Management’s Discussion and Analysis
For the three months ended February 28, 2018

General

This Management's Discussion and Analysis of the financial position and financial performance ("MD&A") of MTY Food Group Inc. ("MTY”) is supplementary information and should be read in conjunction with the Company’s consolidated financial statements and accompanying notes for the fiscal year ended November 30, 2017.

In the MD&A, MTY Food Group Inc., MTY, or the Company, designates, as the case may be, MTY Food Group Inc. and its Subsidiaries, or MTY Food Group Inc., or one of its subsidiaries.

The disclosures and values in this MD&A were prepared in accordance with International Financial Reporting Standards (IFRS) and with current issued and adopted interpretations applied to fiscal years beginning on or after December 1, 2017.

This MD&A was prepared as of April 6, 2018. Supplementary information about MTY, including its latest annual and quarterly reports, and press releases, is available on SEDAR’s website at www.sedar.com.

Forward looking statements and use of estimates

This MD&A and, in particular, but without limitation, the sections of this MD&A entitled Outlook, Same-Store Sales, Contingent Liabilities and Subsequent Event, contain forward-looking statements. These forward-looking statements include, but are not limited to, statements relating to certain aspects of the business outlook of the Company during the course of 2018. Forward-looking statements also include any other statements that do not refer to independently verifiable historical facts. A statement made is forward-looking when it uses what is known and expected today to make a statement about the future. Forward-looking statements may include words such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target and will. All such forward-looking statements are made pursuant to the ‘safe harbour’ provisions of applicable Canadian securities laws.

Unless otherwise indicated, forward-looking statements in this MD&A describe the Company’s expectations at April 6, 2018 and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, the Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions which give rise to the possibility that actual results or events could differ materially from the expectations expressed in or implied by such forward-looking statements and that the business

outlook, objectives, plans and strategic priorities may not be achieved. As a result, the Company cannot guarantee that any forward-looking statement will materialize and readers are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements are provided in this MD&A for the purpose of giving information about management's current strategic priorities, expectations and plans and allowing investors and others to get a better understanding of the business outlook and operating environment. Readers are cautioned, however, that such information may not be appropriate for other purposes.

Forward-looking statements made in this MD&A are based on a number of assumptions that are believed to be reasonable on April 6, 2018. Refer, in particular, to the section of this MD&A entitled Risks and Uncertainties for a description of certain key economic, market and operational assumptions the Company has used in making forward-looking statements contained in this MD&A. If the assumptions turn out to be inaccurate, the actual results could be materially different from what is expected.

In preparing the consolidated financial statements in accordance with IFRS and the MD&A, management must exercise judgment when applying accounting policies and use assumptions and estimates that have an impact on the amounts of assets, liabilities, sales and expenses reported and on contingent liabilities and contingent assets information provided.

Unless otherwise indicated in this MD&A, the strategic priorities, business outlooks and assumptions described in the previous MD&A remain substantially unchanged.

Important risk factors that could cause actual results or events to differ materially from those expressed in or implied by the above-mentioned forward-looking statements and other forward-looking statements included in this MD&A include, but are not limited to: the intensity of competitive activity, and the resulting impact on the ability to attract customers' disposable income; the Company's ability to secure advantageous locations and renew existing leases at sustainable rates; the arrival of foreign concepts, the ability to attract new franchisees; changes in customer tastes, demographic trends and in the attractiveness of concepts, traffic patterns, occupancy cost and occupancy level of malls and office towers; general economic and financial market conditions, the level of consumer confidence and spending, and the demand for, and prices of, the products; the ability to implement strategies and plans in order to produce the expected benefits; events affecting the ability of third-party suppliers to provide essential products and services; labour availability and cost; stock market volatility; volatility in foreign exchange rates or borrowing rates; foodborne illness; operational constraints and the event of the occurrence of epidemics, pandemics and other health risks.

These and other risk factors that could cause actual results or events to differ materially from the expectations expressed in or implied by these forward-looking statements are discussed in this MD&A.

Readers are cautioned that the risks described above are not the only ones that could impact the Company. Additional risks and uncertainties not currently known or that are currently deemed to be immaterial may also have a material adverse effect on the business, financial condition or results of operations.

Except as otherwise indicated by the Company, forward-looking statements do not reflect the potential impact of any non-recurring or other special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after April 6, 2018. The financial impact of these transactions and non-recurring and other special items can be complex and depends on the facts particular to each of them. The Company therefore cannot describe the expected impact in a meaningful way or in the same way that present known risks affecting our business.

Compliance with International Financial Reporting Standards

Unless otherwise indicated, the financial information presented below, including tabular amounts, is prepared in accordance with International Financial Reporting Standards ("IFRS"). MTY uses earnings before interest, taxes, depreciation and amortization ("EBITDA"), because this measure enables management to assess the Company's operational performance.

The Company also discloses same-store sales growth, which are defined as comparative sales generated by stores that have been open for at least thirteen months or that have been acquired more than thirteen months ago. Same stores sales growth provides information on the comparative performance of the restaurants in our network from one period to the next.

Similarly, the Company uses system sales to evaluate the size and performance of MTY's network, as well as to indicate its income-generation potential. System sales include the sales of existing restaurants, of the ones that have closed or have opened during the period, as well as the sales of new concepts acquired from the closing date of the transaction and forward.

These measures are widely accepted financial indicators but are not a measurement determined in accordance with IFRS and may not be comparable to those presented by other companies. These non-IFRS measures are intended to provide additional information about the performance of MTY, and should not be considered in isolation or as a substitute for measure of performance prepared in accordance with IFRS.

The Company uses these measures to evaluate the performance of the business as they reflect its ongoing operations. Management believes that certain investors and analysts use EBITDA to measure a company's ability to meet payment obligations or as a common measurement to value companies in the industry. Similarly, same-store sales growth and system sales provide additional information to investors about the performance of the network that is not available under IFRS. Both measures are components in the determination of short-term incentive compensation for some employees.

Highlights of significant events during the three-month period

On December 1, 2017, the Company announced that it had completed the acquisition the limited liability company interests in CB Franchise Systems LLC and Built Franchise Systems LLC. The purchase price was $31.0 million ($US 24.3 million) of which $28.3 million ($US 22.3 million) was paid at closing. At closing 41 franchised and 3 corporately owned restaurants were in operation.

Core business

MTY franchises and operates quick-service restaurants under the following banners: Tiki-Ming, Sukiyaki, La Crémière, Au Vieux Duluth Express, Carrefour Oriental, Panini Pizza Pasta, Franx Supreme, Villa Madina, Cultures, Thaï Express, Vanellis, Kim Chi, "TCBY", Sushi Shop, Koya Japan, Vie & Nam, Tandori, O'Burger, Tutti Frutti, Taco Time, Country Style, Buns Master, Valentine, Jugo Juice, Mr. Sub, Koryo Korean Barbeque, Mr. Souvlaki, Sushi Go, Mucho Burrito, Extreme Pita, PurBlendz, ThaïZone, Madisons New York Grill & Bar, Café Dépôt, Muffin Plus, Sushi-Man, Fabrika, Van Houtte, Manchu Wok, Wasabi Grill & Noodle, Tosto, Big Smoke Burger, Cold Stone Creamery, Blimpie, Surf City Squeeze, The Great Steak & Potato Company, NrGize Lifestyle Café, Samurai Sam's Teriyaki Grill, Frullati Café & Bakery, Rollerz, Johnie`s New York Pizzeria, Ranch One, America's Taco Shop, Cereality, Tasti D-Lite, Planet Smoothie, Maui Wowi, Pinkberry, Baja Fresh Mexican Grill, La Salsa Fresh Mexican Grill, La Diperie, Steak Frites St-Paul, Giorgio Ristorante, The Works Gourmet Burger Bistro, Houston Avenue Bar & Grill and Industria Pizzeria + Bar, Dagwoods Sandwiches and Salads, The Counter Custom Burgers and Built Custom Burgers.

As at Febraury 28, 2018, MTY had 5,422 locations in operation, of which 5,343 were franchised or under operator agreements and the remaining 79 locations were operated by MTY.

MTY's locations can be found in: i) mall and office tower food courts and shopping malls; ii) street front; and, iii) non-traditional format within airports, petroleum retailers, convenience stores, cinemas, amusement parks, in other venues or retailers shared sites, hospitals, universities and food-truck carts. The street front locations are mostly made up of the Country Style, La Crémière, Sushi Shop, Taco Time, Tutti Frutti, Valentine, Mr. Sub, ThaïZone, Extreme Pita, Mucho Burrito, Madisons, Houston Avenue Bar & Grill, Industria Pizzeria + Bar, Steak Frites St-Paul, Giorgio Ristorante, The Works Gourmet Burger Bistro, Blimpie, Cold Stone Creamery and Baja Fresh Mexican Grill, The Counter Custom Burgers and Built Custom Burgers banners. La Crémière , "TCBY" and La Diperie operate primarily from April to September and the other banners generally operate year-round.

MTY has developed several quick service restaurant concepts: Tiki-Ming (Chinese cuisine), was its first banner, followed by Sukiyaki (a Japanese delight), Franx Supreme (hot dog/hamburger), Panini Pizza Pasta, Chick'n'Chick, Caferama, Carrefour Oriental, Villa Madina, Kim Chi, Vie & Nam, Tandori, O'Burger and Tosto.

Other banners added through acquisitions include:

Brand	**Acquisition year**	**% ownership**	**# of franchised locations**	**# of corporate locations**
Fontaine Santé/Veggirama	1999	100%	18	—
La Crémière	2001	100%	71	3
Croissant Plus	2002	100%	18	2
Cultures	2003	100%	24	—
Thaï Express	May 2004	100%	6	—
Mrs. Vanelli's	June 2004	100%	103	—
TCBY – Canadian master franchise right	September 2005	100%	91	—
Yogen Früz™ exclusive master franchise rights in Canada[1]	April 2006	100%	152	—
Sushi Shop	September 2006	100%	42	5
Koya Japan	October 2006	100%	24	—
Sushi Shop – existing franchise locations	September 2007	100%	—	15
Tutti Frutti	September 2008	100%	29	—
Taco Time – Canadian master franchise rights	October 2008	100%	117	—
Country Style Food Services Holdings Inc.	May 2009	100%	475	5
Groupe Valentine inc.	September 2010	100%	86	9
Jugo Juice	August 2011	100%	134	2
Mr. Submarine	November 2011	100%	338	—
Koryo Korean BBQ	November 2011	100%	19	1
Mr. Souvlaki	September 2012	100%	14	—
SushiGo	June 2013	100%	3	2

[1] The Yogen Früz™ exclusive master franchise rights in Canada were disposed of on February 1st, 2017.

Brand	Acquisition year	% ownership	# of franchised locations	# of corporate locations
Extreme Pita, PurBlendz and Mucho Burrito ("Extreme Brandz")	September 2013	100%	300 - 34 of which in the United States	5
ThaïZone	September 2013 March 2015	80% + 20%	25 and 3 mobile restaurants	—
Madisons	July 2014	90%	14	—
Café Dépôt, Muffin Plus, Sushi-Man and Fabrika	October 2014	100%	88	13
Van Houtte Café Bistros – perpetual franchising license	November 2014	100%	51	1
Manchu Wok, Wasabi Grill & Noodle and SenseAsian	December 2014	100%	115	17
Big Smoke Burger	September 2015 September 2016	60% + 40%	13	4
Kahala Brands Ltd - Cold Stone Creamery, Blimpie, Taco Time, Surf City Squeeze, The Great Steak & Potato Company, NrGize Lifestyle Café, Samurai Sam's Teriyaki Grill, Frullati Café & Bakery, Rollerz, Johnnie`s New York Pizzeria, Ranch One, America's Taco Shop, Cereality, Tasti D-Lite, Planet Smoothie, Maui Wowi and Pinkberry	July 2016	100%	2,839	40
BF Acquisition Holdings, LLC – Baja Fresh Mexican Grill and La Salsa Fresh Mexican Grill	October 2016	100%	167	16
La Diperie	December 2016	60%	5	—
Steak Frites St-Paul and Giorgio Ristorante	May 2017	83.25%	15	—
The Works Gourmet Burger Bistro	June 2017	100%	23	4
Houston Avenue Bar & Grill and Industria Pizzeria + Bar	June 2017	80%	12	—
Dagwoods Sandwiches and Salads	September 2017	100%	20	2
The Counter Custom Burgers	December 2017	100%	36	3
Built Custom Burgers	December 2017	100%	5	—

MTY also has an exclusive area development agreement with Restaurant Au Vieux Duluth to develop and sub-franchise Au Vieux Duluth Express quick-service restaurants in the Provinces of Ontario and Quebec.

Revenues from franchise locations are generated from royalty fees, franchise fees, sales of turn key projects, rent, sign rental, supplier contributions, gift card breakage and program fees and sales of other goods and services to franchisees, including those generated by the distribution centre that serves the Valentine and Franx Supreme franchisees. Operating expenses related to franchising include salaries, general and administrative costs associated with existing and new franchisees, expenses in the development of new markets, costs of setting up turn key projects, rent, supplies and equipment sold to franchisees.

Revenues from corporate owned locations include sales generated from corporate owned locations. Corporate owned location expenses include the costs incurred to operate corporate owned locations.

MTY generates revenues from the food processing business discussed herein. The plant produces various products that range from ingredients and ready to eat food sold to restaurants or other food processing plants to prepared food sold in retail stores. The plant generates most of its revenues selling its products to distributors and retailers.

Description of recent acquisitions

On December 1, 2017, the Company announced that it had completed the acquisition the limited liability company interests in CB Franchise Systems LLC and Built Franchise Systems LLC. The purchase price was $31.0 million ($US 24.3 million) of which $28.3 million ($US 22.3 million) was settled in cash. At closing 41 franchised and 3 corporately owned restaurants were in operation. The network has locations in the United States of America, Canada, Ghana, Ireland, Japan, Mexico, Saudi Arabia and the United Kingdom.

On September 29, 2017, the Company announced it had completed the acquisition of the assets of Dagwoods Sandwiches and Salads. The purchase price was $3.0 million of which $2.6 million was settled in cash. At closing, there were 22 locations in operation, all of them located in Canada.

On June 16, 2017, the Company announced it had completed through its 80% controlling interest in a subsidiary the acquisition of the assets of Houston Avenue Bar & Grill (“Houston”) and Industria Pizzeria + Bar (“Industria”). The Company’s share of the purchase consideration was $16.8 million of which $12.8 million was settled in cash. At closing nine Houston and three Industria were in operation. All locations are located in Canada.

On June 9, 2017, the Company announced it had completed the acquisition of the assets of The Works Gourmet Burger Bistro. The purchase price was $8.2 million of which $7.1 million was settled in cash. At closing, there were 27 locations in operation, all of them located in Canada.

On May 8, 2017, the Company announced that it had completed the acquisition of the assets of Steak Frites St-Paul and Giorgio Ristorante for an amount of $0.4 million, of which $0.3 million was paid from cash on hand. At closing, six Giorgio Ristorante and nine Steak Frites were in operation. All locations are located in Canada.

On April 19, 2017, the Company acquired the remaining non-controlling shareholder interest in 7687567 Canada Inc. (Lucky 8) for a non-material cash consideration.

On December 9, 2016, the Company announced that it had completed through its 60% controlling interest in a subsidiary the acquisition of the assets of La Diperie. The Company’s share of the purchase consideration amounted to $0.9 million, satisfied by the payment of $0.8 million cash. At closing, La Diperie operated 5 stores in Canada.

Summary of quarterly financial information

(in thousands $)	Quarters ended							
	May 2016	August 2016	November 2016	February 2017	May 2017	August 2017	November 2017	February 2018
Revenue	$35,362	$52,886	$67,707	$64,016	$69,962	$72,372	$69,733	$63,715
EBITDA[1]	$12,820	$17,953	$22,962	$16,336	$24,595	$25,576	$27,219	$19,912
Net income attributable to owners	$8,335	$22,685	$15,474	$2,015	$16,033	$12,035	$19,424	$45,332
Total comprehensive income (loss) attributable to owners	$8,266	$16,900	$23,567	($1,192)	$20,145	($14,344)	$29,138	$43,852
Earnings per share	$0.44	$1.13	$0.75	$0.09	$0.75	$0.56	$0.91	$2.12
Earnings per diluted share	$0.44	$1.13	$0.75	$0.09	$0.75	$0.56	$0.91	$2.12

[1.] EBITDA (income before income taxes, interest, depreciation and amortization) is not an earnings measure recognized by IFRS and therefore may not be comparable to similar measures presented by other companies. EBITDA is defined as operating revenues less operating expenses. See reconciliation of EBITDA to Income before taxes on page 11.

Segment note disclosure

Management monitors and evaluates results of the Company based on geographical segments; these two segments being Canadian and United States of America. Each geographical area is managed by their respective Chief Operating Officers (COO) whom brand leaders report to account for the results of their operations.

Results of operations for the first quarter ended February 28, 2018

Revenue

During the first three months of our 2018 fiscal year, the Company's total revenue decreased to $63.7 million, from $64.0 million a year earlier. Revenues for the two segments of business are broken down as follows:

Segment	Sub-division	February 28, 2018 ($ million)	February 28, 2017 ($ million)	Variation
Canada	Franchise operation	25.0	25.0	0%
	Corporate stores	5.9	4.9	21%
	Food processing	3.7	3.3	13%
	Intercompany transactions	(0.7)	(0.5)	N/A
Total Canada		33.9	32.7	4%
USA & International	Franchise operation	24.1	23.3	3%
	Corporate stores	5.8	8.1	(29%)
	Intercompany transactions	(0.1)	(0.1)	N/A
Total USA/International		29.8	31.3	(5%)
Total operating revenues		**63.7**	**64.0**	**(0%)**

Canada revenue analysis:

As is shown in the table above, revenue from franchise locations in Canada remained stable during 2018. Several factors contributed to the variation, as listed below:

	$ million
Revenues, first quarter of 2017	25.0
Increase in recurring revenue streams	1.9
Increase in initial franchise fees, renewal fees and transfer fees	0.2
Decrease in turn key, sales of material to franchisees and rent revenues	(2.2)
Other non-material variations	0.1
Revenues, first quarter 2018	25.0

Revenue from corporate owned locations increased by 21%, to $5.9 million during the period. The increase is mainly due to sales from the four corporate The Works Gourmet Burger Bistro locations acquired in the third quarter of 2017.

Food processing revenues increased by 13% during 2018, mainly due to the continuous addition of new product lines.

USA/International revenue analysis:

As is shown in the table above, revenue from franchise locations in the US increased by 3%. Several factors contributed to the variation, as listed below:

	$ million
Revenues, first quarter of 2017	23.3
Increase in recurring revenue streams	1.0
Decrease in initial franchise fees, renewal fees and transfer fees	(0.4)
Increase in sales of material and services to franchisees	0.3
Increase due to gift card breakage income	1.0
Impact of variation in foreign exchange rates	(1.5)
Other non-material differences	0.4
Revenues, first quarter of 2018	24.1

Revenue from corporate owned locations decreased by 29%, to $5.8 million during the three-month period, due to franchising better performing locations and acquiring stores generating lower revenues.

Cost of sales and other operating expenses

During the first quarter of 2018 operating expenses decreased by 8% to $43.8 million, down from $47.6 million a year ago. Operating expenses for the two business segments were incurred as follows:

Segment	Sub-division	February 28, 2018 ($ million)	February 28, 2017 ($ million)	Variation
Canada	Franchise operation	11.9	13.6	(13%)
	Corporate stores	6.0	5.0	19%
	Food processing	3.3	3.0	11%
	Intercompany transactions	(0.8)	(0.6)	N/A
Total Canada		20.4	21.0	(3%)
USA & International	Franchise operation	15.7	16.7	(6%)
	Corporate stores	7.7	9.9	(22%)
	Intercompany transactions	(0.0)	(0.0)	N/A
Total USA/International		23.4	26.6	(12%)
Total cost of sales and other operating expenses		**43.8**	**47.7**	**(8%)**

Canada cost of sales and other operating expenses analysis:

Expenses from franchise operations decreased by $1.7 million or 13% when compared to the same period in 2017. The decrease is mostly attributable to a decrease in the number of turnkey projects which fluctuated in line with the associated revenues and a decrease in lease termination costs. This was partially offset by an increase in the wages and benefits resulting from acquisitions realized in 2017 and in professional fees. During the first quarter of 2018, the Company incurred approximately $0.8 million in non-recurring incremental costs related to the acquisition of Imvescor Restaurant Group Inc., which closed on March 1st, 2018.

The variation of expenses from the corporate stores and food processing activities were both tightly correlated to the related revenues.

USA/International cost of sales and other operating expenses analysis:

During the three-month period, the Company expenses from US franchise operations decreased by $1.0 million or 6% when compared to the same period last year. The decrease predominantly results from a decrease in wages and benefits and professional fees, as well as from the positive impact from foreign exchange rates variation between the two periods.

Corporate stores costs decreased 22% for the three-month period February 28, 2018 when compared to the same period last year. The variation of expenses from the corporate stores was correlated to the related revenues.

Earnings before interest, taxes, depreciation and amortization (EBITDA)

	Three months ended February 28, 2018		
(In millions $)	Canada	USA & International	Total
Revenues	33.9	29.8	63.7
Expenses	20.4	23.4	43.8
EBITDA[1]	13.5	6.4	19.9
EBITDA as a % of Revenue	40%	21%	31%

	Three months ended February 28, 2017		
(In millions $)	Canada	USA & International	Total
Revenues	32.7	31.3	64.0
Expenses	21.0	26.6	47.7
EBITDA[1]	11.6	4.7	16.3
EBITDA as a % of Revenue	35%	15%	26%

[1] EBITDA (income before income taxes, interest, depreciation and amortization) is not an earnings measure recognized by IFRS and therefore may not be comparable to similar measures presented by other companies. EBITDA is defined as operating revenues less operating expenses. See reconciliation of EBITDA to Income before taxes on page 11

Below is a summary of performance segmented by product/service:

	Three months ended February 28, 2018				
(In millions $)	Franchise	Corporate	Processing	Intercompany transactions	Total
Revenues	49.1	11.7	3.7	(0.8)	63.7
Expenses	27.6	13.7	3.3	(0.8)	43.8
EBITDA[1]	21.5	(2.0)	0.4	—	19.9
EBITDA as a % of Revenue	43%	N/A	11%	N/A	31%

	Three months ended February 28, 2017				
(In millions $)	Franchise	Corporate	Processing	Intercompany transactions	Total
Revenues	48.3	13.0	3.3	(0.6)	64.0
Expenses	30.3	14.9	3.0	(0.6)	47.7
EBITDA[1]	17.9	(1.9)	0.3	—	16.3
EBITDA as a % of Revenue	37%	N/A	9%	N/A	26%

[1] EBITDA (income before income taxes, interest, depreciation and amortization) is not an earnings measure recognized by IFRS and therefore may not be comparable to similar measures presented by other companies. EBITDA is defined as operating revenues less operating expenses. See reconciliation of EBITDA to Income before taxes on page 11.

Total EBITDA for the three months ended February 28, 2018 was $19.9 million, an increase of 22% compared to the same period last year. Canada contributed 68% of total EBITDA while the USA/International operations contributed 48% of the total increase.

In Canada, EBITDA for the first quarter of 2018 increased when compared to the same period in 2017 mainly as a result of the acquisitions realized during the period.

The USA & International EBITDA grew substantially despite the adverse impact of a weaker US dollar in the first quarter of 2018, which affects the value of the EBITDA generated in the USA and internationally after it is translated into our presentation currency, the Canadian dollar. That increase was mainly attributable to the acquisition of The Counter Custom Burgers and Built Custom Burgers.

Net income

For first quarter ended February 28, 2018, net income attributable to owners increased to $45.3 million or $2.12 per share ($2.12 per diluted share) compared to $2.0 million or $0.09 per share ($0.09 per diluted share) for the same period last year.

The results were impacted favorably by an adjustment in the prospective income tax rate for the United States used to calculate the deferred income taxes. Excluding the impact of this non-recurring adjustment, net income attributable to owners would have been $9.1 million, or $0.42 per share ($0.42 per diluted share).

Calculation of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

(in thousands $)	**Period ended February 28, 2018**	**Period ended February 28, 2017**
Income before taxes	11,885	2,116
Depreciation – property, plant and equipment	536	986
Amortization – intangible assets	5,062	5,554
Interest on long-term debt	2,447	2,701
Foreign exchange loss	40	5,365
Interest income	(145)	(100)
Loss on revaluation of financial liabilities recorded at fair value through profit and loss	96	—
Gain on disposal of property, plant and equipment and intangibles	(9)	(286)
EBITDA	**19,912**	**16,336**

Other income and charges

Foreign exchange significantly varied due to the foreign exchange impact on the revaluation of a loan of one of its subsidiaries that is no longer being revalued in the statement of profit and loss.

Depreciation of property, plant and equipment declined sharply due to the disposition of several corporate stores in the US segment over the course of 2017 and the impact of a weaker US dollar in the first quarter of 2018.

Contractual obligations and long-term debt

The obligations pertaining to the long-term debt and the minimum rentals for the leases that are not subleased are as follows:

For the period ending *(In thousands $)*	Long term debt[1]	Net lease commitments	Total contractual obligations
12 months ending February 2019	5,326	11,340	16,666
12 months ending February 2020	7,783	10,587	18,370
12 months ending February 2021	7,339	10,002	17,341
12 months ending February 2022	265,530	9,190	274,720
12 months ending February 2022	4,195	6,961	11,156
Balance of commitments due after 2023	22	14,382	14,404
	290,195	**62,462**	**352,657**

(1) Amounts shown represent the total amount payable at maturity and are therefore undiscounted. For total commitments, please refer to the February 28, 2018 condensed interim consolidated financial statements

Long-term debt includes interest bearing term loans related to the acquisition of Kahala Brands Ltd. and BF Acquisition Holdings, LLC, promissory notes related to the acquisition of Houston and Industria, minority put options, non-interest-bearing holdbacks on acquisitions and non-interest-bearing contract cancellation fees.

For amounts drawn in US dollars, the Company has the option to pay interest based on US base rates (5.00% as at February 28, 2018; 4.75% as at November 30, 2017), plus a margin not exceeding 2.00%, or based on LIBOR plus a margin not exceeding 3.00%. For amounts drawn in Canadian dollars, the Company has the option to pay interest based on the Canada Prime rate (4.45% as at February 28, 2018; 4.20% as at November 30, 2017), as determined by the Toronto-Dominion Bank of Canada, plus a margin not exceeding 2.00% or based on Banker's Acceptances (Canadian Dollar Offered Rate or "CDOR"), plus a margin not exceeding 3.00%.

Liquidity and capital resources

As of February 28, 2018, the amount held in cash totalled $40.8 million, a decrease of $15.6 million since the end of the 2017 fiscal period. The primary reason for the decrease was the payment of the consideration for the acquisition of The Counter Custom Burgers and Built Custom Burgers from cash on hand on December 1st, 2017.

During the first quarter, the Company paid $3.2 million in dividends to its shareholders. This had no significant impact on the cash position of the Company as a result of strong cash flows generated by operations.

Cash flows generated by operating activities were $13.0 million during the first quarter, compared to $16.8 million for the same period in 2017. Excluding the variation in non-cash working capital items, income taxes and interest paid, operations generated $20.3 million in cash flows, compared to $17.1 million in 2017, which represents an increase of 19% compared to the same period last year. The increase is mostly due to the increase in EBITDA detailed above.

The revolving credit facility has an authorized amount of $305,000, (November 30, 2017 - $305,000), of which $265,522 was drawn at February 28, 2018 (November 30, 2017 - $210,522).

The facility has the following financial covenants:

- The Debt to EBITDA ratio must be less than or equal to 3.50:1.00 from July 21, 2017 to July 20, 2018 and less than 3.00:1.00 thereafter.
- The fixed charges coverage ratio must be at 1.25:1.00 at all times.

The credit agreement also contains various limitations on distributions and on the usage of the proceeds from the disposal of assets which are not expected to impact the Company during the term of the credit agreement.

The revolving facility is repayable without penalty with the balance due on the date of maturity July 21, 2021.

At quarter end, the Company was in compliance with the covenants of the credit agreement.

In the short-term, Management will continue to open new locations that will be funded by new franchisees. MTY will continue its efforts to sell some of its existing corporate owned locations and will seek new opportunities to acquire other food service operations.

Financial position

Accounts receivable at the end of the period were $32.7 million, compared to $34.2 million at the end of the 2017 fiscal period. The decrease is due to the timing of cash receipts.

As at February 28, 2018, the Company had prepaid $51.9 million to a transfer agent in connection with the acquisition of Imvescor Restaurant Group Inc., which closed on March 1, 2018.

Intangible assets grew by $18.6 million. The increase is due to the acquisition of The Counter Custom Burgers and Built Custom Burgers during the period. The increase caused by the acquisition was partially offset by the impact of foreign exchange variations and by the amortization expense recorded during the period.

Accounts payable and accrued liabilities decreased to $56.0 million as at February 28, 2018, from $57.6 million as at November 30, 2017. The decrease of $1.6 million is due to the timing of cash payments to suppliers.

Provisions, which are composed of litigation and dispute, closed store and gift card provisions, increased to $79.7 million as at February 28, 2018 from $75.3 million as at November 30, 2017. The increase is mainly due to the seasonal increase in activations of gift cards.

Long-term debt increased by $58.2 million. The increase is attributable to a $55.0 million draw on the Company's credit facilities in anticipation of the acquisition of Imvescor Restaurant Group Inc. and to the holdback payable in relation to the acquisition of The Counter Custom Burgers and Built Custom Burgers.

Deferred income tax balances were remeasured during the quarter using the new U.S statutory federal income tax rate, which decreased from 35% to 21%, which resulted in a decrease of the Company's net liability by $36.3 million. This net tax benefit is estimated based on our initial analysis of the "U.S. Tax Cuts and Job Act", and given the complexity of this act, this estimate is subject to adjustment when further guidance becomes available.

Further details on the above statement of financial position items can be found in the notes to the February 28, 2018 condensed interim consolidated financial statements.

Capital stock

During the first quarter of 2018 the Company did not issue or redeem shares.

Location information

MTY's locations can be found in: i) food courts and shopping malls; ii) street front; and iii) non-traditional format within petroleum retailers, convenience stores, cinemas, amusement parks, in other venues or retailer shared sites, hospitals, universities and airports. The non-traditional locations are typically smaller in size, require lower investment and generate lower revenue than the shopping malls, food courts and street front locations.

	Number of locations	
	February 28, 2018	February 28, 2017
Franchises, beginning of period	**5,402**	5,599
Corporate owned, beginning of year		
Canada	**29**	31
United States	**38**	51
Opened during the period	**61**	48
Closed during the period	**(152)**	(108)
Acquired during the period	**44**	5
Reduction due to sale of Yogen Früz	**-**	(99)
Total end of period	**5,422**	5,527
Franchises, end of period	**5,343**	5,451
Corporate owned, end of period		
Canada	**36**	34
United States	**43**	42
Total end of period	**5,422**	5,527

Excluding the stores acquired, the Company's network opened 61 locations (22 in Canada, 26 in the United States and 13 International) and closed 152 locations (58 in Canada, 72 in the United States and 22 International) during the first quarter of 2018.

New store openings include three additional locations of Thaï Express in the United States; that brings the total to four, with multiple additional locations scheduled to open in the coming months as the pace of new openings accelerates.

The net reduction of 91 locations results from a multitude of factors, which includes landlords redeveloping their properties, competitive pressures, leases expiring, and closure of underperforming stores. The first quarter is typically a seasonal high in the rate of closures for MTY's network owing to colder months and customers' low spending during the post-Holidays period. The Frozen Treats and Sandwiches and Coffee categories contributed the largest part of the decline.

The average monthly sales for the stores closed during 2018 was approximately $25,100, while the average monthly sales of stores opened during the same period was approximately $28,700.

The chart below provides the breakdown of MTY's locations and system sales by type:

Location type	% of location count		% of system sales three months ended	
	February 28		**February 28**	
	2018	2017	**2018**	2017
Shopping mall & office tower food courts	**23%**	24%	**28%**	31%
Street front	**48%**	48%	**56%**	53%
Non-traditional format	**29%**	28%	**16%**	16%

The geographical breakdown of MTY's locations and system sales consists of:

Geographical location	% of location count		% of system sales three months ended	
	February 28		**February 28**	
	2018	2017	**2018**	2017
Ontario	**17%**	17%	**15%**	13%
Quebec & Eastern Canada	**18%**	15%	**20%**	20%
Western Canada	**10%**	10%	**11%**	11%
California	**8%**	8%	**13%**	11%
Rest of the United States	**38%**	40%	**33%**	36%
International	**9%**	10%	**8%**	9%

In the United States, only the state of California exceeds 5% of the system sales. Florida is the second largest contributor to the Company's sales with 4%.

During the first quarter of 2018, casual dining concepts have generated approximately 11% of system sales, while quick-service and fast casual concepts have generated the balance. This proportion is expected to go up significantly starting in the second quarter of 2018, as a result of the acquisition of Imvescor Restaurant Group Inc.

System wide sales

During the first three months of 2018, MTY's network generated $542.5 million in sales, an increase of 4% compared to sales generated during the first quarter of our 2017 fiscal period. The increase is distributed as follows:

	Sales *(millions of $)*
Reported sales – first quarter of 2017 fiscal year	519.2
Net increase in sales generated by concepts acquired during 2017	21.6
Net increase in sales generated by concepts acquired during 2018	26.9
Net decrease resulting from the sale of the Yogen Früz network	(2.2)
Net increase resulting from stores opened in the last 15 months	17.2
Net decrease resulting from stores closed in the last 15 months	(25.1)
Impact of same store sales growth	3.5
Cumulative impact of foreign exchange variation	(13.6)
Other non-material variations	(5.0)
Reported sales – first quarter of 2018 fiscal year	542.5

During the first quarter of 2018, system sales totaled $542.5 million, compared to $519.2 million during the same period last year. The acquisitions realized during 2017 and 2018 were the main drivers of the growth in the system sales. The relative strength of the Canadian dollar during the first quarter of 2018 resulted in an unfavorable variation of $13.6 million, while the net impact of stores opened and closed in the past 15 months was a $7.9 million decrease.

Cold Stone Creamery is the only concept that currently represents more than 10% of system sales, generating approximately 22% of the total sales of MTY's network during the first quarter of 2018. Thai Express, Taco Time and Baja Fresh Mexican Grill are the second, third and fourth largest concepts in terms of system sales, generating less than 10% each of the network's sales.

System wide sales include sales for corporate and franchise locations and exclude sales realized by the distribution center or by the food processing plant. System sales are converted from the currency in which they are generated into Canadian dollars for presentation purposes; they are therefore subject to variations in foreign exchange rates.

Same store sales

During the three months ended February 28, 2018, same store sales grew by 0.7% over the same period last year, continuing on the trend experienced late in 2017.

Same store sales growth was broken down as follows in MTY's main regions:

Region	Quarter ended February 28, 2018
Canada	+0.8%
United States	+0.7%
International	-0.2%
Total	+0.7%

During the quarter, same store sales for Canadian locations increased by 0.8% and has now been positive for the last three quarters. Alberta has seen a promising directional improvement but is still negative, while Saskatchewan continues to suffer serious headwinds due to a weaker economy and the introduction of the new meal tax in the third quarter of 2017. Quebec and British Columbia both continued on the momentum gained last year and posted positive results. The performance of Ontario locations will be monitored closely following the abrupt increase in minimum wages which forced most franchisees to increase some of their prices; Ontario posted a positive same store sales of 2.1% during the quarter.

In the United States, the network's largest markets, the state of California was positive during the quarter, while some of our smaller markets have been facing challenges.

For 2018, management expects competition in both the Canadian and US markets to intensify further both from a price and an offering point of view. Drastic minimum wage increases in some regions are expected to cause some changes to the industry, and the reaction of customers to those changes cannot be anticipated at this moment. Restaurants are also facing more and more competition for food dollars coming from various sources including retail stores "grab and go" and "meal kit deliveries" types of offering.

Unusual weather patterns in the North America have been affecting the company and continue to affect it in unpredictable ways; the month of March has proven especially challenging in that regard in certain areas of the United States, causing sharp declines in sales and resulting in negative same stores sales for that period.

Although consumer confidence and the current economic environment seem favorable at the moment, volatility in the price of commodities and currencies has a very material impact on employment rates and disposable income for MTY's customers, resulting in uncertainty with respect to the future. The result of the NAFTA negotiations could also have impacts that cannot be foreseen at the moment.

Stock options

During the period, no options were granted. As at February 28, 2018 there were 200,000 options outstanding and none that are exercisable.

Subsequent Events

Completion of combination agreement with Imvescor
On March 1, 2018, the Company announced that it had completed a definitive combination with Imvescor Restaurant Group Inc. ("Imvescor "). The now former shareholders of Imvescor received in aggregate for $4.10 per common share, representing a total consideration of approximately $247.0 million. The consideration will be settled approximately 80% in shares and the remaining in cash and is subject to customary closing conditions.

Acquisition of the assets of Grabbagreen®
On March 16, 2018, one of the Company's wholly-owned subsidiaries acquired the assets of Grabbagreen®. The total consideration amounted to $ 3.4 million (US$ 2.7 million), of which $3.1 million (US$2.4 million) was paid on closing.

Acquisition of the assets of Timothy's World Coffee® and Mmmuffins®
On April 4, 2018, one of the Company's wholly-owned subsidiaries acquired the assets of Timothy's World Coffee® and Mmmuffins®. The total consideration amounted to $1.7 million, of which $1.2 million was paid on closing

Seasonality

Results of operations for any interim period are not necessarily indicative of the results of operations for the full year. The Company expects that seasonality will be a material factor in the quarterly variation of its results. System sales fluctuate seasonally. During January and February sales are historically lower than average due to weather conditions. Sales are historically above average during May to August; given the addition of Cold Stone Creamery, which is now MTY's largest concept and which is also extremely seasonal, this pattern is expected to be more important in the future. This is generally as a result of higher traffic in the street front locations, higher sales from seasonal locations only operating during the summer months and higher sales from shopping centre locations. Sales for shopping mall locations are also higher than average in December during the Christmas shopping period.

Contingent liabilities

The Company is involved in legal claims associated with its current business activities, the outcome of which is not determinable. Management believes that these legal claims will have no significant impact on the financial statements of the Company.

Guarantee

The Company has provided a guarantee on certain leases for which it is not the lessee, for a cumulative amount of $4.0 million (November 30, 2017 - $1.4 million).

Risks and uncertainties

Despite the fact that the Company has various numbers of concepts, diversified in type of locations and geographies across Canada and the United States, the performance of the Company is also influenced by changes in demographic trends, traffic patterns, occupancy level of malls and office towers and the type, number, and location of competing restaurants. In addition, factors such as innovation, increased food costs, labour and benefits costs, occupancy costs and the availability of experienced management and hourly employees may adversely affect the Company. Changing consumer preferences and discretionary spending patterns could oblige the Company to modify or discontinue concepts and/or menus and could result in a reduction of revenue and operating income. Even if the Company was able to compete successfully with other restaurant companies with similar concepts, it may be forced to make changes in one or more of its concepts in order to respond to changes in consumer tastes or dining patterns. If the Company changes a concept, it may lose additional customers who do not prefer the new concept and menu, and it may not be able to attract a sufficient new customer base to produce the revenue needed to make the concept profitable. Similarly, the Company may have different or additional competitors for its intended customers as a result of such a concept change and may not be able to successfully compete against such competitors. The Company's success also depends on numerous factors affecting discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence. Adverse changes in these factors could reduce customer traffic or impose practical limits on pricing, either of which could reduce revenue and operating income.

The growth of MTY is dependent on maintaining the current franchise system which is subject to the renewal of existing leases at sustainable rates, MTY’s ability to continue to expand by obtaining acceptable store sites and lease terms, obtaining qualified franchisees, increasing comparable store sales and completing acquisitions. The time, energy and resources involved in the integration of the acquired businesses into the MTY system and culture could also have an impact on MTY’s results.

Off-balance sheet arrangement

MTY has no off-balance sheet arrangements.

Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the Company and other related parties are disclosed below.

Compensation of key management personnel

The remuneration of key management personnel and directors during the periods was as follows:

	February 28, 2018	February 28, 2017
	$	$
Short-term benefits	**384**	365
Share based payment	**155**	—
Board member fees	**12**	12
Total remuneration of key management personnel	**551**	377

Key management personnel are composed of the Company's CEO, COO, CFO as well as the COO of the US operations. The remuneration of directors and key executives is determined by the Board of directors having regard to the performance of individuals and market trends.

Given its widely held share base, the Company does not have an ultimate controlling party; its most important shareholder is its CEO, who controls 23% of the outstanding shares.

The Company also pays employment benefits to individuals related to members of the key management personnel described above. Their total remuneration was as follows:

	February 28, 2018	February 28, 2017
	$	$
Short-term benefits	**192**	182
Total remuneration of individuals related to key management personnel	**192**	182

Future accounting changes

A number of new standards, interpretations and amendments to existing standards were issued by the International Accounting Standard Board ("IASB") that are not yet effective for the period ended February 28, 2018 and have not been applied in preparing these consolidated financial statements.

The following standards may have a material impact on the condensed interim consolidated financial statements of the Company:

Standard	Issue date	Effective date for the Company	Impact
IFRS 9 Financial Instruments	July 2014	December 1, 2018	In assessment
IFRS 15 Revenue from contracts with customers	May 2014	December 1, 2018	In assessment
IFRS 16 Leases	January 2016	December 1, 2019	In assessment
IFRIC 22 Foreign Currency Transactions and advance Consideration	December 2016	December 1, 2018	In assessment
IFRIC 23 uncertainty over income tax treatments	June 2017	December 1 2019	In assessment

IFRS 9 replaces the guidance in *IAS 39 Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase. IFRS 9 does not replace the requirement for portfolio fair value hedge accounting for interest risk since this phase of the project was separated from IFRS project due to the longer-term nature of the macro hedging project which is currently at the discussion paper phase of the due process. Consequently, the exception in IAS 39 for fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply.

IFRS 15 replaces the following standards: *IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services*. This new standard sets out the requirements for recognizing and disclosing revenue that apply to all contracts with customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

On April 12, 2016, the IASB issued Clarifications to IFRS 15, Revenue from Contracts with Customers. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licenses of intellectual property.

On January 13, 2016, the IASB issued IFRS 16 that provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes *IAS 17 Leases* and its associated interpretive guidance. Significant changes were made to lessee accounting

with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast, IFRS 16 does not include significant changes to the requirements for lessors. IFRS 16 is effective January 1, 2019 with earlier application permitted for companies that have also adopted *IFRS 15, Revenue from Contracts with Customers*.

In December 2016, the IASB issued IFRIC 22 which provides an interpretation on how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21. The interpretation applies where an entity pays or receives consideration in advance for foreign currency-denominated contracts. The date of the transaction determines the exchange rate to be used on initial recognition of the related asset, expense or income. This Interpretation provides guidance for when a single payment or receipt is made, as well as for situations where multiple payments or receipts are made and aims to reduce diversity in practice. This standard is effective for annual reporting periods beginning on or after January 1, 2018.

IFRIC 23 clarifies the accounting for uncertainties in income taxes.

The Company is in the process of assessing the impact of these standards on its consolidated financial statements. Although the extent of the impact has not yet been determined, the Company expects that the adoption of IFRS 15 and IFRS 16 will result in material changes to its consolidated statement of income and consolidated statement of financial position.

Economic environment risk

The business of the Company is dependent upon numerous aspects of a healthy general economic environment, from strong consumer spending to provide sales revenue, to available credit to finance the franchisees and the Company. In light of recent upheaval in economic, credit and capital markets, the Company's performance and market price may be adversely affected. The Company's current planning assumptions forecast that the quick service restaurant industry will be impacted by the current economic recession in the provinces in which it operates. However, management is of the opinion that the current economic situation will not have a major impact on the Company due to the following reasons: 1) the Company has strong cash flows; 2) quick service restaurants represent an affordable dining out option for consumers in an economic slowdown.

Financial instruments and financial risk exposure

In the normal course of business, the Company uses various financial instruments which by their nature involve risk, including market risk and the credit risk of non-performance by counterparties. These financial instruments are subject to normal credit standards, financial controls, risk management as well as monitoring procedures.

The classification, carrying value and fair value of financial instruments are as follows:

As at February 28, 2018

(In thousands $)	Loans and receivables	Other financial liabilities at amortized cost	Total carrying Value	Fair value
	$	$	$	$
Financial assets				
Cash	40,810	—	40,810	40,810
Accounts receivable	32,683	—	32,683	32,683
Loans receivable	7,687	—	7,687	7,687
Deposits	58,398	—	58,398	58,398
	139,578	—	**139,578**	**139,578**
Financial liabilities				
Accounts payable and accrued liabilities	—	56,025	56,025	56,025
Long-term debt [1]	—	277,870	277,870	279,874
	—	**333,895**	**333,895**	**335,899**

[1] Excludes promissory notes and obligations to repurchase non-controlling interests

As at November 30, 2017

(In thousands $)	Loans and receivables	Other financial liabilities at amortized cost	Total carrying Value	Fair value
	$	$	$	$
Financial assets				
Cash	56,453	—	56,453	56,453
Accounts receivable	34,151	—	34,151	34,151
Loans receivable	5,926	—	5,926	5,926
Deposits	1,692	—	1,692	1,692
	98,222	—	**98,222**	**98,222**
Financial liabilities				
Accounts payable and accrued liabilities	—	57,555	57,555	57,555
Long-term debt [1]	—	219,739	219,739	221,889
	—	**277,294**	**277,294**	**279,444**

[1] Includes the current portion of long-term debt.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is established based on market information available at the date of the consolidated statement of financial position. In the absence of an active market for a financial instrument, the Company uses the valuation methods described below to determine the fair value of the instrument. To make the assumptions required by certain valuation models, the Company relies mainly on external, readily observable market inputs. Assumptions or inputs that are not based on observable market data are used in the absence of external data. These assumptions or factors represent management's best estimates of the assumptions or factors that would be used by market participants for these instruments. The credit risk of the counterparty and the Company's own credit risk have been taken into account in estimating the fair value of all financial assets and financial liabilities, including derivatives.

The following methods and assumptions were used to estimate the fair values of each class of financial instruments:

Cash, accounts receivable, deposits, accounts payable and accrued liabilities – The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Loans receivable – The loans receivable generally bear interest at market rates and therefore it is management's opinion that the carrying value approximates the fair value.

Long-term debt – The fair value of long-term debt is determined using the present value of future cash flows under current financing agreements based on the Company's current estimated borrowing rate for a similar debt.

Promissory notes

The Company issued as part of its consideration for the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar promissory notes to the vendors and the minority shareholders of 10220396 Canada Inc. These promissory notes are subject to earn out provisions, which are based on future earnings. These promissory notes are repayable in June 2019 and June 2022. These promissory notes have been recorded at fair value and are remeasured on a recurring basis.

A fair value re-measurement of $nil was recorded for these promissory notes for the three-month period ended February 28, 2018 (2017-$nil).

Minority interest Obligations

The Company has entered into an agreement to purchase the shares of a minority interest shareholder of 9974644 Canada Inc. at their request. The option is exercisable at anytime after December 9,2017. The consideration is based on a multiplier of EBITDA, as prescribed by the terms of the shareholder agreement. As a result, the Company has recorded an obligation at fair value.

A fair value re-measurement of $nil (2017 - $ nil) was recorded for this non-controlling interest obligation.

The Company, in conjunction with the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar, entered into an agreement to acquire the non-controlling interest in 10220396 Canada Inc., in June 2022. The consideration to be paid for this acquisition will be based on future earnings. As a result, the Company has recorded an obligation at fair value.

A fair value re-measurement of $nil (2017-$ nil) was recorded for this non-controlling interest obligation.

Fair value hierarchy as at February 28, 2018

(In thousands $)	**Level 1**	**Level 2**	**Level 3**
Financial liabilities			
Promissory notes related to the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar	—	—	**5,427**
Non-controlling interest put options	—	—	**2,132**
Financial Liabilities	—	—	**7,559**

Fair value hierarchy as at November 30, 2017

(In thousands $)	Level 1	Level 2	Level 3
Financial liabilities			
Promissory notes related to the acquisition of Houston Avenue Bar & Grill and Industria Pizzeria + Bar	—	—	5,436
Non-controlling interest put options	—	—	2,027
Financial Liabilities	—	—	7,463

Risk management policies

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at February 28, 2018.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the consolidated statement of financial position are net of allowances for bad debts, estimated by the Company's management based on past experience and counterparty specific circumstances. The Company believes that the credit risk of accounts receivable is limited for the following reasons:

- Other than receivables from international locations, the Company's broad client base is spread mostly across Canada and USA, which limits the concentration of credit risk.
- The Company accounts for a specific bad debt provision when management considers that the expected recovery is less than the actual account receivable.

The credit risk on cash is limited because the Company invests its excess liquidity in high quality financial instruments and with credit-worthy counterparties.

The credit risk on the loans receivable is similar to that of accounts receivable. There is currently an allowance for doubtful accounts recorded for loans receivable of $1.4 million (2017 - $1.2 million).

Foreign exchange risk

Foreign exchange risk is the Company's exposure to decreases or increases in financial instrument values caused by fluctuations in exchange rates. The Company's exposure to foreign exchange risk mainly comes from sales denominated in foreign currencies. The Company's USA and foreign operations use the U.S. dollar (USD) as functional currency. The Company's exposure to foreign exchange risk stems mainly from cash, accounts receivable, long-term debt denominated in U.S. dollars, other working capital items and financial obligations from its USA operations.

Fluctuations in USD exchange rate are deemed to have minimal risk as they are mostly offset by the stand-alone operations of the Company's US entities.

Total US net income for the period was C$39.0 million, (2017 – C$1.0 million). A 5% change to foreign exchange would represent a gain or loss to the Company of C$2.0 million (2017 - C$ nil).

As at February 28, 2018, the Company has the following financial instruments denominated in foreign currencies:

	February 28, 2018		November 30, 2017	
(In thousands $)	**USD**	**CAD**	USD	CAD
	$	**$**	$	$
Financial assets				
Cash	**21,710**	**27,808**	38,389	49,476
Accounts receivable	**11,870**	**15,204**	10,842	13,974
Financial liabilities				
Accounts payable	**13,409**	**17,176**	14,917	19,225
Portion of holdback included in income taxes payable	**8,994**	**11,520**	8,994	11,592
Long-term debt	**10,073**	**12,903**	7,690	9,911
Net Financial Assets	**1,104**	**1,413**	17,630	22,722

Interest rate risk

Interest rate risk is the Company's exposure to increases and decreases in financial instrument values caused by the fluctuation in interest rates. The Company is exposed to cash flow risk due to the interest rate fluctuation in its floating-rate interest-bearing financial obligations.

Furthermore, upon refinancing of a borrowing, depending on the availability of funds in the market and lender perception of the Company's risk, the margin that is added to the reference rate, such as LIBOR or prime rates, could vary and thereby directly influence the interest rate payable by the Company.

Long-term debt stems mainly from acquisitions of long-term assets and business combinations. The Company is exposed to interest rate risk with its revolving credit facility which is used to finance the Company's acquisitions. The facility bears interest at a variable rate and as such the interest burden could change materially. Approximately $265.5 million (2017 - $210.5 million) of the credit facility was used as at February 28, 2018. A 100 basis points increase in the bank's prime rate would result in additional interest of $2.6 million per annum (2017 - $2.1 million) on the outstanding credit facility.

Liquidity risk

Liquidity risk refers to the possibility of the Company not being able to meet its financial obligations when they become due. The Company has contractual and fiscal obligations as well as financial liabilities and is therefore exposed to liquidity risk. Such risk can result, for example, from a market disruption or a lack of liquidity. The Company actively maintains credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost.

As at February 28, 2018, the Company had an authorized revolving credit facility for which the available amount may not exceed $305 million to ensure that sufficient funds are available to meet its financial requirements. The terms and conditions related to this revolving credit facility are described in note 14 of the interim condensed consolidated financial statement as at February 28, 2018.

The following are the contractual maturities of financial liabilities as at February 28, 2018:

	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	thereafter
	$	$	$	$	$	$
Accounts payable and accrued liabilities	**56,025**	**56,025**	**56,025**	**—**	**—**	**—**
Long-term debt	**285,429**	**290,195**	**5,222**	**104**	**7,783**	**277,086**
Interest on long-term debt [(1)]	**n/a**	**323**	**47**	**48**	**94**	**134**
	341,454	**346,543**	**61,294**	**152**	**7,877**	**277,220**

[(1)] When future interest cash flows are variable, they are calculated using the interest rates prevailing at the end of the reporting period.

Outlook

In the very short term, management's primary focus will be on continuing to produce positive same store sales by generating more innovation, focusing on the quality of customer service in each of its outlets and maximizing the value offered to its customers.

Management will also focus on the integration of the recently acquired brands. Following the closing of those acquisitions, MTY is well-positioned to expand in Canada and in the United States, including growing its existing Canadian brands into the United States.

The restaurant industry will remain challenging in the future, and management believes that the focus on the food offering, innovation, consistency and store design will give MTY's restaurants a stronger position to face challenges. Given this difficult competitive context in which more restaurants compete for a finite amount of consumer dollars, each concept needs to preserve and improve the relevance of its offer to consumers.

Management will maintain its focus on maximizing shareholder value by adding new locations of its existing concepts and remains committed to seek potential acquisitions to increase its market share.

Controls and Procedures

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed with the securities regulatory authorities are recorded, processed, summarized and reported in a timely fashion. The disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in such reports is then accumulated and communicated to the Company's management to ensure timely decisions regarding required disclosure. Management regularly reviews disclosure controls and procedures; however, they cannot provide an absolute level of assurance because of the inherent limitations in control systems to prevent or detect all misstatements due to error or fraud.

The Company's Chief Executive Officer and the Chief Financial Officer have concluded that the design of the disclosure controls and procedures ("DC&P") as at February 28, 2018 provide reasonable assurance that significant information relevant to the Company, including that of its subsidiaries, is reported to them during the preparation of disclosure documents.

Internal controls over financial reporting

The Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining internal controls over financial reporting. The Company's internal controls over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

As of August 31, 2017, Chief Executive Officer and the Chief Financial Officer along with management concluded that the Company's internal controls over financial reporting were not effective due to a material weakness identified surrounding internal controls over accounting for non-routine and complex transactions, including the accounting for purchase price allocations following acquisitions of businesses. The Company's review process allowed errors in the calculation of the fair value of the gift card liability to go undetected, resulting in a material misstatement of certain revenue and expense items subsequent to the acquisition of Kahala in 2016. Furthermore, the integration of business acquisitions, from an internal control perspective, were not completed as of February 28, 2018. Consequently, internal controls were not fully effective in identifying, assessing and addressing risks that significantly impact the financial statements or the effectiveness of the internal controls over financial reporting.

Management continues to execute its remediation plan to address these material weaknesses identified in the internal controls over financial reporting. Management has added resources and tools in the internal audit department to test and assess the control environment in the existing and newly acquired businesses and has sought external help for the review of certain areas of the control environment in order to develop an adequate action plan focusing on the deficiencies that have the highest likelihood of causing material misstatements. Management has taken certain actions to begin remediating these material weaknesses including the implementation of new controls with regards to the review procedures surrounding complex transactions and evaluations by third party specialists. The controls have been performed over the period; however, they have not been fully tested. Material weaknesses cannot be considered remediated until the remedial controls operate for a sufficient period of time and management has concluded through testing, that these controls are operating effectively.

Notwithstanding the outstanding assessment regarding the remediation actions as described above, the Chief Executive Officer and the Chief Financial Officer, together with Management have concluded the financial

statements included in this report present in all material respects its financial position, results of operations, capital position and cash flows for the periods presented in accordance with IFRS

The Chief Executive Officer and the Chief Financial Officer, together with Management, have concluded after having conducted an evaluation and to the best of their knowledge that, as at February 28, 2018, no change in the Company's internal controls over financial reporting occurred that could have materially affected or is reasonably likely to materially affect the Company's internal controls over financial reporting.

Limitations of Controls and Procedures

Management, including the President and Chief Executive Officer and Chief Financial Officer, believes that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Limitation on scope of design

The Company's management, with the participation of its President and Chief Executive Officer and Chief Financial Officer, has limited the scope of the design of the Company's disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures and internal controls over financial reporting of the recently acquired operations of, Steak Frites St-Paul and Giorgio Ristorante (acquired May 8, 2017), The Works Gourmet Burger Bistro (acquired June 9, 2017), Houston Avenue Bar & Grill and Industria Pizzeria + Bar (acquired June 16, 2017), Dagwoods Sandwiches and Salads (acquired September 29,2017), The Counter Custom Burgers and Built Custom Burgers (acquired Dec 1, 2017).

Percentage of MTY Food Group Inc.	Dagwoods Sandwiches and Salads	The Counter Custom Burgers and Built Custom Burgers	Steak Frites St-Paul and Giorgio Ristorante	The Works Gourmet Burger Bistro	Houston Avenue Bar & Grill and Industria Pizzeria + Bar
Company's assets	0%	0%	2%	1%	2%
Current assets	0%	2%	0%	1%	2%
Non-current assets	0%	0%	2%	1%	2%
Current Liabilities	0%	0%	0%	5%	0%
Long-term liabilities	0%	0%	0%	0%	2%
Revenues	0%	2%	0%	3%	1%
Net earnings	0%	2%	0%	1%	2%

The Company's management, with the participation of its President and Chief Executive Officer and Chief Financial Officer, has limited the scope of the design of the Company's disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures and internal controls over financial reporting of certain special purpose entities ("SPEs") on which the Company has the ability to exercise *de facto* control and which have as a result been consolidated in the Company's consolidated financial statements. For the period ended February 28, 2018, these SPEs represent 0% of the Company's current assets, 0% of its non-current assets, 0% of the Company's current liabilities, 0% of long-term liabilities, 2% of the Company's revenues and 0% of the Company's net earnings.

"*Stanley Ma*"

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Stanley Ma, Chief Executive Officer

"*Eric Lefebvre*"

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Eric Lefebvre, CPA, CA, MBA Chief Financial Officer