's evaluation that the Immunocal and Immunocal Platinum products were not destined for nutritional purposes and that a VAT tax rate of 16% should have been applied on the sale of such products. The Company filed an annulment lawsuit (first stage lawsuit) in lower tax court against these resolutions. The annulment was denied and the Company proceeded to the next level of appeal in the Collegiate Tribunals. In September 2014, the Fifteenth Collegiate Tribunal in Administrative Matters of the First Circuit denied the Company's request for this refund. Immunotec has challenged this decision and filed an appeal with the Mexican Supreme Court (third stage of appeal) but the reimbursement was denied during this fiscal year. As a result, the Company recorded during the year ended October 31, 2014 a provision for commodity tax provision of approximately $5.5M which was partially offset by the related recoverable amounts from taxation authorities covering prior months which are related to the above-mentioned appeal to the Supreme Court.

ii. During the fourth quarter of fiscal 2014 the MTAS requested information related to 134 of the Company's Mexican subsidiary's imports covering 100% of entries associated with Immunocal and Immunocal Platinum products into Mexico between June 2011 and July 2013. After some further discussions with the MTAS Auditors, Immunotec decided to file, on June 1st, 2015, a request for a conclusive agreement before the Mexican Tax Ombudsman (PRODECON as per its acronym in Spanish), proposing a settlement of the audit, under the following terms: (i) Immunotec would be compelled to pay the VAT over all of the imports under questioning by the MTA, plus inflation adjustments and surcharges; (ii) Since this is the first time Immunotec enters into a conclusive agreement, it should have the right to amnesty over 100% of the aforementioned penalties, pursuant to Article 69-G of the Mexican Federal Tax Code. The MTA was officially notified of the request for conclusive agreement and officially accepted the proposal for conclusive agreement. Immunotec, effectively, paid an amount of $2.7M (34.3M MXP). The conclusion for these event resulted in affecting the audited consolidated financial statements as at October 31, 2015, as follow: (i) the reversal of a portion of the 2014 provision for $1.0M (12.7M MXP) and Inflation surcharge and interest for a total of $1.0M (12.1M MXP) resulting in net gain of $0.05M (0.6M MXP); (ii) and a recoverable amount from foreign taxation of $1.8M (22.3M MXP). While administrative matters related to the conclusive agreement remain to be completed, management believes it has fulfilled its obligations under the conclusive agreement. The Company and its legal advisors believe that the outcome of the matter should not change once those administrative matters are finalized. If the Company is incorrect in its understanding of the outcome, the potential adjustments required could have a material impact on the financial situation of the Company, in particular of the Mexican subsidiary.

In view of the clear and persistent attempts by the MTA to tax VAT on the sale of nutritional supplements and after some negotiations with certain sectors of the industry, on March 26, 2015, a Presidential Decree was published in the Official Gazette, which grants amnesty of VAT triggered on the sale of nutritional supplements for all periods preceding January 2015, so long as taxpayers comply primarily with the two major requirements: (i) that taxpayers charge VAT over the sale of nutritional supplements as of January of 2015; and (ii) that taxpayers file an official form detailing the amount of nutritional supplements sold during those years preceding 2015. Immunotec did file the official form requested and started charging VAT in October 2014. The Company is therefore in compliance with this taxation position. As a result of this presidential decree, the Company believes that no retroactive liabilities could be incurred for VAT related to sale of its products.

4. NON-GAAP MEASURES

This MD&A contains non-GAAP measures which do not have a standardized meaning under International Financial Reporting Standards (“IFRS”). We use earnings before interest, taxes, depreciation and amortization ("EBITDA"), as this measure allows management to evaluate the operational performance of the Company. EBITDA does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. EBITDA should not be considered an alternative to profit (loss) in measuring the Company’s performance, nor should it be used as an exclusive measure of cash flow. This measure does not represent the funds available for the repayment of debt, the payment of dividends, reinvestment or other discretionary uses, and should not be considered in isolation or as substitutes for other measures of performance calculated according to IFRS.

Adjusted EBITDA, Product revenues, Sponsoring and Days' of inventory

Adjusted EBITDA corresponds to EBITDA as defined above less elements that management considers to be outside the scope of its normal activities and therefore not reflective of how management views performance measurement. Management believes that this metric is necessary in order to isolate its commercial operations from items which it believes merit separate examination when assessing performance. Consistent improvement in adjusted EBITDA is one of management’s primary objectives.

Product revenues are calculated using total revenues less shipping revenues, representing $31.1M and $105.2M for the three- and twelve-month periods ended October 31, 2016 ($23.9M and $81.6M in corresponding periods of the previous year). Improving the percentage ratio of product margins, is one of management’s primary objectives.

Product revenues

For the periods ended October 31,	**Three-months**		**Twelve-months**	
('000s of C$)	**2016**	**2015**	**2016**	**2015**
Revenues	32,113	24,804	109,013	84,758
Less: Shipping revenues	(1,057)	(881)	(3,767)	(3,196)
Product revenues	31,056	23,923	105,246	81,562

Sponsoring means the activity in which independent Consultants sponsor new Consultants and Customers; the sponsored Consultants themselves may sponsor new Consultants or Customers and so forth. This is referred to as a Consultant’s “organization” or “downline”. The Consultants are compensated for sales generated by their organization, based on their qualification and rank. Successful Independent Consultants assume the responsibility to train, support and communicate with their downline. The Consultants are not compensated on by simply referring or inviting new people to joint without them making a purchase.

Days' inventory in inventory measures the number of days Immunotec takes to sell its average balance of inventory. It is also an estimate of the number of days for which the average balance of inventory will be sufficient. Days' sales in inventory ratio is very similar to inventory turnover ratio and both measure the efficiency of a business in managing its inventory.

2016 Quarterly inventory levels				2015 Quarterly inventory levels			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
$ 6,800	$ 6,709	$ 6,172	$ 7,375	$ 6,800	$ 4,578	$ 5,078	$ 5,907
Average for the fiscal year			***$ 6,764***	***Average for the fiscal year***			***$ 5,591***

Days of inventory calculation *(000's of C$)*	**Fiscal 2016**	**Days of inventory calculation *(000's of C$)***	**Fiscal 2015**
A) Average inventories during FY	$ 6,764	A) Average inventories during FY	$ 5,591
B) Cost of sales	$ 28,200	B) Cost of sales	$ 20,350
C) Number of days in the year	366	C) Number of days in the year	365
A / B x C =	**88**	**A / B x C =**	**100**
Turnover ratio	**4.2 X**	**Turnover ratio**	**3.6 X**

The Company uses these non-GAAP measures because they provide additional information on the performance of its commercial operations. Such tools are frequently used in the business world to analyze and compare the performance of businesses; however, the Company’s definition of these metrics may differ from those of other businesses.

5. FINANCIAL INSTRUMENTS

Interest rate risk

The Company is exposed to interest rate risk on its cash, restricted cash and long-term debt and does not currently hold any financial instruments to mitigate this risk.

Credit risk

Financial instruments potentially subject to credit risk include cash and restricted cash, trade and other receivables, with respect to which there was no significant concentration of credit risk as at October 31, 2016 and 2015. The Group’s policy is to require payment by credit card or over-the-counter payment from its distributors, licensees and customers prior to shipment of products and the cash and restricted cash are held with major financial institutions.

Currency risk

The Company is exposed to currency risks as transactions with customers outside Canada are predominantly denominated in U.S. dollars and Mexican pesos. These risks are partially offset by purchases and operating expenses incurred in U.S. dollars and in Mexican pesos. The Company's foreign subsidiaries are subject to foreign currency fluctuations on their net earnings and working capital items.

Liquidity risk

Liquidity risk is defined as the potential to be unable to meet a demand for cash or meet financial obligations as they become due. This risk is managed by establishing detailed cash forecasts, as well as operating and strategic plans. The Company's consolidated liquidity requires constant monitoring of expected cash inflows and outflows, which is achieved through detailed forecasts which assess the adequacy of cash resources to meet financial obligations as they come due. Liquidity adequacy is assessed in view of growth requirements and capital expenditures. Liquidity risk is managed to maintain sufficient liquid financial resources to fund the Company's operations and meet its commitments and obligations. In managing liquidity risk, the Company considers the access to its operating credit facilities.

6. DESCRIPTION OF SECURITIES

Capital stock

There have been no changes in the authorized capital of the Company.

Issued and outstanding

As of January 26, 2017, there were 69,761,378 common shares and 2,370,000 options to purchase common shares issued and outstanding.

7. ACCOUNTING ESTIMATES AND POLICIES

Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Significant changes in the underlying assumptions could result in significant changes to these estimates. Consequently, management reviews these estimates on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about these significant judgments, assumptions and estimates that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are disclosed in note 2 c) of the audited consolidated financial statements for the year ended October 31, 2016.

Significant accounting policies

The preparation of the consolidated financial statements in accordance with IFRS requires management to adopt accounting policies and to make certain estimates and assumptions that the Company believes are reasonable based upon the information available at the time these decisions are made. In preparing the consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are the same as those applied in note 3 of the audited consolidated financial statements for the year ended October 31, 2016 which includes a discussion on accounting policies that are the most important in assisting, understanding and evaluating the Company's consolidated financial statements.

Future accounting changes

A number of new standards, interpretations and amendments to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory but not yet effective for the period ended October 31, 2016, and have not been applied in preparing the consolidated financial statements.

Refer to note 3 of the audited consolidated financial statements for the year ended October 31, 2016 for discussions on future accounting changes that were issued but not yet adopted by the Company as at October 31, 2016.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

8. RISKS AND UNCERTAINTIES

The Company is subject to certain risks and uncertainties inherent in the operation of its business. The Company attempts to mitigate these risks through a combination of risk management practices, insurance, quality control programs and systems of internal control.

Key operational risks and uncertainties include, but are not limited to, those listed below. Potential investors should carefully consider the risks described below, together with all of the information in Immunotec's publicly filed documents, before making an investment decision. If any of the following risks actually occurs, Immunotec's business, financial condition or results of operations could be adversely affected.

Investors in the Company's common shares should carefully consider the following risks, as well as the other information contained in the MD&A, the management proxy circular and the consolidated financial statements for the year ended October 31, 2016. The risks and uncertainties described below are not the only ones the Company faces. Additional risks and uncertainties, including those of which the Company is currently unaware, or currently deems immaterial, may also adversely affect the Company's business.

Regulatory and taxation matters, including value added taxes (VAT), transfer pricing, customs duties, and similar regulations and changes thereto

As a multinational corporation, the Company is subject to tax and regulatory compliance in the jurisdictions in which it operates. These include those related to collection and payment of VAT at appropriate rates and the appropriate application of VAT to each of our products, those designed to ensure that appropriate levels of customs duties are assessed on the importation of its products, and transfer pricing and other tax regulations designed to ensure that its intercompany transactions are consummated at prices that have not been manipulated to produce a desired tax result, that appropriate levels of income are reported as earned, and that it is taxed appropriately on such transactions. The Company is the subject of audits that are at various levels of review, potential assessment or appeal in a number of jurisdictions involving various aspects of VAT, customs duties, as describe under note 28 of the Fiscal 2016 year-end financial statements. The Company may also be subject to other different types of audits, regarding numerous aspect of its business such as, but not limited to: transfer pricing, income taxes, withholding taxes, sales and use and other taxes. Outcomes from current or future audits in some circumstances may lead to additional taxes, interest and penalties that may be assessed and required to be paid in order to challenge the potential new assessments. The Company existing reserves, along with the tax provisions currently recorded in the consolidated financial statements, represents amounts that are the likely outcome estimate at this time of a possible resolution from potential disputes or from current fiscal obligations If it is incorrect in its evaluation, it may have to pay a different amount which could potentially be material. Ultimate resolution of these matters may take several years, and the outcome is uncertain. If the taxation authorities in any of the jurisdictions in which the Company operates were to successfully challenge its transfer pricing practices or its positions regarding the payment of income taxes, customs duties, value-added taxes, withholding taxes, sales and use, and other taxes, it could become subject to higher taxes and its revenue and earnings could be adversely affected.

Furthermore, the imposition of new taxes, even pass-through taxes such as VAT, could have an impact on the Company' product pricing and could therefore have a potential negative impact on its business.

A change in applicable tax laws, treaties or regulations or their interpretation could result in a higher effective tax rate on the Company's worldwide earnings, and such change could materially affect its financial results.

Adverse publicity and product liability insurance

The size of the Company's distribution force and the results of its operations may be significantly affected by the public's perception of the Company and similar companies. This perception is dependent upon opinions concerning:

- the safety and quality of its products and ingredients;
- its independent consultants;
- its selling program; and
- the Direct Selling business model generally.

Adverse publicity concerning any actual or purported failure of the Company or of its independent consultants to comply with applicable laws and regulations regarding product claims and advertising product safety and quality, good manufacturing practices, the regulation of its Direct to consumer marketing material, the licensing of its products for sale in its target markets or other aspects of its business, whether or not resulting in enforcement actions or the imposition of penalties, could have an adverse effect on the goodwill of the Company and could negatively affect its ability to attract, motivate and retain independent consultants, which would negatively impact its ability to generate revenue. The Company cannot ensure that all of its independent consultants will comply with applicable legal requirements relating to the advertising, labelling, licensing or distribution of its products.

Adverse publicity relating to the Company, its products or its operations, including its Direct Selling business model or the attractiveness or viability of the financial opportunities provided thereby could have a negative effect on its ability to attract, motivate and retain independent consultants, and its financial condition and operating results could be materially affected.

Immunotec currently has general liability insurance, including product liability and clinical trial liability insurance. There is no guarantee that this insurance will cover all potential claims or be of a sufficient amount of coverage to protect against losses due to liability. Moreover, liability claims arising from a serious adverse event could increase its costs through higher insurance premiums and deductibles, and could make it more difficult to secure adequate insurance coverage in the future. A product liability claim or product recall could have a material adverse effect on the Company's business and financial condition.

Relationship with and ability to influence independent consultants

The Company depends upon independent consultants to attract new customers and retain current customers for the vast majority of its sales. To increase its revenue, the Company must increase its sales of product through the productivity of its existing independent consultants that of new independent consultants. Therefore, its success depends in significant part upon its ability to attract, retain and motivate a large base of independent consultants. The loss of a significant number of them for any reason could negatively impact sales of its products and could impair its ability to attract new independent consultants. In its efforts to attract and retain independent consultants, the Company competes with other Direct to consumer organizations. The Company's operating results could be harmed if its existing and new products do not generate sufficient interest to retain existing customers and independent consultants and to attract new independent consultants.

The Company's independent consultants, including its independent consultant sales leaders, may voluntarily terminate their business relationship with the Company at any time. The loss of a group of leading sales leaders, together with their down-line sales organizations, or the loss of a significant number of independent consultants for any reason, could negatively impact sales of its products to established customer bases, impair its ability to attract new Independent consultants, and harm its financial condition and operating results.

As the Company's sales of products are made through a Direct to consumer business model comprised of many thousands of independent consultants, the Company does not have full influence over the independent consultants. Accordingly, the Company is not in a position to directly provide the same direction, motivation and oversight as it would if its independent consultants were its own employees. As a result, there can be no assurance that its independent consultants will participate in its marketing strategies or plans, accept the introduction of new products into their strategies or generate as many sales as any other independent consultant.

The Company has prepared and provided policies and guidelines designed to govern the conduct of its independent consultants and protect the goodwill associated with its business. Due to the large number of independent consultants and their independence status, the Company may not be aware of all violations of such policies, guidelines or applicable laws by its independent consultants, and may not be able to successfully enjoin such independent consultants to cease or to correct any such violations. Violations by its independent consultants of its policies, guidelines and applicable law could reflect negatively on the Company's products and operations, harm its business reputation and cause legal and regulatory compliance issues with governmental authorities, all of which could have a material adverse effect on the Company's business and financial condition.

International operational risks, including compliance and foreign exchange risk

Approximately 88.2% and 85.7% of the Company's revenues for the three and twelve-month periods ended October 31, 2016 were generated outside of Canada, exposing its business to risks associated with foreign operations. For example, a foreign government could impose trade or foreign exchange restrictions or increased tariffs, or otherwise limit or restrict the Company's ability to import products into a foreign country, any of which could negatively impact its operations.

The Company is also exposed to risks associated with foreign currency fluctuations. From time to time, management may engage in transactions to protect a portion of its liquidities against risks associated with foreign currency fluctuations. The Company cannot be certain that any hedging activity which may be undertaken or any expected natural hedges will effectively reduce its exchange rate exposure.

Additionally, the Company may be negatively impacted by conflicts with or disruptions caused or faced by its third-party importers, as well as conflicts between such importers and local governments or regulatory agencies.

The Company's operations in some markets also may be adversely affected by political change, economic protectionism and social instability in foreign countries.

As the Company continues to focus on expanding its existing international operations, these and other risks associated with international operations may increase, which could harm its financial condition and operating results. Finally, the Company's foreign subsidiaries are subject to foreign currency fluctuations on their net earnings and working capital items.

The Company is subject to numerous types of regulations imposed by domestic and foreign governmental agencies in countries where the Company has network sales. The Company's financial performance objectives are contingent, upon making its best efforts to be in compliance with regulatory requirements and obtaining all types regulatory approvals where necessary for the sale of its products.

The Company is also subject to regulations imposed by domestic and foreign governmental agencies in connection with the operation of its Direct Selling program.

In addition, the Company may be subject to regulations and taxes under local, provincial, state and federal laws, including requirements regarding customs, duties, cross-border issues, occupational safety, laboratory practices, environmental protection and hazardous substance control, and may be subject to other present and future local and foreign regulations.

Any changes in government regulations could have an adverse effect on the business and financial condition of the Company.

Operational and infrastructure risks

As a company conducting business in multiple jurisdictions, many of which are in developing countries, we are exposed to many operational risks that may have a significant negative impact on our operations and financial results. Such risks include the risk of fraud or unauthorized transactions by employees, independent consultants or others, and operational or human errors. Given the large volume of transactions we process on a daily basis, certain errors may be repeated or compounded before they are discovered and rectified. Failures of our internal processes, employees or systems, including any of our financial, accounting or other data processing systems, could lead to material financial losses and damages to our reputation. In addition, our ability to conduct business may be adversely affected by a disruption to the infrastructure that supports our operations.

Dependence on increased penetration of existing markets

The success of the Company's business is to a contingent on its ability to further penetrate existing markets and, to a lesser extent, to enter into new markets. The Company's ability to further penetrate existing markets or to expand its business into additional countries, to the extent it believes that it has identified attractive geographic expansion opportunities in the future, is subject to numerous factors, many of which are beyond its control.

In addition, government regulations in both its domestic and international markets can delay or prevent the introduction, or require the reformulation or withdrawal, of some of its products, which could negatively impact its business, financial condition and results of operations.

The Company's growth will depend upon improved training and other activities that enhance the retention of independent consultants in its markets. While the Company has recently experienced significant growth in certain of its markets, it cannot guarantee that such growth levels will continue in the immediate or long-term future. If the Company is unable to continue to expand into new markets or further penetrate existing markets, its operating results could materially suffer.

Compensation plan payout increases with increased product sales

Total compensation payout to independent consultants, as a percentage of the Company's revenues, is subject to volatility due to a number of factors, but mostly due to bonuses associated with new business development "Business Builder" bonuses and "Moving Up" bonuses paid for rank advancement and leadership development as provided for in the sales incentive program. Although difficult to forecast, these bonuses are key to maintaining the momentum of the business. Consequently, margins may be affected as sales increase based on the percentage of new business relative to total business.

Competition

The Company's market for its products is intensely competitive and subject to rapid technological changes. Larger competitors with longer operating histories and greater financial, marketing and other resources could develop and market new products which could render the Company's existing products less competitive.

Due to the high level of competition in the Company's industry, it might fail to retain its customers and independent consultants, which would harm its financial condition and operating results. In addition, because the industry in which it operates is not particularly capital intensive or otherwise subject to high barriers to entry, it is relatively easy for new competitors to emerge, which could compete with the Company for its independent consultants and customers. In addition, the fact that its independent consultants may easily enter and exit its Direct Selling program contributes to the level of competition that it faces. The Company's ability to remain competitive therefore depends, in significant part, on its success in attracting and retaining independent consultants through an attractive compensation plan, the maintenance of an attractive product portfolio, and other incentives and a stable working relationship with the Company and its employees. The Company cannot ensure that its programs will be successful, and if they are not, its financial condition and operating results could be materially affected.

Changing consumer preferences and demands

The Company's business is subject to changing consumer trends and preferences. The Company's continued success depends in part on its ability to anticipate and respond to these changes, and it may not respond in a timely or commercially appropriate manner to such changes. Furthermore, its industry is characterized by rapid and frequent changes in demand for products and new product introductions and enhancements. The Company's failure to accurately predict these trends could negatively impact consumer opinion of its products, which in turn could harm its customer and distributor relationships and cause the loss of sales. The success of its new product offerings and enhancements depends upon a number of factors, including its ability to:

- accurately anticipate customer needs;
- innovate and develop new products or product enhancements that meet these needs;
- successfully commercialize new products or product enhancements in a timely manner;
- price its products competitively;
- manufacture and deliver its products in sufficient volumes and in a timely manner; and
- differentiate its product offerings from those of its competitors.

If the Company does not introduce new products or make enhancements to meet the changing needs of its customers in a timely manner, some of its products could be rendered obsolete, which could negatively impact its revenues, financial condition and operating results.

Product concentration

The Company's Immunocal products constitute a significant portion of its revenues. If consumer demand for this product decreases significantly, or if it ceases offering this product without a suitable replacement, then its financial condition and operating results will be materially affected.

Key personnel

The future success of the Company will depend, in large part, upon its ability to retain its key management personnel, to attract and retain additional qualified marketing, sales and technical personnel, as well as independent consultants to form part of its Direct Selling program. The Company may not be able to enlist, train, retain, motivate and manage the required personnel. Competition for these types of personnel is intense. Failure to attract and retain personnel, particularly marketing, sales and technical personnel as well as independent consultants, could make it difficult for the Company to manage its business and meet its objectives and could thus materially affect its financial condition and operating results.

Reliance on key suppliers

The Company's business is heavily dependent upon its key suppliers, for the provision of raw materials, for contract manufacturing services, as well as for other services such as information technology support. If the Company were, for any reason, unable to maintain a business relationship with one or more of its key suppliers, its business and financial condition could be materially adversely affected. To date, the Company has not experienced any difficulty in obtaining adequate supplies or services from its key suppliers; however, it cannot assure that its outside contract manufacturers and suppliers will continue to reliably supply products and services at the levels of quality and quantity which it requires.

Information technology infrastructure

The Company's ability to provide products and services to its customers and independent consultants depends on the performance and availability of its core transactional systems. While the Company continues to invest in its information technology infrastructure, there can be no assurance that there will not be any significant interruptions to such systems or that the systems will be adequate to meet all of its future business needs.

The most important aspect of the Company's information technology infrastructure is the system through which it records and tracks the sales of its independent consultants and the various incentives earned. The Company may encounter errors in its software or inadequacies in the software and services supplied by its vendors, although to date none of these errors or inadequacies have had a meaningful adverse impact on its business. Any such errors or inadequacies which the Company may encounter in the future could result in substantial interruptions to its services and could damage its relationships with, or cause it to lose, its independent consultants if the errors or inadequacies impair its ability to track sales and pay incentives, which could materially harm its financial condition and operating results. Such errors may be expensive or difficult to correct in a timely manner, and the Company could have little or no control over whether any inadequacies in software or services supplied to it by third parties are corrected, if at all.

Anyone that is able to circumvent the Company's security measures could misappropriate confidential or proprietary information, including that of third parties such as its independent consultants, cause interruption in its operations, damage its computers or otherwise damage its reputation and business. The Company could need to expend significant resources to protect against security breaches or to address problems caused by such breaches. Any security breaches could damage the Company's reputation and expose it to a risk of loss or litigation and possible liability under various laws and regulations. In addition, employee error or malfeasance or other errors in the storage, use or transmission of any such information could result in a disclosure to third parties. If this should occur, the Company could incur significant expenses addressing such problems. These risks are heightened by the fact that the Company collects and stores distributor and vendor information.

Compliance with laws and governmental regulations

In the Company's domestic and foreign markets, the formulation, manufacturing, packaging, labelling, distribution, importation, exportation, licensing, sale and storage of its products may be subject to extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints. There can be no assurance that the Company, its products or its independent consultants are in compliance with all of these laws, determinations or decisions. The failure to comply with these regulations or new regulations could disrupt the sale of the Company's products, lead to the imposition of significant penalties or claims and could negatively impact its business. In addition, the adoption of new regulations or changes in the interpretations of existing regulations may result in significant compliance costs or discontinuation of product sales and may negatively impact the marketing of the Company's products, resulting in significant loss of sales revenues.

Governmental regulations in countries where the Company plans to commence or expand operations may prevent or delay entry into those markets. In addition, the Company's ability to sustain satisfactory levels of sales in its markets may depend in significant part on its ability to introduce additional products into such markets. However, governmental regulations in the Company's markets, both domestic and international, can delay or prevent the introduction, or require the reformulation or withdrawal, of certain of its products. Any such regulatory action, whether or not it results in a final determination adverse to it, could create negative publicity, with detrimental effects on sales.

Legal challenges to the Direct Selling program

The Company's Direct Selling program is subject to a number of regulations administered in Canada and in each of the foreign markets in which it operates. The Company is subject to the risk that, in one or more markets, its Direct Selling program could be found not to be in compliance with applicable laws or regulations. Regulations applicable to Direct Selling organizations generally are directed at preventing fraudulent or deceptive schemes, often referred to as "pyramid" or “chain sales” schemes, focusing on the sale of products to end consumers and ensuring that no misrepresentations are made by Direct Selling organizations and their independent consultants on the revenues and lifestyle that independent consultants may achieve if they join the Direct Selling program. The ambiguity surrounding these laws can also affect the public perception of the Company. The failure of its Direct Selling program to comply with the applicable laws and regulations could negatively impact its business in a particular market or in general and could adversely affect its financial condition. The failure of other Direct Selling companies could negatively impact the perception of its business or industry in general and could adversely impact the Company’s business and financial condition and share price.

Intellectual property

The Company relies on the protection of its patents and intellectual property rights for its success. Any infringement or harm to the Company’s intellectual property rights could negatively affect the Company’s business and results of operations. Policing unauthorized use of its patents and other intellectual property is extremely difficult and expensive. There can be no assurance that the Company’s trade secrets will be maintained confidential nor that Company’s patents or trademarks would be held valid or enforceable by a court, or that a competitor’s product would be found to infringe such patents or trademarks.

The worldwide financial, political and economic environment

Various aspects of the current worldwide financial, political and economic environment could impact the Company, its liquidity, its access to capital, its operations and its overall financial condition. The notes that economic and financial markets are fluid and that it cannot ensure that there will not be in the near future a material deterioration in its sales or liquidity. While the Company’s current credit facility can also be used to support its current liquidity requirements, increases in interest rates could negatively affect the cost of financing its operations if its future borrowings were to be undertaken.

Technical obsolescence and product development

The Company’s industry is characterized by rapidly changing technology, shifting industry standards and the frequent introduction of new products. The introduction of new products embodying new technologies and the emergence of new industry standards may render the Company’s products obsolete or less marketable. The process of developing the Company’s products is extremely complex and requires significant continuing development efforts. The Company’s failure to develop new technologies and products and the obsolescence of existing technologies could adversely affect its business and financial condition.

Research and development in the industry in which the Company operates is highly speculative and involves a high degree of risk. The marketability of any product which may be developed by the Company could be affected by numerous factors beyond the Company's control, including:

- proprietary rights of third parties or competing products or technologies may preclude commercialization;
- requisite regulatory approvals may not be obtained; and
- other factors may become apparent during the course of research, up scaling or manufacturing which may result in the discontinuation of research or other critical projects.

Taxation relating to independent consultants

The Company's independent consultants may be subject to taxation in their respective jurisdictions, and in some instances, legislation or governmental agencies could impose an obligation on the Company to collect taxes, such as VAT and social contributions, and to maintain appropriate records. In addition, the Company is subject to the risk, in some jurisdictions, of being responsible for social security, withholding or other taxes with respect to payments to its independent consultants. Should the Company fail to appropriately collect such taxes, it may be subject to claims and procedures from governmental authorities, which could materially impact its financial condition.

In addition, in the event that local laws and regulations or their interpretation change to require the Company to treat its independent consultants as employees, or that they independent consultants be deemed by local regulatory authorities in one or more of the jurisdictions in which the Company operates to be its employees rather than independent consultants under existing laws and regulations, it may be held responsible for social contributions, withholding and related taxes in those jurisdictions plus any related assessments and penalties, which could materially harm its financial condition and operating results.

Manufacturing facilities

The Company relies in part on having properly validated, fully functioning manufacturing facilities of sufficient size in which to produce its products for its different markets. Should the Company's systems fail, or a disaster strike, the ability to produce its products would be negatively affected which, in turn, would affect its operations and revenue generation. The Company does not currently have backup manufacturing capacity for some of its key products. As a result, it would be forced to turn to external manufacturers should an unexpected event occur, which could cause disruption and delays.

Volatility of share prices

The market price of the Company's shares could be subject to wide fluctuations in response to factors such as actual or anticipated variations in the Company's results of operations, business activities, general market conditions, reports of new information, the sale of Company shares in the market and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations may adversely affect the market price of the Company's shares.

9. ONGOING INFORMATION AND CONTROLS RELATED TO THE COMMUNICATION OF INFORMATION

Disclosure controls and procedures

Disclosure controls and procedures have been established by the Company to ensure that financial information disclosed by the Company in this MD&A, the related annual consolidated financial statements and its interim filings are properly recorded, processed, summarized and reported to its Audit Committee, its Board of Directors and its shareholders.

Internal controls over financial reporting

As an issuer on the TSX Venture Exchange, the CEO and the CFO are not required to certify that they have designed and evaluated the effectiveness of disclosure controls and procedures and internal controls over financial reporting. Instead, the Company files a Certification of Annual Filings – Venture Issuer Basic Certificate that certifies the performance of a review of the information, no knowledge of misrepresentations and the fair presentation of the information in the annual filings.

About forward-looking statements

This document contains forward-looking statements, which reflect our current expectations regarding future events. Forward-looking statements may include words such as "anticipate", "believe", "could", "expect", "foresee", "goal", "guidance", "intend", "may", "objective", "outlook", "plan", "seek", "should", "strive", "target", and "will". The cautionary statements made in this report should be read as applying to all related forward-looking statements wherever they appear in this report. The Company’s future results could differ materially from those discussed here. Factors that could cause or contribute to these differences include those discussed under the “Risks and Uncertainties” section above. Given these uncertainties and risk factors, readers are cautioned not to place undue reliance on any forward-looking statement. We disclaim any obligation to update any such factors or to publicly announce any revisions to any of the forward-looking statements contained herein to reflect future results, events or development, unless required to do so by a governmental authority or by applicable law.

About material information

This MD&A includes information that we believe to be material to investors after considering all circumstances, including potential market sensitivity. We consider information and disclosures to be material if they result in, or would reasonably be expected to result in, a significant change in the market price or value of our securities, or where it is likely that a reasonable investor would consider the information and disclosures to be important in making an investment decision. The Company is a reporting issuer under the securities legislation of all of the provinces of Canada. The Company is therefore required to file or provide continuous disclosure information such as interim and annual financial statements, MD&A's, proxy circulars, annual reports, material change reports and press releases with the appropriate securities regulatory authorities. Copies of these documents may be obtained free of charge upon request from the office of the CFO of the Company, or on the Company’s website at www.immunotec.com, or on the SEDAR database at www.sedar.com.

Other information on the Company

The Company files its consolidated financial statements, its reports, its press releases and such other required documents on the SEDAR database and on the Company’s website at www.immunotec.com. The common shares of the Company are listed on the TSX Venture Exchange under the ticker symbol IMM.

Patrick Montpetit CPA, CA, CF

Vice-President and Chief Financial Officer

January 26, 2017