



PREMIUM BRANDS HOLDINGS CORPORATION

Management's Discussion and Analysis

For the 13 and 52 Weeks Ended December 27, 2014

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 March 11, 2015. It should be read in conjunction with the Company's audited financial statements and the notes thereto for the fiscal year ended December 27, 2014, which are prepared in accordance with International Financial Reporting Standards (IFRS). 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 an investment platform focused on acquiring and building specialty food businesses in partnership with talented entrepreneurial management teams. Its current holdings consist primarily of:

- **Manufacturers of specialty food products (specialty food businesses) with strong proprietary brands and/or leading niche market positions.**

Premium Brands defines specialty food products as those where consumers' purchasing decisions are based primarily on factors other than price, such as quality, convenience, product consistency, health and/or lifestyle. Examples of its specialty food products include: (i) fresh, pre-packaged and frozen sandwiches, wraps and other hand held foods; (ii) high end European deli meats; (iii) protein based snack foods such as pepperoni, beef jerky and kippered beef; (iv) premium quality processed meats and seafood, including natural and organic products; (v) artisan breads; and (vi) concessionary items such as popcorn, hot and frozen beverage supplies and ice cream accessories.

The Company's focus on this segment of the food industry is based on the ability of specialty food businesses, 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.**

Premium Brands defines differentiated food distribution businesses as distribution businesses that offer their customers premium and/or unique services and products in addition to basic logistical solutions. Examples of these differentiating factors include: (i) in the foodservice industry, chef specific menu solutions that utilize in-house custom meat cutting facilities; (ii) in the retail channel, in-store merchandising and inventory management services; and (iii) in the concessionary industry, complete equipment solutions including maintenance and leasing programs.

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 and more consistent selling margins and to avoid competing with large national and international distributors that are primarily focused on logistics. Furthermore, these businesses enable the Company to generate and sustain additional margin by providing its specialty food businesses with proprietary access to a broad and diversified customer base that includes restaurants, regional and specialty grocery chains, convenience stores, gas bars, delicatessens, hotels and institutions.

SELECT ANNUAL INFORMATION

The following is a summary of select annual consolidated financial information. All amounts, except adjusted EBITDA and RONA, are derived from the Company's audited consolidated financial statements for each of the three most recently completed financial years and are prepared in accordance with IFRS.

The calculation of RONA is shown below. See *Results of Operations* for the calculation of adjusted EBITDA.

<i>(in millions of dollars except per share amounts)</i>	52 weeks ended Dec 27, 2014	52 weeks ended Dec 28, 2013	52 weeks ended Dec 29, 2012
Revenue	1,241.7	1,072.7	960.1
Adjusted EBITDA	76.1	69.7	66.8
Earnings before acquisition transaction costs, restructuring costs and income taxes	33.0	29.9	28.4
Earnings	11.4	12.5	15.3
Basic earnings per share	0.52	0.60	0.73
Diluted earnings per share	0.52	0.59	0.73
Total assets	739.1	670.3	605.7
Long-term financial liabilities ⁽¹⁾	389.6	332.0	285.3
RONA	13.1%	12.4%	13.1%
Dividends declared per share	1.2500	1.2315	1.1760

(1) Excludes deferred financing costs and includes the current portion of long-term debt.

Revenue and Earnings

The Company has grown its revenue and adjusted EBITDA for each of the last two years through a combination of acquisitions and organic growth initiatives (see *Results of Operations*).

The Company's earnings over the last three years have been relatively volatile due to a number of factors including: (i) restructuring costs, which are event driven (see *Liquidity and Capital Resources – Corporate Investments* and *Results of Operations – Restructuring Costs*); (ii) the Company's business acquisition initiatives, including fluctuations in acquisition transaction costs; and (iii) fluctuations resulting from the valuation of a variety of the Company's assets and liabilities, including provisions for contingent consideration, foreign currency and interest rate swap contracts and puttable interest in subsidiaries.

Excluding acquisition costs, plant start-up and restructuring costs, and income taxes, the Company's earnings increased by 10.4% in 2014 and 5.3% in 2013.

Total Assets

The increases in the Company's total assets in 2014 and 2013 were primarily due to project capital expenditures (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*) and business acquisitions (see *Liquidity and Capital Resources – Corporate Investments*).

Long-term Financial Liabilities

The increases in the Company's long-term financial liabilities in 2014 and 2013 were primarily due to business acquisitions (see *Liquidity and Capital Resources – Corporate Investments*) and project capital expenditures (see *Liquidity and Capital Resources – Capital Expenditures*).

RONA

Return on adjusted net assets (RONA) 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 RONA is a useful indicator of the performance of its operations relative to the assets employed.

The following table provides the calculation of RONA for each of the last three fiscal years:

<i>(in thousands of dollars)</i>	52 weeks ended Dec 27, 2014	52 weeks ended Dec 28, 2013	52 weeks ended Dec 29, 2012
Return:			
Adjusted EBITDA (1)	76,093	69,739	66,794
Other income	4,703	1,158	-
Maintenance capital expenditures (2)	(4,818)	(4,294)	(2,917)
	75,978	66,603	63,877
Average adjusted net assets (3):			
Opening net assets	549,332	490,076	488,661
Closing net assets excluding net assets of businesses acquired during the year	606,822	488,359	490,076
Average net assets before including businesses acquired in the year (4)	578,077	489,218	489,369
Weighted net assets of businesses acquired in the year (5)	1,892	46,568	-
	579,969	535,786	489,369
RONA (6)	13.1%	12.4%	13.1%

(1) See *Results of Operations – Adjusted EBITDA*.

(2) See *Liquidity and Capital Resources – Capital Expenditures*.

(3) Net assets are calculated as total assets less deferred income tax assets, accounts payable and accrued liabilities.

(4) Calculated as the sum of the opening net assets and the closing net assets (excluding net assets of businesses acquired during the year) divided by two.

(5) Based on weighting the net assets of each business acquired during the current fiscal year by a factor based on the number of days in the fiscal year that the Company owned the applicable business in relation to the total number of days in the fiscal year.

(6) Calculated as return divided by average adjusted net assets.

For the last several years the Company's RONA has been negatively impacted by the implementation of a number of initiatives with long-term investment horizons, including significant investments in capital projects and business acquisitions. As a result of these initiatives the growth in the Company's cash flow has, in the short term, lagged in comparison to the growth in its asset base.

Some of the more significant initiatives that have contributed to this effect include: (i) the construction and start-up of a new \$29.5 million sandwich production facility in 2014 (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets and Results of Operations – Sandwich Capacity Project*); (ii) the acquisition of Freybe in 2013 for \$54.9 million and the associated restructuring of the Company's deli meats production capacities (see *Results of Operations – Plant Start-up and Restructuring Costs – Deli Capacity Project*); and (iii) the construction and start-up of a new \$19.0 million artisan bakery in 2012.

In 2014 the Company's RONA was also impacted by significant increases in the cost of certain raw materials that had a temporary negative effect on its gross margins (see *Results of Operations – Gross Profit*).

Looking forward (see *Forward Looking Statements*), the Company expects its RONA in 2015 to improve significantly based on growth in its adjusted EBITDA (see *Results of Operations – Adjusted EBITDA*).

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 Bakestudio, 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, wraps and pastries.

The Foodservice segment includes the Company's Centennial Foodservice, B&C Food Distributors, Harlan Fairbanks, Worldsource, E1even, Wescadia, Maximum Seafood, Ocean Miracle 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

<i>(in thousands of dollars except percentages)</i>							
	13 weeks ended Dec 27, 2014	% (1)	13 weeks ended Dec 28, 2013	% (1)	52 weeks ended Dec 27, 2014	% (1)	52 weeks ended Dec 28, 2013
Revenue by segment:							
Retail	203,601	63.2%	175,495	63.2%	783,609	63.1%	667,086
Foodservice	118,491	36.8%	102,177	36.8%	458,047	36.9%	405,651
Consolidated	322,092	100.0%	277,672	100.0%	1,241,656	100.0%	1,072,737

(1) Expressed as a percentage of consolidated revenue

Retail's revenue for the fourth quarter of 2014 as compared to the fourth quarter of 2013 increased by \$28.1 million or 16.0% primarily due to organic growth across a range of products and customers. Retail's sandwich business, in particular, generated significant growth in both Canada and the U.S. primarily due to the introduction of a variety of new products by one of its major customers and expansion into new markets in the U.S. northeast.

Retail's revenue for 2014 increased by \$116.5 million or 17.5% as compared to 2013 primarily due to: (i) net organic growth of \$100.5 million, representing an average growth rate of 15.1%; and (ii) the acquisition of Freybe Gourmet Foods at the end of the first quarter of 2013 which accounted for \$16.0 million of the increase.

Retail's organic growth rate for 2014 was well above the Company's targeted range of 6% to 8% primarily due to: (i) selling price increases that were implemented by several of its businesses in response to a record rise in the cost of a variety of raw materials (see *Results of Operations – Gross Profit*); and (ii) an increase in the translated value of Retail's U.S. based businesses' sales resulting from a decline in the value of the Canadian dollar. Excluding these factors, Retail's organic growth for 2014 was slightly above the Company's net of inflation targeted range of 4% to 6%.

Looking forward (see *Forward Looking Statements*), the Company is expecting Retail's organic growth for 2015 to continue to remain at above its targeted range based on (i) the factors outlined above; and (ii) continued implementation of a variety of growth initiatives including several production capacity expansion projects (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*).

Foodservice's revenue for the fourth quarter of 2014 as compared to the fourth quarter of 2013 increased by \$16.3 million or 16.0% primarily due to: (i) organic growth of \$8.0 million, representing an average growth rate of 8.5%; (ii) the acquisitions of Reddi Foods and Ocean Miracle (see *Liquidity and Capital Resources – Corporate Investments*) which accounted for \$4.9 million of the increase; and (iii) increased sales in its Worldsource food brokerage business of \$3.4 million resulting from improved trading opportunities and average higher selling prices for beef and pork products.

Foodservice's revenue for 2014 increased by \$52.4 million or 12.9% as compared to 2013 primarily due to: (i) organic growth of \$36.8 million, representing an average growth rate of 9.8%; (ii) the acquisitions of Reddi Foods and Ocean Miracle which accounted for \$8.5 million of the increase; and (iii) increased sales in its Worldsource food brokerage business of \$7.0 million resulting from improved trading opportunities and average higher selling prices for beef and pork products.

Foodservice's organic growth rate for 2014 was above the Company's targeted range of 6% to 8% mainly due to: (i) selling price increases that were implemented by several of its businesses in response to a record rise in the cost of a variety of raw materials (see *Results of Operations – Gross Profit*) and (ii) increased wild sockeye salmon sales in the third quarter due to a very strong fishery on the west coast of B.C. These increases were partially offset by: (i) temporary supply chain disruptions for certain seafood products in the fourth quarter of 2014; and (ii) lower than expected growth in Foodservice's sales volume during the first half of 2014 due mainly to poor weather conditions across much of the Prairies and Ontario (see *Summary of Quarterly Results*). Excluding the impact of selling price increases, Foodservice's organic growth for 2014 was slightly below the Company's net of inflation targeted range of 4% to 6%.

Looking forward (see *Forward Looking Statements*), the Company is expecting Foodservice's organic growth for 2015 to be at the bottom end of its targeted range of 6% to 8% based on: (i) a much weaker west coast sockeye salmon fishery as compared to 2014; and (ii) slower growth from its traditional restaurant customers due to a variety of factors including an expected slowdown in Alberta's economy resulting from lower oil prices, and a negative impact on consumer demand resulting from continued record high beef prices.

Gross Profit

(in thousands of dollars except percentages)

	13 weeks ended Dec 27, 2014	% (1)	13 weeks ended Dec 28, 2013	% (1)	52 weeks ended Dec 27, 2014	% (1)	52 weeks ended Dec 28, 2013	% (1)
Gross profit by segment:								
Retail	40,549	19.9%	33,341	19.0%	152,913	19.5%	139,067	20.8%
Foodservice	17,323	14.6%	17,744	17.4%	75,865	16.6%	73,987	18.2%
Consolidated	57,872	18.0%	51,085	18.4%	228,778	18.4%	213,054	19.9%

(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 fourth quarter of 2014 as compared to the fourth quarter of 2013 increased primarily due to: (i) selling price increases implemented by its protein focused businesses over the last several quarters (see *Results of Operations – Revenue*) in order to address a record run up in raw material beef and pork costs that began in the fourth quarter of 2013; and (ii) some softening in raw material pork costs during the quarter. These positive factors were partially offset by: (i) temporarily lower operating efficiencies in Retail's sandwich operations while a new 180,000 square foot sandwich production facility is brought into production (see *Results of Operations – Plant Start-up and Restructuring Costs – Sandwich Capacity Project*); and (ii) a significant portion of its volume sales growth coming from products that are sold on a cost plus basis. These products generally have lower than average gross margins since the customer assumes the risk associated with changes in raw material costs.

Retail's gross margin for 2014 as compared to 2013 decreased primarily due to; (i) significant increases in the cost of a variety of raw materials, with the most significant being for beef and pork products which, for certain items, were 40% to 50% higher as compared to 2013; (ii) the sales mix changes that impacted the fourth quarter as discussed above; and (iii) the temporarily lower operating efficiencies in Retail's sandwich operations as discussed above.

Foodservice's gross margin for the fourth quarter of 2014 as compared to the fourth quarter of 2013 decreased primarily due to continued record high raw material beef costs. Foodservice has been able to recover most of these cost increases through higher selling prices, however, due to the extent of the increases it has not been able to achieve its historic gross margin levels. Looking forward (see *Forward Looking Statements*), Foodservice expects its gross margin to improve over the course of 2015 due to a combination of continued selling price increases and an easing off of raw material beef costs in the latter part of 2015.

Foodservice's gross margin in the fourth quarter was also impacted by a \$0.9 million write down of tuna inventory due to an unexpectedly strong tuna fishery in 2014 that resulted in lower selling prices for tuna purchased in 2013.

Foodservice's gross margin for 2014 as compared to 2013 decreased due to record increases in the cost of a variety of raw materials including beef, and the \$0.9 million tuna inventory write down, as discussed above.

Selling, General and Administrative Expenses (SG&A)

(in thousands of dollars except percentages)

	13 weeks ended Dec 27, 2014	% (1)	13 weeks ended Dec 28, 2013	% (1)	52 weeks ended Dec 27, 2014	% (1)	52 weeks ended Dec 28, 2013	% (1)
SG&A by segment:								
Retail	22,577	11.1%	21,333	12.2%	90,460	11.5%	86,476	13.0%
Foodservice	14,151	11.9%	12,811	12.5%	54,529	11.9%	50,572	12.5%
Corporate	1,941		1,591		7,696		6,267	
Consolidated	38,669	12.0%	35,735	12.9%	152,685	12.3%	143,315	13.4%

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

Retail's SG&A for the fourth quarter of 2014 as compared to the fourth quarter of 2013 increased by \$1.2 million due to incremental costs associated with Retail's organic sales growth (see *Results of Operations – Revenue*) including higher variable selling costs, such as freight, and additional sales and administration infrastructure. These increases were partially offset by reduced costs resulting from the sale of a portion of Retail's direct-to-store delivery network (see *Results of Operations – Plant Start-up and Restructuring Costs – NDSD Reconfiguration Project* and *Results of Operations – Other Gains and Losses*).

Retail's SG&A for 2014 as compared to 2013 increased by \$4.0 million primarily due to: (i) additional SG&A resulting from the acquisition of Freybe Gourmet Foods at the end of the first quarter of 2013; and (ii) incremental costs associated with Retail's organic sales growth as discussed above. These increases were partially offset by: (i) a temporary reduction in discretionary marketing and advertising programs in the second and third quarters of 2014 as part of a strategy to partially mitigate the impact of record high raw material costs (see *Results of Operations – Gross Profit*); and (ii) the rationalization and subsequent sale of a portion of Retail's direct-to-store delivery network channel as discussed above.

Retail's SG&A as a percentage of its revenue for 2014 as compared to 2013 decreased mainly due to: (i) the fixed nature of certain costs relative to the growth in its revenue (see *Results of Operations – Revenue*); and (ii) decreased discretionary marketing and advertising spending as discussed above.

Foodservice's SG&A for the fourth quarter of 2014 as compared to the fourth quarter of 2013 increased by \$1.3 million primarily due to: (i) incremental costs associated with Foodservice's organic sales growth (see *Results of Operations – Revenue*) including higher variable selling costs and additional sales and administration infrastructure; and (ii) an unusual bad debt expense of \$0.4 million resulting from a major restaurant chain customer permanently shutting down its operations.

Foodservice's SG&A as a percentage of its revenue for 2014 as compared to 2013 decreased mainly due to the fixed nature of certain costs relative to the growth in its revenue (see *Results of Operations – Revenue*).

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. This measure is widely used by investors in the valuation and comparison of companies. In addition, it is 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 Dec 27, 2014	13 weeks ended Dec 28, 2013	52 weeks ended Dec 27, 2014	52 weeks ended Dec 28, 2013
Earnings (loss) before income taxes	(294)	759	12,436	16,550
Other income ⁽¹⁾	-	-	(4,703)	(1,158)
Depreciation of capital assets ⁽²⁾	5,673	4,583	20,084	17,597
Amortization of intangible assets ⁽²⁾	1,016	1,099	4,356	4,371
Amortization of other assets ⁽²⁾	1	1	5	5
Interest and other financing costs ⁽³⁾	5,319	5,107	20,556	18,460
Amortization of financing costs ⁽³⁾	58	74	253	312
Acquisition transaction costs ⁽¹⁾	78	26	266	560
Change in value of puttable interest in subsidiaries ⁽⁴⁾	208	476	1,996	1,639
Accretion of provisions ⁽³⁾	80	2	342	307
Unrealized gain on foreign currency contracts ⁽⁵⁾	(400)	(300)	(400)	(100)
Unrealized loss on interest rate swap contracts ⁽⁶⁾	-	100	-	200
Plant start-up and restructuring costs ⁽¹⁾	6,723	4,038	20,299	12,749
Equity loss (income) in associates ⁽⁷⁾	86	285	(52)	(91)
Other gains and losses ⁽¹⁾	655	(900)	655	(1,662)
Consolidated	19,203	15,350	76,093	69,739

(1) Amount is not part of the Company's normal operating costs.

(2) Amount relates to the consumption of the Company's capital assets, intangible assets or other assets.

(3) Amount relates to the Company's financing strategies.

(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 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 denominated purchases and, in turn, its profit 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.

<i>(in thousands of dollars except percentages)</i>								
	13 weeks ended Dec 27, 2014	% (1)	13 weeks ended Dec 28, 2013	% (1)	52 weeks ended Dec 27, 2014	% (1)	52 weeks ended Dec 28, 2013	% (1)
Adjusted EBITDA by segment:								
Retail	17,972	8.8%	12,008	6.8%	62,453	8.0%	52,591	7.9%
Foodservice	3,172	2.7%	4,933	4.8%	21,336	4.7%	23,415	5.8%
Corporate	(1,941)		(1,591)		(7,696)		(6,267)	
Consolidated	19,203	6.0%	15,350	5.5%	76,093	6.1%	69,739	6.5%

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

The Company's adjusted EBITDA for the fourth quarter of 2014 as compared to the fourth quarter of 2013 increased by \$3.9 million or 25.1% to \$19.2 million primarily due to:

- Growth in the Company's sales (see *Results of Operations – Revenue*);
- Improved operating efficiencies resulting from the reconfiguration of the Company's deli meats production capacity (see *Results of Operations – Plant Start-up and Restructuring Charges – Deli Capacity Project*);
- Improved gross margins resulting from higher selling prices and decreases in certain raw material costs (see *Results of Operations – Gross Profit*); and
- The rationalization and subsequent sale of the Company's direct-to-store delivery network for the convenience store channel (see *Results of Operations – Plant Start-up and Restructuring Charges – NDSD Reconfiguration Project* and *Results of Operations – Other Gains and Losses*).

These increases were partially offset by:

- Temporarily lower operating efficiencies in the Company's sandwich operations while a new 180,000 square foot sandwich production facility is brought into production (see *Results of Operations – Plant Start-up and Restructuring Costs – Sandwich Capacity Project*); and
- \$1.3 million in unusual costs incurred by the Company's foodservice operation consisting of a \$0.9 million write down of tuna inventory (see *Results of Operations – Gross Profit*) and a \$0.4 million bad debt write-off (see *Results of Operations – Selling, General and Administrative Expenses*).

The Company's adjusted EBITDA for 2014 as compared to 2013 increased by \$6.4 million or 9.1% to \$76.1 million primarily due to the factors that favourably impacted the fourth quarter. These were partially offset by: (i) the factors that unfavourably impacted the fourth quarter; and (ii) below normal margins on most protein products for the first three quarters of 2014 due to record high raw material costs (see *Results of Operations – Gross Profit*). The impact of this factor was much more severe in the first half of 2014 due to: (i) most of the raw material cost increases occurred during this period; and (ii) delays associated with increasing selling prices, such as customer notice periods, which resulted in most selling price increases taking effect in the latter part of the year.

Looking forward (see *Forward Looking Statements*), the Company expects its adjusted EBITDA to continue to show substantial improvement in 2015 based on:

- Gross margins in the Company's deli and premium processed meats operations returning to normal levels;

- A steady improvement in the profitability of the Company's sandwich operations driven by: (i) improved operating efficiencies at its new production facility (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*) as start-up related issues are resolved and its workforce becomes more experienced; and (ii) sales growth which will help to offset the incremental overhead associated with its new production facility and the sales and administration infrastructure that was put into place in 2014 to support the sandwich operation's long-term growth objectives;
- Strong growth from the Company's businesses that have completed significant capital projects over the last three years including: its bakery operations, which completed a new state-of-the-art artisan bakery in 2012; its seafood operations, which built a new seafood processing facility in 2013; and its premium processed meats operations, which expanded its Ferndale, WA facility in 2013;
- Continued improvement in the performance of the Company's deli meat operations with the completion of the Deli Capacity Project (see *Results of Operations – Plant Start-up and Restructuring Costs – Deli Capacity Project*);
- The integration of the Ocean Miracle business acquisition (see *Liquidity and Capital Resources – Corporate Investments*);
- Continued improvement in the Company's foodservice operation's gross margins (see *Results of Operations – Gross Profit*);
- The turnaround of the Company's protein snack foods business with the completion of its NDSD Reconfiguration Project (see *Results of Operations – Plant Start-up and Restructuring Costs – NDSD Reconfiguration Project*); and
- Continued general organic growth.

Other Income

Other income for 2014 consists of a \$4.7 million gain resulting from the Retail segment's sale and leaseback of a distribution centre in Surrey, BC in the first quarter (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*).

Other income for 2013 consists of a \$1.2 million gain resulting from the Retail segment's sale of vacant land in Edmonton, AB in the third quarter.

Plant Start-up and Restructuring Costs

Plant start-up and restructuring costs consist of costs associated with the start-up of new production capacity and/or the significant restructuring of one or more of the Company's businesses. The Company expects these projects to result in significant improvements in its future earnings and cash flows.

Project	13 weeks ended Dec 27, 2014	13 weeks ended Dec 28, 2013	52 weeks ended Dec 27, 2014	52 weeks ended Dec 28, 2013	Expected Completion Date
Sandwich Capacity	6,723	-	15,305	-	Q2-2015
Deli Capacity	-	3,120	3,449	9,480	Complete
NDSD Reconfiguration	-	212	1,375	2,170	Complete
New Seafood Facility Start-up	-	-	-	210	Complete
Other	-	706	170	889	
	6,723	4,038	20,299	12,749	

Sandwich Capacity Project

This project involves the reconfiguration of the Company's U.S. based sandwich production capacity including the construction of a new 180,000 square foot production facility in Columbus, OH (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*). Once complete, it will provide the Company with much needed incremental sandwich production capacity and will result in improved efficiencies at its other U.S. sandwich plant in Reno, NV.

The first phase of the project was completed in the third quarter of 2014 with the startup of the new Columbus plant in August. The second and final phase of the project consists of: (i) getting the Columbus plant operating at normal efficiency levels (see *Results of Operations – Adjusted EBITDA*); and (ii) reallocation of production between the Columbus and Reno plants to maximize various operational efficiencies. The second phase of the project was originally projected to be completed by the end of 2014, however, due to unexpectedly high sales volumes in the fourth quarter of 2014 and in early 2015 certain aspects of the project had to be delayed. In response, the Company has brought in additional resources and now expects (see *Forward Looking Statements*) this phase of the project to be completed in the second quarter of 2015.

Deli Capacity Project

This project involved the reconfiguration of the Company's deli meats production capacity in western Canada including: (i) the shutdown of an older facility in Richmond, BC; (ii) a major realignment of a new facility in Langley, BC acquired in 2013 as part of the acquisition of Freybe Gourmet Foods; (iii) the transfer of the Langley plant's distribution to the Company's distribution centre in Surrey, BC; and (iv) the start-up of a new distribution operation in Calgary, AB.

This project, which increased the Company's deli meats production capacity and significantly improved its operating efficiencies, was completed in the second quarter of 2014.

NDSD Reconfiguration Project

This project involved the restructuring and rationalization of NDSD, the Company's direct-to-store delivery business for the convenience store channel. The project was initiated to address the impact that a variety of factors, including the proliferation of quick serve restaurants, was having on consumer demand for food products sold through this channel.

The major elements of the initiative, which consisted mainly of streamlining NDSD's distribution infrastructure so that it could be profitable on a lower sales volume, were completed in 2013. The restructuring costs incurred in 2014 consist mainly of final employee severance payments and the write-down of inventory made obsolete by the reconfiguration.

In the third quarter of 2014, NDSD's Quebec operations were sold to a well-established regional distributor as part of a strategy to: (i) form strategic alliances with strong regional distributors (Strategic Distributors) for the direct-to-store delivery of the Company's products to the convenience store channel; and (ii) shutdown and/or sell NDSD's direct-to-store delivery operations to the Strategic Distributors. In the fourth quarter of 2014 the Company continued to execute this strategy with the sale/exit of NDSD's operations in Alberta, Saskatchewan and Manitoba. Correspondingly, the Company has entered into strategic alliances with strong regional distributors in each of these markets.

As a result of the sale of NDSD's operations the Company recorded a loss of \$0.7 million in the fourth quarter of 2014 (see *Results of Operations – Other Gains and Losses*).

Looking forward (see *Forward Looking Statements*), the Company expects to sell the small remaining portion of NDSD's operations, consisting of several routes in the Vancouver region, in the first half of 2015.

New Seafood Facility Start-up Project

This project, which consisted of the start-up of a new seafood processing facility in Richmond, BC and the subsequent integration of a business acquired from Harbour Marine in 2013, was completed in the first quarter of 2013.

Depreciation and Amortization (D&A)

<i>(in thousands of dollars)</i>				
	13 weeks ended Dec 27, 2014	13 weeks ended Dec 28, 2013	52 weeks ended Dec 27, 2014	52 weeks ended Dec 28, 2013
Depreciation and amortization of intangible and other assets (D&A) by segment:				
Retail	5,350	4,396	19,331	17,084
Foodservice	1,223	1,166	4,682	4,355
Corporate	117	121	432	534
Consolidated	6,690	5,683	24,445	21,973

The Company's D&A expense for the fourth quarter of 2014 as compared to the fourth quarter of 2013 increased by \$1.0 million primarily due to the completion of Retail's new sandwich production facility (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*).

The Company's D&A expense for 2014 as compared to 2013 increased by \$2.5 million primarily due to: (i) the completion of Retail's new sandwich production facility; and (ii) the acquisition of Freybe Gourmet Foods Ltd. at the end of the first quarter of 2013.

Interest and other financing costs

The Company's interest and other financing costs for the fourth quarter of 2014 as compared to the fourth quarter of 2013 and for 2014 as compared to 2013 increased by \$0.2 million and \$2.1 million, respectively, primarily due to an increase in the Company's funded debt resulting from the Company's project capital expenditure initiatives (see *Liquidity and Capital Resources – Debt Financing Activities*).

– *Debt Activities*) and business acquisitions (see *Liquidity and Capital Resources – Corporate Investments*).

Change in Value of Puttable Interest in Subsidiaries

Change in value of puttable interest in subsidiaries represents an estimate of the change in the value of options (the put 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*). Change in value of puttable interest in subsidiaries generally consists of normal accretion in the value of the put option and net differences resulting from changes in the assumptions used to value it.

Change in value of puttable interest in subsidiaries for the fourth quarter of 2014 as compared to the fourth quarter of 2013 decreased by \$0.3 million and for 2014 as compared to 2013 it increased by \$0.4 million. The fluctuations in this expense were primarily due to changes in the assumptions used to value the put options.

Other Gains and Losses

During the fourth quarter of 2014 the Company recorded a loss of \$0.7 million on the sale of a portion of NDSD's operations (see *Results of Operations – Plant Start-up and Restructuring Costs – NDSD Reconfiguration Project*). In 2013 the Company recorded \$1.7 million in gains resulting from the reversal of certain contingent consideration provisions (see *Liquidity and Capital Resources – Corporate Investments – Provisions*).

Income Taxes

Tax Attributes

An estimate of the Company's tax attributes as at the end of 2014 is as follows:

<i>(in millions of dollars)</i>	
Scientific research and experimental development tax credits	92.1
Un-depreciated capital costs	96.4
Non-capital losses carried forward	30.2
Capital losses carried forward	0.9
Cumulative eligible capital	54.5
Section 20(1)(e) financing fee	4.5
Investment tax credits	15.6
Total	294.2

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 undepreciated capital costs (the Tax Attributes). At the time of the Conversion the Company estimated the value of the 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. 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 (recovery) relates primarily to its U.S. subsidiaries and non-wholly owned Canadian subsidiaries.

In the fourth quarter of 2014 and for 2014 the Company had current income tax recoveries of \$2.9 million and \$3.5 million, respectively primarily due to: (i) start-up and restructuring costs incurred by its U.S. sandwich operations (see *Results of Operations – Plant Start-up and Restructuring Costs – U.S. Sandwich Capacity Project*) which will result in the recovery of income taxes paid in prior years; and (ii) the refiling of certain income tax returns that resulted in the recovery in the fourth quarter of 2014 of approximately \$1.2 million of income taxes paid in prior years.

Deferred Income Tax (DIT) Provision

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

(in thousands of dollars)	13 weeks ended Dec 27, 2014	13 weeks ended Dec 28, 2013	52 weeks ended Dec 27, 2014	52 weeks ended Dec 28, 2013
Opening DIT asset	23,738	25,633	26,697	32,575
Adjustments:				
DIT resulting from acquisitions	-	-	65	(5,340)
DIT charged to other comprehensive income	-	394	-	393
Foreign currency translation adjustment ⁽¹⁾	(93)	(117)	(323)	(75)
Other	118	100	400	300
Adjusted opening DIT asset	23,763	26,010	26,839	27,853
Closing DIT asset	22,257	26,697	22,257	26,697
Provision for (recovery of) DIT	1,506	(687)	4,582	1,156

(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.

FOURTH QUARTER FINANCIAL STATEMENTS

The Company's operating results for the fourth quarters of 2014 and 2013 were as follows:

<i>(in thousands of dollars)</i>	13 weeks ended Dec 27, 2014	13 weeks ended Dec 28, 2013
Revenue	322,092	277,672
Gross profit	57,872	51,085
Selling, general and administrative expenses	38,669	35,735
	19,203	15,350
Plant start-up and restructuring costs	6,723	4,038
	12,480	11,312
Depreciation of capital assets	5,673	4,583
Amortization of intangible assets	1,016	1,099
Amortization of other assets	1	1
Interest and other financing costs	5,319	5,107
Amortization of financing costs	58	74
Acquisition transaction costs	78	26
Change in value of puttable interest in subsidiaries	208	476
Accretion of provisions for contingent consideration	80	2
Unrealized gain on foreign currency contracts	(400)	(300)
Unrealized loss on interest rate swap contracts	-	100
Equity loss in associates	86	285
Other gains and losses	655	(900)
Earnings (loss) before income taxes	(294)	759
Income tax provision (recovery) - current	(2,931)	576
Income tax provision (recovery) – deferred	1,506	(687)
Income tax recovery	(1,425)	(111)
Earnings	1,131	870

See *Results of Operations* for a discussion of the Company's operating results for the fourth quarter of 2014.

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.

<i>(in millions of dollars except per share amounts)</i>	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Revenue	229.2	278.9	287.0	227.7	266.9	322.3	330.4	322.1
Adjusted EBITDA	12.8	21.0	20.6	15.4	11.2	21.7	24.0	19.2
Earnings	1.2	5.3	5.2	0.9	1.9	3.7	4.7	1.1
Earnings per share – basic	0.06	0.25	0.25	0.04	0.09	0.17	0.21	0.05
Earnings per share – diluted	0.06	0.25	0.25	0.04	0.09	0.17	0.21	0.05

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: (i) business acquisitions that have resulted in general growth in its revenue and adjusted EBITDA; and (ii) an extremely unusual inflationary environment in 2014 caused by record high beef and pork raw material costs (see *Results of Operations – Revenue* and *Results of Operations – Gross Profit*).

The Company's earnings over the last eight quarters have been relatively volatile due to a number of factors including: (i) plant start-up and restructuring costs, which are event driven (see *Results of Operations – Plant Start-up and Restructuring Costs*); (ii) the Company's business acquisition initiatives, including fluctuations in acquisition transaction costs; (iii) gains on the sale of assets and operations (see *Results of Operations – Other Income* and *Results of Operations – Other Gains and Losses*); and (iv) volatility resulting from the valuation of a variety of the Company's assets and liabilities, including provisions for contingent consideration, foreign currency and interest rate swap contracts and puttable interest in subsidiaries.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial position and liquidity for the 13 and 52 week periods ended December 27, 2014 were impacted by the following:

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:

<i>(in thousands of dollars)</i>	As at Dec 27, 2014	As at Dec 28, 2013
Accounts receivable	116,544	92,880
Inventories	121,693	108,729
Prepaid expenses	5,798	7,746
Accounts payable and accrued liabilities	(102,598)	(94,288)
Net working capital	141,437	115,067

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

(in days)	As at Dec 27, 2014	As at Dec 28, 2013
Days sales in accounts receivable ⁽¹⁾	32.9	30.4
Days cost of sales in inventory ⁽²⁾	41.9	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 are built up in anticipation of and accounts receivable grow as a result 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 revolving senior credit facility (see *Liquidity and Capital Resources – Debt Financing Activities*).

Net working capital at the end of 2014 as compared to the end of 2013 increased by \$26.4 million primarily due to: (i) additional working capital associated with the Company's organic growth, both in terms of volume growth and inflation associated with record increases in the cost of certain raw material (see *Results of Operations – Revenue* and *Results of Operations – Gross Profit*); (ii) the build-up of inventory at the Company's new sandwich plant in Columbus, OH (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*); (iii) an increase in the portion of the Company's sales made to customers with 45 days plus payment terms; and (iv) opportunistic inventory purchases towards the end of the year.

The Company's days sales in accounts receivable at the end of 2014 as compared to the end of 2013 increased by 2.5 days primarily due to an increase in the portion of the Company's sales made to customers with 45 days plus payment terms.

The days cost of sales in inventory at the end of 2014 as compared to the end of 2013 decreased by 1.8 days due to higher than normal inventory levels at the end of 2013 that were the result of several temporary factors. The Company's days cost of sales in inventory at the end of 2014 was, however, still higher than normal due to: (i) the minimum inventory levels needed at the Company's new sandwich plant in Columbus, OH relative to its initial starting sales base; and (ii) opportunistic inventory purchases made in the latter part of the fourth quarter.

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 Dec 27, 2014	13 weeks ended Dec 28, 2013	52 weeks ended Dec 27, 2014	52 weeks ended Dec 28, 2013
Change in non-cash working capital	909	(5,688)	(20,283)	(22,663)

Due to the seasonal nature of the Company's business, changes in the Company's non-cash working capital generally result in a net usage of cash in the first two quarters of the year as it builds working capital for its busier summer months, and net cash inflows in the third and fourth quarters as its working capital decreases in conjunction with the seasonal slowdown in its business (see *Summary of Quarterly Results*).

For the fourth quarter of 2014 this trend was partially offset by inflationary growth in the Company's net working capital (see *Liquidity and Capital Resources – Net Working Capital Requirements – Net*

Working Capital). For 2013 the normal trend of generating cash from non-cash working capital in the fourth quarter was offset by an unusual increase in inventory.

Debt Financing Activities

Credit Facilities

As at December 27, 2014 the Company's credit facilities and the unutilized portion of those facilities were as follows:

<i>(in thousands of dollars)</i>	Credit Facilities	Amount Drawn On Facility	Unutilized Credit Capacity
Revolving senior credit facility ⁽¹⁾	242,000	202,000	40,000
7.00% debentures ⁽²⁾	6,948	6,948	-
5.75% debentures ⁽³⁾	56,421	56,421	-
5.70% debentures ⁽⁴⁾	55,976	55,976	-
5.50% debentures ⁽⁵⁾	55,204	55,204	-
Capital leases	2,226	2,226	-
SJ Irvine term loan ⁽⁶⁾	3,000	3,000	-
Industrial Development Revenue Bond ⁽⁷⁾	7,119	7,119	-
Other revolving loans	4,400	-	4,400
Other term loans	716	716	-
Cheques outstanding	-	6,353	(6,353)
Cash and cash equivalents	-	(9,453)	9,453
	434,010	386,510	47,500

- (1) The credit facility amount of \$242,000 represents the total available under this facility of \$250.0 million less approximately \$8.0 million in outstanding letters of credit. Facility matures in September 2019, can be used to fund the Company's working capital and general operating needs, capital projects and acquisitions, and has no principal payments prior to its maturity date.
- (2) 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 December 27, 2014 was \$6.9 million. These debentures matured on December 31, 2014, and at maturity \$6.7 million of the 7.00% debentures were converted to common shares of the Company at the option of the debenture holders and \$0.2 million were retired through a final cash payment of principal and accrued interest. The 7.00% debentures were delisted from the Toronto Stock Exchange on December 31, 2014.
- (3) 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 December 27, 2014 was \$57.4 million. These debentures mature in December 2015 and have no principal payments prior to that date.
- (4) 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 December 27, 2014 was \$57.5 million. The debentures mature in June 2017 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 2013 plus the value attributed to the cash conversion option associated with the debentures. The face value of the 5.50% debentures outstanding as at December 27, 2014 was \$57.5 million. The debentures mature in June 2019 and have no principal payments prior to that date.
- (6) Loan has quarterly principal payments of \$0.2 million and matures in June 2016.
- (7) 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.

The 5.75%, 5.70% and 5.50% debentures trade on the Toronto Stock Exchange under the symbols PBH.DB.A, PBH.DB.B and PBH.DB.C, 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:

<i>(in thousands of dollars)</i>	As at Dec 27, 2014	As at Dec 28, 2013
Cheques outstanding	6,353	5,689
Bank indebtedness	-	29,466
Current portion of long-term debt	2,645	113,222
Deferred financing costs ⁽¹⁾	1,124	337
Long-term debt	211,292	11,938
	221,414	160,652
Less: cash and cash equivalents	9,453	1,437
Senior funded debt	211,961	159,215
7.00% debentures	6,948	11,390
5.75% debentures	56,421	55,626
5.70% debentures	55,976	55,333
5.50% debentures	55,204	54,708
Total funded debt	386,510	336,272

(1) Deferred financing costs are included as an offsetting amount in long-term debt.

Debt Activities

During 2014 the Company's significant debt activities consisted of the following:

<i>(in thousands of dollars)</i>	52 weeks ended Dec 27, 2014
Opening total funded debt at December 28, 2013	336,272
Funding of new revolving senior credit facility ⁽¹⁾	194,000
Draws on senior credit facilities to fund capital expenditures and business acquisitions ⁽²⁾	59,500
Net draws on operating lines and cash used to fund the Company's general cash requirements	14,021
Principal accretion on long-term debt and debentures	2,919
Investment in Pender West LP ⁽³⁾	1,860
Foreign currency translation adjustment ⁽⁴⁾	569
Debt assumed on business acquisitions ⁽⁵⁾	228
Retirement of old senior credit facilities ⁽¹⁾	(194,000)
Scheduled principal payments ⁽⁶⁾	(13,314)
Proceeds from asset sale and leaseback ⁽⁷⁾	(10,200)
7.00% and 5.75% debenture conversions ⁽⁸⁾	(5,345)
Closing total funded debt	386,510

(1) During the third quarter of 2014 the Company's previous senior credit facilities matured and were replaced with a new \$250.0 million facility (see *Liquidity and Capital Resources – Debt Financing Activities – Credit Facilities*).

(2) A portion of the capital expenditures funded by these draws were made in 2013 and initially financed through cash flows from operations.

(3) See *Liquidity and Capital Resources – Corporate Investments – Pender West LP*.

(4) 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.

(5) See *Liquidity and Capital Resources – Corporate Investments*.

(6) See *Liquidity and Capital Resources – Debt Financing Activities – Credit Facilities*.

(7) See *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*.

(8) 7.00% and 5.75% Debentures are convertible into common shares at a conversion price of \$14.50 and \$22.40 per common share, respectively.

Issuer Bid

In the third quarter of 2014 the Company renewed its normal course issuer bid (previously put into place in the third quarter of 2013) 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.

No purchases were made under the Company's issuer bid in 2014.

Banking Covenants

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

	Covenant Requirement	Dec 27, 2014 Ratio
Senior funded debt to adjusted EBITDA ratio ⁽¹⁾	=< 4.00 : 1.0	2.7 : 1
Interest coverage ratio ⁽²⁾	>= 4.00 : 1.0	10.4 : 1

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

(2) Ratio is calculated based on the combined statements of operations of certain subsidiaries of the Company and therefore will not necessarily equal the ratio calculated based on the Company's consolidated statement of operations.

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 2014 the Company's senior funded debt to adjusted EBITDA ratio of 2.7 : 1.0 was within its long-term targeted range.

Looking forward (see *Forward Looking Statements*) the Company expects to use its excess senior debt capacity to fund project capital expenditures (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*), business acquisitions (see *Liquidity and Capital Resources – Corporate Investments*) and purchases under its normal course issuer bid (see *Liquidity and Capital Resources – Debt Financing Activities – Issuer Bid*).

The Company's total funded debt to adjusted EBITDA ratio at the end of 2014 was 5.0 : 1.0, which is above its long-term targeted range of 3.5:1 to 4.0:1. This variance is due to the Company's decision to use debt to finance a number of significant project capital expenditures and business acquisitions over the last three years. These initiatives are expected (see *Forward Looking Statements*) to result in significant increases in the Company's future cash flows (see *Results of Operations – Adjusted EBITDA*) and, correspondingly, a steady decrease in the Company's total funded debt to adjusted EBITDA ratio.

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*), plant start-up and business restructuring initiatives (see *Results of Operations – Plant Start-up and 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 quarter 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:

<i>(in thousands of dollars)</i>	52 weeks ended Dec 27, 2014	52 weeks ended Dec 28, 2013
Cash flow from operating activities	21,344	15,156
Changes in non-cash working capital ⁽¹⁾	20,283	22,663
Sale of redundant property ⁽²⁾	-	2,413
Acquisition transaction costs ⁽³⁾	266	560
Plant start-up and restructuring costs ⁽⁴⁾	20,299	12,749
Capital maintenance expenditures ⁽⁵⁾	(4,818)	(4,294)
Free cash flow	57,374	49,247

- (1) Cash used for increases in the Company's non-cash working capital is funded primarily through draws on its revolving credit facilities (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 these facilities.
- (2) Amount represents free cash flow generated from the sale of redundant land.
- (3) Amount relates to the Company's business acquisition activities (see *Liquidity and Capital Resources – Corporate Investments*).
- (4) Amount relates to the Company's plant start-up and business restructuring initiatives (see *Results of Operations – Plant Start-up and 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*).

The Company's free cash flow for 2014 increased by \$8.1 million as compared to 2013 primarily due to: (i) increased adjusted EBITDA before other income (see *Results of Operations – Adjusted EBITDA*); and (ii) a net current income tax recovery in 2014 as compared to a net current income tax expense in 2013 (see *Results of Operations – Income Taxes – Current Income Tax Provision*). These factors were partially offset primarily by: (i) no free cash flow in 2014 from the sale of redundant properties as compared to \$2.4 million in 2013; and (ii) higher interest costs in 2014 (see *Results of Operations – Interest and Other Financing Costs*).

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 (see *Liquidity and Capital Resources – Dividends – Dividend History*);
- Debt principal repayment obligations (see *Liquidity and Capital Resources – Debt Financing Activities*);
- Financing requirements for project capital expenditures (see *Liquidity and Capital Resources – Capital Expenditures*), plant start-up and business restructuring initiatives (see *Results of*

Operations – Plant Start-up and 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, if any, in the status of one or more of the risk factors facing the Company (see *Forward Looking Statements and Risks and Uncertainties*).

The Company's current dividend policy is for a quarterly dividend of \$0.3125 per share, or on an annualized basis, \$1.25 per share. During 2014 the Company declared \$1.25 per share of dividends totaling \$27.8 million.

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 quarterly dividend of \$0.3125 per share will be maintained.

Dividend History

The Company declared its first distribution to equity holders 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.

<i>(in thousands of dollars except per share amounts and ratios)</i>					
	Declared Shareholder Dividends/ Distributions	Nature of Distribution	Free Cash Flow	Ratio ⁽¹⁾	Average Annualized Dividend/ Distribution Per Share
Rolling four quarters ended:					
December 27, 2014	27,768	Dividend	57,374	48.4%	\$1.2500
December 28, 2013	26,498	Dividend	49,247	53.8%	\$1.2315
December 29, 2012	24,381	Dividend	45,984	53.0%	\$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 internal rate of return 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 2014:

<i>(in thousands of dollars)</i>	52 weeks ended Dec 27, 2014
Opening capital assets at December 28, 2013	177,275
Depreciation	(20,084)
Asset sale and leaseback – Surrey Distribution Facility	(2,965)
Asset sales – other	(188)
Foreign currency translation adjustment and other ⁽¹⁾	1,592
Acquisitions ⁽²⁾	645
Capital expenditures:	
Project	42,247
Maintenance	4,818
Closing capital assets	203,340

(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*.

Asset Sale and Leaseback – Surrey Distribution Facility

In the first quarter of 2014, Company completed a sale and leaseback transaction with Pender West LP (see *Liquidity and Capital Resources – Corporate Investments – Pender West LP Investment*) for its distribution facility in Surrey, BC. The sale was completed at fair market value and resulted in a total gain of approximately \$7.2 million. Based on the Company's 35% interest in Pender West LP, 35% or approximately \$2.5 million of the gain was deferred and included in deferred revenue while the remainder of the gain of approximately \$4.7 million was recognized as other income in the quarter (see *Results of Operations – Other Income*).

The net proceeds from the transaction of \$10.2 million, less the Company's incremental investment in Pender West LP of \$1.9 million (see *Liquidity and Capital Resources – Corporate Investments – Pender West LP Investment*), were used to reduce the amount drawn on the Company's credit facilities (see *Liquidity and Capital Resources – Debt Financing Activities – Credit Facilities*).

The terms of the new lease for the sold distribution facility include: (i) annual minimum lease payments of \$0.7 million; (ii) an initial term of twenty years; and (iii) options to renew the lease for up to ten five-year periods at the greater of: (a) the lease payment at the time a specific renewal option is exercised; and (b) the lease rate at the end of the term just expiring adjusted in accordance with the annual percentage change in the Consumer Price Index, as published by Statistics Canada, compounded annually over the previous five years to a maximum increase of 15%.

Project Capital Expenditures

During 2014 the Company capitalized \$42.2 million in project capital expenditures. These included the following:

- \$28.0 million for the construction of a new sandwich plant in Columbus, OH (the Columbus plant). This capital project, which commenced in the fourth quarter of 2013 and was

completed in the third quarter of 2014, consisted of modifying an 180,000 square foot leased facility to provide the infrastructure for the installation of up to 18 high speed sandwich assembly lines. Initially the new plant was to start with six high speed production lines, however, due to strong sales demand additional lines were incorporated into the project.

The benefits associated with this project include: (i) much needed production capacity as the Company's other U.S. sandwich plant in Reno, NV was operating at production levels above what it was designed for; and (ii) improvement in the Company's ability to compete in markets on the east coast of the U.S. and in eastern Canada.

- \$7.8 million to expand the deli and premium processed meats capacity of the Company's plants in Langley, BC, Ferndale, WA and Yorkton, SK.
- \$1.5 million for the automation of certain processes at the Company's sandwich plants in Reno, NV and Columbus, OH.

The remainder of the Company's project capital expenditures for 2014 was for a variety of smaller projects consisting mainly of capacity related equipment purchases.

Looking forward (see *Forward Looking Statements*), the Company expects to make the following project capital expenditures in 2015:

- \$11.0 million for a variety of capacity expansion projects at its deli and premium processed meats production facilities including the expansion of its Langley, BC plant's dry cured salami capacity, completion of the Ferndale, WA plant expansion project initiated in 2014 and the expansion of its Yorkton, SK shelf stable meat snacks capacity. All of these projects are expected to be completed in 2015.
- \$3.4 million for a new enterprise resource planning system that the Company expects to implement in most of its businesses over the next three years.
- \$1.8 million for additional production lines at its new sandwich plant in Columbus, OH. This project is expected to be completed in the second quarter of 2015.
- \$1.2 million relating to the transfer of production capacity from an older deli meats plant in Toronto, ON that is scheduled to be shut down in December 2015, to the Company's other deli meat production facilities in Ontario.

All of these projects are expected (see *Forward Looking Statements*) to make significant contributions to the Company's adjusted EBITDA and free cash flow starting in either late 2015 or early 2016, and are projected to generate internal rates of return of 15% or more.

Historic Capital Maintenance Expenditures

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

<i>(in thousands of dollars)</i>	Total
Rolling four quarters ended:	
December 27, 2014	4,818
December 28, 2013	4,294
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 2014 the Company expects (see *Forward Looking Statements*) its capital maintenance expenditures to be between \$5.0 million and \$6.0 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.

During 2014 the Company made the following corporate investments:

Pender West LP Investment

Pender West Income Properties Limited Partnership (Pender West LP) is a limited partnership formed for the sole purpose of investing in industrial and commercial real estate. The Company holds a 35% interest in Pender West LP.

During the first quarter of 2014, the Company invested an additional \$1.9 million in Pender West LP as part of the following two transactions:

- The sale and leaseback of the Company's distribution centre in Surrey, BC (see *Liquidity and Capital Resources – Capital Expenditures – Change in Capital Assets*); and
- Pender West LP's purchase of a distribution and processing facility, located near Victoria, BC and leased by the Company, for its estimated fair market value of \$6.7 million.

Reddi Foods Acquisition

In the second quarter of 2014, the Company's foodservice operation purchased certain assets, including inventory, production equipment, and customer lists, from Reddi Food Group Inc. (Reddi) for \$1.7 million. Reddi was a Calgary, AB based protein focused foodservice distribution company that serviced a variety of customers in Alberta. Concurrent with the transaction, Reddi ceased operations.

Ocean Miracle Acquisition

In the fourth quarter of 2014, the Company's seafood operation completed the acquisition of the business of Ocean Miracle Seafood for \$3.4 million plus contingent consideration of up to \$3.0 million if certain financial targets are met over the next three years. Ocean Miracle Seafood is a distributor of live, fresh and frozen seafood to restaurants and specialty retailers in the Greater Toronto Area.

Goodwill and Intangible Assets

Primarily all of the Company's intangible assets (consisting of brand names, customer relationships and customer supply agreements) 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 2014:

<i>(in thousands of dollars)</i>	52 weeks ended Dec 27, 2014
Opening intangible assets and goodwill at December 28, 2013	244,024
Amortization of intangible assets	(4,356)
Acquisitions ⁽¹⁾	4,939
Disposal of NDSD's operations ⁽²⁾	(118)
Foreign currency translation adjustment and other ⁽³⁾	1,902
Closing intangible assets and goodwill	246,391

(1) See *Liquidity and Capital Resources – Corporate Investments*.

(2) See *Results of Operations – Start-up and Restructuring Costs – NDSD Reconfiguration Project* and *Results of Operations – Other Gains and Losses*.

(3) Adjustment is primarily 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., an Arthur, ON based poultry processor; a 35% interest in Pender West LP, a Vancouver, BC based real estate investment fund (see *Liquidity and Capital Resources – Corporate Investments – Pender West LP Investment*); and a 25% interest in McLean Meats Inc., a Vancouver, BC based marketer and supplier of premium processed meats.

The following table shows the changes in investment in associates during 2014:

<i>(in thousands of dollars)</i>	52 weeks ended Dec 27, 2014
Opening investment in associates at December 28, 2013	7,949
Investment in Pender West LP ⁽¹⁾	1,860
Equity income in associates	52
Cash distribution from associates	(344)
Closing investment in associates	9,517

(1) See *Liquidity and Capital Resources – Corporate Investments – Pender West LP Investment*.

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 2014:

<i>(in thousands of dollars)</i>	52 weeks ended Dec 27, 2014
Opening puttable interest at December 28, 2013	14,498
Change in value ⁽¹⁾	1,996
Acquisition ⁽²⁾	1,920
Foreign currency translation adjustment ⁽³⁾	287
Cash distributions to non-controlling shareholders with puttable interests	(801)
Closing puttable interest	17,900

(1) See *Results of Operations – Change in Value of Puttable Interest in Subsidiaries*.

(2) See *Liquidity and Capital Resources – Corporate Investments*.

(3) 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:

<i>(in thousands of dollars)</i>	As at Dec 27, 2014
Contingent consideration – Freybe acquisition	3,342
Contingent consideration – Ocean Miracle acquisition	2,437
Lease restoration costs	523
Provisions ⁽¹⁾	6,302

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

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 Gourmet Foods. This amount represents the discounted present value of the \$5.0 million in contingent consideration that is payable to the previous owners of Freybe Gourmet Foods if it achieves certain performance targets over each of the next four years.

Contingent Consideration – Ocean Miracle Acquisition

In the fourth quarter of 2014, the Company recorded a provision for contingent consideration of \$2.4 million as a result of the acquisition of Ocean Miracle (see *Liquidity and Capital Resources – Corporate Investments – Ocean Miracle Acquisition*). This amount represents the discounted present value of the \$3.0 million in contingent consideration that is payable to the previous owners of Ocean Miracle if it achieves certain performance targets over each of the next three years.

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 a leased facility. The final liability will be payable upon 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 2014:

(in thousands of dollars)	52 weeks ended Dec 27, 2014
Opening provisions at December 28, 2013	6,039
Acquisition ⁽¹⁾	2,437
Accretion of provisions	342
Reversal of provision for contingent compensation	(169)
Payments	(2,347)
<u>Closing provisions ⁽²⁾</u>	<u>6,302</u>

(1) See *Liquidity and Capital Resources – Corporate Investments*.

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

During 2014 the Company made \$2.3 million in contingent consideration payments. These payments consisted primarily of: (i) \$1.3 million paid to the vendors of Freybe Gourmet Foods, which was acquired in 2013; and (ii) \$1.0 million paid as the final payment to the vendors of Piller's Fine Foods, which was acquired in 2011.

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 and adjusted EBITDA expectations for 2015.

See *Liquidity and Capital Resources – Capital Expenditures* for details on the Company's project and maintenance capital expenditure expectations for 2015.

See *Liquidity and Capital Resources – Dividends – Dividend Policy* for details on the Company's dividend payment expectations for 2015.

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 December 27, 2014 are as follows:

<i>(in thousands of dollars)</i>							
	Total	1 year out	2 years out	3 years out	4 years out	5 years out	There-after
Term debt	212,119	800	2,200	-	-	202,000	7,119
Capital leases and other	2,942	1,845	397	317	306	77	-
7.00% debentures	6,900	6,900	-	-	-	-	-
5.75% debentures	57,493	-	57,493	-	-	-	-
5.70% debentures	57,500	-	-	57,500	-	-	-
5.50% debentures	57,500	-	-	-	-	57,500	-
Operating leases	120,439	12,933	11,614	10,227	8,928	8,390	68,347
Total	514,893	22,478	71,704	68,044	9,234	267,967	75,466

TRANSACTIONS WITH RELATED PARTIES

During 2014 the Company entered into the following transactions with related parties:

- Pursuant to several twenty-year real property leases ending between April 2033 and January 2034, the Company made \$2.7 million in lease payments to Pender West LP (see *Corporate Investments*). The Company's Chairman, Bruce Hodge, indirectly owns a 13% interest in Pender West LP.

In addition, the Company sold its distribution facility in Surrey, BC to Pender West LP as part of a sale & leaseback transaction (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 \$0.1 million from participating employees, including its President and Chief Executive Officer, George Paleologou, and its Chief Financial Officer, Will Kalutycz.

SUBSEQUENT TRANSACTIONS

Maturity of 7.00% Convertible Debentures

The Company's convertible debentures issued in November 2009 and paying interest of 7% matured on December 31, 2014 (see *Liquidity and Capital Resources – Debt Financing Activities – Credit Facilities*). Of the \$6.9 million in 7% convertible debentures outstanding at December 27, 2014, \$6.7 million was converted at the option of the debenture holders into common shares of the Company and \$0.2 million was retired through a final cash payment of principal and accrued interest.

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 March 11, 2015, 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. Forward looking statements generally can be identified by the use of the words "may", "could", "should", "would", "will", "expect", "intend", "plan", "estimate", "project", "anticipate", "believe" or "continue", or the negative thereof or similar variations.

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 Company will be able to pass on to its customers increases in the average cost of the basket of commodities that it purchases.
- The Company's capital projects (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*) and restructuring initiatives (see *Results of Operations – Plant Start-up and Restructuring Costs*) will progress in line with its 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 value of the Canadian dollar relative to the U.S. dollar will continue to fluctuate in line with recent historic levels.
- 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 March 11, 2015 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. Some of these risks and uncertainties are outlined below. Prospective investors should carefully review and evaluate these risk factors together with all of the other information contained in this MD&A. Furthermore, it should be noted that the risk factors described below are not the only risk factors facing the Company and it may be subject to risks and uncertainties not described below that it is not presently aware of or that it may currently deem insignificant (see *Forward Looking Statements*).

Commodity Risk

The Company's results of operations and financial condition are dependent upon the cost and supply of various commodity raw materials, including beef, pork, seafood, poultry, lamb, flour, corrugated packing materials, dairy products and energy, all of which are determined by relatively volatile market forces of supply and demand over which the Company has limited or no control. Furthermore, the cost of many of these commodity raw materials is highly cyclical, being characterized by periods of supply and demand imbalance, and sensitive to changes in industry capacity. If there is a sudden or severe increase in the cost of such commodity raw materials and the Company is unable to pass the additional costs onto its customers through increased selling prices, this could have a material adverse effect on its margins and in turn its results of operations and financial condition.

Furthermore, even if the Company is able to pass the additional costs onto its customers, there is a risk that this could result in higher selling prices for end consumers which, in turn, could negatively impact consumer demand for the Company's products which could then have a material adverse effect on its sales and in turn its results of operations and financial condition.

The Company's product diversification strategy, which reduces its exposure to any single commodity, combined with its focus on differentiated products and services, and niche markets that are less price sensitive, help to mitigate this risk. See the Company's Annual Information Form, which is filed electronically through SEDAR and is available online at www.sedar.com, for a summary of the types and amounts of commodities purchased by the Company.

Seasonality and Weather Risk

The Company's business is seasonal and weather dependent. Poor weather can impact the Company in many ways including: (i) reduced consumer travel which generally results in decreased consumer demand for the Company's convenience oriented products, such as meat snacks, sandwiches and pastries; and (ii) reduced consumer outdoor activities, such as barbequing and visiting outdoor attractions, which generally results in decreased consumer demand for a variety of the Company's products including premium processed meats and concession products. As a result, poor weather conditions, particularly in the spring and summer, could have a material adverse effect on the Company's sales and in turn its results of operations and financial condition.

Consumer Discretionary Spending Risk

The Company's business can be impacted by reduced consumer discretionary spending resulting from actual or perceived changes in the condition of the economy. The Company's foodservice and convenience related businesses, in particular, are sensitive to this risk since reduced consumer discretionary spending generally results in a decrease in the frequency and amount spent for food prepared away from home and on convenience related items. As a result, actual or perceived changes in the economy by consumers could negatively impact the Company's sales and in turn have a material adverse effect on its results of operations and financial condition.

The Company's customer diversification strategies, which include the development of sales in both the retail and foodservice segments of the food industry, help to mitigate this risk as a decline in sales in one segment often results in an increase in sales in the other segment.

Sales and Margin Risk

The Company's profitability depends on its ability to maintain its sales and profit margins. If the Company's cost of products sold increases, including through increased prices from suppliers for products distributed by the Company or increased costs for raw materials used by the Company in the manufacturing of its products, or through operating cost increases, its sales and/or margins could be adversely affected, which in turn could have a material adverse effect on its results of operations and financial condition.

In addition, competition in the markets in which the Company competes may require it to reduce the prices it charges. If competitors offer discounts on certain products or services in an effort to capture or gain market share or to sell other products, the Company may be required to lower its prices or offer other favourable terms to compete successfully, which in turn could have a material adverse effect on its results of operations and financial condition.

Conversion Risk

The Company is subject to certain risks resulting from the Conversion (see *Results of Operations – Income Tax – Tax Attributes*). The most significant of these relates to the ability of the Company to utilize the Tax Attributes it was deemed to have acquired under the terms of the Conversion.

While the Company believes that it is in full compliance with the provisions of the Canadian Income Tax Act and all applicable provincial legislation in regards to the utilization of the Tax Attributes, such utilization is subject to reassessment by the applicable taxation authority.

In the event of a successful reassessment of the Company, whether by re-characterization of certain expenditures or limitations on the availability of the Tax Attributes, such reassessment could have a material adverse effect on its current and future taxes payable and, in turn, on its results of operations and financial condition.

Customer Risk

The Company's sales to large format retail customers account for approximately 38% of its total sales. As is customary in the food industry, the Company does not have long-term contracts with any of these customers. The Company also has sales to a number of distributors who, in turn, sell the Company's products primarily to one customer (the Core Customer), that account for approximately 16% of its total sales. The balance of the Company's sales is to a broad and diversified base of customers.

The loss of sales to the Core Customer, a large format retail customer, or a group of other customers could have a material adverse effect upon the Company's results of operations and financial condition.

The Company's customer diversification strategies in general, and its differentiated distribution strategies in particular, help to mitigate its exposure to this risk. Furthermore, the risk associated with losing sales associated with the Core Customer is mitigated by a variety of factors including a long term supply agreement (which expires in October 2017) with the Core Customer, the Company's strong past performance as a strategic supplier to the Core Customer, and the strength of the Company's relationship with this customer.

Product Defect Risk

The Company, like other food manufacturers, is subject to potential liabilities and expenses associated with product defects. The Company's products require a high degree of quality control to ensure their safety for consumption by consumers. Furthermore, a significant portion of the Company's products must be kept refrigerated prior to consumption. Improper production, handling or storage of the Company's products could result in the development of bacteria in the product that may cause food-borne illness. Product defects may also be caused by other factors such as accidental

contamination, product tampering, mislabeling and/or the unintentional use of defective raw materials received from third party suppliers.

The Company mitigates this risk by maintaining strict and rigorous quality controls and processes in its manufacturing and distribution facilities and by maintaining product liability and other insurance coverage that it believes to be in accordance with industry practices. Its insurance coverage may not, however, be adequate to fully protect the Company against damage claims and recall costs resulting from product defects. In addition, even if a claim is unsuccessful, the negative publicity associated with a claim and/or a product recall could be harmful to the Company's reputation. As a result, a claim against the Company and/or a recall of its products due to product defects could have a material adverse effect on its results of operations and financial condition.

Consumer Preference Risk

The Company's business is dependent, in part, upon stable and continued consumer interest in its products. While the Company believes it is well positioned to benefit from factors such as the trends towards healthier eating, convenience and snacking, and demand for premium, organic and gourmet food products, there is no assurance that these trends will continue in the future or that contrary trends will not emerge. If consumer preferences change, the Company's success will depend upon its ability to respond to these changes and its failure to anticipate, identify or react to them could result in declining demand for the Company's products, which in turn could cause a material adverse effect on the Company's results of operations and financial condition.

In addition, part of the Company's growth strategy, as well as its strategy for dealing with changes in consumer preference, is based on the development of new and innovative products. There can be no assurance that consumers will accept any such new products or that the Company will be able to attain sufficient market share for those products. Any such failure on the Company's part to sustain demand for its products or to attain sufficient market share for new products could also have a material adverse effect on its results of operations and financial condition.

Competition Risk

The Company competes with many local, regional and national food manufacturers and distributors and its competition varies by distribution channel, product category and geographic market. Certain of the Company's competitors have greater financial and other resources than those of the Company or may have access to labour or products that are not available to the Company. In addition, the Company's competitors may be able to withstand market volatility better than the Company. There can be no assurance that the Company's principal competitors will not be successful in capturing, or that new competitors will not emerge and capture, a share of the Company's present or potential customer base.

In addition, it is possible that some of the Company's suppliers or customers could become competitors of the Company if they decide to distribute their own food products. Furthermore, if one or more of the Company's competitors were to merge or partner with another of its competitors, the change in the competitive landscape could adversely affect the Company's ability to compete effectively. Competitors may also establish or strengthen relationships with parties with whom the Company has relationships, thereby limiting its ability to distribute certain products. Disruptions in the Company's business caused by these events could have a material adverse effect on its results of operations and financial condition.

Growth Risk

A key component of the Company's strategy is to continue to grow by increasing sales and earnings in existing markets with existing products; by expanding into new markets and products; and through accretive acquisitions. There can be no assurance that the Company will be successful in growing its business or in managing its growth. Furthermore, successful expansion may place a significant strain on the Company's senior management team and other key personnel as well as its business processes, operations and other resources. The Company's ability to manage growth will also

depend in part on its ability to continue to enhance its management information systems in a timely fashion. Any inability to properly manage growth could result in cancellation of customer orders and correspondingly could have a material adverse effect on the Company's results of operations and financial condition.

Business Restructuring Risk

In order to maximize the profitability of one or more of the Company's businesses and/or address changes in the business environment in which one or more of its businesses operates, the Company will, from time to time, initiate major business restructuring projects. There can be no assurance that these projects will be successful in addressing the issues impacting the relevant business. Furthermore, a major restructuring project may place a significant strain on the Company's senior management team and other key personnel as well as its business processes, operations and other resources, which, in turn, could have a material adverse effect on the Company's results of operations and financial condition.

Acquisition Risk

Another key component of the Company's growth strategies (see *Risks – Growth Risk*) is through business acquisitions and combinations. Such transactions involve inherent risks including unanticipated transaction costs, costs associated with failed transactions, undisclosed liabilities, and integration issues. Furthermore, the process of integrating an acquired business into the Company's operations may absorb significant management attention that would otherwise be available for the ongoing development of the Company's business or may cause disruptions to the ongoing business. While the Company conducts due diligence and takes steps to mitigate these risks, any of these factors could have a material adverse effect on the Company's results of operations and financial condition.

An additional risk associated with the Company's acquisition strategies is that it may be unable to identify and acquire appropriate businesses.

Currency Exchange Risk

The Company is exposed to changes in the value of the Canadian dollar relative to the U.S. dollar in the following ways:

- A significant portion of the Company's Canadian operations' product purchases, both in terms of raw materials and finished goods, are either denominated in U.S. dollars or are priced off of U.S. commodity markets. Correspondingly, an increase in the U.S. dollar relative to the Canadian dollar could result in an increase, in Canadian dollar terms, in the cost of these products which, if the Company was unable to pass onto its customers through increased selling prices, could have a material adverse effect on its margins and in turn its results of operations and financial condition. Where appropriate the Company partially mitigates this risk exposure through the use of foreign currency forward contracts (see *Financial Instruments – Foreign Currency Contracts*).
- A portion of the Company's U.S. based operations' sales consist of product exports to Canada. An increase in the U.S. dollar relative to the Canadian dollar could reduce the selling margins on these products if the Company's U.S. based operations were unable to increase their selling prices, in Canadian dollar terms, to compensate for the stronger U.S. dollar. This in turn could have a material adverse effect on the Company's results of operations and financial condition.
- The valuation of the cash flows transferred from the Company's U.S. based operations. A decrease in the U.S. dollar relative to the Canadian dollar would reduce the value of this cash flow and hence could have a material adverse effect on its consolidated cash flow and, in turn, its financial condition. This risk is partially mitigated by the Company financing a portion of its investment in its U.S. operations with U.S. dollar denominated debt.

- The translation of the Company's U.S. based operations' earnings and financial position. A decrease in the U.S. dollar relative to the Canadian dollar would reduce the translated earnings and net asset values of the Company's U.S. based operations, for purposes of its consolidated financial statements, and hence could have a material adverse effect on the Company's results of operations and financial condition. This risk is also partially mitigated by the Company financing a portion of its investment in its U.S. operations with U.S. dollar denominated debt.

Governmental Regulation Risks

The Company is subject to extensive laws, rules, regulations and policies with respect to the production, processing, preparation, packaging and labeling of its internally produced food products. Such laws, rules, regulations and policies are administered by various federal, state, provincial, regional and local health agencies and other governmental authorities, including, without limitation, Agriculture and Agri-Food Canada, the Canadian Food Inspection Agency, the United States Department of Agriculture and the United States Food and Drug Administration.

Although the Company maintains strict and rigorous controls and processes in its manufacturing facilities and strives to maintain material compliance with all applicable laws and regulations and maintain all material permits and licences relating to its operations, there can be no assurance that it is in compliance with all such laws and regulations or that it will be able to comply with all applicable laws and regulations which may be enacted in the future. Failure by the Company to comply with applicable laws and regulations could subject it to civil remedies, including fines, injunctions, recalls or seizures as well as potential criminal sanctions, any of which could have a material adverse effect on the Company's results of operations and financial condition.

In addition, negative publicity, or increased costs associated with complying with such standards and controls may have a material adverse effect on the Company's results of operations and financial condition.

Availability of Capital Risk

The Company's growth strategies, including its acquisition initiatives, as well as its ongoing operations are dependent on being able to access debt and equity financing at a reasonable cost. A number of factors can impact the Company's ability and the associated cost to finance its activities, including general market conditions, investor sentiment, credit availability and the Company's operating performance.

If the Company is unable to source financing as needed or to the extent that the Company is able to access sufficient capital but the cost of such capital is significantly higher than its current cost, its ability to execute its business strategies could be impaired which, in turn, could have a material adverse effect on the Company's results of operations and financial condition.

Potential Labour Risks

Approximately 29% of the Company's non-management employees are represented by labour unions or employee associations. Furthermore, the Company cannot predict with certainty which, if any, groups of employees that are not currently represented by a trade union or employee association may seek such representation in the future.

Several of the Company's significant customers and suppliers also employ workers who are represented by labour unions.

Any labour disruption, whether at one of the Company's businesses or involving one of the Company's significant customers or suppliers could result in a material adverse effect on the Company's results of operations and financial condition.

The Company is also dependent on having sufficient skilled and unskilled production and distribution labour for the continued efficient operation and growth of its business. In the event the Company is unable to hire and retain adequate labour resources this could have a material adverse effect on its results of operations and financial condition.

Dependence on Key Personnel

The Company is dependent on the continued services of its senior management team and its ability to retain and/or hire other highly qualified personnel. The loss of key personnel and/or the inability to attract and assimilate qualified personnel in the future could have a material adverse effect on the Company's results of operations and financial condition.

Interest Rate Risks

The Company is exposed to interest rate fluctuations on all of its revolving senior credit facilities (see *Liquidity and Capital Resources – Debt Financing Activities – Credit Facilities*). Where appropriate, these exposures are managed through interest rate swaps (see *Financial Instruments – Interest Rate Swap Contracts*), however, there can be no assurance that the Company will be able, in the future, to adequately manage these exposures and, if the Company is unable to do so, a significant change in interest rates could have a material adverse effect on the Company's results of operations and financial condition.

Cyber Security Risks

The Company relies on information technology for the efficient and effective operation of many aspects of its business. While it has business continuity and disaster recovery plans, as well as information technology security programs, in place, a major disruption or failure of its information technology systems could result in significant operational difficulties and/or the destruction of vital proprietary information. Furthermore, a targeted cyber-attack by a third party could result in the theft and/or destruction of vital proprietary information. Correspondingly such events could have a material adverse effect on the Company's results of operations and financial condition.

Credit Risks

Like most businesses in the food industry, the Company extends credit to its customers, which is generally unsecured. Although the Company has a system of credit management in place which includes credit limits and close monitoring of payment, there is a risk that some of the Company's customers may not be able to meet their obligations when they become due. The loss of a large receivable could have a material adverse effect on the Company's results of operations and financial condition.

Manufacturing Risks

The operation of the Company's facilities is dependent on the continued operation of certain critical equipment, such as refrigerators, freezers and processing equipment, which could incur downtime as a result of unanticipated failures. The Company may in the future experience plant shutdowns, periods of reduced production or unexpected interruptions in production capabilities as a result of such equipment failures, which could have a material adverse effect on its results of operations and financial condition.

The Company mitigates its exposure to these risks through a combination of maintaining strict and rigorous controls and processes in its manufacturing facilities, regular equipment maintenance and prudent levels of insurance.

Livestock Risk

The Company is susceptible to risks related to the health status of livestock. Livestock health problems could adversely affect both the supply of raw materials to the Company's production

facilities as well as consumer confidence in the Company's products. As a result, any outbreak of animal disease could have a material adverse effect on the Company's results of operations and financial condition.

International Trade Risks

The Company imports products from and, to a lesser extent, exports products to other countries and as such can be adversely affected by international events that affect the price of food commodities or the free flow of food products between countries. In addition, the Company can be adversely affected if such events affect the supply/demand balance in the marketplace and result in increased prices for raw materials being purchased by the Company for use in its products. An example of such an event was the discovery of bovine spongiform encephalopathy, also known as BSE, in Canada in 2003 and the resulting refusal by several countries to allow imports of Canadian food products containing ruminant animal products and/or by-products. This refusal adversely affected North American prices for beef and, due to substitution of pork as a raw material in place of beef, the price of pork increased. The occurrence of similar events in the future could have a material adverse effect on the Company's financial condition and results of operations.

Environmental, Health and Safety Regulation Risks

The Company's operations have been and are subject to extensive and increasingly stringent federal, state, provincial, regional and local laws and regulations pertaining to environmental, health and safety matters, including the discharge of materials into the environment and the handling and disposition of waste material resulting from the production, processing and preparation of foods (including solid and hazardous wastes) or otherwise relating to the protection of the environment. Compliance with these laws and regulations (including any future amendments thereto) or more stringent enforcement of such laws and regulations could have a material adverse effect on the Company's financial condition and results of operations.

No assurance can be given that additional environmental, health and safety issues relating to presently known matters or identified sites, or to other matters or sites, will not require currently unanticipated investigation, assessment or expenditures. Future discovery of previously unknown contamination of property underlying, or in the vicinity of, the Company's present or former properties or manufacturing facilities could require the Company to incur material unforeseen expenses. The occurrence of any such events could have a material adverse effect on its financial condition and results of operations.

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 assets and liabilities used for tax purposes and those used 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 cash flows of certain subsidiaries and, correspondingly, a significant amount of judgement is required in estimating the amounts and timing of these cash flows and in determining the appropriate 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 quantitative and qualitative factors, including comparative information for other similar financial instruments, and correspondingly 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

The IASB periodically issues new standards and amendments or interpretations to existing standards. The new pronouncements listed below are those that management consider most significant. They are not intended to be a complete list of new pronouncements that may affect the consolidated financial statements.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, which introduces new classification and measurement requirements for assets and liabilities, as well as a new expected loss impairment model that will require more timely recognition of expected credit losses for financial instruments. Entities will also be required to have additional disclosure to provide information that explains the basis for their expected credit loss calculations and how they measure expected credit losses and assess changes in credit risk.

The standard also introduces changes to hedge accounting rules that are supposed to allow for more hedging strategies to qualify for hedge accounting and introduce more judgment in assessing the effectiveness of a hedging relationship.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted, and is not expected to have a significant impact on the Company's consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which supersedes IAS 11, *Construction Contracts* and a number of revenue-related interpretations. This standard addresses revenue recognition and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to control its use and obtain the benefits from the good or service.

IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Company is assessing the potential impact IFRS 15 may have on its consolidated financial statements.

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 December 27, 2014, the Company had outstanding foreign currency contracts for the purchase of US\$22.6 million over the next twelve months at a blended rate of C\$1.1347.

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 \$0.2 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 December 27, 2014, the Company did not have in place any swaps.

OTHER

Outstanding Shares

The shares outstanding in the Company as of March 11, 2015 were 22,949,285. 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 March 11, 2015 were 22,840,542.

Disclosure Controls and Procedures and Internal Control 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 December 27, 2014 and has concluded that such procedures are adequately designed 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 December 27, 2014 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.

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 December 27, 2014 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 March 11, 2015. 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 March 11, 2015, 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.