PREMIUM BRANDS HOLDINGS CORPORATION

Management's Discussion and Analysis

For the 13 and 26 Weeks Ended June 29, 2013

The following Management's Discussion and Analysis (MD&A) is a review of the financial performance and position of Premium Brands Holdings Corporation (the Company or Premium Brands) and is current to August 7, 2013. It should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and the notes thereto for the period ended June 29, 2013, its fiscal 2012 audited consolidated financial statements and the notes thereto, both of which are prepared in accordance with International Financial Reporting Standards (IFRS), and its MD&A for fiscal 2012. These documents, as well as additional information on the Company, are filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR) and are available online at www.sedar.com.

All amounts are expressed in Canadian dollars except as noted otherwise.

BUSINESS OVERVIEW

Premium Brands is a food focused holding company investing in:

- **Manufacturers and wholesalers of specialty food products with strong proprietary brands and leading niche market positions**. Specialty food products are food products that are purchased by consumers based primarily on factors other than price, such as quality, convenience, product consistency, health and/or lifestyle. Examples include meat snacks such as pepperoni, beef jerky and kippered beef; snack foods such as fresh and individually wrapped pastries and cookies; concession products such as popcorn, hot and frozen beverage supplies and ice cream accessories; fresh and pre-packaged sandwiches; delicatessen items such as European-style deli meats, cheeses, fresh salads, wraps and specialty crackers; and premium smoked sausages.

  The Company's focus on this segment of the food industry is based on the ability of specialty food companies, in general terms, to earn higher and more consistent selling margins and to avoid competing with major food manufacturers that produce and distribute mainstream food products on a larger scale.

- **Differentiated food distribution businesses**. Differentiated food distribution businesses are businesses that provide customers with unique services (such as in-store merchandising, product promotions, equipment leasing and equipment servicing) and product solutions (such as exclusive branded products and custom portion cutting) in addition to the normal logistical solutions provided by a distribution business. The Company's current distribution businesses service approximately 22,000 customers, including restaurants, delicatessens, small specialty grocery chains, convenience stores, gas bars, hotels and institutions across most of Canada.

  The Company's focus on this segment of the food industry is based on the ability of these companies, in general terms, to generate higher margins by differentiating themselves from distributors who are primarily focused on logistics. In addition, by owning these differentiated distribution businesses the Company is able to generate and sustain additional margin by providing its specialty food manufacturing businesses with proprietary access to a diversified customer base.

RESULTS OF OPERATIONS

The Company reports on two reportable segments, Retail and Foodservice, as well as corporate costs (Corporate). The Retail segment includes the Company's specialty food manufacturing businesses (such as Harvest, Grimm's, Freybe, Hygaard, Quality Fast Foods, Hempler's, Made-Rite Meat Products, Creekside, Stuyver's, Duso's, SK Food Group, Deli Chef, SJ Irvine and Piller's) and its Direct Plus Food Group and NDSD retail distribution businesses. The Retail segment's external sales are primarily to: (i) retailers, including delicatessens, small specialty grocery chains, convenience stores, gas bars, large national and regional grocery chains and warehouse clubs; and (ii) cafés selling convenience type grab-and-go foods such as fresh pre-made sandwiches and pastries.

The Foodservice segment includes the Company's Centennial Foodservice, B&C Food Distributors, Harlan Fairbanks, Worldsource, E1even, Wescadia, Maximum Seafood and Hub City Fisheries businesses. With the exception of Worldsource, Maximum Seafood and Hub City Fisheries, all of these businesses focus primarily on foodservice customers such as restaurants, concessions, bars, caterers, hotels, recreation facilities, schools and hospitals. With respect to Maximum Seafood and Hub City Fisheries, these businesses have been included in the Foodservice segment on the basis that (i) many of their customers are distributors who sell their products to foodservice customers; and (ii) these businesses work closely with Centennial Foodservice and B&C Food Distributors in the implementation of the Company's national seafood strategies. With respect to Worldsource, it has been included in the Foodservice segment on the basis that it is substantially integrated, particularly with respect to the procurement of raw materials, with Centennial Foodservice.

Corporate consists primarily of the Company's head office activities, including strategic leadership, finance and information systems.

Revenue

(in thousands of dollars except percentages)	13 weeks ended Jun 29, 2013	% (1)	13 weeks ended Jun 30, 2012	% (1)	26 weeks ended Jun 29, 2013	% (1)	26 weeks ended Jun 30, 2012	% (1)
Revenue by segment:								
Retail	174,305	62.5%	150,187	60.3%	312,628	61.5%	282,814	60.8%
Foodservice	104,624	37.5%	98,797	39.7%	195,482	38.5%	182,613	39.2%
Consolidated	278,929	100.0%	248,984	100.0%	508,110	100.0%	465,427	100.0%

(1) Expressed as a percentage of consolidated revenue

Retail's revenue for the second quarter of 2013 as compared to the second quarter of 2012 increased by $24.1 million or 16.1% due to: (i) the acquisition of Freybe (see *Liquidity and Capital Resources – Corporate Investments*) which accounted for $20.1 million of the increase; and (ii) organic growth of $8.6 million, representing an average growth rate of 6.5%, from its legacy businesses after excluding NDSD.

These increases were partially offset by (i) a $2.7 million decrease in NDSD's sales resulting from the restructuring of its convenience store (C-store) distribution network (see *Results of Operations – Restructuring Costs*) as well as continued contraction of food sales in the C-store channel; and (ii) the sale of Retail's fresh sandwich plant in Etobicoke, ON in the fourth quarter of 2012 which resulted in a $1.9 million decrease in fresh sandwich sales to the C-store channel.

Retail's revenue for the first two quarters of 2013 increased by $29.8 million or 10.5% as compared to the first two quarters of 2012 due to: (i) the acquisition of Freybe (see *Liquidity and Capital Resources – Corporate Investments*) which accounted for $20.1 million of the increase; and (ii) organic growth of $18.4 million, representing an average growth rate of 7.4%, from its legacy businesses after excluding NDSD.

These increases were partially offset by: (i) a $5.3 million decrease in NDSD's sales resulting from the restructuring of its C-store distribution network as well as continued contraction of food sales in the C-store channel; and (ii) the sale of Retail's fresh sandwich plant in Etobicoke, ON in the fourth quarter of 2012 which resulted in a $3.4 million decrease in fresh sandwich sales to the C-store channel.

Looking forward (see *Forward Looking Statements*), the Company is not providing growth guidance for the balance of 2013 for its Retail segment due to uncertainties associated with its Richmond plant transition initiative (see *Results of Operations – Restructuring Costs – Richmond Plant Transition*).

Foodservice's revenue for the second quarter of 2013 as compared to the second quarter of 2012 increased by $5.8 million or 5.9% due to: (i) general organic growth of $3.0 million representing an organic growth rate of 3.2%; (ii) the acquisition of certain businesses from Harbour Marine (see *Liquidity and Capital Resources – Corporate Investments – Harbour Marine Acquisition*) which accounted for $2.0 million of the increase; and (iii) increased sales in its Worldsource food brokerage business of $0.8 million resulting from improved trading opportunities.

Foodservice's revenue for the first two quarters of 2013 as compared to the first two quarters of 2012 increased by $12.9 million or 7.0% due to: (i) general organic growth of $7.4 million representing an organic growth rate of 4.2%; (ii) the acquisition of certain businesses from Harbour Marine (see *Liquidity and Capital Resources – Corporate Investments – Harbour Marine Acquisition*) which accounted for $3.8 million of the increase; and (iii) increased sales in its Worldsource food brokerage business of $1.7 million resulting from improved trading opportunities.

Foodservice's organic growth rate for both the quarter and the first two quarters of 2013 was below the Company's long-term target of 6% to 8% due to: (i) a supply shortage of wild and exotic seafood that impacted the sales of Maximum Seafood and Hub City Fisheries; and (ii) poorer than normal weather in western Canada which impacted Harlan Fairbanks and, to a lesser extent, Centennial Foodservice.

Looking forward (see *Forward Looking Statements*), for the balance of 2013 the Company expects Foodservice's organic sales growth to continue to be below its long-term targeted range of 6% to 8% due to ongoing shortages of wild and exotic seafood.

Gross Profit

(in thousands of dollars except percentages)	13 weeks ended Jun 29, 2013	% (1)	13 weeks ended Jun 30, 2012	% (1)	26 weeks ended Jun 29, 2013	% (1)	26 weeks ended Jun 30, 2012	% (1)
Gross profit by segment:								
Retail	39,706	22.8%	35,187	23.4%	67,688	21.7%	63,928	22.6%
Foodservice	19,454	18.6%	19,628	19.9%	36,011	18.4%	34,686	19.0%
Consolidated	59,160	21.2%	54,815	22.0%	103,699	20.4%	98,614	21.2%

(1) Expressed as a percentage of the corresponding segment's revenue

Retail's gross profit as a percentage of its revenue (gross margin) for the second quarter of 2013 as compared to the second quarter of 2012 decreased due to the restructuring of NDSD's business (see *Results of Operations – Restructuring Costs*). The restructuring resulted in the conversion of NDSD's customers in certain geographic regions from being serviced by NDSD's direct-to-store delivery trucks to being serviced by third party distributors and wholesale distributors. As a result, where this conversion has occurred the Company now sells its products at a discounted price to the new distributor who in turn sells and distributes the Company's products to C-store retailers. Corresponding with this change, and the lost margin associated with it, NDSD has been able to significantly reduce its SG&A (see *Results of Operations – Selling, General and Administrative Expenses*).

Retail's gross margin for the first two quarters of 2013 as compared to the first two quarters of 2012 decreased due to: (i) the restructuring of NDSD's business as discussed above; (ii) temporary production inefficiencies at SK Food Group's Reno, NV plant in the first quarter of 2013 due to a combination of the launch of new sandwich wraps for two large international customers in the fourth quarter of 2012 and the installation of several new pieces of equipment during the first quarter of 2013 (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*); and (iii) increased plant overheads associated with Stuyver's new artisan bakery in Langley, BC, which was completed in the third quarter of 2012, and Deli Chef's new sandwich production facility in Laval, QC, which was completed in the second quarter of 2012.

Foodservice's gross margin for the second quarter of 2013 as compared to the second quarter of 2012 as well as for the first two quarters of 2013 as compared to the first two quarters of 2012 decreased due to: (i) poor production efficiencies at Hub City Fisheries resulting from record low salmon runs and a corresponding shortage of wild fish for processing; (ii) difficulties by Maximum Seafood in maintaining its selling margins due to a combination of global shortages in certain species of wild and exotic seafood combined with regional consumer price resistance; and (iii) a rapid rise in premium beef commodity prices.

Selling, General and Administrative Expenses (SG&A)

(in thousands of dollars except percentages)	13 weeks ended Jun 29, 2013	% (1)	13 weeks ended Jun 30, 2012	% (1)	26 weeks ended Jun 29, 2013	% (1)	26 weeks ended Jun 30, 2012	% (1)
SG&A by segment:								
Retail	23,700	13.6%	19,724	13.1%	41,854	13.4%	38,886	13.7%
Foodservice	12,774	12.2%	12,574	12.7%	24,835	12.7%	24,168	13.2%
Corporate	1,671		1,829		3,237		3,269	
Consolidated	38,145	13.7%	34,127	13.7%	69,926	13.8%	66,323	14.2%

(1) Expressed as a percentage of the corresponding segment's revenue

Retail's SG&A for the second quarter of 2013 as compared to the second quarter of 2012 as well as for the first two quarters of 2013 as compared to the first two quarters of 2012 increased due to: (i) the acquisition of Freybe (see *Liquidity and Capital Resources – Corporate Investments*); and (ii) increased selling and marketing costs associated with Retail's organic sales growth (see *Results of Operations – Revenue*). These increases were partially offset by a significant decrease in NDSD's SG&A as a result of its restructuring (see *Results of Operations – Gross Profit*).

Foodservice's SG&A for the second quarter of 2013 as compared to the second quarter of 2012 as well as for the first two quarters of 2013 as compared to the first two quarters of 2012 increased due to: (i) higher variable selling costs associated with Foodservice's organic sales growth (see *Results of Operations – Revenue*); and (ii) increased costs associated with the development of the infrastructure needed to accelerate the growth of its seafood based initiatives.

Adjusted EBITDA

Adjusted EBITDA is not defined under IFRS and, as a result, may not be comparable to similarly titled measures presented by other publicly traded entities, nor should it be construed as an alternative to other earnings measures determined in accordance with IFRS.

The Company believes that adjusted EBITDA is a useful indicator of the amount of normalized income generated by operating businesses controlled by the Company before taking into account its financing strategies, consumption of capital and intangible assets, taxable position and the ownership structure of non-wholly owned businesses. Adjusted EBITDA is also used in the calculation of certain financial debt covenants associated with the Company's senior credit facilities (see *Liquidity and Capital Resources – Debt Financing Activities*).

The following table provides a reconciliation of adjusted EBITDA to earnings before income taxes:

(in thousands of dollars)	13 weeks ended Jun 29, 2013	13 weeks ended Jun 30, 2012	26 weeks ended Jun 29, 2013	26 weeks ended Jun 30, 2012
Earnings before income taxes	7,115	9,862	8,887	11,857
Depreciation of capital assets (1)	4,485	3,456	8,428	6,762
Amortization of intangible assets (1)	1,092	1,245	2,180	2,487
Amortization of other assets (1)	2	-	3	3
Interest and other financing costs (2)	4,674	4,283	8,839	8,293
Amortization of financing costs (2)	80	102	154	212
Acquisition transaction costs (3)	439	5	472	53
Change in value of puttable interest in subsidiaries (4)	282	525	482	705
Accretion of provisions (2)	101	210	104	419
Unrealized (gain) loss on foreign currency contracts (5)	(200)	(200)	(300)	100
Unrealized (gain) loss on interest rate swap contracts (6)	(100)	400	-	(100)
Restructuring costs (3)	3,222	921	4,519	1,660
Equity (gain) loss in associates (7)	(177)	(121)	5	(160)
Adjusted EBITDA	21,015	20,688	33,773	32,291

(1) Amount relates to the consumption of the Company's capital assets or intangible assets.
(2) Amount relates to the Company's financing strategies.
(3) Amount is not part of the Company's normal operating costs.
(4) Amount relates to the valuation of minority shareholders' interest in certain subsidiaries of the Company.
(5) Amount represents the change in fair value of the Company's U.S. dollar and Euro forward purchase contracts for the period and is adjusted for on the basis that the Company does not intend to liquidate these contracts but rather uses them to stabilize the cost of its U.S. dollar and Euro denominated purchases and, in turn, its selling margins.
(6) Amount represents the change in fair value of the Company's interest rate swap contracts and is adjusted for on the basis that the Company does not intend to liquidate these contracts but rather uses them to fix the interest rate on certain portions of its long-term debt.
(7) Amount relates to businesses that the Company does not control.

(in thousands of dollars except percentages)	13 weeks ended Jun 29, 2013	% (1)	13 weeks ended Jun 30, 2012	% (1)	26 weeks ended Jun 29, 2013	% (1)	26 weeks ended Jun 30, 2012	% (1)
Adjusted EBITDA by segment:								
Retail	16,006	9.2%	15,463	10.3%	25,834	8.3%	25,042	8.9%
Foodservice	6,680	6.4%	7,054	7.1%	11,176	5.7%	10,518	5.8%
Corporate	(1,671)		(1,829)		(3,237)		(3,269)	
Consolidated	21,015	7.5%	20,688	8.3%	33,773	6.6%	32,291	6.9%

(1) Expressed as a percentage of the corresponding segment's revenue

The Company's adjusted EBITDA for the second quarter of 2013 as compared to the second quarter of 2012 increased only slightly to $21.0 million from $20.7 million primarily due to solid organic growth across the majority of the Company's businesses being mostly offset by reduced earnings in NDSD, Maximum Seafood and Hub City Fisheries.

NDSD's reduced earnings were primarily due to the continued contraction of food sales in the C-store channel. This contraction is the result of a range of factors including competition from quick service restaurants, changing consumer eating habits, pay-at-the-pump legislation and high gas prices.

Maximum Seafood's and Hub City Fisheries' reduced earnings were due to temporary supply shortages of wild and exotic seafood.

The Company's most recently acquired business, Freybe (see *Liquidity and Capital Resources – Corporate Investments – Acquisition of Freybe*), had a positive, albeit relatively small, impact on the Company's adjusted EBITDA for the quarter despite significant disruptions in Freybe's operations caused by the Richmond plant transition (see *Results of Operations – Restructuring Costs*).

Looking forward (see *Forward Looking Statements*) the Company expects its adjusted EBITDA to be favourably impacted by the following:

(i) a significant increase in the earnings of Freybe after the realignment of its Langley plant is complete (see *Results of Operations – Restructuring Costs*). Currently the Company expects this process to be finished late in the third quarter of 2013, at which time Freybe is projected to be generating annualized adjusted EBITDA of approximately $6.3 million;

(ii) a steady improvement in Stuyver's and Deli Chef's margins as these businesses leverage the incremental capacity of new production facilities built in 2012 to generate new sales; and

(iii) improved earnings from Maximum Seafood and Hub City Fisheries once wild and exotic seafood supply conditions return to normal levels.

In terms of NDSD, the Company recognizes that as a result of the continued contraction of food sales in the C-store channel, further consolidation is needed of the distribution companies servicing this industry. Correspondingly, the Company has initiated a process to explore strategic alternatives for better servicing the convenience store channel with the goals of improving the efficiency and effectiveness of the distribution system used for our products in this channel and maximizing the value of its NDSD convenience store distribution business.

Due to uncertainties associated with the timing and impact of the items outlined above, the Company is not providing guidance on its projected adjusted EBITDA for 2013.

Depreciation and Amortization (D&A)

(in thousands of dollars)	13 weeks ended Jun 29, 2013	13 weeks ended Jun 30, 2012	26 weeks ended Jun 29, 2013	26 weeks ended Jun 30, 2012
Depreciation and amortization of intangible and other assets (D&A) by segment:				
Retail	4,408	3,555	8,295	6,987
Foodservice	1,058	1,022	2,094	2,018
Corporate	113	124	222	247
Consolidated	5,579	4,701	10,611	9,252

The Company's D&A expense for the second quarter of 2013 as compared to the second quarter of 2012 and for the first two quarters of 2013 as compared to the first two quarters of 2012 increased due to: (i) the acquisition of Freybe (see *Liquidity and Capital Resources – Corporate Investments – Acquisition of Freybe*); and (ii) additional depreciation associated with several major capital projects completed in 2012 including Stuyver's new artisan bakery and Deli Chef's new sandwich plant.

Interest

The Company's interest and other financing costs for the second quarter of 2013 as compared to the second quarter of 2012 and for the first two quarters of 2013 as compared to the first two quarters of 2012 rose primarily due to an increase in the Company's funded debt (see *Liquidity and Capital Resources – Debt Financing Activities – Funded Debt*).

Change in Value of Puttable Interest in Subsidiaries

Change in value of puttable interest represents an estimate of the change in the value of options held by non-controlling shareholders of certain subsidiaries of the Company that entitle such shareholders to require the Company to purchase their interest in the applicable subsidiary (see *Liquidity and Capital Resources – Corporate Investments – Puttable Interest in Subsidiaries*).

Gains / Losses on Foreign Currency Contracts

Gains and losses on foreign currency contracts are the result of changes in the fair market valuation of the Company's U.S. dollar and Euro forward purchase contracts (see *Financial Instruments – Foreign Currency Contracts*). The Company does not hold these contracts for speculative purposes nor does it intend to liquidate them, but rather uses the contracts to stabilize the cost of its U.S. dollar and Euro denominated purchases and, in turn, its selling margins.

Gains / Losses on Interest Rate Swap Contracts

Gains and losses on interest rate swap contracts are the result of changes in the fair market valuation of the Company's interest rate swap contracts (see *Financial Instruments – Interest Rate Swap Contracts*). The Company does not hold these contracts for speculative purposes nor does it intend to liquidate them, but rather uses the contracts to help stabilize its interest cost.

Restructuring Costs

Restructuring costs consist of costs associated with the significant restructuring of one or more of the Company's businesses. During the first two quarters of 2013 the Company incurred $4.5 million in restructuring costs consisting of:

- $2.5 million for the transitioning of production from the Company's Richmond, BC deli meat processing plant (the Richmond plant transition) to some of its other deli meat processing plants including Freybe's Langley, BC facility (see *Liquidity and Capital Resources – Corporate Investments – Freybe Acquisition*). This transition began in the first quarter of 2013 and the transfer of production was completed by the end of the second quarter.

  Looking forward (see *Forward Looking Statements*), the Company expects Freybe's Langley plant to continue to incur restructuring costs relating to this initiative due to: (i) setup problems associated with processing equipment transferred from the Richmond plant; (ii) employee training related issues; and (iii) production disruptions resulting from the refinement of production processes and from the installation of new equipment designed to improve production flows and expand capacity. The Company anticipates that this initiative will be substantially completed in the third quarter of 2013 and will result in approximately $2.5 million in additional restructuring costs in 2013.

- $1.6 million in costs relating to the restructuring and rationalization of NDSD's direct-to-store distribution network for the C-store channel (see *Results of Operations – Revenue*). Looking forward (see *Forward Looking Statements*), the Company expects this restructuring to be substantially completed in the third quarter of 2013 and will result in approximately $1.0 million in additional restructuring costs in 2013.

- $0.2 million in non-recurring costs relating to Centennial Foodservice's seafood initiatives, which include the startup of its new seafood processing facility in Richmond, BC (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*) and the integration of the businesses acquired from Harbour Marine (see *Liquidity and Capital Resources – Corporate Investments – Harbour Marine Acquisition*). This initiative was completed in the first quarter of 2013.

- $0.2 million in restructuring costs associated with a variety of initiatives including moving the Company's head office to a new location in Richmond, BC.

Income Taxes

Tax Attributes

An estimate of the Company's tax attributes as at the end of the second quarter of 2013 is as follows:

(in millions of dollars)	
Scientific research and experimental development tax credits	92.1
Un-depreciated capital costs	123.7
Non-capital losses carried forward	22.0
Capital losses carried forward	0.7
Cumulative eligible capital	55.2
Section 20(1)(e) financing fee	4.2
Investment tax credits	15.6
Total	313.5

In 2009 the Company completed a plan of arrangement that resulted in the conversion (the Conversion) of Premium Brands Income Fund (the Fund), a publicly traded income trust, into the Company, a publicly traded corporation. As a result of the Conversion, the Company was deemed to acquire certain tax attributes consisting primarily of scientific research and experimental development

tax credits, non-capital losses carried forward and un-depreciated capital costs. At the time of the Conversion the Company estimated the value of these tax attributes to be approximately $167.0 million and correspondingly recognized a deferred tax asset of $52.3 million.

There is considerable uncertainty about whether the tax authorities will accept the deduction of some or any of the tax attributes resulting from the Conversion. Should the deduction of all or a portion of the tax attributes be disallowed, the Company would derecognize the appropriate portion of the deferred income tax asset as a charge to earnings.

Current Income Tax Provision

As a result of the Company's tax attributes and its internal corporate structure, it does not expect a number of its wholly owned Canadian operations, which on an annual basis generate the majority of its earnings, to incur any substantial current income tax expense in the near future (see *Forward Looking Statements*). Correspondingly, the Company's current income tax provision relates primarily to its U.S. subsidiaries and non-wholly owned Canadian subsidiaries.

Deferred Income Tax (DIT) Provision

The Company's DIT provision (recovery) relates to changes in the value of its deferred income tax assets and liabilities as shown below:

(in thousands of dollars)	13 weeks ended Jun 29, 2013	13 weeks ended Jun 30, 2012	26 weeks ended Jun 29, 2013	26 weeks ended Jun 30, 2012
Opening DIT asset	26,196	36,582	32,575	41,334
Adjustments:				
DIT resulting from acquisitions	547	-	(5,563)	-
Reallocation of acquisition purchase price to goodwill (2)	-	-	-	(4,377)
Foreign currency translation adjustment(1) and other	66	215	45	98
Adjusted opening DIT asset	26,809	36,797	27,057	37,055
Closing DIT asset	25,865	34,314	25,865	34,314
Provision for DIT	944	2,483	1,192	2,741

(1) Adjustment is the result of changes in the currency exchange rate used to translate the Company's U.S. based operations, which are denominated in U.S. dollars, into Canadian dollars.
(2) Adjustment is the result of the finalization of purchase price allocations relating to business acquisitions (see *Liquidity and Capital Resources – Corporate Investments – Goodwill and Intangible Assets*).

SUMMARY OF QUARTERLY RESULTS

The following is a summary of selected quarterly consolidated financial information. All amounts, except adjusted EBITDA (see *Results of Operations – Adjusted EBITDA*), are derived from the Company's unaudited interim condensed consolidated financial statements for each of the eight most recently completed quarters and are prepared in accordance with IFRS.

(in millions of dollars except per share amounts)	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Revenue	205.4	243.0	216.4	249.0	252.9	241.8	229.2	278.9
Adjusted EBITDA	17.5	13.9	11.6	20.7	19.7	14.8	12.8	21.0
Earnings	6.1	1.5	1.2	7.0	4.6	2.5	1.2	5.3
Earnings per share – basic	0.32	0.07	0.06	0.34	0.22	0.12	0.06	0.25
Earnings per share – diluted	0.32	0.07	0.05	0.34	0.21	0.12	0.06	0.25

The financial performance of many of the Company's businesses is subject to fluctuations associated with the impact on consumer demand of seasonal changes in weather. As a result, the Company's performance varies with the seasons. In general terms, its results are weakest in the first quarter of the year due to:

- Winter weather conditions which result in: (i) less consumer travelling and outdoor activities and, in turn, reduced consumer traffic through many of the Company's convenience oriented customers' stores such as corner stores, gas stations, restaurants and concessionary venues; and (ii) reduced consumer demand for its outdoor oriented products such as barbeque and on-the-go convenience foods.

- A general decline in consumer activity at the beginning of each calendar year.

The Company's results then generally peak in the spring and summer months due to favourable weather conditions and decline in the fourth quarter due to a return to poorer weather conditions.

Over the last eight quarters the seasonal nature of the Company's business has been impacted by business acquisitions made in 2011 and 2013 that have resulted in general growth in the Company's revenue and adjusted EBITDA.

The Company's earnings over the last eight quarters have been relatively volatile due to a number of factors including: (i) the Company's business acquisition initiatives; (ii) fluctuations in acquisition transaction and restructuring costs as these are event driven; (iii) volatile commodity input costs for a number of the Company's businesses; and (iv) volatility associated with the fair market valuation of a variety of the Company's assets such as foreign currency and interest rate swap contracts, puttable interest in subsidiaries, and acquired businesses.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial position and liquidity for the 13 and 26 week periods ended June 29, 2013 was impacted by the following:

Funds from Operations

Funds from operations is not defined under IFRS and, as a result, may not be comparable to similarly titled measures presented by other publicly traded entities. The Company believes that funds from

operations is a useful indicator of the cash generated by its operating activities before changes in non-cash working capital.

The following table provides a reconciliation of funds from operations to cash flow from operating activities:

(in thousands of dollars)	13 weeks ended Jun 29, 2013	13 weeks ended Jun 30, 2012	26 weeks ended Jun 29, 2013	26 weeks ended Jun 30, 2012
Cash flow from operating activities	17,266	9,774	12,073	19,020
Changes in non-cash working capital	(4,952)	5,571	7,491	3,106
Funds from operations	12,314	15,345	19,564	22,126

See *Results of Operations* for an analysis of the significant factors impacting the Company's funds from operations, namely the changes in the Company's adjusted EBITDA, interest and other financing costs, acquisition transaction costs, restructuring costs and current income tax provision.

Net Working Capital Requirements

Net Working Capital

Net working capital is not defined under IFRS and, as a result, may not be comparable to similarly titled measures presented by other publicly traded entities. The Company believes that net working capital is a useful indicator of the cash needed to fund the Company's working capital requirements.

The following table provides the calculation of net working capital:

(in thousands of dollars)	As at Jun 29, 2013	As at Dec 29, 2012	As at Jun 30, 2012
Accounts receivable	90,327	80,180	82,790
Inventories	100,367	79,456	92,954
Prepaid expenses	7,349	6,631	5,632
Accounts payable and accrued liabilities	(98,227)	(83,081)	(89,136)
Net working capital	99,816	83,186	92,240

The following table shows certain ratios relating to the Company's accounts receivable and inventory balances:

(in days)	As at Jun 29, 2013	As at Dec 29, 2012	As at Jun 30, 2012
Days sales in accounts receivable (1)	29.5	30.2	30.3
Days cost of sales in inventory (2)	41.6	37.3	43.7

(1) Calculated as accounts receivable divided by sales for the applicable quarter times the number of days in the quarter.
(2) Calculated as inventory divided by cost of sales for the applicable quarter times the number of days in the quarter.

The Company's net working capital needs are seasonal in nature and generally peak in the spring and summer months and around festive holiday seasons (e.g. Easter, Thanksgiving and Christmas) as inventories and accounts receivable are built up in anticipation of increased consumer demand (see *Summary of Quarterly Results*). The cash requirements associated with fluctuations in the Company's net working capital are managed primarily through draws and repayments on its Facility A revolving credit facility (see *Liquidity and Capital Resources – Debt Financing Activities*).

Net working capital at the end of the second quarter of 2013 as compared to the end of 2012 increased by $16.6 million primarily due to: (i) the acquisition of Freybe (see *Liquidity and Capital Resources – Corporate Investments – Freybe Acquisition*) which accounted for $9.1 million of the increase; (ii) the seasonal build-up of working capital in anticipation of increased sales in the spring and summer (see *Summary of Quarterly Results*); and (iii) additional net working capital associated with the Company's organic growth (see *Results of Operations – Revenue*).

Net working capital at the end of the second quarter of 2013 as compared to the end of the second quarter of 2012 increased by $7.6 million primarily due to the acquisition of Freybe, which accounted for $9.1 million of the increase, partially offset by normal fluctuations in net working capital.

Non-Cash Working Capital Cash Flows

Cash flows from changes in non-cash working capital were as follows:

(in thousands of dollars)	13 weeks ended Jun 29, 2013	13 weeks ended Jun 30, 2012	26 weeks ended Jun 29, 2013	26 weeks ended Jun 30, 2012
Change in non-cash working capital	4,952	(5,771)	(7,491)	(3,106)
Change relating to deposits on Stuyver's new artisan bakery equipment	-	(54)	-	(9,001)
	4,952	(5,825)	(7,491)	(12,107)

Due to the seasonal nature of the Company's business, changes in the Company's non-cash working capital generally results in a net usage of cash in the first two quarters of the year as it builds working capital for its busier second and third quarters (see *Summary of Quarterly Results*).

During the second quarter the Company generated cash from its non-cash working capital primarily due to the sale of inventory positions taken in the first quarter and the timing of payments to suppliers.

Debt Financing Activities

Credit Facilities

As at June 29, 2013 the Company's credit facilities and the unutilized portion of those facilities were as follows:

(in thousands of dollars)	Credit Facilities	Amount Drawn on Facility	Unutilized Credit Capacity
Facility A – revolving senior credit (1)	50,000	22,531	27,469
Facility B – revolving senior credit (2)	70,000	49,300	20,700
Facility C – non-revolving senior credit (3)	100,000	100,000	-
7.00% debentures (4)	23,472	23,472	-
5.75% debentures (5)	55,213	55,213	-
5.70% debentures (6)	55,042	55,042	-
Vendor take-back notes resulting from business acquisitions	6,222	6,222	-
Capital leases	4,777	4,777	-
SJ Irvine term loan (7)	4,000	4,000	-
Industrial Development Revenue Bond (8)	6,439	6,439	-
Other revolving loans	3,500	28	3,472
Other term loans	845	845	-
Cheques outstanding	-	2,280	(2,280)
Cash and cash equivalents	-	(2,522)	2,522
	379,510	327,627	51,883

(1) Amount represents the total amount available under the facility of $60.0 million less approximately $10.0 million in outstanding letters of credit. Facility matures in September 2014, can be used to fund the Company's working capital and general operating needs and has no principal payments due prior to its maturity date.

(2) Facility matures in September 2014, can be used to fund capital projects and acquisitions, and has quarterly principal payments of $3.5 million. Repaid amounts can be redrawn to fund new capital projects and acquisitions.

(3) Facility matures in September 2014 and has no principal payments prior to its maturity date unless Facility B is fully paid in which case the facility would have quarterly principal payments of $3.5 million.

(4) Represents the present value of the outstanding portion of the $40.3 million in convertible unsecured subordinated debentures issued by the Company in 2009. The face value of the 7.00% debentures outstanding as at June 29, 2013 was $24.6 million (December 29, 2012 – $25.7 million). These debentures mature in December 2014 and have no principal payments prior to that date.

(5) Represents the present value of the outstanding portion of the $57.5 million in convertible unsecured subordinated debentures issued by the Company in 2011. The face value of the 5.75% debentures outstanding as at June 29, 2013 was $57.5 million (December 29, 2012 – $57.5 million). These debentures mature in December 2015 and have no principal payments prior to that date.

(6) Represents the present value of the outstanding portion of the $57.5 million in convertible unsecured subordinated debentures issued by the Company in 2012 plus the value attributed to the cash conversion option associated with the debentures. The face value of the 5.70% debentures outstanding as at June 29, 2013 was $57.5 million (December 29, 2012 – $57.5 million). The debentures mature in June 2017 and have no principal payments prior to that date.

(7) Loan has quarterly principal payments of $0.2 million and matures in June 2016.

(8) Credit facility is held by the Company's U.S. subsidiary, Hempler Foods Group LLC, is denominated in U.S. dollars (US$6.1 million), matures in 2036 and has no principal payments due prior to its maturity date.

In conjunction with the acquisition of Freybe at the end of the first quarter of 2013 (see *Liquidity and Capital Resources – Corporate Investments – Freybe Acquisition*), the Company negotiated a $15.0 million increase in the credit available under Facility B.

The 7.00%, 5.75% and 5.70% debentures trade on the Toronto Stock Exchange under the symbols PBH.DB, PBH.DB.A and PBH.DB.B, respectively.

Funded Debt

Senior funded debt and total funded debt are not defined under IFRS and, as a result, may not be comparable to similarly titled measures presented by other publicly traded entities. The Company believes that senior funded debt and total funded debt, used in conjunction with its adjusted EBITDA, are useful indicators of its financial strength and ability to access additional debt financing. Senior funded debt is also used in the calculation of certain debt covenants associated with the Company's senior credit facilities (see *Liquidity and Capital Resources – Debt Financing Activities – Banking Covenants*).

The following table provides the calculation of senior funded debt and total funded debt:

(in thousands of dollars)	As at Jun 29, 2013	As at Dec 29, 2012	As at Jun 30, 2012
Cheques outstanding	2,280	1,928	2,043
Bank indebtedness	22,559	11,179	10,832
Current portion of long-term debt	23,549	127,195	18,551
Deferred financing costs (1)	477	569	731
Long-term debt	147,557	13,058	129,374
	196,422	153,929	161,531
Less: cash and cash equivalents	2,522	3,758	3,462
Senior funded debt	193,900	150,171	158,069
7.00% debentures	23,472	24,149	33,420
5.75% debentures	55,213	54,789	54,402
5.70% debentures	55,042	54,904	54,629
Total funded debt	327,627	284,013	300,520

(1) As required by IFRS, deferred financing costs are included as an offsetting amount in long-term debt.

Debt Activities

During the first two quarters of 2013 the Company's significant debt activities consisted of the following:

(in thousands of dollars)	26 weeks ended Jun 29, 2013
Opening total funded debt at December 29, 2012	284,013
Draw on Facility B used to fund the Freybe acquisition (1)	51,090
Net draws on operating lines and cash used to fund the Company's general cash requirements	12,966
Draws on Facility B used to fund capital expenditures and investments in associates	10,000
Funding from new SJ Irvine term loan	4,000
Freybe long-term debt assumed at acquisition (1)	3,555
Principal accretion on long-term debt and debentures	1,298
Foreign currency translation adjustment (2)	543
Application of proceeds from sale and leaseback to Facility B (3)	(22,790)
Scheduled principal payments (4)	(9,583)
Retirement of old SJ Irvine term loans	(6,253)
7.00% debenture conversions (5)	(871)
Change in value of cash conversion option liability	(170)
Purchase and cancellation of 7.00% debentures	(171)
Closing total funded debt	327,627

(1) See *Liquidity and Capital Resources – Corporate Investments – Freybe Acquisition.*
(2) Adjustment is the result of changes in the currency exchange rate used to translate the Company's U.S. dollar denominated debt into Canadian dollars.
(3) See *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets.*
(4) *See Liquidity and Capital Resources – Debt Financing Activities – Credit Facilities.*
(5) Debentures are convertible into common shares at a conversion price of $14.50 per common share.

In the second quarter of 2013 the Company restructured the bank financing of its non-wholly owned subsidiary SJ Irvine Fine Foods Ltd. (SJ Irvine) resulting in the repayment of $6.3 million in non-revolving term loans. This repayment was funded through a lower cost $4.0 million term loan and SJ Irvine's excess cash. As part of the refinancing a new $1.5 million revolving line of credit was also established for SJ Irvine.

Issuer Bid

In the third quarter of 2012 the Company announced a normal course issuer bid through the facilities of the TSX for the purchase and cancellation of up to 5% of its issued and outstanding common shares and up to 10% of each of its issued and outstanding convertible debentures. During the first two

quarters of 2013 the Company purchased and cancelled $0.2 million of its 7.00% debentures, having a book value of $0.2 million, at a total cost, including commissions, of $0.2 million.

Banking Covenants

The financial covenants associated with the Company's senior credit facilities are as follows:

	Covenant Requirement	Jun 29, 2013 Ratio
Senior funded debt to adjusted EBITDA ratio (1) (2)	=< 3.25 : 1.0	2.65 : 1.0
Current ratio (3)	> 1.30 : 1.0	1.37 : 1.0
Interest coverage ratio (3)	> 4.00 : 1.0	9.72 : 1.0

(1) Base covenant of 3.00:1.0 can be increased by 0.25:1 to a maximum of 3.25:1.0 for a period of two consecutive quarters in the event of a business acquisition. As a result of the Freybe acquisition (see *Liquidity and Capital Resources – Corporate Investments – Freybe Acquisition*) the Company elected this option.

(2) Adjusted EBITDA is calculated as the Company's rolling four quarters adjusted EBITDA plus the trailing adjusted EBITDA of new acquisitions so that the total adjusted EBITDA amount includes four quarters of adjusted EBITDA for new acquisitions. For covenant calculation purposes, senior funded debt excludes cheques outstanding.

(3) Ratio is calculated based on the combined balance sheets and/or statements of operations of certain subsidiaries of the Company and therefore will not necessarily equal the ratio calculated based on the Company's consolidated balance sheet and/or statement of operations. Furthermore, the ratio excludes principal payments on the maturity of Facilities A, B and C (see *Liquidity and Capital Resources – Debt Financing Activities – Credit Facilities*).

Financial Leverage

Two of the key indicators that the Company uses to assess the appropriateness of its financial leverage are its senior funded debt to adjusted EBITDA and total funded debt to adjusted EBITDA ratios. The Company has set 2.5:1 to 3.0:1 as the long-term targeted range for its senior funded debt to adjusted EBITDA ratio and 3.5:1 to 4.0:1 as the long-term targeted range for its total funded debt to adjusted EBITDA ratio. These ranges are based on a number of considerations including:

- The risks associated with the consistency and sustainability of the Company's cash flows (see *Risks and Uncertainties*);
- The financial covenants associated with the Company's senior credit facilities;
- The Company's dividend policy (see *Liquidity and Capital Resources – Dividends*); and
- The tax efficiency associated with financing the Company's operations with debt since interest is generally deductible in the calculation of taxable income.

At the end of the second quarter of 2013 the Company's senior funded debt to adjusted EBITDA ratio of 2.65:1 was within its long-term targeted range.

The Company's total funded debt to adjusted EBITDA ratio at the end of the second quarter of 2013 was 4.53:1 which is above its long-term targeted range, however, looking forward (see *Forward Looking Statements*) the Company expects this ratio to decrease over the next several quarters due to: (i) growth in its adjusted EBITDA (see *Results of Operations – Adjusted EBITDA*); and (ii) lower levels of funded debt based on using excess cash flow from its operations to reduce the amounts outstanding on its revolving credit facilities.

Dividends

Free Cash Flow

Free cash flow is not defined under IFRS and, as a result, may not be comparable to similarly titled measures presented by other publicly traded entities, nor should it be construed as an alternative to other cash flow measures determined in accordance with IFRS.

The Company believes that free cash flow is a useful indicator of the amount of cash it generates that is available for the payment of dividends to shareholders, debt repayment, project capital expenditures (see *Liquidity and Capital Resources – Capital Expenditures*), business restructuring initiatives (see *Results of Operations – Restructuring Costs*) and business acquisitions (see *Liquidity and Capital Resources – Corporate Investments*).

Furthermore, one of the key considerations the Company uses in determining its dividend policy is the ratio of its dividends to its free cash flow on a rolling four quarters basis. The Company uses a rolling four quarter measurement period on the basis of: (i) the seasonality of its business (see *Summary of Quarterly Results*), which results in significant fluctuations in its free cash flow on a quarter by quarter basis; and (ii) its objective to maintain a stable quarterly per share dividend. Correspondingly, due to the seasonal nature of the Company's business, it is possible that in some quarters its dividends to shareholders may exceed its free cash flow.

The following table provides a reconciliation of free cash flow to cash flow from operating activities:

(in thousands of dollars)	52 weeks ended Dec 29, 2012 (1)	26 weeks ended Jun 30, 2012 (1)	26 weeks ended Jun 29, 2013	Rolling Four Quarters
Cash flow from operating activities	49,849	19,020	12,073	42,902
Changes in non-cash working capital (2)	(6,050)	3,106	7,491	(1,665)
Acquisition transaction costs (3)	197	53	472	616
Restructuring costs (4)	5,705	1,660	4,519	8,564
Capital maintenance expenditures (5)	(2,917)	(1,479)	(1,664)	(3,102)
Free cash flow	46,784	22,360	22,891	47,315

(1) Amounts have been restated as a result of the Company adopting the new IFRS standard IFRS 11 – Joint Arrangements (see *New Accounting Policies – IFRS 11 – Joint Arrangements*).
(2) Cash used for increases in the Company's non-cash working capital is funded primarily through draws on its Facility A revolving credit facility (see *Liquidity and Capital Resources – Debt Financing Activities – Credit facilities*), while cash resulting from decreases in its non-cash working capital is used primarily to pay down its Facility A revolving credit facility.
(3) Amount relates to the Company's business acquisition activities (see *Liquidity and Capital Resources – Corporate Investments*).
(4) Amount relates to the Company's business restructuring initiatives (see *Results of Operations – Restructuring Costs*).
(5) Amount represents the portion of the Company's capital expenditures that relate to maintaining its existing capital asset base (see *Liquidity and Capital Resources – Capital Expenditures*).

Dividend Policy

The Company considers a variety of factors in setting its dividend policy including the following:

- The ratio of its dividends to its free cash flow on a rolling four quarter basis;
- Debt principal repayment obligations (see *Liquidity and Capital Resources – Debt Financing Activities*);
- Financing requirements for capital project expenditures (see *Liquidity and Capital Resources – Capital Expenditures*), business restructuring initiatives (see *Results of Operations – Restructuring Costs*) and business acquisitions (see *Liquidity and Capital Resources – Corporate Investments*);
- Ability to access reasonably priced debt and equity financing;

- The ratio of its annual dividend per share to the trading price of its shares on the Toronto Stock Exchange, i.e. dividend yield; and

- Significant changes in the status of one or more of the risk factors facing the Company (see *Forward Looking Statements* and *Risks and Uncertainties*).

For the first quarter of 2013 the Company maintained its historic quarterly dividend of $0.294 per share, or $1.176 per share on an annualized basis.

For the second quarter of 2013 the Company increased its quarterly dividend by 6.3% to $0.3125 per share, or $1.25 per share on an annualized basis.

Looking forward (see *Forward Looking Statements*), the Company is continually assessing its dividend policy based on the considerations outlined above as well as other possible factors that may become relevant in the future and, correspondingly, there can be no assurance that its revised quarterly dividend of $0.3125 per share, or $1.25 per share on an annualized basis, will be maintained.

Dividend History

The Company declared its first distribution in August 2005. The following table outlines the Company's distribution / dividend payment history starting in 2006, which was its first full year of declared distributions.

(in thousands of dollars except per share amounts and ratios)

	Declared Shareholder Dividends/ Distributions	Nature of Distribution	Free Cash Flow	Ratio (1)	Average Annualized Dividend/ Distribution Per Share
Rolling four quarters ended:					
June 29, 2013	25,140	Dividend	47,315	53.2%	$1.1945
December 29, 2012	24,381	Dividend	46,784	52.1%	$1.1760
December 31, 2011	22,672	Dividend	38,225	59.3%	$1.1760
December 25, 2010	21,019	Dividend	32,202	65.3%	$1.1760
December 26, 2009	20,687	(2)	29,280	70.7%	$1.1760
December 31, 2008	20,593	Trust distribution	29,631	69.5%	$1.1760
December 31, 2007	20,514	Trust distribution	26,440	77.6%	$1.1760
December 31, 2006	18,357	Trust distribution	17,247	106.4%	$1.1760

(1) Ratio of dividends / distributions declared to free cash flow for the corresponding rolling four quarter period.
(2) Consisted of trust distributions for the first two quarters of the period and dividends for the last two quarters of the period.

Capital Expenditures

Expenditure Classification

The Company's capital expenditures can be categorized into two types: project capital expenditures and maintenance capital expenditures. Project capital expenditures are capital expenditures that are expected to generate a minimum return on investment of 15% through increased production capacity and/or improved operating efficiencies. Maintenance capital expenditures include all capital expenditures that do not qualify as a project capital expenditure, and consist mainly of expenditures necessary for maintaining the Company's existing level of production capacity and operating efficiency.

Maintenance capital expenditures are financed primarily through free cash flow (see *Liquidity and Capital Resources – Dividends*) while project capital expenditures are generally funded through the Company's credit facilities (see *Liquidity and Capital Resources – Debt Financing Activities*), however, larger expenditures, such as the building of a new plant or a major expansion of an existing plant, may also be funded through the issuance of new debt and/or equity.

Changes in Capital Assets

The following table shows the changes in the Company's capital assets during the first two quarters of 2013:

(in thousands of dollars)	26 weeks ended Jun 29, 2013
Opening capital assets at December 29, 2012	166,447
Depreciation	(8,428)
Asset sales and other	(25,014)
Foreign currency translation adjustment (1)	933
Acquisitions (2)	37,877
Capital expenditures:	
Project	5,100
Maintenance	1,664
Closing capital assets	178,579

(1) Adjustment is the result of changes in the currency exchange rate used to translate the Company's U.S. based operations, which are denominated in U.S. dollars, into Canadian dollars.
(2) See *Liquidity and Capital Resources – Corporate Investments.*

In the second quarter of 2013, the Company completed the sale and leaseback of Freybe's 118,000 square foot production facility in Langley, BC (see *Liquidity and Capital Resources – Corporate Investments – Freybe Acquisition*). The Langley facility was sold to Pender West IP, a newly formed limited partnership in which the Company holds a 35% interest (see *Liquidity and Capital Resources – Corporate Investments – Pender West IP Investment*).

The net proceeds from this transaction of $22.8 million, consisting of $25.0 million generated from the sale of the Langley facility partially offset by the Company's $2.2 million investment in Pender West IP, were used to reduce the amount drawn on Facility B (see *Liquidity and Capital Resources – Debt Financing Activities – Credit Facilities*).

During the first two quarters of 2013 the Company capitalized $5.1 million in project capital expenditures, which included:

- $0.9 million for the installation of two additional production lines at SK Food Group's plant in Reno, NV. The total cost of this project, which was completed at the start of the third quarter, is expected to be approximately $1.1 million.

- $0.9 million for the automation of certain processes at SK Food Group's Reno plant. This project was completed during the quarter.

- $1.0 million for the construction of a new 8,100 square foot seafood processing and distribution facility adjacent to Centennial Foodservice's Richmond, BC facility. An additional $1.2 million was spent on this project and capitalized in 2012.

  This new facility, which was completed in January 2013, enables Centennial Foodservice to: (i) provide its customers across most of western Canada with unique fresh seafood product solutions; and (ii) capitalize on a rapidly growing segment of the food industry.

- $0.5 million for: (i) the expansion of Freybe's Langley plant's production capacity to allow for the transition of production from the Company's Richmond, BC deli plant (see *Results of Operations – Restructuring Costs*); and (ii) for production efficiency improvements. The total cost of this project, which is scheduled to be completed in the fourth quarter of 2013, is expected to be approximately $2.5 million.

The balance of the Company's project capital expenditures for the first two quarters of 2013 was for a variety of smaller projects consisting mainly of capacity related equipment purchases.

Maintenance capital expenditures for the first two quarters of 2013 were $1.7 million as compared to $1.5 million for the first two quarters of 2012.

Historic Capital Maintenance Expenditures

The following table outlines the Company's historic maintenance capital expenditures since 2006:

(in thousands of dollars)	Total
Rolling four quarters ended:	
June 29, 2013	3,102
December 29, 2012	2,917
December 31, 2011	2,880
December 25, 2010	1,713
December 26, 2009	2,026
December 31, 2008	2,600
December 31, 2007	1,780
December 31, 2006	1,887

Looking forward, for 2013 the Company expects (see *Forward Looking Statements*) its capital maintenance expenditures to be between $4.0 million and $5.0 million.

Corporate Investments

Corporate investments consist primarily of three activities: business acquisitions, equity investments in non-controlled businesses and loans to non-controlled businesses. Corporate investments, in general, and business acquisitions, in particular, are a core part of the Company's growth strategy.

The financing for corporate investments depends primarily on the size of the transaction. Smaller transactions are generally financed through the Company's credit facilities (see *Liquidity and Capital Resources – Debt Financing Activities*), while larger transactions can be financed through a variety of sources including existing credit facilities and the issuance of new debt and/or equity.

Made-Rite Meat Products Investment

In January 2013 the Company increased its interest in Made-Rite Meat Products LP from 50% to 70% by purchasing a portion of the other partner's interest in the business for $0.9 million.

Harbour Marine Acquisition

Also in January 2013 the Company purchased certain segments of the business of Vancouver, BC based Harbour Marine Products Inc., namely its salmon and high grade tuna sushi processing businesses, for $2.0 million, including transaction costs and working capital related adjustments. These businesses were subsequently moved to Centennial Foodservice's new seafood processing facility in Richmond, BC (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*).

This transaction, which will position the Company as one of the leading processors of sushi grade tuna on the west coast of Canada and the U.S., is expected (see *Forward Looking Statements*) to result in additional annual sales of approximately $10.0 million and will provide Centennial Foodservice's new seafood processing facility with immediate critical mass.

Freybe Acquisition

At the end of the first quarter the Company completed the acquisition of Freybe Gourmet Foods Ltd. Freybe is one of western Canada's leading manufacturers of premium gourmet deli meats with annual sales of approximately $78 million and a state-of-the-art 118,000 square foot production facility located in Langley, BC.

The estimated purchase price was $54.5 million consisting of $50.9 million in cash and the assumption of $3.6 million in funded debt. This amount is subject to adjustment if Freybe's net working capital at closing is determined to be above or below a defined normalized amount. Furthermore, the purchase price will be increased by up to $1.25 million per year for each of the next four years if Freybe is able to achieve certain performance targets.

In addition to providing the Company with another leading specialty food business, the acquisition of Freybe created an ideal solution for replacing a significant portion of the capacity of the Company's deli meat production facility in Richmond, BC, which was shut down at the end of the second quarter (see *Results of Operations – Restructuring Costs*).

Pender West IP Investment

In April 2013, the Company invested $2.2 million in Pender West Income Properties Limited Partnership (Pender West IP) as part of the sale and leaseback of Freybe's 118,000 square foot production facility in Langley, BC (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*). Pender West IP is a limited partnership formed for the sole purpose of investing in industrial and commercial real estate. The acquisition of Freybe's Langley plant was its first transaction.

McLean Investment

In May 2013, the Company acquired a 25% equity interest in Vancouver, BC based McLean Meats Inc. (McLean) for $0.4 million. As part of the transaction the Company negotiated certain rights that provide it with the option to increase its ownership in McLean to 100% over time. McLean, which started operations in 2003, sells and distributes high quality preservative-free and organic processed meats to the foodservice and retail industries.

Goodwill and Intangible Assets

Primarily all of the Company's intangible assets (consisting of brand names, customer relationships, customer supply agreements and trade secrets) and goodwill are the result of business acquisitions.

The following table shows the changes in the combined total of the Company's net intangible assets and goodwill during the first two quarters of 2013:

(in thousands of dollars)	26 weeks ended Jun 29, 2013
Opening intangible assets and goodwill at December 29, 2012	226,445
Amortization of intangible assets	(2,180)
Additions resulting from acquisitions (1)	19,199
Foreign currency translation adjustment (2)	1,264
Closing intangible assets and goodwill	244,728

(1) See *Liquidity and Capital Resources – Corporate Investments.*
(2) Adjustment is the result of changes in the currency exchange rate used to translate the Company's U.S. based operations, which are denominated in U.S. dollars, into Canadian dollars.

Investment in Associates

Investment in associates consists of the Company's investments in businesses which it does not control, and consists of a 50% interest in Golden Valley Farms Inc., a 35% interest in Pender West IP (see *Liquidity and Capital Resources – Corporate Investments – Pender West IP Investment*), and a 25% interest in McLean (see *Liquidity and Capital Resources – Corporate Investments – McLean Investment*).

The following table shows the changes in investment in associates during the first two quarters of 2013:

(in thousands of dollars)	26 weeks ended Jun 29, 2013
Opening investment in associates at December 29, 2012	5,181
Investment in Pender West IP	2,238
Investment in McLean	400
Equity loss in associates	(5)
Closing investment in associates	7,814

Puttable Interest in Subsidiaries

Puttable interest in subsidiaries (puttable interest) represents the fair value estimate of put options held by non-controlling shareholders of certain subsidiaries of the Company that entitle such shareholders to require the Company to purchase their remaining interest in the applicable subsidiary at a formula based price, which is generally a multiple of the applicable subsidiary's average adjusted EBITDA for a defined period.

The following table shows the changes in puttable interest during the first two quarters of 2013:

(in thousands of dollars)	26 weeks ended Jun 29, 2013
Opening puttable interest at December 29, 2012	15,649
Change in value (1)	482
Foreign currency translation adjustment (2)	124
Cash distributions to non-controlling shareholders with puttable interests	(714)
Closing puttable interest	15,541

(1) See *Results of Operations – Change in Value of Puttable Interest in Subsidiaries.*
(2) Adjustment is the result of changes in the currency exchange rate used to translate the Company's U.S. based operations, which are denominated in U.S. dollars, into Canadian dollars.

Provisions

Provisions consist of the following amounts:

(in thousands of dollars)	As at Jun 29, 2013
Contingent consideration – Piller's acquisition	1,762
Contingent consideration – Freybe acquisition	4,061
Contingent consideration – Pridcorp distributor indemnities	1,586
Lease restoration costs	509
Provisions (1)	7,918

(1) Includes both the current and long term portions.

Contingent Consideration – Piller's Acquisition

In 2011, the Company recorded a provision for contingent consideration of $8.1 million as a result of the acquisition of Piller's. This amount represents the discounted present value of $10.0 million in contingent consideration that is payable to the previous owners of Piller's if Piller's achieves certain profitability targets over the two years ended September 9, 2013.

In 2012, the Company reversed a portion of the provision for contingent consideration associated with the Piller's acquisition based on the profitability targets it expects (see *Forward Looking Statements*) Piller's to achieve for the two years ended September 9, 2013.

Contingent Consideration – Freybe Acquisition

In the first quarter of 2013, the Company recorded a provision for contingent consideration of $4.0 million as a result of the acquisition of Freybe (see *Liquidity and Capital Resources – Corporate Investments – Freybe Acquisition*). This amount represents the discounted present value of the $5.0 million in contingent consideration that is payable to the previous owners of Freybe if Freybe achieves certain performance targets over each of the next four years.

Contingent Consideration – Pridcorp Distributor Indemnities

In 2011, the Company recorded a provision for contingent consideration of $2.9 million as a result of indemnifying independent distributors that joined NDSD's direct-to-store distribution network (see *Results of Operations – Restructuring Costs*) against certain defined losses. This contingent consideration is for up to a maximum amount of $2.9 million in losses over a 24 month period ending in December 2013. As of the end of the second quarter of 2013 the Company had made total payments of $1.3 million under this indemnification, $0.5 million of which was made in the first two quarters of 2013.

Lease Restoration Costs

In 2012 the Company recorded a $0.5 million provision for the present value of estimated (see *Forward Looking Statements*) future site restoration costs associated with the leased facility in which Stuyver's new artisan bakery is located. This liability will not, however, be payable until the expiry of the lease, which runs through to December 31, 2025 and has two five-year renewal options thereafter.

The following table shows the changes in the provisions during the first two quarters of 2013:

(in thousands of dollars)	26 weeks ended Jun 29, 2013
Opening provisions at December 29, 2012 (1)	4,351
Acquisition (2)	3,962
Accretion of provisions	105
Payments – Pridcorp distributor indemnities	(500)
Closing provisions (1)	7,918

(1) Includes both the current and long term portions.
(2) See *Liquidity and Capital Resources – Corporate Investments.*

OUTLOOK

See *Forward Looking Statements* for a discussion of the risks and assumptions associated with forward looking statements.

See *Results of Operations* for details on the Company's revenue, adjusted EBITDA and restructuring costs expectations for 2013. See *Liquidity and Capital Resources – Capital Expenditures – Historic*

Capital Maintenance Expenditures for details on the Company's capital maintenance expenditure expectations for 2013.

In terms of business acquisitions, the Company intends (see *Forward Looking Statements*) to continue to implement its business acquisition strategies and, correspondingly, is in the process of evaluating several specialty food manufacturing and/or differentiated food distribution businesses.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off balance sheet arrangements.

Contractual Obligations

The payments due on the Company's significant contractual obligations at June 29, 2013 are as follows:

(in thousands of dollars)	Total	1 year out	2 years out	3 years out	4 years out	5 years out	There-after
Term debt and notes payable	165,961	21,022	136,100	2,400	-	-	6,439
Capital leases and other	5,622	2,527	1,744	775	305	234	37
7.00% debentures	24,629	-	24,629	-	-	-	-
5.75% debentures	57,500	-	-	57,500	-	-	-
5.70% debentures	57,500	-	-	-	57,500	-	-
Operating leases	99,033	11,404	10,279	9,064	8,136	7,169	52,981
Total	410,245	34,953	172,752	69,739	65,941	7,403	59,457

TRANSACTIONS WITH RELATED PARTIES

During the first two quarters of 2013 the Company entered into the following transactions with related parties:

- Pursuant to a ten-year real property lease ending in August 2018, the Company made $0.2 million in lease payments to a company in which the Company's Chairman, Bruce Hodge, has a minority interest.

- Pursuant to a twenty-year real property lease ending in April 2033, the Company made $0.6 million in lease payments to a company in which the Company and its Chairman, Bruce Hodge, each has a minority interest (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*).

- Pursuant to the Company's employee loan program, the Company received principal payments totaling approximately $37,000 from participating employees, including its President and Chief Executive Officer, George Paleologou, and its Chief Financial Officer, Will Kalutycz.

SUBSEQUENT TRANSACTIONS

As of the date of this filing, there were no material subsequent transactions.

FORWARD LOOKING STATEMENTS

This discussion and analysis contains forward looking statements with respect to the Company, including its business operations, strategy and financial performance and condition. While

management believes that the expectations reflected in such forward looking statements are reasonable and represent the Company's internal expectations and belief as of August 7, 2013, such statements involve unknown risks and uncertainties beyond the Company's control which may cause its actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward looking statements.

Some of the factors that could cause actual results to differ materially from the Company's expectations are outlined below under *Risks and Uncertainties*.

Assumptions used by the Company to develop forward looking information contained or incorporated by reference in this discussion and analysis are based on information currently available to it and include those outlined below. Readers are cautioned that this list is not exhaustive.

- Current economic conditions in Canada and the United States will continue to show modest improvement in the near to medium term.

- The average cost of the basket of commodities the Company purchases will continue to fluctuate in line with historic levels.

- The Company's capital projects (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*) and restructuring initiatives (see *Results of Operations – Restructuring Costs*) will progress in line with the Company's expectations.

- The Company will be able to continue to access sufficient goods and services for its manufacturing and distribution operations.

- There will be no material changes in the competitive environment or consumer food consumption trends in the markets in which the Company's various businesses compete.

- There will be no significant changes to Canada's historic weather patterns.

- There will be no material changes in the Company's relationships with its larger customers.

- The Company will be able to negotiate new collective agreements with no labour disruptions.

- The Company will be able to continue to access sufficient qualified staff.

- The Company will be able to continue to access reasonably priced debt and equity capital.

- The Company's average interest cost on floating rate debt will remain relatively stable in the near to medium future.

- Contractual counterparties will continue to fulfill their obligations to the Company.

- There will be no material changes to the tax and other regulatory requirements governing the Company.

Unless otherwise indicated, the forward looking information in this document is made as of August 7, 2013 and, except as required by applicable law, will not be publicly updated or revised. This cautionary statement expressly qualifies the forward looking information in this document.

RISKS AND UNCERTAINTIES

The Company is subject to a number of risks and uncertainties related to its businesses that may have adverse effects on its results of operations and financial position. These risks and uncertainties include: (i) seasonal and/or weather related fluctuations in the Company's sales; (ii) changes in consumer discretionary spending resulting from changes in economic conditions and/or general

consumer confidence levels; (iii) changes in the cost of raw materials used in the production of the Company's products; (iv) changes in the cost of products sourced from third party manufacturers and sold through the Company's proprietary distribution networks; (v) risks associated with the Company's conversion from a publicly traded income trust to a publicly traded corporation, including related changes in Canada's income tax laws; (vi) changes in the Company's relationships with its larger customers; (vii) potential liabilities and expenses resulting from defects in the Company's products; (viii) changes in consumer food product preferences; (ix) competition from other food manufacturers and distributors; (x) execution risk associated with the Company's growth and business restructuring initiatives; (xi) risks associated with the Company's business acquisition strategies; (xii) changes in the value of the Canadian dollar relative to the U.S. dollar; and (xiii) new government regulations affecting the Company's business and operations.

Details on these risk factors as well as other factors that could potentially impact the Company's results of operations and financial position can be found in the Company's MD&A for the fiscal year ended December 29, 2012, which has been filed electronically through SEDAR and is available online at www.sedar.com. Prospective investors should carefully review and evaluate the risk factors facing the Company together with all of the other information contained in this MD&A and the Company's 2012 MD&A.

It should also be noted that the risk factors described above are not the only risk factors facing the Company and it may be subject to risks and uncertainties not described above that it is not presently aware of or that the Company may currently deem insignificant (see *Forward Looking Statements*).

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make certain estimates and assumptions, which are based on the Company's experience and management's understanding of current facts and circumstances. These estimates affect the reported amounts of assets, liabilities, contingencies, revenues and expenses included in the Company's consolidated financial statements and may differ materially from actual results. Significant areas requiring the use of management estimates include:

Inventories. Internally manufactured products are valued at the lower of cost and net realizable value, where cost includes raw materials, manufacturing labour and overhead. Inherent in the determination of the cost of such inventories are certain management judgements and estimates.

Goodwill and intangible assets. The Company assesses the impairment of goodwill and intangible assets with indefinite lives on an annual basis and finite life intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors which could trigger an impairment review include significant underperformance relative to plan, a change in the Company's business strategy, or significant negative industry or economic trends.

Capital assets. Capital assets are recorded at cost then depreciated over their estimated useful life. A significant amount of judgement is required to estimate the useful life of an asset. Changes in the life of an asset are reflected prospectively through changes in future depreciation rates.

Income tax provision. The Company's provision for (recovery of) deferred income taxes is based on changes in the estimated temporary differences between the value of its net assets for tax purposes and their value for accounting purposes. In determining these temporary differences certain management judgements and estimates are required. Furthermore, deferred income tax assets are recognized only to the extent that management determines that it is more likely than not that the deferred income tax assets will be realized.

Puttable interest in subsidiaries. Puttable interest in subsidiaries is calculated using the effective interest rate method based on projections of future profitability of certain subsidiaries and, correspondingly, a significant amount of judgement is required in estimating the future cash flows and discount rates to be used under this valuation method.

Convertible unsecured subordinated debentures. The determination of reasonable fair market values for the debt and equity components of convertible unsecured subordinated debentures is based on a variety of factors, including comparative information for other similar financial instruments, and requires a significant amount of judgement.

Business acquisitions / contingent consideration. The allocation of the purchase price associated with the acquisition of a business requires a significant amount of judgement in terms of identifying and determining: (i) the fair market values of the tangible and intangible assets purchased; and (ii) the fair value of liabilities assumed. Furthermore, when an acquisition involves contingent consideration there is also significant judgement involved in determining the value, if any, of such consideration.

Provisions. Provisions represent management's best estimate of the fair value of future costs associated with contingent consideration and lease restoration costs. The final settlement of these amounts depends upon future events and as a result a significant amount of judgement is required in estimating them.

NEW ACCOUNTING POLICIES

IFRS 11 – Joint Arrangements

As a result of the adoption of IFRS 11 – Joint Arrangements, the Company changed the accounting for a joint venture from the proportionate consolidation method to the equity method retroactive to January 1, 2012. As a result of this change, the Company's investment in the joint venture as at January 1, 2012 has been presented as an investment in associate and recorded at the net carrying amount of the assets and liabilities previously proportionately consolidated by the Company. See note 3 to the Company's unaudited interim condensed consolidated financial statements for the 13 and 26 weeks ended June 29, 2013 for details on the specific impact of this change in accounting policy.

New Accounting Pronouncements

There are a number of revised standards and amendments under IFRS that are effective for annual periods beginning on or after January 1, 2013. The Company has assessed the impact of these standards and amendments. See note 2 to the Company's 2012 audited consolidated financial statements for details on the revised standards and amendments.

FINANCIAL INSTRUMENTS

Foreign Currency Contracts

In order to reduce the risk associated with purchases denominated in currencies other than Canadian dollars, the Company, from time to time, enters into foreign currency contracts. The Company does not hold foreign currency contracts for speculative purposes.

As at June 29, 2013, the Company had outstanding foreign currency contracts for the purchase of US$13.9 million over the next six months at a blended rate of C$1.0259, and for the purchase of €0.8 million over the next three months at a blended rate of C$1.2966.

Based on the outstanding contracts for the purchase of U.S. dollars, a change of $0.01 in the value of the Canadian dollar relative to the U.S. dollar would result in an unrealized gain (if the Canadian dollar weakens) or an unrealized loss (if the Canadian dollar strengthens) of approximately $0.1 million in the Company's consolidated statement of operations.

Interest Rate Swap Contracts

In order to reduce its exposure to rising interest rates, the Company, from time to time, enters into interest rate swap contracts (swaps). The Company does not hold interest rate swap contracts for speculative purposes.

As at June 29, 2013, the Company had in place swaps relating to $100.0 million of its long-term debt. A change of 0.25 percentage points in the effective interest rate for the remaining term of these swaps would result in a gain (if interest rates increase) or loss (if interest rates decrease) of approximately $0.3 million in the Company's consolidated statement of operations.

OTHER

Outstanding Shares

The shares outstanding in the Company as of August 7, 2013 were 21,326,549. Under IFRS, which requires that shares issued under employee share benefit plans that have not yet vested be deducted from shares outstanding, the shares outstanding in the Company as of August 7, 2013 were 21,212,944.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Management has designed, or caused to be designed under their supervision, the Company's disclosure controls and procedures (DCP) and internal control over financial reporting (ICFR) as defined under National Instrument NI 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109).

Management has evaluated the Company's DCP as of June 29, 2013 and has concluded that such procedures are adequately designed and effective for providing reasonable assurance that (i) material information relating to the Company, including its consolidated subsidiaries, is made known to Management on a timely basis to ensure adequate disclosure and (ii) information required to be disclosed by the Company in its annual filings or other reports filed and submitted under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time period.

Management has also evaluated the Company's ICFR as of June 29, 2013 and has concluded that the Company's ICFR is adequately designed and effective for providing reasonable assurance that the reliability of financial reporting and the preparation of financial statements for external purposes are in accordance with IFRS.

In assessing the design of the Company's DCP and ICFR as at June 29, 2013, the Company has excluded the controls, policies and procedures of Freybe, which was acquired on March 27, 2013 (see *Liquidity and Capital Resources – Corporate Investments – Freybe Acquisition*). Freybe accounted for $20.1 of the Company's revenue and $1.2 million in losses in the second quarter, and approximately $18.1 million, $29.0 million, $10.5 million and $5.6 million of its current assets, non-current assets, current liabilities and non-current liabilities, respectively, in its June 29, 2013 consolidated balance sheet. Documentation and assessment of Freybe's impact on the overall design of the Company's DCP and ICFR are expected to be completed in 2013.

Although the Company's assessment of DCP and ICFR are based on the integrated framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), both DCP and ICFR, no matter how well designed, have inherent limitations. Therefore, DCP and ICFR can only provide reasonable assurance and thus may not prevent or detect all misstatements.

The Company's Management has also concluded that there have been no changes to the Company's ICFR during the interim period ending June 29, 2013 that has materially affected, or are reasonably likely to affect, its ICFR.

Responsibilities of Management and Board of Directors

Management is responsible for the reliability and timeliness of content disclosed in this management's discussion & analysis (MD&A), which is current as of August 7, 2013. It is the responsibility of the Company's Audit Committee to provide oversight in reviewing the MD&A and the Company's Board of Directors to approve the MD&A.

The Company's Board of Directors and its Audit Committee also review all material matters relating to the necessary systems, controls and procedures in place to ensure the appropriateness and timeliness of MD&A disclosures.

This MD&A, dated August 7, 2013, has been approved by the Company's Board of Directors.

Additional Information

Additional information, including the Company's Annual Information Form, has been filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR) and is available online at www.sedar.com.