COLABOR GROUP INC.
MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE FIRST QUARTER OF 2018

DATED MAY 3, 2018

TABLE OF CONTENTS

1. Scope of the MD&A and Notice to Investors

This Management's Discussion & Analysis ("MD&A") of Colabor Group Inc. (the "Company" or "Colabor") discusses the Company's comprehensive income, financial situation and cash flows for the first quarter of the fiscal year ending March 24, 2018. This report should be read in conjunction with the unaudited interim consolidated financial statements and related notes for this period, as well as with the audited consolidated financial statements and related notes and related management's discussion and analysis for the fiscal year ended December 30, 2017. These financial statements are in Canadian dollars and have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, of the International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board (IASB). The financial statements have been published on the following sites: www.sedar.com and www.colabor.com.

Colabor's fiscal year comprises thirteen periods. The first three quarters comprise three periods each and the fourth quarter includes four periods. The Company's year-end is the last Saturday of December.

As a result, the Company's sales and net earnings are proportionately lower in the first, second and third quarter and higher in the fourth quarter because the fourth quarter generally has 33% more operating days than the other quarters of the year. It should also be noted that the Company's sales are seasonal, accordingly, sales in the first quarter are comparatively lower than sales in other quarters.

The shares of Colabor Group Inc. are traded on the Toronto Stock Exchange under the symbol GCL, while its convertible debentures are traded under the symbol GCL.DB.A.

Additional information concerning the Company may be found on SEDAR at www.sedar.com and on Colabor's website at www.colabor.com. The information contained on the Company's website is not included by reference in this MD&A.

2. About Colabor

2.1 Corporate Profile

Activities

Colabor was founded in 1962 and is a distributor and master food wholesaler serving the foodservice market (restaurants, restaurant chains, hotels and cafeterias) and the retail market (small-sized grocery stores, convenience stores and fish for large-sized groceries, etc.). It currently carries out its activities in two segments, distribution and wholesale, and in three geographic regions: Ontario, Quebec and the Maritimes.

A. Distribution Segment

1. Summit Foodservice (“Summit”) – Ontario Division

Summit distributes more than 14,000 products from warehouses in Ottawa, London and Mississauga to more than 3,600 customers including (i) Cara Operations Limited (hereafter “Cara”); (ii) other foodservice chains; (iii) independent restaurants; and (iv) institutions, including hospitals, schools and government institutions. Summit’s product line includes frozen products, dry staples, dairy products, meat, fish, seafood, fruits and vegetables, disposables and sanitation products.

Since the closure of the Vaughan distribution centre on April 30, 2017, this division now has approximately 475 employees and operates three distribution centers, including the London administrative head office. These warehouses represent a total of approximately 345,000 square feet.

Warehouse	Total Size
Mississauga	127,961 square feet
London	113,595 square feet (could be expanded)
Ottawa	103,460 square feet (could be expanded)

These warehouses are HACCP-certified. HACCP stands for Hazard Analysis Critical Control Point, and the objective is to identify specific risks, implement controls to mitigate the risks, and establish preventive measures.

2. Skor Cash & Carry Division – Ontario Division

This division operates four “cash & carry” locations in southern Ontario and offers over 10,000 retail and food service products to convenience stores, small grocery stores, cafeterias and restaurants. This division has approximately 55 employees.

3. Colabor Food Distributor (“CFD”)

CFD is a major distributor to foodservice and retail customers in the Quebec City, Saguenay, Mauricie, Lower St. Lawrence and Gaspé Peninsula, New Brunswick and Côte-Nord regions. CFD employs approximately 410 people, distributes over 12,000 products from its two strategically located warehouses in Lévis and Rimouski, totalling approximately 303,000 square feet. CFD’s almost 4,600 customers consist primarily of restaurants, foodservice operators, specialty food stores, institutional accounts such as healthcare institutions, schools and universities, and certain other retail customers. CFD has a complete product offering, including frozen products, dry staples, dairy products, meat, fish and seafood, fruits and vegetables, disposables and sanitation products. It therefore offers its customers a “one-stop-shop” solution.

4. *Les Pêcheries Norref Québec Inc. ("Norref")*

Norref is a specialized fresh fish and seafood products importer and distributor in the province of Quebec and is recognized as the leading distributor of this type in the province.

Norref operates from a 40,000 square-foot distribution centre in Montréal and is HACCP-certified and federally approved, which allows it to sell its products nationwide. Norref distributes a full range of fresh and frozen fish and seafood. It has a diversified client base comprised of supermarkets, restaurants, hotels and fish stores. Norref has approximately 180 employees.

5. *Lauzon Meats ("Lauzon")*

Lauzon prepares and processes superior quality meat products for the provinces of Quebec and Ontario and is a major distributor of highly recognized brands such as Premium Signature Angus and Sterling Silver. Lauzon is known, among other things, for its products, expertise and for providing effective and flexible service to the restaurant, hotel and the institutional sectors. Lauzon operates out of a plant of approximately 68,000 square feet located in Montréal that is HACCP-certified and federally approved, which allows it to sell its products nationwide. This division has approximately 110 employees.

B. Wholesale Segment

1. *Boucherville Distribution Centre ("Boucherville")*

Boucherville sales consist of food and non-food products supplied to wholesalers who, in turn, redistribute these products to over 25,000 customers operating in the foodservice and retail market segments in Quebec and the Atlantic provinces.

Boucherville operates a distribution centre of approximately 371,000 square feet located in Boucherville and has approximately 90 employees.

2. *Viandes Décarie ("Décarie")*

Décarie is a wholesaler and distributor in the meat and meat products market. Décarie has a distribution centre of approximately 27,000 square feet located in Montréal and approximately 50 employees. As a wholesaler, this division distributes a wide range of fresh and frozen meat including beef, veal, lamb, pork and poultry. It has a diversified customer base of distributors, food retailers and specialty butchers. Décarie's facilities are HACCP-certified and Décarie holds a federal permit that allows it to sell its products across Canada.

2.2 First Quarter 2018 Business Developments

During the first quarter of 2018, the following elements have influenced the Company's general development and operations.

Nomination of the President and Chief Executive Officer

Colabor announced, on February 5, 2018, the appointment of Mr. Lionel Ettedgui as President and Chief Executive Officer of the Company. Mr. Ettedgui served for more than 6 years as President and Chief Operating Officer of Saputo's bakery division, primarily Vachon cakes, leading an impressive operational turnaround and restoring the profitability of this division. As previously announced, Mr. Claude Gariépy left the Company on March 2, 2018, after a transition period with Mr. Ettedgui.

Reduction in the Number of Shares Outstanding

On January 15, 2018, Colabor announced the reduction in the number of shares outstanding due to the ongoing liquidation and dissolution of Colabor Investments Inc. Following this operation, the number of shares outstanding was reduced from 102,112,832 to 101,177,932 shares.

Optimization of Activities in Ontario and Changes to Leadership

In April 2017, Colabor closed its Vaughan Distribution Center in Ontario, concentrating all its distribution activities in the province at the three remaining warehouses. Concurrently, the Company also reviewed its portfolio of customers and implemented various initiatives to optimize its activities and protect the long-term net effect of the loss of volume. Most recently, Colabor proceeded with several changes to its management team. As a result, Lionel Ettedgui, President and CEO of Colabor Group, will take on the role of interim General Manager for Ontario.

The Ontario division continues to emphasize its growth within the independent and smaller restaurant chain markets, where it can offer a differentiated service and higher value added products, and continues to look for opportunities to further drive operating improvements.

2.3 Current Economic Situation, Development Strategies and Outlook

Current Economic Situation

Colabor’s activities are in Eastern Canada, in Quebec and Ontario. Since the start of the year, the economic situation in Quebec continued to demonstrate signs of continued growth. The sustained lower unemployment rate is boosting household discretionary spending, leading to growth in tertiary sectors such as retail and foodservices.

Colabor has prepared a business plan, described below, and believes that the current situation could offer additional business opportunities that it is prepared to analyze for their potential to provide added value for shareholders.

Development Strategies

The Company’s management believes that there are major channels which could be used to expand its penetration of the Canadian food services market.

Food distribution services are still very fragmented in Eastern Canada, a situation that provides Colabor with opportunities to significantly increase its market share in regions where it is already present.

As described earlier, in order to diversify its customer base and minimize the relative importance of each customer, investments were made in the Company's sales force to increase its visibility with the independent restaurants and promote a better penetration of its private labels. This initiative could equally benefit its specialized products divisions, Norref and Lauzon.

It is with this in mind that, in October 2016, at the same time as the recapitalization transaction, the Company acquired a three year option to purchase, exercisable at the Company's discretion, Dubé & Loiselle Inc. a food distributor with an innovative vision of the Quebec food market.

Outlook

Although the Company expects to focus primarily on its organic growth in 2018, in light of the Company's small market share in certain major metropolitan areas in Canada, such as Toronto and Montreal, some acquisition opportunities would make it possible for the Company to significantly increase its sales, purchasing power and ability to generate cost savings in order to increase its net earnings.

Since April 1, 2018, the supply agreement with Cara for the Montana's BBQ & Bar restaurant banner has ceased. This contract represented annual sales of just over $30 M. The Company as already implemented measures to mitigate the effect of the loss of volume on operating margins in the Ontario division, however the expected benefits from these measures should take effect later than planned in 2018.

3. Highlights of the Quarter

- Sales decreased by 8.0%, primarily from the loss of a contract to supply Popeye's Louisiana Kitchen in Ontario (which took effect on November 13, 2017) and lower sales volume at the Boucherville division.
- Adjusted EBITDA decreased to $(1.2) M from $0.9 M, in the corresponding quarter of last year, mainly from the loss of sales volume.
- Net earnings amounted to $(4.5) M or $(0.04) per share, representing a decrease compared with net earnings of $(3.4) M or $(0.03) per share in the corresponding quarter of last year.
- Improved profitability at the Decarie division, following efforts to improve performance led by the new director at this division and changes in the mix of products sold.

4. Non-IFRS Performance Measures

This MD&A also contains information that are non-IFRS measures of performance. Such information should not be considered in isolation or as a substitute for other IFRS performance measures, but rather as supplementary information.

For example, the Company uses the concept of earnings before financial expenses, depreciation and amortization, costs not related to current operations and income taxes (adjusted EBITDA), presented in the financial statements under "Operating earnings before costs not related to current operations, depreciation and amortization." Adjusted EBITDA is derived from EBITDA defined by the financial community as earnings before interest, taxes, depreciation and amortization, as shown in the following table. There is no EBITDA equivalent in the Company's financial statements. Such measures are widely used in financial circles to measure operational profitability. They reflect the inclusion or exclusion of certain amounts that are not considered to be representative of the Company's recurring financial performance. Since these concepts are not defined in IFRS, they may not be comparable with those of other companies.

Reconciliation of Net Earnings (Loss) to Adjusted EBITDA

(unaudited, in thousands of dollars)

	Quarter		
	2018	**2017**	**Variance**
	$	**$**	**$**
Net earnings (loss)	(4,480)	(3,446)	(1,034)
Income taxes expense (recovery)	(1,550)	(876)	(674)
Financial expenses	1,837	1,813	24
Impairment loss on available-for-sale financial asset	118	—	118
Depreciation and amortization	2,746	2,540	206
Impairment loss on goodwill, intangible assets and property, plant and equipment	127	—	127
EBITDA	(1,202)	31	(1,233)
Costs not related to current operations	—	869	(869)
Adjusted EBITDA	(1,202)	900	(2,102)

5. Performance Analysis

5.1 Net Earnings

The following table presents the Consolidated Statements of Earnings for the first quarter.

Consolidated Statements of Earnings

(unaudited, in thousands of dollars, except per-share data)

	2018		2017		Variance	
	$	%	$	%	$	%
Sales	245,890	100.0	267,187	100.0	(21,297)	(8.0)
Operating expenses, excluding costs not related to current operations, depreciation and amortization	247,092	100.5	266,287	99.7	(19,195)	(7.2)
Operating earnings before costs not related to current operations, depreciation and amortization	(1,202)	(0.5)	900	0.3	(2,102)	(233.6)
Costs not related to current operations	—	—	869	0.3	(869)	(100.0)
Depreciation and amortization	2,746	1.1	2,540	1.0	206	8.1
Impairment loss on goodwill, intangible assets and property, plant and equipment	127	0.1	—	—	127	100.0
	2,873	1.2	3,409	1.3	(536)	(15.7)
Operating earnings	(4,075)	(1.7)	(2,509)	(0.9)	(1,566)	62.4
Impairment loss on available-for-sale financial asset	118	0.0	—	—	118	100.0
Financial expenses	1,837	0.7	1,813	0.7	24	1.3
Earnings (loss) before taxes	(6,030)	(2.5)	(4,322)	(1.6)	(1,708)	39.5
Income taxes expense (recovery)	(1,550)	(0.6)	(876)	(0.3)	(674)	76.9
Net earnings (loss)	(4,480)	(1.8)	(3,446)	(1.3)	(1,034)	30.0
Basic and diluted net earnings per share	(0.04)		(0.03)			

Net earnings for the first quarter of 2018 decreased by $1.0 M compared to the corresponding quarter of the previous year, amounting to net earnings of $(4.5) M, resulting from the effect of the loss of volume on operating profitability partially mitigated by the reduction of costs not related to current operations.

The basic and diluted net earnings per share for the quarter was $(0.04), lower than the basic and diluted net earnings per share of $(0.03) during the first quarter of 2017. The weighted average number of shares outstanding during the period was 101,306,364 compared to 102,074,139 in the comparable quarter of 2017. The reduction in the number of shares outstanding results from the ongoing liquidation and dissolution of Colabor Investments Inc. as announced on January 15, 2018.

Sales by Segment in the First Quarter

(unaudited, in thousands of dollars)

	2018	2017	Variance	
	$	$	$	%
Sales before eliminations				
Distribution segment	192,912	206,689	(13,777)	(6.7)
Wholesale segment	71,530	80,845	(9,315)	(11.5)
	264,442	287,534	(23,092)	(8.0)
Inter-segment sales				
Distribution segment	2,034	2,235	(201)	(9.0)
Wholesale segment	16,518	18,112	(1,594)	(8.8)
	18,552	20,347	(1,795)	(8.8)
Consolidated sales				
Distribution segment	190,878	204,454	(13,576)	(6.6)
Wholesale segment	55,012	62,733	(7,721)	(12.3)
	245,890	267,187	(21,297)	(8.0)

Consolidated sales in the first quarter amounted to $245.9 M compared to $267.2 M in the corresponding quarter of the previous year, representing a decrease of 8.0%.

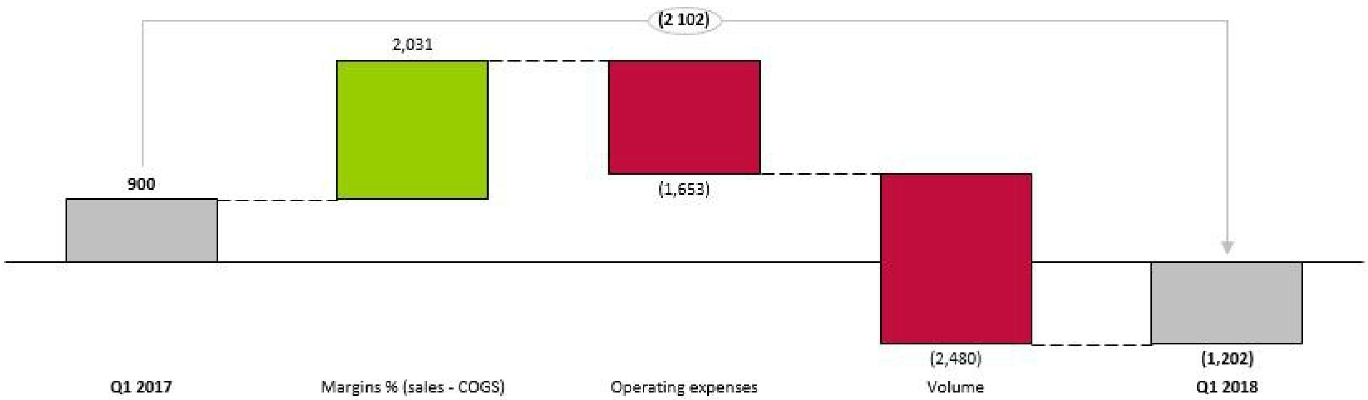
The 6.6% decrease in sales in the Distribution segment came primarily from the Ontario Division, following the loss of a supply agreement for Popeye's Louisiana Kitchen restaurants. This was slightly mitigated by an improvement of sales mainly at the CFD division.

The 12.3% decrease in sales in the Wholesale segment was largely due to the Boucherville division, which saw a reduction in the volume of sales. The Décarie division also experienced lower sales, however the decline is lower than what was experienced during the equivalent quarter, resulting from measures implemented by the new director of this division, including improvements in the mix of products sold.

Operating Earnings Before Costs Not Related to Current Operations, Depreciation and Amortization (Adjusted EBITDA)

Analysis of adjusted EBITDA for the first quarter :

(unaudited, in thousands of dollars)



Adjusted EBITDA for the first quarter of 2018 stood at $(1.2) M or (0.5)% of sales compared to $0.9 M or 0.3% for the corresponding period of 2017. The main factors explaining this variance are:

- A decrease in the volume of sales resulting primarily from the contract loss in Ontario and loss of volume at Boucherville. This was slightly mitigated by an improvement of sales mainly at the CFD division.
- An increase in operating expenses mainly related to additional expenses in Ontario and investments made in the sales force primarily in the Distribution segment.

Compensated by:

- An improvement of margins as a percentage of sales resulting from procurement activities, namely from supplier revenues.

Costs Not Related to Current Operations

Note 4 to the financial statements provides a summary of costs not related to current operations. This item in the Statement of earnings includes extraordinary items.

(unaudited, in thousands of dollars)

	2018 $	2017 $
Costs of internal restructuring of operations		
Costs for warehouse closure [a]	—	809
Severance allowances	—	94
Change in provision for onerous contracts	—	(34)
	—	869

The Company has disbursed an amount of $682 ($532 in 2017) during the 84-day period ended March 24, 2018.

[a] **Costs for warehouse closure**

On January 31, 2017, the Company announced the closure of the Vaughan warehouse, effective on April 30, 2017. A provision for closure expenses of $809, including severances, was accounted in 2017.

Impairment Loss on Available-for-Sale Financial Assets

A $0.1 M charge was taken during the first quarter of 2018 in relation with the ongoing liquidation and dissolution of Colabor Investments Inc.

Asset Impairment Charge

Long term assets and cash-generating units (CGU) undergo impairment tests when events or changes in circumstances indicate that their carrying amount may not be recoverable. During the first quarter of 2018, the Company recorded an asset impairment charge without effect on its liquidities of $0.1 M which relates to the impairment of certain tangible assets of the Summit division, in the Distribution segment.

Amortization

The amortization expense for the first quarter of 2018 was $2.7 M, compared with $2.5M in the corresponding quarter of 2017.

Financial Expenses

Financial expenses in the first quarter of 2018 were $1.8 M and equal to those incurred in the corresponding quarter of 2017. The increase in interest expenses on the $25 M subordinated debt, following an increase in the interest rate to 7.0% (6.5% in 2017), was compensated by the lower level of debt.

Income Tax Recovery

The income tax recovery of $1.6 M in the first quarter of 2018 compared to $0.9 M in the first quarter of 2017 is mainly the result of lower earnings before income taxes when compared to the equivalent quarter of last year.

Net Earnings per Share

Net earnings per share in the first quarter of 2018 amounted to $(0.04), a reduction compared with $(0.03) recognized in equivalent quarter of 2017. The weighted average number of shares outstanding during the period was 101,306,364 compared to 102,074,139 in the comparable quarter of 2017.

5.2 Financial Position

The following table presents the Company's Consolidated statements of financial position for the first quarter.

Consolidated Statements of Financial Position

(unaudited, in thousands of dollars)

	As at March 24, 2018 $	As at December 30, 2017 $	As at March 25, 2017 $
Assets			
Current			
Trade and other receivables	83,727	94,651	94,586
Inventory	74,189	78,663	80,269
Prepaid expenses	4,217	3,636	3,802
Other	1,799	1,124	2,515
Current assets	163,932	178,074	181,172
Non-current			
Property, plant and equipment	12,351	11,140	12,807
Intangible assets	44,314	46,228	53,931
Goodwill	70,813	70,813	84,130
Deferred tax assets	4,656	3,382	2,712
Other	525	1,452	1,497
Non-current assets	132,659	133,015	155,077
Total assets	296,591	311,089	336,249
Liabilities			
Current			
Bank overdraft	5,496	6,559	7,283
Trade and other payables	84,439	97,787	93,140
Current portion of long-term debt	853	758	572
Other	1,343	982	1,551
Current liabilities	92,131	106,086	102,546
Non-current			
Long-term debt	59,359	54,129	68,136
Convertible debentures	49,160	49,105	48,924
Pension obligations	1,224	1,301	605
Provisions	2,064	2,267	2,917
Deferred tax liabilities	712	639	484
Non-current liabilities	112,519	107,441	121,066
Total liabilities	204,650	213,527	223,612
Equity			
Share capital	91,941	97,562	112,637
Total liabilities and equity	296,591	311,089	336,249

Accounts Receivable

Trade and other receivables decreased by $10.9 M compared to December 30, 2017 from the variation in the volume of sales. The Company maintains systematic efforts to improve customer account collection.

Inventory

Inventory decreased by $4.5 M compared with the end of fiscal 2017. This variation results largely from efforts to maintain an optimal level of inventory across the organization in relation to variations in the volume of sales.

Trade and Other Payables

The trade and other payables balance decreased by $13.3 M when compared to the end of fiscal 2017. This decrease results largely from a lower level of purchasing in order to maintain an optimal level of inventory across the organization, reflecting the lower volume of sales.

Credit Facilities

On October 13, 2016, the Company concluded an agreement with its lenders to extend its credit facility by a maximum authorized amount of $140 M for a term of three years. This revolving credit facility may be increased at the request of Colabor by an additional amount of $30 M. The facility's maturity date is October 13, 2019 and is secured by a first mortgage on the present and future assets of the Company. The amounts borrowed from the facility can take many forms and the interest rate varies depending on the type of loan. As at March 24, 2018, the facility consists of a loan and bankers' acceptances bearing interest at rates ranging from 3.11% to 3.45% (2.42% to 3.20% at March 25, 2017) and was drawn in an amount of $32.7 M, up from $28.1 M at the end of the previous year. In 2016, refinancing fees totaling $1.4 M were capitalized against the bank loan. The Company is required to maintain a fixed charge coverage ratio. As at March 24, 2018, this ratio was respected.

Subordinated debt

As part of the recapitalization transaction finalized on October 13, 2016, the Company signed an agreement to extend and amend the loan agreement for a total amount of $25M, maturing on October 13, 2020. Under the terms of the agreement, interest on the debt is payable monthly at a prime rate of 7.0% in 2018 compared with 6.5% in 2017.

Convertible Debentures

On October 13, 2016, the Company entered into an agreement to amend conditions concerning the convertible debentures issued on April 27, 2010. The interest rate on the debentures is 6.0% in 2017 (6.0% in 2017). The effective interest rate on the debentures is 6.55% (6.55% in 2017). The debentures are convertible at the holder's option into shares at a conversion rate of 400 shares per $1,000 of debenture capital, for a conversion price of $2.50 per share ($2.50 per share in 2017). Under certain circumstances, the Company could have redeemed some or all of the debentures in advance after April 30, 2015. There were no advance redemptions during the period ended March 24, 2018.

Share Capital

Colabor’s share capital consists of an unlimited number of common and preferred shares issuable in series that are all without par value. The rights, privileges, restrictions and terms of Colabor’s common and preferred shares are summarized in Colabor’s Annual Information Form dated February 22, 2018, which may be viewed on the SEDAR website at www.sedar.com.

As at May 3, 2018, 101,177,932 common shares and 50,000 convertible debentures were issued and outstanding. In addition, 5,215,852 stock options were outstanding, of which 1,239,000 could be exercised.

5.3 Cash Flows

The following table presents the Company’s consolidated statements of cash flows:

Consolidated Statements of Cash Flows

(unaudited, in thousands of dollars)

	2018 $	2017 $
Operating activities		
Net earnings (loss)	(4,480)	(3,446)
Deferred income taxes	(1,221)	(876)
Depreciation and amortization	2,746	2,540
Impairment loss on goodwill, property, plant and equipment and intangible assets	127	—
Financial expenses	1,837	1,813
Other	(252)	(472)
	(1,243)	(441)
Net changes in working capital	601	(4,093)
Cash flows used in operating activities	(642)	(4,534)
Investing activities		
Purchase of property, plant and equipment	(1,062)	(320)
Disposal of property, plant and equipment	15	13
Purchase of intangible assets	(79)	(116)
Other	51	22
Cash flows used in investing activities	(1,075)	(401)
Financing activities		
Use of the credit facility	4,607	6,863
Lease payments	(187)	(137)
Share issuance, net of related expenses	—	5
Financial expenses paid	(1,640)	(1,611)
Cash flows used in financing activities	2,780	5,120
Net change in bank overdraft	1,063	185
Bank overdraft at the beginning of the period	(6,559)	(7,468)
Bank overdraft at the end of the period	(5,496)	(7,283)

Operating Activities

Cash flows from operating activities in the first quarter stood at $(0.6) M compared to cash flows from operating activities of $(4.5) M in the equivalent period of 2017. This is explained by a net working capital improvement compared with the equivalent quarter of last year, when clients and other receivables and inventories were higher.

Investing Activities

Cash flows from investing activities in the first quarter were $(1.1) M and lower than the corresponding period in 2017 when cash flows stood at $(0.4) M, on higher investments made to optimize our operations.

Financing Activities

Cash flows from financing activities in the first quarter stood at $2.8 M, lower than cash flows of $5.1 M in the equivalent period of 2017. The variation comes mainly from a lower use of the banking facility.

Payments Due

Payments due in the next five years are detailed as follows:

(unaudited, in thousands of dollars)

		Payments due per period			
Contractual obligations	**Total**	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**5 years and over**
	$	**$**	**$**	**$**	**$**
Bank borrowings	32,744	—	32,744	—	—
Obligations under leases	3,359	851	1,280	994	234
Long-term debt (par value)	25,000	—	25,000	—	—
Convertible debentures (par value)	50,000	—	—	50,000	—
Provision	3,808	943	1,802	951	112
Operating leases	66,230	12,685	23,255	17,523	12,767
	181,141	14,479	84,081	69,468	13,113

6. Summary of Recent Quarters

The following table presents a summary of results for the last eight quarters:

(unaudited, in thousands of dollars, except per share data)

	2018				2017			2016
	Q1 (84 days)	Q4 (112 days)	Q3 (84 days)	Q2 (84 days)	Q1 (84 days)	Q4 (119 days)	Q3 (84 days)	Q2 (84 days)
	$	$	$	$	$	$	$	$
Sales	245,890	401,557	319,334	331,372	267,187	432,543	339,102	342,979
Adjusted EBITDA	(1,202)	7,057	7,682	9,018	900	9,092	9,196	10,074
Net earnings (loss)	(4,480)	509	(18,753)	3,097	(3,446)	(160)	2,708	3,073
Basic and diluted net earnings (loss) per share	(0.04)	—	(0.18)	0.03	(0.03)	—	0.10	0.11

7. Related Party Transactions

The Company's related party transactions are composed of sales concluded with Dubé & Loiselle Inc., an entity owned by one of the Company's directors. The transactions were carried out in accordance with various contracts governing relations between the Company and Dubé & Loiselle Inc., in the normal course of operations.

The following table presents transactions between the Company and Dubé & Loiselle Inc:

(unaudited, in thousands of dollars)

	As at March 24, 2018	As at March 25, 2017
	$	$
Consolidated Statements of Earnings		
Sales	9,029	5,232
Consolidated Statement of Financial Position		
Trade and other receivables, net of remittances	988	944
Dubé & Loiselle Inc. Stock option [(a)]	500	500

[(a)] As part of the recapitalization transaction carried out in October 2016, the Company paid an amount of $0.5 M to Robraye Management Ltd. in consideration for the option to acquire Dubé & Loiselle Inc. in the three years following the closing of the recapitalization transaction. The Company believes that it has neither the control nor the influence to consolidate this entity in its financial statements; rather, Dubé & Loiselle Inc. is considered a related party of the Company.

8. Off-Balance Sheet Transactions

The Company does not have any off-balance sheet transaction obligations, other than $1,764,000 in bank letters of guarantee to support the leasing of one of the Company's distribution centres and a line of credit with a supplier.

9. Risks and Uncertainties

The Company's activities are subject to numerous risks and uncertainties that are described in detail in its February 22, 2018, Annual Information Form (the "AIF"), which may be viewed on the SEDAR website at www.sedar.com. The risks described in the AIF are incorporated by reference in this MD&A.

10. Significant Accounting Estimates

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

Actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses, is provided below.

Estimates

Impairment of Trade and Other Receivables

The amount recognized as impairment of trade and other receivables is based on management's assessment of the risks associated with each item of trade and other receivables with reference to losses incurred in prior periods, collection experience and the impact of the current and expected economic conditions.

Supplier Rebates

Supplier rebates recognized are estimated on the basis that the necessary conditions for obtaining the rebates have been satisfied.

Impairment of Available-for-Sale Financial Assets

Management assesses whether there are any indications of impairment of the available-for-sale financial asset at each reporting date. When management determines that the asset is impaired, the cumulative loss recognized in other comprehensive income is reclassified to earnings.

Inventory Valuation

Inventory is measured at the lower of cost and net realizable value. In estimating net realizable value, management takes into account the most reliable evidence available at the time the estimates are made. The quantity, age and condition of inventory are measured and evaluated regularly during the year.

Useful Lives of Depreciable Assets

Management reviews the useful lives of depreciable assets at each reporting date based on the expected utility of the assets to the Company. Actual results, however, may vary due to technical obsolescence, particularly for distribution software and computer hardware.

Deferred Tax Assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss. If a positive forecast of taxable income indicates the probable use of deferred tax assets, especially when it can be utilized without a time limit, those deferred tax assets are usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Pension Obligation

Management estimates the pension obligation annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of its pension obligation is based on rates of inflation and mortality that management considers to be reasonable. It also takes into account the Company's specific anticipation of future salary increases, retirement ages of employees and other actuarial factors. Discount factors are determined close to each year-end by reference to high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. The estimates are subject to uncertainties, and they may vary significantly in future appraisals of the Company's defined benefit obligations.

Significant judgments

Impairment of Trademarks and Goodwill

An impairment loss is recognized for the amount by which an asset's or CGU's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or CGU and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets in the next financial years.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Option to Acquire Dubé & Loiselle Inc.

During fiscal 2016, the Company bought an option to acquire Dubé & Loiselle Inc., an entity owned by one of the Company's directors. This purchase option is valid for a period of three years. The Company, believing that it has neither the control nor the influence required over the decisions of Dubé & Loiselle Inc. to consolidate this entity in its financial statements, considers it a related party.

11. Internal Controls Over Financial Reporting

Management has designed and assessed disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR) to provide reasonable assurance that the financial information presented by the Company is reliable and that its financial statements are prepared in accordance with IFRS. The President and CEO and the Vice-President and CFO assessed, in accordance with Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings, the design and operation of ICFR and DC&P as at March 24, 2018, and, on the basis of this assessment, they have concluded that the design and operation of ICFR and DC&P are efficient. For the 84-day period ended March 24, 2018, there were no changes in DC&P and ICFR that have materially affected, or are reasonably likely to materially affect the internal controls and procedures.

12. Accounting Standards, Changes and Interpretations

IFRS 9, "Financial Instruments"

In July 2014, the IASB published IFRS 9, which replaces IAS 39, Financial Instruments: Recognition and Measurement (IAS39). IFRS 9 introduces improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking "expected credit loss" impairment model and a substantially reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018.

The company adopted IFRS 9, « Financial Instruments » effective December 31, 2017. The adoption of this standard resulted in changes in accounting policies but no adjustment to the amounts recognized in the consolidated financial statements. Below is the Company's new method of accounting for financial instruments under IFRS 9.

a) Classification

The Company determines the classification of financial instruments at initial recognition and classifies them in the following categories for valuation purposes:

- instruments that will be subsequently measured at fair value, either at fair value through profit or loss (FVTPL) or at fair value through other comprehensive income (FVTOCI)
- instruments that will be measured at amortized cost.

The classification of debt instruments is derived from the Company's business model for the management of financial assets and the contractual cash flow characteristics of those assets. Assets held for the collection of contractual cash flows and for which those cash flows correspond solely to principal repayments and interest payments are measured at amortized cost. Equity instruments that are held for trading (including all equity derivative) are classified as at FVTPL. As for the other equity instruments, the Company may make the irrevocable election (instrument by instrument), on the day of acquisition, to designate them at FVTOCI. Financial liabilities are measured at amortized cost, unless they should be evaluated as at FVTPL (such as held-for-trading instruments or derivatives) or the Company has chosen to evaluate them at FVTPL.

Financial instruments comprising embedded derivatives are fully considered to determine whether their cash flows are solely for principal repayments and interest payments.

The Company has made a detailed assessment of its financial assets and liabilities as at December 31, 2017. The following table presents the initial classification under IAS39 and the new classification under IFRS 9:

Financial assets & liabilities	**Initial classification under IAS 39**	**New classification under IFRS 9**
Trade and other receivables	Loans and receivables (amortized cost)	Amortized cost
Bank overdraft	Other liabilities	Amortized cost
Trade and other payables	Amortized cost	Amortized cost
Long-term debt	Other liabilities	Amortized cost
Convertible debentures	Other liabilities	Amortized cost

b) Assessment

Financial instruments at amortized cost

Financial instruments at amortized cost are initially recognized at fair value, and subsequently at amortized cost, less any impairment loss.

Financial instruments at FVTPL

Financial instruments at FVTPL are initially recognized at fair value and the transaction costs are expensed in the consolidated statements of earnings. Realized and unrealized gains and losses arising from changes in the fair value of financial assets and liabilities held by the FVTPL are included in the consolidated statements of earnings in the period in which they occur. When management has elected to record a financial liability at FVTPL, changes in the Company's own credit risk will be recognized in the consolidated statements of earnings.

c) Depreciation

Since December 31, 2017, the Company has been prospectively evaluating expected credit losses related to debt instruments recognized at amortized cost and at FVTOCI. The depreciation method applied varies depending on whether or not there is a significant increase in credit risk. For customers, the Company applies the simplified method permitted by IFRS 9, which requires expected losses on lifetime to be recognized from the initial recognition of customers.

d) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights on cash flows from financial assets reach expiry, or when it transfers financial assets and substantially all risks and rewards of ownership to another entity. Gains and losses from derecognition are generally recognized in the consolidated statements of comprehensive income.

Financial liabilities

The Company derecognizes financial liabilities only when the resulting obligations are discharged, canceled or expired. The difference between the carrying amount of a derecognized financial liability and the consideration paid or payable, including non-monetary assets transferred or liabilities assumed, is recognized in the consolidated statements of earnings.