



April 21, 2014

Message to Shareholders

On Trend, Authentic and Relevant

2013 was a very good year for our shareholders. Through a combination of dividends and share price appreciation our shares generated a 40% return. Furthermore, over the past ten years our long term shareholders have earned an average annual compounded return of 19% based on reinvesting their dividends in our shares.

The growth in our share price corresponds with the growth in our core businesses. Since 2003, sales of these businesses have grown at a compounded annual rate of approximately 30% reaching \$1.1 billion in 2013. Similarly, our EBITDA has grown dramatically over this period from \$13 million to \$71 million representing an annual average compounded growth rate of almost 19%. We are particularly pleased that we were able to achieve this growth during a period of unparalleled volatility and turmoil including the most challenging global recession in recent memory, the worst drought in sixty years in America's key grain growing regions, extreme volatility in commodity and financial markets, several serious outbreaks of livestock disease across North America and Asia, the dramatic rise and fall of the Canadian dollar, and massive shifts in consumer eating trends.

As we look forward to the next ten years, we are more confident than ever that we are well positioned to continue growing our top and bottom lines at rates well above industry averages.

Investment Philosophy

Our investment and capital allocation strategies are guided by three key principles:

- To invest in food businesses that focus on differentiation and excellence in all aspects of their business.
- To promote entrepreneurial values and to empower the talented and passionate people who run our businesses.
- To invest in businesses with their own unique regional and local presence in the markets they compete, both from a manufacturing and a marketing perspective.

These three principles are why we have been able to stay ahead of the curve in identifying and capitalizing on new consumer trends and are why our products continue to remain authentic and relevant to discriminating and knowledgeable consumers.

We have seen tremendous changes in many of our businesses over the last decade as we have adapted to changing consumer needs. Ten years ago our sales consisted mainly of commodity processed meats that catered to mainstream consumers. Today these products comprise less than 1% of our sales and the vast majority of our revenue is generated from a broad range of specialty products that cater to consumers looking for a unique food experience. These include such diverse items as sushi grade wild albacore tuna, hormone and antibiotic free grass-fed beef, best-in-class artisan sandwiches and wraps (currently our largest single product category), premium bacon and deli products made from the leanest pork cuts available, distinctive high end fresh pastas filled with a variety of exotic ingredients, authentic old-world style uniquely crafted artisan breads and a range of top quality protein based snack foods focused on both convenience and healthy eating.

2013 Investments

During 2013 we continued to capitalize on our core investment principles with the completion of three acquisitions.

Harbour Marine

Early in the year we purchased certain parts of the business of Harbour Marine Products. Based in Vancouver, BC, Harbour Marine was involved in many areas of the seafood space including the trading and processing of commodity seafood products. When it ran into financial difficulties in 2012 we worked with the management team at our Centennial Foodservice business to rescue the part of Harbour Marine's business that they recognized as having significant growth potential, namely its sushi grade Albacore tuna operation. This business was not only producing some of the highest quality tuna in North America but its products fit perfectly with a variety of consumer trends driving the food industry today including: aging baby boomers' demand for clean proteins free of antibiotics and hormones and raised in their natural environment; and a general growing demand for seafood driven by changing demographics and an increasing awareness of the health benefits associated with consuming wild seafood.

Centennial is now generating solid growth from this new product category, both through sales to Harbour Marine's traditional customer base and by selling sushi grade tuna to its legacy customers, many of whom have strongly embraced the opportunity to add a high quality, great tasting and sustainable protein to their menus. We are very pleased with the outcome of this acquisition and are excited about the future of this on-trend product line.

I should mention that the Harbour Marine transaction is only the most recent of several acquisitions we have made in the past few years in the seafood space. We view seafood in general and wild seafood, in particular, as a very attractive segment that is situated to benefit from a variety of consumer trends including those discussed above. Correspondingly, I was pleased to see that our sales of seafood, which was a new product category for us in 2007, exceeded \$136 million and comprised over 12% of our total sales in 2013.

Freybe Gourmet Foods

In March 2013 we purchased Freybe Gourmet Foods from Henning Freybe and his family. The Freybe business dates back to 1844 when it was started by Johann Carl Freybe in Stettin, Germany. The business was moved to Vancouver in 1955 by Henning's father where it became known for its authentic German style dried salami products, gourmet sausages and protein based snack foods. Over the years Freybe has grown substantially and its products can now be found in stores across Canada and the US. Today, Freybe is led by Henning's son Sven, who is the sixth generation of the Freybe family to oversee the business.

We were very excited when the opportunity to purchase this unique business arose in late 2012. With its diverse portfolio of high-end gourmet deli products, long history of family and entrepreneurial values, focus on niche markets and deep commitment to the community around it, Freybe clearly met our core

investment principles. This acquisition was, however, made even more attractive as its state-of-the-art production facility in Langley, BC had significant unutilized capacity that would provide a perfect solution for our Grimm's business which was looking to replace an aging facility in Richmond, BC.

After completing the acquisition, our Freybe and Grimm's management teams immediately began the extremely complex process of transferring a significant portion of Grimm's production and plant employees to Freybe's Langley plant. This process, which includes several capital projects, is expected to be completed in 2014 at which time the Freybe facility will be one of the best-in-class deli meat production facilities in North America and will position our Grimm's and Freybe businesses for continued growth.

While the transition of the Grimm's production to the Freybe plant has been challenging, I am very excited about not only what lies ahead for these two businesses but about some of the unique things they have already accomplished. These include:

- Working with UFCW Local 247, which represented our employees at Grimm's Richmond plant, on the negotiation of a new seven year labour agreement. This agreement, which includes both the production employees from Grimm's Richmond plant as well as Freybe's previously non-union production staff, was strongly supported with 87% of eligible staff voting in favour of it.
- Retaining our highly skilled and loyal Grimm's production team since the proximity of Freybe's Langley plant to Grimm's Richmond plant allowed us to offer positions to all of the Grimm's Richmond plant's production staff. This team has been a valued and loyal part of Grimm's business for many years and we are extremely pleased that they will continue to play an important role in our business.
- Minimizing the capital needed to replace the capacity of Grimm's Richmond plant because without the Freybe acquisition we would have needed to make a significant investment in a new facility. Again, I see this as another example of the entrepreneurial nature of our management teams which are always looking for creative solutions to run their businesses in the most efficient way possible.
- Maintaining Grimm's strong local presence, as well as many well paying manufacturing jobs, in BC's Lower Mainland. Grimm's has been an icon in the BC economy for well over 60 years and its local presence has been an integral part of the development of its brand in this market.

McLean Meats

Our third acquisition in 2013 was a 25% interest in McLean Meats. McLean was formally founded by Garth McLean in 2004 with a vision to create a unique processed meats brand that would cater to the very high end of the North American market. Garth and his business partner, Michelle Neilson, work with farmers across North America to source the best quality raw materials possible, and then partner with manufacturers, including Premium Brands, to use these raw materials to develop best-in-class processed meat products, including a variety of organic items. Their business strategy is proving to be very sound as they have, over a very short period of time and with minimal capital, built a nice niche in the retail health food channel across Canada.

More recently, McLean's product line has been gaining traction in the traditional retail grocery channel. To help manage this growth, Garth and Michelle approached us in early 2013 about investing in their business. We immediately saw McLean as a good fit. It has an outstanding product line that is highly differentiated and a strong entrepreneurial management team that is always looking for ways to grow and improve its business. Furthermore, we were very excited about the opportunity to gain a solid entry into the organic segment of the processed meats market. The Canadian market for organic foods has, in general, tripled since 2006 to approximately \$4 billion and continues to be one of the most exciting growth segments in the food space. McLean firmly positions us to benefit from this rapidly growing market segment.

Changing Times

The last several years have seen unprecedented shifts in consumers' eating habits as they become more aware of and, correspondingly, more concerned about the food they eat. This increased awareness has been fuelled by a variety of factors including an aging population and the alarming growth in the incidences of the so called western world diseases of obesity, heart disease and diabetes.

At the same time, and probably for the first time in history, consumers' food buying decisions are no longer based just on the product they are purchasing but are increasingly incorporating intangible characteristics of the business producing the product. More and more consumers want to support companies that have a deep concern for the environment and that are part of their local communities, towns and regions.

These changes have left many large multinational food companies struggling to remain relevant to consumers. In particular, this has created significant challenges for large scale plants that rely on the use of food preservatives and other food engineering processes to enable them to ship their products to a broader market base.

In keeping with our core investment principles, we have avoided centralizing, consolidating and/or rationalizing our portfolio of businesses, even though from a cost perspective this may appear to be a logical path to improving profits. This is because by maintaining the independent identity of our businesses we not only promote an entrepreneurial culture that can rapidly identify and capitalize on new consumer trends and/or opportunities, but we are also able to maintain the distinction of being the local company in many of the communities in which we sell our products. As discussed earlier, these are two of the key reasons why our businesses have been able to remain relevant and authentic to their consumer bases and why we are so well positioned to continue growing our bottom and top lines at above industry averages, regardless of what challenges lie ahead.

Our decentralized, entrepreneurial based strategy carries through to our production facilities. Our plants tend to be at the smaller end of the scale and located in the regions they service. They are, however, modern, efficient and, most importantly, fully incorporate a creative and dedicated workforce. This is a common theme that we see time and time again among the successful businesses in our industry and is what allows us to produce the artisan, hand crafted, best-in-class products that more sophisticated consumers are choosing. Too often food companies lose their way by concentrating on automation and efficiency at the expense of compromising their ability to produce differentiated products and adapt to changes in the marketplace. Our products are certainly not the cheapest, but they are without question some of the best and, most relevant to consumers.

A great example of how successful our investment philosophy has been is the partnership we entered into with Ferndale, WA based Hempler's Fine Foods at the end of 2005. At that time Hempler's was owned and operated by Dick Hempler and his family, had annual sales of approximately \$5 million and had a small but loyal customer base located primarily in the northwest corner of Washington State. We were very interested in investing in Hempler's based on several factors including what the Hempler's brand stood for, namely high quality, best-in-class deli meat products produced by a business with strong family values and equally strong community ties. In short, Hempler's was on trend, authentic and relevant.

Immediately after purchasing a 60% interest in Hempler's we began working with Dick and his management team on the construction of a new state-of-the-art production facility which Hempler's needed to continue growing its business. After completing the new facility, Hempler's began expanding into new markets all the while maintaining its core product and brand strategies. What came next can only be described as a resounding success. Hempler's sales have consistently grown at an annual rate of almost 25% percent as its products and brand have resonated perfectly with consumers looking for artisanship and authenticity. Furthermore, Hempler's has been the fastest growing deli brand in Washington State for the last several years and is now the leading brand in this state in several key

product categories as measured by AC Nielsen, a large multinational marketing research firm. This is despite Hempler's competing with some of the U.S.'s largest food companies.

Hempler's products are now available in grocery stores across Washington, Oregon, California and Arizona and its sales for 2014 are expected to exceed \$30 million. Furthermore, to support its growth for the next three to five years, Hempler's recently initiated a third major expansion of its production facility in Ferndale. We have no doubt that one day Hempler's will be a \$100 million specialty brand with a loyal consumer following across the entire western U.S.

Another example of how successful our investment philosophy can be is the partnership we entered into with Nanaimo, BC based Hub City Fisheries in 2010. Prior to our involvement with Hub, its business was subject to significant volatility due to the unpredictability of the various BC based fisheries and its focus on selling commodity products. Hub's owner and founder, Roger Paquette, recognized the need to expand his business into more value added products and on this basis approached us to invest in it.

Three years later Hub's sales have almost doubled. This growth has been driven by not only the expansion of Hub's value-added product offerings, which include successful new products such as its bacon wrapped scallops made with large wild scallops harvested off of the BC coast, but also by Hub being able to leverage our Centennial Foodservice business' distribution network to offer its sustainably caught, hand processed wild seafood products to a whole new diversified customer base.

Most recently, we were able to help Roger and his team complete Hub's first bolt on acquisition. In late 2013 Hub purchased the assets of Kelsey Fishing Company, a small distributor of wild, live seafood to ethnic restaurants in Greater Vancouver. Roger identified Kelsey's products as being a great growth opportunity given the changing demographics of Greater Vancouver and growing demand for live seafood by consumers looking for the absolute best in freshness. We expect Kelsey to be another significant driver of Hub's growth over the next couple of years.

Conclusion

We are very excited about the future for our company and fully expect to generate another ten years of above average returns for our shareholders. While we can almost guarantee that there will be significant challenges along the way, we are very confident that our investment strategies will ensure our products remain on trend, authentic and relevant to consumers, and in turn that we are positioned to continue growing our top and bottom lines at well above industry averages.

Even at the \$1 billion sales mark we continue to see substantial opportunities to grow both organically and by acquisition. There simply has never been a better time to be focused on smaller, differentiation based specialty food products, markets and channels.

Thank you for your continued support.

George Paleologou
President and CEO