Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion and analysis 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. Words such as may, expect, believe, plan, anticipate, intend, could, estimate, continue, or similar expressions or the negative of such expressions are intended to identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events and circumstances are considered forward-looking statements. 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, but not limited to, macroeconomic uncertainty as well as capital spending and network deployment levels in the telecommunications industry (including our ability to quickly adapt cost structures with anticipated levels of business and our ability to manage inventory levels with market demand); future economic, competitive, financial and market conditions; consolidation in the global telecommunications test, service assurance and analytics solutions markets and increased competition among vendors; capacity to adapt our future product offering to future technological changes; limited visibility with regards to the timing and nature of customer orders; delay in revenue recognition due to longer sales cycles for complex systems involving customers' acceptance; fluctuating exchange rates; concentration of sales; timely release and market acceptance of our new products and other upcoming products; our ability to successfully expand international operations; our ability to successfully integrate businesses that we acquire; and the retention of key technical and management personnel. 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 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. Unless required by law or applicable regulations, we undertake no obligation to revise or update any of them to reflect events or circumstances that occur after the date of this document. This discussion and analysis should be read in conjunction with the consolidated financial statements.

The following discussion and analysis of financial condition and results of operations is dated January 10, 2017.

All dollar amounts are expressed in US dollars, except as otherwise noted.

COMPANY OVERVIEW AND RECENT DEVELOPMENTS

We are a leading provider of next-generation test, service assurance and analytics solutions for fixed and mobile communications service providers (CSPs), web-scale operators as well as network equipment manufacturers in the global telecommunications industry. Our intelligent solutions with contextually relevant analytics are designed to improve end-user quality of experience, enhance network performance and drive operational efficiencies throughout the network and service delivery lifecycles. We target high-growth market opportunities related to increasing bandwidth and improving quality of experience on network infrastructures: 4G/LTE (long-term evolution), wireless backhaul, small cells and distributed antenna systems (DAS), 100G network upgrades and fiber-to-the-home (FTTH)/fiber-to-the-curb (FTTC)/fiber-to-the-node (FTTN) deployments.

We launched four key solutions in the first quarter of fiscal 2017, including a power meter, variable attenuator and optical switch modules for our LTB-8 platform dedicated to the high-speed optical lab market. We also introduced an all-in-one optical, Ethernet and RF (radio frequency) test solution for fiber-based radio access networks (RANs). In addition, we supplied Openreach, British Telecom's local network business, with an initial batch of MaxTesters to support its G.fast pilot project.

Our sales increased 11.9% to $61.8 million in the first quarter of fiscal 2017 compared to $55.2 million for the same period last year. Bookings increased 12.6% to $65.9 million in the first quarter of fiscal 2017, for a book-to-bill ratio of 1.07, from $58.5 million for the same period last year.

Net earnings amounted to $3.3 million, or $0.06 per diluted share, in the first quarter of fiscal 2017, compared to $1.8 million, or $0.03 per diluted share, for the same period last year. Net earnings for the first quarter of fiscal 2017 included $0.4 million in after-tax amortization of intangible assets, $0.3 million in stock-based compensation costs and a foreign exchange gain of $0.5 million. For the same period last year, net earnings included $0.3 million in after-tax amortization of intangible assets, $0.4 million in stock-based compensation costs and a foreign exchange gain of $0.3 million.

Adjusted EBITDA (net earnings before interest, income taxes, depreciation and amortization, stock-based compensation costs and foreign exchange gain) increased 19.6% to $6.3 million, or 10.2% of sales, in the first quarter of fiscal 2017, compared to $5.3 million, or 9.6% of sales for the same period last year. See page 10 in this document for a complete reconciliation of adjusted EBITDA to IFRS net earnings.

On October 31, 2016, we acquired substantially all the assets of Absolute Analysis Inc. (Absolute), a privately held company located in United States, supplying solutions for radio frequency testing of fiber-based radio access networks. The acquisition-date fair value of the total consideration transferred amounted to $8.5 million, and consisted of $5.0 million in cash and the issuance of 793,070 subordinate voting shares, valued at $3.5 million. This acquisition was accounted by applying the acquisition method as required by IFRS 3, "Business Combinations", and the requirements of IFRS 10, "Consolidated Financial Statements"; consequently, the fair value of the total consideration transferred was allocated to the assets acquired based on management's preliminary estimate of their fair value as of the acquisition date. The results of operations of the acquired business have been included in our consolidated financial statements since October 31, 2016, being the date of acquisition. The preliminary estimated fair value of acquired intangible assets amounts to $8.3 million. These intangible assets, namely core technology, are amortized on a straight-line basis over their estimated useful life of five years. The allocation of the fair value of the total consideration transferred is preliminary because the acquisition was closed during the quarter and because certain information required to complete the final allocation remains outstanding. We expect to complete the final allocation for this acquisition in the second quarter of fiscal 2017. Assets and liabilities likely to change upon completing a more detailed valuation and the finalization of the allocation are intangible assets, goodwill and deferred income taxes.

RESULTS OF OPERATIONS
(in thousands of US dollars, except per share data, and as a percentage of sales for the periods indicated)

	Three months ended November 30,		Three months ended November 30,	
	2016	**2015**	**2016**	**2015**
Sales	**$ 61,785**	$ 55,232	**100.0 %**	100.0 %
Cost of sales [(1)]	**22,813**	20,137	**36.9**	36.5
Selling and administrative	**21,595**	20,252	**35.0**	36.7
Net research and development	**11,314**	9,933	**18.3**	18.0
Depreciation of property, plant and equipment	**903**	975	**1.4**	1.7
Amortization of intangible assets	**427**	300	**0.7**	0.5
Interest (income) expense	**(20)**	63	**-**	0.1
Foreign exchange gain	**(512)**	(310)	**(0.8)**	(0.5)
Earnings before income taxes	**5,265**	3,882	**8.5**	7.0
Income taxes	**1,962**	2,116	**3.2**	3.8
Net earnings for the period	**$ 3,303**	$ 1,766	**5.3 %**	3.2 %
Basic and diluted net earnings per share	**$ 0.06**	$ 0.03		

Other selected information:

Gross margin before depreciation and amortization [(2)]	**$ 38,972**	$ 35,095	**63.1 %**	63.5 %
Research and development:				
Gross research and development	**$ 12,640**	$ 11,279	**20.5 %**	20.4 %
Net research and development	**$ 11,314**	$ 9,933	**18.3 %**	18.0 %
Adjusted EBITDA [(2)]	**$ 6,321**	$ 5,286	**10.2 %**	9.6 %

(1) The cost of sales is exclusive of depreciation and amortization, shown separately.
(2) Refer to page 10 for non-IFRS measures.

RESULTS OF OPERATIONS

SALES AND BOOKINGS

The following tables summarize sales and bookings by product line in thousands of US dollars:

Sales

	Three months ended November 30, 2016	Three months ended November 30, 2015
Physical-layer product line	$ 42,016	$ 37,477
Protocol-layer product line	20,009	18,629
	62,025	56,106
Foreign exchange losses on forward exchange contracts	(240)	(874)
Total sales	$ 61,785	$ 55,232

Bookings

	Three months ended November 30, 2016	Three months ended November 30, 2015
Physical-layer product line	$ 44,090	$ 38,878
Protocol-layer product line	22,009	20,469
	66,099	59,347
Foreign exchange losses on forward exchange contracts	(240)	(874)
Total bookings	$ 65,859	$ 58,473

For the three months ended November 30, 2016, our sales increased 11.9% to $61.8 million, compared to $55.2 million for the same period last year, while our bookings increased 12.6% to $65.9 million, compared to $58.5 million for the same period last year, for a book-to-bill ratio of 1.07.

In the first quarter of fiscal 2017, we made strong progress in sales and bookings in the Americas, mainly for our Physical-layer product line, and to a lesser extent for our Protocol-layer product line, compared to the same period last year. Our robust performance in this region was manifested through heightened penetration of mobile network operators for their fronthaul and backhaul networks, increased traction with fixed network operators for their 100G long-haul and metro links and growing business with web-scale operators for their data center interconnects. In addition, in the first quarter of fiscal 2017, we benefited to some extent from calendar year-end budget spending on the part of some CSPs in this region, versus nominal amount for the same period last year.

In the first quarter of fiscal 2017, we reported significant increase in sales and bookings in the Asia-Pacific (APAC) region, mainly for our Protocol-layer product line as we closed a large wireless deal during the quarter. In fact, in the first quarter of fiscal 2017, sales to APAC represented 21% of our sales compared to 18% for the same period last year.

In the first quarter of fiscal 2017, sales to the Europe, Middle East and Africa (EMEA) region were flat in dollars year-over-year, despite a strong increase in bookings year-over-year, as a large portion of these bookings was back-end loaded, which did not give us enough time to turn these orders into revenue before the quarter-end. The EMEA region is back in growth mode after a period of reduced investments. However, the recent decrease in the value of the British pound compared to the US dollar has to some extent a negative on our sales and bookings to this region year-over-year. In the first quarter of fiscal 2017, sales to EMEA represented 23% of our sales compared to 26% for the same period last year.

As we evolve from a supplier of dedicated test instruments to a supplier of end-to-end solutions, our quarterly sales and bookings are increasingly subject to quarterly fluctuations, as we are managing more complex, multi-million dollar deals that have prolonged sales and revenue recognition cycles related to our Protocol-layer products.

Sales by geographic region

The following table summarizes sales by geographic region:

	Three months ended November 30,	
	2016	**2015**
Americas	56 %	56 %
EMEA	23	26
APAC	21	18
Total bookings	100 %	100 %

Customer concentration

We sell our products to a broad range of customers, including network service providers, network equipment manufacturers, wireless operators and cable TV operators. In the first quarter of fiscal 2017, our top customer accounted for 13.8% of our sales. In the first quarter of fiscal 2016, no customer accounted for more than 10% of our sales. In the first quarter of fiscal 2016 and 2017, and our top three customers accounted for 18.2% and 23.3% of our sales respectively.

GROSS MARGIN BEFORE DEPRECIATION AND AMORTIZATION
(non-IFRS measure — refer to page 10 of this document)

Gross margin before depreciation and amortization (gross margin) reached 63.1% of sales for the three months ended November 30, 2016, compared to 63.5% for the same period last year.

In the first quarter of fiscal 2017, our gross margin was affected by an unfavorable product mix within our physical-layer product line compared to the same period last year; this was offset in part by a richer product mix within our protocol-layer product line year-over-year, namely due to the large wireless deal recognized during the quarter.

In addition, in the first quarter of fiscal 2017, we recorded higher inventory write-off compared to the same period last year, which contributed to decrease our gross margin by 0.5% year-over-year.

However, in the first quarter of fiscal 2017, we recorded in our sales foreign exchange losses of $0.2 million on our forward exchange contracts, compared to $0.9 million for the same period last year, which contributed to the increase in gross margin by 1.0% year-over-year.

SELLING AND ADMINISTRATIVE EXPENSES

For the three months ended November 30, 2016, selling and administrative expenses were $21.6 million, or 35.0% of sales, compared to $20.3 million, or 36.7% of sales for the same period last year.

In the first quarter of fiscal 2017, our selling and administrative expenses increased year-over-year due to higher commission expenses on higher sales, some additional headcounts to support the growth of our business and following the acquisition of Absolute, as well as inflation and salary increases.

In the first quarter of fiscal 2017, our selling and administrative expenses decreased as a percentage of sales compared to the same period last year; this is because our sales increased year-over-year and a large portion of these expenses are relatively fixed in the short term.

RESEARCH AND DEVELOPMENT EXPENSES

Gross research and development expenses

For the three months ended November 30, 2016, gross research and development expenses totaled $12.6 million, or 20.5% of sales, compared to $11.3 million, or 20.4% of sales for the same period last year.

In the first quarter of fiscal 2017, our gross research and development expenses increased year-over-year due to some additional headcounts to support the growth of our business and following the acquisition of Absolute, inflation, salary increases, as well as a shift in the mix and timing of research and development projects, compared to the same period last year.

FOREIGN EXCHANGE GAIN

Foreign exchange gains and losses are mainly the result of the translation of operating activities denominated in currencies other than our functional currency, which is the Canadian dollar. A portion of our foreign exchange gains or losses result from the translation of cash balances and deferred income taxes denominated in US dollars. We manage our exposure to currency risk in part with forward exchange contracts. In addition, some of our entities' operating activities are denominated in US dollars, euros and British pounds, which further hedges this risk. However, we remain exposed to a currency risk; namely, any increase in the value of the Canadian dollar, compared to the US dollar, would have a negative impact on our operating results.

For the three months ended November 30, 2016, we recorded a foreign exchange gain of $0.5 million compared to $0.3 million for the same period last year.

During the first quarter of fiscal 2017, the period-end value of the Canadian dollar decreased versus the US dollar, compared to the previous quarter, which resulted in a foreign exchange gain during the quarter; this gain was offset in part by the loss created by the increase in the period-end value of the Canadian dollar versus the euro during the quarter. Overall, we reported a foreign exchange gain of $0.5 million during that period. In fact, the period-end value of the Canadian dollar decreased 2.3% versus the US dollar to CA$1.3428 = US$1.00 in the first quarter of fiscal 2017, compared to CA$1.3116 = US$1.00 at the end of the previous quarter. However, the period-end value of the Canadian dollar increased 2.7% versus the euro to CA$1.4200 = €1.00 in the first quarter of fiscal 2017, compared to CA$1.4601 = €1.00 at the end of the previous quarter.

During the same period last year, the period-end value of the Canadian dollar decreased versus the US dollar, compared to the previous quarter, which resulted in a foreign exchange gain during the quarter; this gain was offset in part by the loss created by the increase in the period-end value of the Canadian dollar versus the euro during the quarter. Overall, we reported a foreign exchange gain of $0.3 million during that period. In fact, the period-end value of the Canadian dollar decreased 1.5% versus the US dollar to CA$1.3353 = US$1.00 in the first quarter of fiscal 2016, compared to CA$1.3157 = US$1.00 at the end of the previous quarter. However, the period-end value of the Canadian dollar increased 4.6% versus the euro to CA$1.4081 = €1.00 in the first quarter of fiscal 2016, compared to CA$1.4755 = €1.00 at the end of the previous quarter.

INCOME TAXES

For the three months ended November 30, 2016, we reported income tax expenses of $2.0 million on earnings before income taxes of $5.3 million. For the corresponding period last year, we reported income tax expenses of $2.1 million on earnings before income taxes of $3.9 million.

These distorted tax rates mainly resulted from the fact that we did not recognize deferred income tax assets for some of our subsidiaries at loss and had some non-deductible losses and expenses, such as stock-based compensation costs. However, a significant portion of our foreign exchange gain was created by the translation of financial statements of our foreign subsidiaries in the functional currency, and was therefore non-taxable. Otherwise, our effective tax rate would have been closer to the combined Canadian and provincial statutory tax rate of 27% for both periods.

Please refer to note 7 to our condensed unaudited interim consolidated financial statements for a full reconciliation of our income tax provision.

LIQUIDITY AND CAPITAL RESOURCES

Cash requirements and capital resources

As at November 30, 2016, cash and short-term investments totaled $39.3 million, while our working capital was at $82.3 million. Our cash and short-term investments decreased by $8.0 million in the first quarter of fiscal 2017, compared to the previous quarter. During the first quarter of fiscal 2017, our operating activities used $0.9 million in cash. In addition, we made cash payments of $1.2 million and $5.0 million respectively for the purchase of capital assets and the acquisition of the assets of Absolute. Finally, we recorded an unrealized foreign exchange loss on our cash and short-term investments of $0.8 million. This unrealized foreign exchange loss resulted from the translation, in US dollars, of our Canadian-dollar-denominated cash and short-term investments and was included in the accumulated other comprehensive income in the balance sheet.

Our short-term investments consist of debt instruments issued by high-credit quality corporations; therefore, we consider the risk of non-performance of these financial instruments to be limited. These debt instruments are not expected to be affected by a significant liquidity risk. For the purpose of managing our cash position, we have established a cash management policy, which we follow and monitor on a regular basis. Our cash and short-term investments will be used for working capital and other general corporate purposes, potential acquisitions as well as our share repurchase program.

We believe that our cash balances and short-term investments will be sufficient to meet our liquidity and capital requirements for the foreseeable future, including the effect of our normal course issuer bid. In addition to these assets, we have unused available lines of credit totaling $14.7 million for working capital and other general corporate purposes and unused lines of credit of $21.0 million for foreign currency exposure related to forward exchange contracts. However, possible operating losses, additional restructuring costs and/or possible investments in or acquisitions of complementary businesses, products or technologies may require additional financing. There can be no assurance that additional debt or equity financing will be available when required or, if available, that it can be secured on satisfactory terms.

Sources and uses of cash

We finance our operations and meet our capital expenditure requirements mainly through cash flows from operating activities, the use of our cash and short-term investments as well as the issuance of subordinate voting shares.

Operating activities

Cash flows used by operating activities were $0.9 million for the three months ended November 30, 2016, compared to cash flows provided of $3.2 million for the same period last year.

Cash flows used by operating activities in the first quarter of fiscal 2017 were attributable to the net earnings after items not affecting cash of $4.4 million, more than offset by the negative net change in non-cash operating items of $5.3 million; this was mainly due to the negative effect on cash of the $2.6 million increase in our accounts receivable due to the timing of sales and receipts during the quarter, the $1.2 million increase in our inventories to meet future demand, the $0.3 million increase in our income tax and tax credits recoverable due to tax credits earned during the quarter not yet recovered, and the negative effect on cash of the $1.4 million decrease in our accounts payable, accrued liabilities and provisions due to the timing of purchases and payments during the quarter, as well as the payment during the quarter of the fiscal 2016 annual bonuses to employees. These negative effects on cash were offset in part by the positive effect on cash of the 0.3 million decrease in our prepaid expenses due to timing of payments during the quarter.

Cash flows provided by operating activities in the first quarter of fiscal 2016 were attributable to the net earnings after items not affecting cash of $5.2 million, offset in part by the negative net change in non-cash operating items of $2.0 million; this was mainly due to the negative effect on cash of the $2.0 million increase in our accounts receivable due to the timing of sales during the quarter, the $3.2 million increase in our inventories to meet future demand, and the $0.3 million increase in our income tax and tax credits recoverable due to tax credits earned during the quarter not yet recovered. These negative effects on cash were offset in part by the positive effect on cash of the $3.4 million increase in our accounts payable, accrued liabilities and provisions due to the timing of purchases and payments during the quarter, as well as the $0.2 million decrease in our other assets during the quarter.

Investing activities

Cash flows used by investing activities were $6.5 million for the three months ended November 30, 2016, compared to $1.3 million for the same period last year.

In the first quarter of fiscal 2017, we made cash payments of $1.2 million and $5.0 million respectively for the purchase of capital assets and the acquisition of assets of Absolute. In addition, we acquired $0.3 million worth or short-term investments during the quarter.

For the corresponding period last year, we paid $1.3 million for the purchase of capital assets.

FORWARD EXCHANGE CONTRACTS

We are exposed to a currency risk as a result of our export sales of products manufactured in Canada, China and Finland, the majority of which are denominated in US dollars and euros. In addition, we are exposed to currency risk as a result of our research and development activities in India (Indian rupees). These risks are partially hedged by forward exchange contracts. Forward exchange contracts, which are designated as cash flow hedging instruments, qualify for hedge accounting.

As at November 30, 2016, we held forward exchange contracts to sell US dollars for Canadian dollars and Indian rupees at various forward rates, which are summarized as follows:

US dollars – Canadian dollars

Expiry dates	Contractual amounts	Weighted average contractual forward rates
December 2016 to August 2017	$ 17,900,000	1.2995
September 2017 to August 2018	12,700,000	1.3376
September 2018 to December 2018	2,500,000	1.3585
Total	$ 33,100,000	1.3185

US dollars – Indian rupees

Expiry dates	Contractual amounts	Weighted average contractual forward rates
December 2016 to August 2017	$ 3,000,000	71.06
September 2017 to January 2018	2,000,000	70.76
	$ 5,000,000	70.94

The carrying amount of forward exchange contracts is equal to fair value, which is based on the amount at which they could be settled based on estimated current market rates. The fair value of forward exchange contracts amounted to net losses of $0.1 million as at August 31, 2016 and $0.4 million as at November 30, 2016, mainly for our US/Canadian dollars forward exchange contracts. The quarter-end exchange rate was CA$1.3428 = US$1.00 as at November 30, 2016.

SHARE CAPITAL

As at January 10, 2017, EXFO had 31,643,000 multiple voting shares outstanding, entitling to 10 votes each and 22,799,383 subordinate voting shares outstanding. The multiple voting shares and the subordinate voting shares are unlimited as to number and without par value.

OFF-BALANCE SHEET ARRANGEMENTS

As at November 30, 2016, our off-balance sheet arrangements consisted of letters of guarantee amounting to $0.5 million for our own selling and purchasing requirements, which were reserved from our lines of credit; these letters of guarantee expire at various dates through fiscal 2020.

STRUCTURED ENTITIES

As at November 30, 2016, we did not have interests in any structured entities.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

For a description of the critical accounting policies, judgments in applying accounting policies as well as estimates and assumptions used in the preparation of our consolidated financial statements, refer to our Annual Report on Form 20-F/A for the year ended August 31, 2016, filed with the U.S. Securities and Exchange Commission and the Canadian securities commissions.

NEW IFRS PRONOUNCEMENTS

Refer to note 2 to our condensed unaudited interim consolidated financial statements for the three months ended November 30, 2016 and to our consolidated financial statements for the year ended August 31, 2016, for the effect of certain recent accounting pronouncements on our consolidated financial statements.

RISKS AND UNCERTAINTIES

For the first quarter of fiscal 2017, there have been no material changes from the risk factors disclosed in our Annual Report on Form 20-F/A for the year ended August 31, 2016.

CONTROLS

As described in the Form 20-F/A filed on January 9, 2017, we concluded that EXFO's internal control over financial reporting was not effective as of August 31, 2016 as a result of the identification of a material weakness as we did not maintain sufficient controls over the trade accounts receivable ledger, which included failure to maintain appropriate segregation of duties and lack of supervisory review and monitoring of journal entries recorded to the trade accounts receivable ledger. See item 15(b) of Form 20-F/A filed on January 9, 2017 for more details on the impact of the material weakness on the Company's financial reporting.

We are in the process of implementing remediation plans to address the material weakness, which includes additional segregation of duties and supervisory review and monitoring of journal entries recorded to the accounts receivable ledger. The implementation of the remediation plan has commenced and is expected to be completed in the second quarter of fiscal 2017. The material weakness cannot be considered remediated until the remedial controls operate for a sufficient period of time and management has time to conclude, through testing, that these controls are operating effectively.

NON-IFRS MEASURES

We provide non-IFRS measures (gross margin before depreciation and amortization and adjusted EBITDA) as supplemental information regarding our operational performance. We use these measures for the purpose of evaluating our historical and prospective financial performance, as well as our performance relative to our competitors. These measures also help us plan and forecast future periods as well as make operational and strategic decisions. We believe that providing this information to our investors, in addition to the IFRS measures, allows them to see the company's results through the eyes of management, and to better understand our 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.

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

Adjusted EBITDA represents net earnings before interest, income taxes, depreciation and amortization, stock-based compensation costs and foreign exchange gain.

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

Adjusted EBITDA

	Three months ended November 30,	
	2016	**2015**
IFRS net earnings for the period	**$ 3,303**	$ 1,766
Add (deduct):		
Depreciation of property, plant and equipment	**903**	975
Amortization of intangible assets	**427**	300
Interest (income) expense	**(20)**	63
Income taxes	**1,962**	2,116
Stock-based compensation costs	**258**	376
Foreign exchange gain	**(512)**	(310)
Adjusted EBITDA for the period	**$ 6,321**	$ 5,286
Adjusted EBITDA in percentage of sales	**10.2%**	9.6%

QUARTERLY SUMMARY FINANCIAL INFORMATION
(tabular amounts in thousands of US dollars, except per share data)

	Quarters ended			
	November 30, 2016	**August 31, 2016**	**May 31, 2016**	**February 29, 2016**
Sales	$ 61,785	$ 62,858	$ 60,896	$ 53,597
Cost of sales (1)	$ 22,813	$ 24,145	$ 23,880	$ 18,904
Net earnings	$ 3,303	$ 2,252	$ 919	$ 3,963
Basic and diluted net earnings per share	$ 0.06	$ 0.04	$ 0.02	$ 0.07

	Quarters ended			
	November 30, 2015	**August 31, 2015**	**May 31, 2015**	**February 28, 2015**
Sales	$ 55,232	$ 56,594	$ 57,781	$ 50,990
Cost of sales (1)	$ 20,137	$ 21,975	$ 22,281	$ 19,546
Net earnings	$ 1,766	$ 1,882	$ 563	$ 931
Basic and diluted net earnings per share	$ 0.03	$ 0.03	$ 0.01	$ 0.02

(1) The cost of sales is exclusive of depreciation and amortization.