



PREMIUM BRANDS HOLDINGS CORPORATION

Management's Discussion and Analysis

For the 13 Weeks and 52 Weeks Ended December 26, 2015

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 9, 2016. It should be read in conjunction with the Company's audited financial statements and the notes thereto for the fiscal year ended December 26, 2015, 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 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.**

The key characteristics of a specialty food business are: (i) a consumer's decision to purchase its products is based primarily on factors other than price, such as quality, convenience, health and/or lifestyle; and (ii) it generally caters to smaller more niche oriented markets. As a result of these characteristics, specialty food businesses generally earn higher and more consistent selling margins, relative to other types of food manufacturing companies, and avoid competing with large national and international food companies.

Examples of products manufactured by the Company's specialty food businesses 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; and (iv) artisan breads.

- **Differentiated food distribution and wholesale businesses (“premium food distribution businesses”).**

The key characteristic of a premium food distribution business is that it offers its customers specialized and/or unique products and services in addition to logistical solutions. This enables it to generate higher and more consistent selling margins relative to the large national and international food distributors that are primarily focused on logistics.

Examples of specialized and/or unique products and services offered by the Company's premium food distribution businesses include: (i) chef specific protein menu solutions that utilize in-house custom cutting facilities; (ii) exceptionally strong product depth within the protein product category; (iii) top quality live and fresh seafood uniquely sourced from around the world; and (iii) combined product, equipment and equipment maintenance solutions for the concessionary industry.

The Company's premium food distribution businesses also enable it to generate and sustain additional margin by providing its specialty food businesses with proprietary access to a broad and diversified customer base that includes regional and specialty grocery retailers, restaurants, 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 26, 2015	52 weeks ended Dec 27, 2014	52 weeks ended Dec 28, 2013
Revenue	1,484.6	1,221.8	1,043.0
Adjusted EBITDA	111.6	77.6	69.3
Earnings from continuing operations before CRA settlement ⁽¹⁾	38.1	12.7	12.5
Earnings from continuing operations	16.5	12.7	12.5
Basic earnings per share from continuing operations	0.68	0.58	0.60
Diluted earnings per share from continuing operations	0.68	0.57	0.59
Earnings	11.6	11.4	12.5
Basic earnings per share	0.48	0.52	0.60
Diluted earnings per share	0.48	0.52	0.59
Total assets	856.2	739.1	670.3
Long-term financial liabilities ⁽²⁾	329.5	389.6	302.6
RONA	15.9%	13.4%	12.4%
Dividends declared per share	1.3800	1.2500	1.2315
Free cash flow per share	3.32	2.60	2.32

(1) Excludes the write-off of certain deferred tax assets resulting from a settlement agreement with Canada Revenue Agency (see *Results of Operations – Income Taxes – CRA Settlement*).

(2) 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.

The Company's earnings from continuing operations before the CRA settlement over the last three years have been relatively volatile due to a number of factors including: (i) plant start-up and restructuring costs, which are event driven; (ii) the Company's business acquisition initiatives, including the associated impact on change in value of puttable interest in subsidiaries expense in 2015 (see *Results of Operations – Change in Value of Puttable Interest in Subsidiaries*); and (iii) unusually significant volatility in the cost of a variety of commodity raw materials in 2014 and 2015.

Total Assets

The increases in the Company's total assets in 2015 and 2014 were primarily due to business acquisitions and project capital expenditures.

Long-term Financial Liabilities

The increase in the Company's long-term financial liabilities in 2014 was primarily due to business acquisitions and project capital expenditures. In 2015, increases in the Company's long-term financial liabilities due to business acquisitions and project capital expenditures were more than offset by several factors including: (i) a number of investors in the Company's convertible debentures electing to convert their debentures into common shares; and (ii) debt principal payments.

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 26, 2015	52 weeks ended Dec 27, 2014	52 weeks ended Dec 28, 2013
Return:			
Adjusted EBITDA ⁽¹⁾	111,640	77,618	69,739
Other income	-	4,703	1,158
Maintenance capital expenditures ⁽²⁾	(6,486)	(4,818)	(4,294)
	105,154	77,503	66,603
Average adjusted net assets ⁽³⁾ :			
Opening net assets	614,292	549,332	490,076
Closing net assets excluding net assets of businesses acquired during the year	670,470	606,822	488,359
Average net assets before including businesses acquired during the year ⁽⁴⁾	642,381	578,077	489,218
Weighted net assets of business acquired during the year ⁽⁵⁾	19,219	1,892	46,568
	661,600	579,969	535,786
RONA ⁽⁶⁾	15.9%	13.4%	12.4%

(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.

The Company's long-term targeted average RONA is 15.0%. For 2014 and 2013 the Company's RONA was below this target primarily due to investments made in a number of capital projects and business acquisitions with long-term return horizons. As a result of these investments the growth in the Company's cash flow lagged in comparison with the growth in its asset base. Furthermore, in 2014 the Company's RONA was also negatively impacted by significant increases in the cost of certain commodity raw materials that had a temporary negative effect on its gross margins.

In 2015 the Company's RONA exceeded its long-term target primarily due to: (i) improved cash flows associated with the investments discussed above; and (ii) on an overall company wide basis, a closer to average commodity raw materials price environment.

Looking forward (see *Forward Looking Statements*), the Company is maintaining its target and outlook for a long-term average RONA of 15.0%.

FOURTH QUARTER FINANCIAL STATEMENTS

The Company's operating results for the fourth quarters of 2015 and 2014 and for 2015 and 2014 were as follows:

<i>(in thousands of dollars)</i>	13 weeks ended Dec 26, 2015	13 weeks ended Dec 27, 2014	52 weeks ended Dec 26, 2015	52 weeks ended Dec 27, 2014
Revenue	400,303	317,368	1,484,577	1,221,798
Gross profit	76,483	57,587	284,744	228,479
Selling, general and administrative expenses	44,970	38,213	173,104	150,861
	31,513	19,374	111,640	77,618
Plant start-up and restructuring costs	-	6,723	2,924	20,299
Other income	-	-	-	(4,703)
	31,513	12,651	108,716	62,022
Depreciation of capital assets	6,343	5,622	25,301	19,874
Amortization of intangible assets	1,205	1,016	4,459	4,356
Amortization of other assets	1	1	5	5
Interest and other financing costs	3,833	5,319	17,651	20,556
Amortization of financing costs	61	58	226	253
Acquisition transaction costs	52	78	223	266
Change in value of puttable interest in subsidiaries	661	208	5,887	1,996
Accretion of provisions for contingent consideration	118	80	494	342
Unrealized gain on foreign currency contracts	(200)	(400)	(100)	(400)
Equity loss (gain) in associates	(231)	86	(60)	(52)
Other	-	655	-	655
Earnings (loss) before income taxes	19,670	(72)	54,630	14,171
Income tax provision (recovery) – current	1,415	(2,931)	3,258	(3,538)
Income tax provision – deferred	4,672	1,565	13,303	5,042
Deferred tax provision resulting from CRA settlement	-	-	21,520	-
Income tax provision (recovery)	6,087	(1,366)	38,081	1,504
Earnings from continuing operations	13,583	1,294	16,549	12,667
Loss from discontinued operations, net of income taxes	(5,018)	(163)	(4,913)	(1,275)
Earnings	8,565	1,131	11,636	11,392

RESULTS OF OPERATIONS

In prior quarters the Company reported on two reportable segments, Retail and Foodservice, as well as corporate costs (Corporate). Due to changes that have occurred in recent years within the businesses making up these two segments, the Company has renamed them. Going forward, the Retail segment will be referred to as the Specialty Foods segment and the Foodservice segment will be referred to as the Premium Food Distribution segment. Other than the revised names, which better reflect the nature of the underlying businesses, no other changes have been made to the reportable segments.

The Specialty Foods segment consists of the Company's specialty food manufacturing businesses and includes Harvest, Grimm's, Freybe, Hygaard, Quality Fast Foods, Hempler's, Made-Rite Meat Products, Creekside, Stuyver's, Duso's, SK Food Group, Deli Chef, SJ Fine Foods, Piller's, Isernio's and Expresco.

The Premium Food Distribution segment consists of the Company's differentiated distribution and wholesale businesses and includes Centennial Foodservice, B&C Food Distributors, Harlan Fairbanks, Worldsource, E1even, Wescadia, Maximum Seafood and Ocean Miracle. In addition, the Premium

Foods Distribution segment includes Hub City Fisheries, a specialty seafood processor, on the basis that it is an integral part of the Company's national seafood distribution strategy.

Revenue

<i>(in thousands of dollars except percentages)</i>								
	13 weeks ended Dec 26, 2015	% (1)	13 weeks ended Dec 27, 2014	% (1)	52 weeks ended Dec 26, 2015	% (1)	52 weeks ended Dec 27, 2014	% (1)
Revenue by segment:								
Specialty Foods	274,425	68.6%	198,877	62.7%	979,131	66.0%	763,751	62.5%
Premium Food Distribution	125,878	31.4%	118,491	37.3%	505,446	34.0%	458,047	37.5%
Consolidated	400,303	100.0%	317,368	100.0%	1,484,577	100.0%	1,221,798	100.0%

(1) Expressed as a percentage of consolidated revenue

Specialty Foods' revenue for the fourth quarter of 2015 as compared to the fourth quarter of 2014 increased by \$75.5 million or 38.0% primarily due to: (i) \$37.5 million of organic growth across a range of products with a significant portion of it coming from its convenience food initiatives; (ii) a \$19.2 million increase in the translated value of its U.S. based businesses' sales resulting from a decline in the value of the Canadian dollar; and (iii) \$18.8 million of sales resulting from the acquisitions of Isernio's and Expresco earlier in 2015 (see *Liquidity and Capital Resources – Corporate Investments*).

Specialty Foods' revenue for 2015 as compared to 2014 increased by \$215.4 million or 28.2% primarily due to the factors outlined above as well as some selling price inflation earlier in the year. Excluding the impact of acquisitions, exchange translation and selling price increases, Specialty Foods' organic growth for 2015 was 13.7%.

For 2016, the Company expects (see *Forward Looking Statements*) Specialty Foods' organic growth to be at the top end or exceed the Company's long-term targeted range of 6% to 8% due to a range of factors including a variety of consumer trends that are benefiting many of its businesses. These trends include (i) growing demand for higher quality foods made with simpler more wholesome ingredients and/or with differentiating attributes such as all natural ingredients, antibiotic free, no added hormones and organic; (ii) increased reliance on convenience oriented foods both for on-the-go snacking as well as for easy home meal preparation; (iii) healthier eating including reduced sugar consumption and increased emphasis on protein; (iv) increased snacking in between and in replacement of meals; (v) increased interest in understanding the background and stories behind food products being consumed; and (vi) increased social awareness on issues such as sustainability, sourcing products locally, animal welfare and food waste.

Premium Food Distribution's revenue for the fourth quarter of 2015 as compared to the fourth quarter of 2014 increased by \$7.4 million or 6.2% primarily due to: (i) selling price increases that were implemented in the latter part of 2014 and in 2015 in response to historically high commodity raw material costs; and (ii) the acquisition of Ocean Miracle, an Ontario based seafood distribution business, in the fourth quarter of 2014 which accounted for \$2.4 million of the increase. Excluding the impact of these factors, Premium Food Distribution's sales for the quarter declined by approximately \$3.4 million primarily due to: (i) reduced trading opportunities in its Worldsource food brokerage business; and (ii) lower foodservice sales in northern Alberta resulting from the economic impact that lower oil commodity prices has had on this region.

Premium Food Distribution's revenue for 2015 as compared to 2014 increased by \$47.4 million or 10.3% primarily due to the factors outlined above but with its growth also being negatively impacted by a below average west coast sockeye salmon fishery in 2015 relative to a very strong fishery in 2014. Excluding the impact of selling price increases and acquisitions, Premium Food Distribution's revenue for 2015 as compared to 2014 was down 1.4%.

For 2016, the Company expects (see *Forward Looking Statements*) Premium Food Distribution's organic growth to be at or slightly below the bottom end of the Company's long-term targeted range of 6% to 8% as growth from a variety of new initiatives, as well as stronger foodservice sales in parts of British Columbia, are expected to be partially offset by continuing weakness in its Alberta foodservice sales.

Gross Profit

<i>(in thousands of dollars except percentages)</i>								
	13 weeks ended Dec 26, 2015	% (1)	13 weeks ended Dec 27, 2014	% (1)	52 weeks ended Dec 26, 2015	% (1)	52 weeks ended Dec 27, 2014	% (1)
Gross profit by segment:								
Specialty Foods	56,749	20.7%	40,264	20.2%	203,672	20.8%	152,614	20.0%
Premium Food Distribution	19,734	15.7%	17,323	14.6%	81,072	16.0%	75,865	16.6%
Consolidated	76,483	19.1%	57,587	18.1%	284,744	19.2%	228,479	18.7%

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

Specialty Foods' gross profit as a percentage of its revenue (gross margin) for the fourth quarter of 2015 as compared to the fourth quarter of 2014 was up slightly due to a range of factors including improved operating efficiencies in its protein and bakery businesses that were the result of: (i) higher sales volumes; and (ii) a major restructuring of its deli meat operations that was completed in 2014. Partially offsetting these factors were temporary operating inefficiencies associated with the ramp up in production at a new sandwich production facility in Columbus, Ohio.

Specialty Foods' gross margin for 2015 as compared to 2014 increased primarily due to: (i) improved operating efficiencies as outlined above; (ii) a general easing of its commodity raw material costs, albeit this was partially offset by longer term purchase commitments and a weaker Canadian dollar as most of Specialty Foods' commodity raw materials are U.S. dollar based; and (iii) selling price increases implemented by its protein businesses in 2014 and early 2015 in response to record high commodity raw material costs. These factors were partially offset by temporary operating inefficiencies at its new sandwich production facility as outlined above.

Premium Food Distribution's gross margin for the fourth quarter of 2015 as compared to the fourth quarter of 2014 increased primarily due to: (i) an unusual \$0.9 million inventory write down in the fourth quarter of 2014; and (ii) higher margins on seafood products resulting from a general improvement in market conditions.

Premium Food Distribution's gross margin for 2015 as compared to 2014 decreased primarily due to continuing record increases through most of 2014 and 2015 in its commodity beef raw material costs, which are significantly impacting the selling margins of its foodservice business. Premium Food Distribution has been able to recover most of these increases through higher selling prices, however, due to the extent of the increases it has not been able to achieve its historic gross margins of 17% plus.

Looking forward (see *Forward Looking Statements*), Premium Food Distribution expects its commodity beef raw material costs to begin decreasing in 2016 and, correspondingly, is projecting an improvement in its gross margin for 2016.

Selling, General and Administrative Expenses (SG&A)

<i>(in thousands of dollars except percentages)</i>								
	13 weeks ended Dec 26, 2015	% (1)	13 weeks ended Dec 27, 2014	% (1)	52 weeks ended Dec 26, 2015	% (1)	52 weeks ended Dec 27, 2014	% (1)
SG&A by segment:								
Specialty Foods	27,035	9.9%	22,121	11.1%	101,342	10.4%	88,636	11.6%
Premium Food Distribution	14,781	11.7%	14,151	11.9%	59,236	11.7%	54,529	11.9%
Corporate	3,154		1,941		12,526		7,696	
Consolidated	44,970	11.2%	38,213	12.0%	173,104	11.7%	150,861	12.3%

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

Specialty Foods' SG&A for the fourth quarter of 2015 as compared to the fourth quarter of 2014 increased by \$4.9 million primarily due to: (i) the acquisitions of Isernio's and Expresco; (ii) increased discretionary employee compensation associated with growth in the Company's free cash flow; (iii) incremental costs associated with its organic sales growth including higher advertising, promotion and freight costs as well as additional sales and administration infrastructure; and (iv) an increase in the translated value of Specialty Foods' U.S. based businesses' SG&A resulting from a decline in the value of the Canadian dollar.

Specialty Foods' SG&A for 2015 as compared 2014 increased by \$12.7 million primarily due to the factors outlined above partially offset by cost savings resulting from the rationalization and subsequent sale of its direct-to-store delivery network for the convenience store channel in 2014.

Specialty Foods' SG&A as a percentage of its revenue for 2015 as compared to 2014 decreased mainly due to the fixed nature of certain costs relative to its organic revenue growth.

Premium Food Distribution's SG&A for the fourth quarter of 2015 as compared to the fourth quarter of 2014 increased by \$0.6 million due to a variety of factors including: (i) increased discretionary employee compensation accruals associated with growth in the Company's free cash flow; (ii) the acquisition of Ocean Miracle; and (iii) \$0.2 million in severance payments associated with the restructuring of its Harlan Fairbanks concessionary products business' sales force.

Premium Food Distribution's SG&A for 2015 as compared to 2014 increased by \$4.7 million primarily due to the factors outlined above as well as additional sales and administration infrastructure added in 2014.

Premium Food Distribution's SG&A as a percentage of its revenue for 2015 as compared to 2014 remained relatively stable as benefits resulting from the fixed nature of certain costs relative to its organic revenue growth were offset by severance payments associated with the restructuring of its Harlan Fairbanks concessionary products business' sales force and additional sales and administration infrastructure added in 2014.

Corporate SG&A for the fourth quarter of 2015 as compared to the fourth quarter of 2014 as well as for 2015 as compared to 2014 increased by \$1.2 million and \$4.8 million respectively, primarily due to increased discretionary employee compensation accruals associated with the growth in the Company's free cash flow and exchange losses on U.S. dollar denominated liabilities.

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:

<i>(in thousands of dollars)</i>	13 weeks ended Dec 26, 2015	13 weeks ended Dec 27, 2014	52 weeks ended Dec 26, 2015	52 weeks ended Dec 27, 2014
Earnings before income taxes	19,670	(72)	54,630	14,171
Other income ⁽¹⁾	-	-	-	(4,703)
Plant start-up and restructuring costs ⁽¹⁾	-	6,723	2,924	20,299
Depreciation of capital assets ⁽²⁾	6,343	5,622	25,301	19,874
Amortization of intangible assets ⁽²⁾	1,205	1,016	4,459	4,356
Amortization of other assets ⁽²⁾	1	1	5	5
Interest and other financing costs ⁽³⁾	3,833	5,319	17,651	20,556
Amortization of financing costs ⁽³⁾	61	58	226	253
Acquisition transaction costs ⁽¹⁾	52	78	223	266
Change in value of puttable interest in subsidiaries ⁽⁴⁾	661	208	5,887	1,996
Accretion of provisions ⁽³⁾	118	80	494	342
Unrealized loss (gain) on foreign currency contracts ⁽⁵⁾	(200)	(400)	(100)	(400)
Equity loss (income) in associates ⁽⁶⁾	(231)	86	(60)	(52)
Other gains and losses ⁽¹⁾	-	655	-	655
Consolidated	31,513	19,374	111,640	77,618

(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 relates to businesses that the Company does not control.

(in thousands of dollars except percentages)								
	13 weeks ended Dec 26, 2015	% (1)	13 weeks ended Dec 27, 2014	% (1)	52 weeks ended Dec 26, 2015	% (1)	52 weeks ended Dec 27, 2014	% (1)
Adjusted EBITDA by segment:								
Specialty Foods	29,714	10.8%	18,143	9.1%	102,330	10.5%	63,978	8.4%
Premium Food Distribution	4,953	3.9%	3,172	2.7%	21,836	4.3%	21,336	4.7%
Corporate	(3,154)		(1,941)		(12,526)		(7,696)	
Consolidated	31,513	7.9%	19,374	6.1%	111,640	7.5%	77,618	6.4%

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

The Company's adjusted EBITDA as a percentage of sales (EBITDA margin) of 7.9% for the fourth quarter was only slightly below its targeted range of 8.0% to 8.5% despite: (i) the seasonality of its business which generally results in its fourth quarter margins being below its average margins for the year; (ii) temporary operating inefficiencies, albeit significantly less than earlier in the year, associated with the ramp up in production at its new sandwich plant in Columbus; and (iii) below average margins in its Premium Food Distribution business due to record high commodity beef raw material costs.

The Company's EBITDA margin for 2015 of 7.5% was below its targeted range of 8.0% to 8.5% primarily due to: (i) temporary operating inefficiencies associated with the ramp up in production at the new Columbus sandwich plant; and (ii) below average margins in its Premium Food Distribution business due to record high commodity beef raw material costs.

Looking forward (see *Forward Looking Statements*) the Company expects its EBITDA margin for 2016 to be within its targeted range of 8.0% to 8.5% based on: (i) continued improvement in the operating performance of the Columbus sandwich plant; (ii) improved operating efficiencies resulting from its projected organic sales growth; (iii) a reduction in certain commodity beef raw material costs; and (iv) the impact of its recently acquired Isernio's and Espresso businesses.

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 26, 2015	13 weeks ended Dec 27, 2014	52 weeks ended Dec 26, 2015	52 weeks ended Dec 27, 2014	Expected Completion Date
Sandwich Capacity	-	6,723	2,924	15,305	Complete
Deli Capacity	-	-	-	3,449	Complete
NDSD Reconfiguration	-	-	-	1,375	Complete
Other	-	-	-	170	Complete
	-	6,723	2,924	20,299	

The Sandwich Capacity project, which included the construction of a new 180,000 square foot production facility in Columbus, Ohio in 2014, was the Company's only active restructuring initiative in 2015. While no further restructuring costs are anticipated for this project, the Columbus plant is still operating below long-term performance expectation levels due largely to a rapid ramp up in its production that has been needed to meet increased customer demand.

Looking forward (see *Forward Looking Statements*), the Company is projecting a steady improvement in the profitability of this operation based on: (i) improved operating efficiencies as production processes are refined and the Columbus plant workforce becomes more experienced; and (ii) continued sales growth which will help to offset the incremental overhead associated with the new plant and the sales and administration infrastructure that was put into place in 2014 to support this growth.

Depreciation and Amortization (D&A)

<i>(in thousands of dollars)</i>				
	13 weeks ended Dec 26, 2015	13 weeks ended Dec 27, 2014	52 weeks ended Dec 26, 2015	52 weeks ended Dec 27, 2014
Depreciation and amortization of intangible and other assets (D&A) by segment:				
Specialty Foods	6,197	5,299	24,581	19,121
Premium Food Distribution	1,242	1,223	4,777	4,682
Corporate	110	117	407	432
Consolidated	7,549	6,639	29,765	24,235

The Company's D&A expense for the fourth quarter of 2015 as compared to the fourth quarter of 2014 and for 2015 as compared to 2014 increased primarily due to: (i) the completion of its new sandwich plant in 2014; (ii) the impact of a weaker Canadian dollar on the translated value of the Company's U.S. based businesses' depreciation expense; and (iii) the acquisitions of Isernio's and Expresco.

Interest and other financing costs

The Company's interest and other financing costs for the fourth quarter of 2015 as compared to the fourth quarter of 2014 and for 2015 as compared to 2014 decreased primarily due to a reduction in the Company's total funded debt resulting from: (i) the conversion of primarily all of its 7.00% debentures at the end of 2014; (ii) the conversion of primarily all of its 5.75% debentures in the second quarter of 2015; (iii) the conversion of primarily all of its 5.70% debentures in the fourth quarter of 2015; and (iv) reduced senior debt levels.

Change in Value of Puttable Interest in Subsidiaries

Change in value of puttable interest in subsidiaries (put expense) 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*).

Put expense generally consists of accretion in the value of outstanding put options, however, the Company's put expense for 2015 also includes \$3.4 million in adjustments made in the third quarter due to: (i) a premium paid, relative to the expected put option price, on the acquisition of the minority shareholders' interest in SJ (see *Liquidity and Capital Resources – Corporate Investments – SJ Acquisition*); and (ii) the impact of changes in the assumptions used to value certain other put options.

The Company paid a premium on the purchase of the SJ minority shareholders' interest in order to facilitate the early exit of these shareholders which, in turn, enabled it to dedicate substantially all of SJ's manufacturing capacity to the production of the Company's proprietary branded products.

Income Taxes

CRA Settlement

In 2009 the Company completed a plan of arrangement that included a merger of Premium Brands Income Fund (the Fund) with a corporate entity, and resulted in the conversion (the Conversion) of 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.

In 2015 the Canada Revenue Agency (the CRA) issued a letter to the Company challenging the deductibility of the Tax Attributes. The Company subsequently entered into negotiations with the CRA and in May 2015 announced that the parties had reached an agreement (the CRA Agreement) on the deductibility of the Tax Attributes. Under the terms of the CRA Agreement:

- The CRA agreed to not challenge the \$55.0 million of the Tax Attributes utilized by the Company in prior taxation years hence solidifying approximately \$14.6 million of previously realized cash income tax savings;
- The CRA would allow the Company to utilize an additional \$55.6 million of the Tax Attributes in future taxation periods which are expected (see *Forward Looking Statements*) to result in approximately \$18.7 million in future cash income tax savings; and
- The Company agreed that the remaining \$89.1 million of the Tax Attributes would be cancelled which resulted in a non-cash write-down of the Company's deferred income tax assets of \$21.5 million in the second quarter of 2015.

The Company's decision to negotiate a settlement instead of challenging the CRA's position through the legal appeals process was based on: (i) eliminating the risk associated with the deductibility of the Tax Attributes; (ii) avoiding costly court proceedings; and (iii) allowing the Company's management team to focus full time on its operations and not be distracted by legal proceedings with the CRA.

Current Income Tax Provision

As a result of the Tax Attributes, which can be used to offset the taxable income generated by a number of the Company's wholly owned Canadian operations, the Company's current provision for income tax is a relatively small portion of its total income tax expense. Correspondingly, the Company's current income tax provision (recovery) relates primarily to its U.S. subsidiaries and non-wholly owned Canadian subsidiaries.

The Company's current income tax provision for 2015 as compared to 2014 increased by \$6.8 million primarily due to an improvement in the performance of its U.S. operations in general, and its U.S. sandwich operations in particular.

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:

<i>(in thousands of dollars)</i>	13 weeks ended Dec 26, 2015	13 weeks ended Dec 27, 2014	52 weeks ended Dec 26, 2015	52 weeks ended Dec 27, 2014
Opening DIT asset (liability)	(10,794)	23,738	22,257	26,697
Adjustments:				
DIT resulting from acquisitions	-	-	(1,854)	65
DIT charged to equity	(1,378)	-	(1,378)	-
Foreign currency translation adjustment ⁽¹⁾	(455)	(93)	(720)	(323)
Prior period adjustment and other	(1)	118	(744)	400
Adjusted opening DIT asset (liability)	(12,628)	23,763	17,561	26,839
Closing DIT asset (liability)	(15,491)	22,257	(15,491)	22,257
Change in DIT asset/liability	2,863	1,506	33,052	4,582
DIT from discontinued operation	1,809	59	1,771	460
Provision for DIT	4,672	1,565	34,823	5,042

(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.

Discontinued Operation

In the fourth quarter of 2015 the Company shut down the last of its older deli meats manufacturing facilities (the plant shutdown), namely a 70,000 square foot plant located in Toronto, ON which focused primarily on the production of private label products for the retail industry (the private label business). In conjunction with the plant shutdown, the Company exited primarily all of the private label business and, correspondingly, has accounted for this initiative as a discontinued operation. The loss from discontinued operation consisted of the following:

<i>(in thousands of dollars)</i>	13 weeks ended Dec 26, 2015	13 weeks ended Dec 27, 2014	52 weeks ended Dec 26, 2015	52 weeks ended Dec 27, 2014
Severance and stay bonus	4,277	-	4,972	-
Remaining operating (gain) loss	2,550	222	1,712	1,735
	6,827	222	6,684	1,735
Provision for income taxes	(1,809)	(59)	(1,771)	(460)
Loss from discontinued operation	5,018	163	4,913	1,275

Looking forward, this initiative is expected (see *Forward Looking Statements*) to have a positive impact of the Company's earnings based on: (i) elimination of the losses historically associated with the discontinued operation; and (ii) synergies resulting from the transfer of a portion of the discontinued operation's production to the Company's other deli meat manufacturing facilities.

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 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Revenue	262.7	316.7	325.1	317.4	328.2	363.3	392.7	400.3
Adjusted EBITDA	16.5	22.2	24.3	19.4	18.8	28.5	32.8	31.5
Earnings (loss) from continuing operations	2.3	4.2	4.9	1.3	3.5	(10.6)	10.1	13.6
Earnings (loss) per share – basic – continuing operations	0.11	0.19	0.22	0.06	0.15	(0.44)	0.40	0.53
Earnings (loss) per share – diluted – continuing operations	0.11	0.19	0.22	0.06	0.15	(0.43)	0.40	0.53

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 restaurants, corner stores, gas stations 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 and project capital expenditures that have resulted in general growth in its revenue and adjusted EBITDA; and (ii) unusual volatility in the cost of certain commodity raw materials, particularly for beef and pork products.

The Company's earnings over the last eight quarters have fluctuated significantly due to a number of factors including: (i) the write-off of certain deferred tax assets as a result of the settlement reached with the CRA; (ii) plant start-up and restructuring costs, which are event driven; and (iii) the Company's business acquisition initiatives, including the resulting impacts on change in value of puttable interest in subsidiaries expense and acquisition transaction costs.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial position and liquidity for the 13 and 52 week periods ended December 26, 2015 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 26, 2015	As at Dec 27, 2014
Accounts receivable	159,879	116,544
Inventories	141,589	121,693
Prepaid expenses	6,437	5,798
Accounts payable and accrued liabilities	(133,836)	(102,598)
Net working capital	174,069	141,437

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 2015 as compared to the end of 2014 increased by \$32.6 million primarily due to: (i) additional working capital associated with the Company's revenue growth; (ii) an increase in the portion of the Company's sales made to customers with 45 days payment terms; and (iii) normal fluctuations in inventory, accounts receivable and accounts payable balances.

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

<i>(in days)</i>	As at Dec 26, 2015	As at Dec 27, 2014
Days sales in accounts receivable ⁽¹⁾	36.3	33.4
Days cost of sales in inventory ⁽²⁾	39.8	42.6

(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 days sales in accounts receivable at the end of 2015 as compared to the end of 2014 increased by 2.9 days primarily due to an increase in the portion of the Company's sales made to customers with 45 days payment terms.

The Company's days cost of sales in inventory at the end of 2015 as compared to the end of 2014 decreased by 2.8 days primarily due to improved inventory turns associated with the Company's sales growth.

Debt Financing Activities

Credit Facilities

As at December 26, 2015 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⁾	290,200	190,000	100,200
5.50% debentures ⁽²⁾	55,653	55,653	-
5.00% debentures ⁽³⁾	66,184	66,184	-
Industrial Development Revenue Bond ⁽⁴⁾	8,480	8,480	-
Note payable ⁽⁵⁾	4,399	4,399	-
Capital leases and other term loans	4,794	4,794	-
Other revolving loans	9,800	3,886	5,914
Cheques outstanding	-	6,796	(6,796)
Cash and cash equivalents	-	(11,270)	11,270
	439,510	328,922	110,588

- (1) The credit facility amount of \$290.2 million represents the total available under this facility of \$300.0 million less approximately \$9.8 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 \$57.5 million in 5.50% convertible unsecured subordinated debentures issued by the Company in 2013 plus the value attributed to the cash conversion option associated with the debentures. The outstanding face value of the 5.50% debentures, which mature on June 30, 2019 and have no principal payments prior to that date, was \$57.4 million as at December 26, 2015.
- (3) Represents the present value of the outstanding portion of the \$69.0 million in 5.00% convertible unsecured subordinated debentures issued by the Company in 2015 plus the value attributed to the cash conversion option associated with the debentures. The outstanding face value of these debentures, which mature on October 30, 2020 and have no principal payments prior to that date, was \$69.0 million as at December 26, 2015.
- (4) Bond which is issued by one of the Company's U.S. subsidiaries, is denominated in U.S. dollars (US\$6.1 million), matures in 2036 and has no principal payments due prior to its maturity date.
- (5) Unsecured promissory note is denominated in U.S. dollars (US\$3.2 million), matures in 2025, is redeemable by the noteholder beginning in 2020, and has no principal payments prior to redemption or maturity.

The Company's 5.50% and 5.00% debentures trade on the Toronto Stock Exchange under the symbols PBH.DB.C and PBH.DB.D, 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 26, 2015	As at Dec 27, 2014
Cheques outstanding	6,796	6,353
Bank indebtedness	3,886	-
Current portion of long-term debt	3,685	2,645
Long-term debt	202,794	211,292
Deferred financing costs ⁽¹⁾	1,194	1,124
	218,355	221,414
Less: cash and cash equivalents	11,270	9,453
Senior funded debt	207,085	211,961
7.00% debentures	-	6,948
5.75% debentures	-	56,421
5.70% debentures	-	55,976
5.50% debentures	55,653	55,204
5.00% debentures	66,184	-
Total funded debt	328,922	386,510

(1) Deferred financing costs are included as an offsetting amount in long-term debt in the Company's consolidated financial statements.

Debt Activities

During 2015 the Company's significant debt activities consisted of the following:

<i>(in thousands of dollars)</i>	52 weeks ended Dec 26, 2015
Opening total funded debt at December 27, 2014	386,510
Issuance of 5.00% Debentures	65,740
Draws on Facility A to fund acquisitions ⁽¹⁾	40,000
Net cash used for (generated from) the Company's general cash requirements	14,100
Funded debt assumed as part of acquisitions ⁽¹⁾	7,760
Principal accretion on long-term debt and debentures	3,554
Foreign currency translation adjustment ⁽²⁾	1,723
Repayment of 7.00% Debentures, 5.75%, and 5.70% Debentures ⁽³⁾	(4,260)
Scheduled principal payments	(2,801)
Application of proceeds from 5.00% Debentures to Facility A	(65,740)
7.00%, 5.75%, 5.70%, and 5.50% Debenture conversions ⁽⁴⁾	(117,664)
Closing total funded debt	328,922

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

(2) Adjustment is the result of changes in the currency exchange rate used to translate the Company's U.S. dollar denominated debt into Canadian dollars.

(3) \$0.2 million of the 7.00% Debentures, which matured on December 31, 2014, \$1.2 million of the 5.75% Debentures which were redeemed on May 26, 2015, and \$2.8 million of the 5.70% Debentures which were redeemed on December 23, 2015, were extinguished through a cash payment.

(4) The 7.00%, 5.75%, 5.70%, and 5.50% Debentures were convertible into common shares at conversion prices of \$14.50, \$22.40, \$28.30, and \$29.25 per common share, respectively.

In the third quarter of 2015 the Company entered into interest rate swap agreements with its senior lenders effectively fixing the interest rate on \$75.0 million of the debt outstanding under its revolving senior credit facility for a period of three years at 0.8865% plus 1.25% to 2.25% as determined based on the ratio of the Company's senior debt to cash flow (see *Financial Instruments – Interest Rate Swap Contracts*).

In the second quarter of 2015 the Company issued \$69.0 million of convertible unsecured subordinated debentures (the 5.00% debentures) resulting in net proceeds of \$65.7 million after commissions of \$2.8 million and transaction costs of approximately \$0.5 million. The debentures bear interest at an annual rate of 5.0% payable semi-annually, have a maturity date of April 30, 2020 and are convertible

into common shares of the Company at a price of \$44.65 per share. Upon conversion of the debentures, in lieu of delivering common shares, the Company may, at its option, elect to pay the holder a cash amount which is calculated based on the daily volume weighted average price of the Company's common shares as measured over a period of ten consecutive trading days commencing on the third day following the date of the conversion.

Also in the second quarter of 2015, the Company issued a notice of intention to redeem on May 26, 2015 all of its outstanding 5.75% debentures. \$1.2 million of the 5.75% debentures were redeemed and the balance were, at the option of the debenture holder, converted into common shares of the Company at the conversion price of \$22.40.

In the fourth quarter of 2015, the Company issued a notice of intention to redeem on December 23, 2015 all of its outstanding 5.70% debentures. \$2.8 million of the 5.70% debentures were redeemed and the balance were, at the option of the debenture holder, converted into common shares of the Company at the conversion price of \$28.30.

Banking Covenants

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

	Covenant Requirement	Dec 26, 2015 Ratio
Senior funded debt to adjusted EBITDA ratio ⁽¹⁾	=< 4.0 : 1.0	1.7 : 1
Interest coverage ratio ⁽²⁾	>= 4.0 : 1.0	18.1 : 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 4.0 : 1 to 4.5 : 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;
- The financial covenants associated with the Company's senior credit facilities;
- The Company's dividend policy;
- The tax benefits associated with financing the Company's operations with debt; and
- The terms and risk profile of the convertible debentures issued by the Company.

At the end of 2015, the Company's senior funded debt to adjusted EBITDA ratio of 1.7 : 1 and its total funded debt to adjusted EBITDA ratio of 2.7 : 1 were both below the Company's respective long-term targeted ranges for these ratios.

Looking forward (see *Forward Looking Statements*) the Company intends to use its excess senior debt capacity to fund project capital expenditures and business acquisitions.

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 and business acquisitions.

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, 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 26, 2015	52 weeks ended Dec 27, 2014
Cash flow from operating activities	67,351	21,344
Changes in non-cash working capital ⁽¹⁾	17,135	20,283
Acquisition transaction costs ⁽²⁾	223	266
Plant start-up and restructuring costs ⁽³⁾	2,924	20,299
Capital maintenance expenditures ⁽⁴⁾	(6,486)	(4,818)
Free cash flow	81,147	57,374

(1) Cash used for increases in the Company's non-cash working capital is funded primarily through draws on its revolving credit facilities, while cash resulting from decreases in its non-cash working capital is used primarily to pay down these facilities.

(2) Amount relates to the Company's business acquisition activities.

(3) Amount relates to the Company's plant start-up and business restructuring initiatives.

(4) Amount represents the portion of the Company's capital expenditures necessary for maintaining its existing capital asset base (see *Liquidity and Capital Resources – Capital Expenditures*).

The Company's free cash flow for 2015 as compared to 2014 increased by \$23.8 million primarily due to its increased adjusted EBITDA partially offset by additional cash taxes associated with the improved performance of its U.S. operations.

Dividend Policy

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

- The ratio of its dividends to its free cash flow on a rolling four quarter basis;
- Debt principal repayment obligations;
- Financing requirements for project capital expenditures (see *Liquidity and Capital Resources – Capital Expenditures*), plant start-up and business restructuring initiatives and business acquisitions;
- 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.

In the first quarter of 2015 the Company increased its quarterly dividend by 10.4% to \$0.3450 per share, or \$1.38 per share on an annualized basis. Its previous quarterly dividend was \$0.3125 per share, or \$1.25 per share on an annualized basis.

Subsequent to 2015, the Company increased its quarterly dividend by 10.1% to \$0.38 per share, or \$1.52 per share on an annualized basis.

Looking forward (see *Forward Looking Statements*), the Company is continually assessing its dividend policy based on the considerations outlined above as well as other possible factors that may become relevant in the future and, correspondingly, there can be no assurance that its current quarterly dividend of \$0.38 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/Unit
Rolling four quarters ended:					
December 26, 2015	34,968	Dividend	81,147	43.1%	\$1.3800
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 categorizes its capital expenditures into 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, 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 2015:

<i>(in thousands of dollars)</i>		52 weeks ended Dec 26, 2015
Opening capital assets at December 27, 2014		203,340
Depreciation (including depreciation in discontinued operation)		(25,454)
Asset sales		(784)
Foreign currency translation adjustment ⁽¹⁾		11,027
Acquisitions ⁽²⁾		9,790
Capital expenditures:		
Project		22,882
Maintenance		6,486
Closing capital assets		227,287

(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*.

Project Capital Expenditures

During 2015 the Company invested \$22.9 million in project capital expenditures consisting of the following:

- \$7.2 million for capacity expansion projects at its deli and premium processed meats production facilities. All of these projects are expected (see *Forward Looking Statements*) to be completed in 2016 at a total cost of approximately \$12.8 million.
- \$5.1 million for production lines and other equipment needed to expand the capacity and improve the efficiency of its new sandwich plant in Columbus, OH. The Company expects (see *Forward Looking Statements*) to spend an additional US\$4.5 million on this initiative over the next two quarters in order to bring the Columbus plant up to full capacity.
- \$3.0 million for a new enterprise resource planning system that the Company intends to implement in most of its businesses over the next several years. The Company expects (see *Forward Looking Statements*) to invest an additional \$6.5 million in this project in 2016.
- \$0.6 million for an additional production line at the Company's newly acquired Expresco business' Montreal, QC plant. This project is expected (see *Forward Looking Statements*) to be completed in mid-2016 at a total cost of \$4.1 million.

- \$7.0 million for a variety of smaller projects consisting mainly of capacity related equipment purchases.

Looking forward (see *Forward Looking Statements*), in addition to the above projects the Company is proceeding with the following initiatives:

- An expansion of its Centennial foodservice distribution business model into Ontario. This project consists of building a state-of-the-art 50,000 square foot distribution and custom cutting facility in the Greater Toronto Area that will : (i) provide much needed capacity for its Ocean Miracle seafood distribution business, which will move all of its operations into the new facility; and (ii) allow Ocean Miracle to offer hotels, restaurants and institutions Centennial's full line of high quality customized protein solutions, thereby effectively expanding Centennial's highly successful business model into Ontario. Currently Centennial operates only in western Canada.

The projected cost for this project, including equipment and improvements to a new custom built leased facility, is \$13.3 million, approximately 30% of which is expected (see *Forward Looking Statements*) to be spent in 2016 and the balance in 2017.

- An expansion of Centennial's Calgary distribution and custom cutting facility that will (see *Forward Looking Statements*): (i) position Centennial's Calgary operation for continued organic growth as the Calgary facility is now operating at or, at times, above its designed capacity levels; (ii) enable Centennial to enter the premium dry aged beef product category as the expansion will include a specialized dry aging room that will service all of Centennial's branches in western Canada; and (iii) eliminate operating inefficiencies at the Calgary facility that are resulting from it being run at or above its designated capacity levels.

This project is expected (see *Forward Looking Statements*) to be completed in mid-2016 at a total cost of \$1.9 million.

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 26, 2015	6,486
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 2016 the Company expects (see *Forward Looking Statements*) its capital maintenance expenditures to be between \$8.0 million and \$9.0 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 2015 the Company made the following corporate investments:

ISC Inc. (Isernio's)

In July, the Company acquired Isernio's for US\$12.3 million consisting of US\$9.0 million in cash and a US\$3.3 million promissory note bearing interest at 6%, redeemable in 2020 and maturing in 2025.

Isernio's, which is one of the leading premium branded fresh sausage manufacturers in the U.S. Pacific Northwest, operates a newly built 28,000 square foot facility located in Kent, WA and has annual sales of approximately US\$14.0 million.

SJ Fine Foods (SJ) Acquisition

In August, the Company purchased the minority shareholders' 49.3% interest in its SJ subsidiary for \$10.0 million. SJ operates a 40,000 square foot modern deli meats facility located in Saskatoon, SK.

Expresco Foods Inc. (Expresco)

In September, the Company acquired a 70% interest in Expresco for \$26.2 million consisting of \$21.5 million in cash, the assumption of \$3.6 million in funded debt and 35,544 of the Company's common shares.

Expresco is a leading manufacturer of high quality grilled protein products, including handmade specialty seasoned skewers, for retailers and foodservice distributors in Canada and the U.S. Expresco operates a 44,000 square foot modern production facility located in Montreal, QC and has annual sales of approximately \$55.0 million.

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 2015:

<i>(in thousands of dollars)</i>		52 weeks ended Dec 26, 2015
Opening intangible assets and goodwill at December 27, 2014		246,391
Amortization of intangible assets		(4,459)
Acquisitions		41,784
Foreign currency translation adjustment ⁽¹⁾		5,417
Closing intangible assets and goodwill		289,133

(1) 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 which owns and leases to the Company three industrial real estate properties; 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 2015:

<i>(in thousands of dollars)</i>	52 weeks ended Dec 26, 2015
Opening investment in associates at December 27, 2014	9,517
Equity income in associates	60
Cash distributions from associates	(257)
Closing investment in associates	9,320

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 2015:

<i>(in thousands of dollars)</i>	52 weeks ended Dec 26, 2015
Opening puttable interest at December 27, 2014	17,900
Change in value ⁽¹⁾	5,887
Acquisitions ⁽²⁾	13,455
Purchase of minority shareholders' interest ⁽²⁾	(10,010)
Foreign currency translation adjustment ⁽³⁾	797
Cash distributions to non-controlling shareholders with puttable interests	(1,746)
Closing puttable interest	26,283

(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 26, 2015
Contingent consideration – Freybe acquisition ⁽¹⁾	2,332
Contingent consideration – Ocean Miracle acquisition ⁽²⁾	2,681
Lease restoration costs ⁽³⁾	1,033
Provisions ⁽⁴⁾	6,046

- (1) This represents the discounted present value of the contingent consideration that is payable to the previous owners of Freybe Gourmet Foods (acquired in 2013) if the business achieves certain performance targets over the next year.
- (2) This represents the discounted present value of the contingent consideration that is payable to the previous owners of Ocean Miracle (acquired in 2014) if it achieves certain performance targets over each of the next two years.
- (3) This represents the present value of estimated (see *Forward Looking Statements*) future site restoration costs associated with leased facilities. The final liabilities will be payable upon the expiry of the associated leases.
- (4) Includes both the current and long-term portions.

The following table shows the changes in the provisions during 2015:

<i>(in thousands of dollars)</i>	52 weeks ended Dec 26, 2015
Opening provisions at December 27, 2014	6,302
Additional lease restoration costs accrual	500
Payment	(1,250)
Accretion of provisions	494
Closing provisions ⁽¹⁾	6,046

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

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 organic growth rate and adjusted EBITDA margin expectations for 2016.

See *Liquidity and Capital Resources – Capital Expenditures* for details on the Company's project and maintenance capital expenditure expectations for 2016.

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

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 26, 2015 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 and notes payable	202,879	354	377	400	190,424	2,844	8,480
Capital leases and other	4,794	3,331	878	469	116	-	-
5.50% debentures	57,417	-	-	-	57,417	-	-
5.00% debentures	69,000	-	-	-	-	69,000	-
Operating leases	130,583	15,468	13,965	12,646	11,798	10,398	66,308
Total	464,673	19,153	15,220	13,515	259,755	82,242	74,788

TRANSACTIONS WITH RELATED PARTIES

During 2015 the Company entered into the following transactions with related parties:

Pender West LP

Pender West LP is a Vancouver, BC based real estate investment fund in which the Company owns a 35% interest (see *Corporate Investments – Investments in Associates*) and the Company's Chairman, Bruce Hodge, indirectly owns a 13% interest.

Pursuant to three twenty-year real property leases ending between April 2033 and January 2034, the Company made \$2.9 million in lease payments to Pender West LP in 2015.

Employee Loan Program (ELP)

In 2006 the Company put into place the ELP. Under the terms of the program the Company makes loans to employees, officers and directors of the Company (the participants) for the sole purpose of enabling them to purchase the Company's issued and outstanding common shares. The primary reasons for the ELP are: (i) facilitating ownership in the Company by the participants and thereby further aligning their interests with those of the Company's shareholders; and (ii) supporting employee retention.

The terms of a loan made under the ELP are as follows:

- Security: A first charge on the shares (the ELP shares) purchased with the proceeds of the loan and a personal guarantee from the participant
- Interest: None unless an event of default occurs
- Principal payments: Quarterly payments equal to 55% of the dividends paid on the ELP shares
- Maturity: Loan is immediately due and payable upon the termination of the participant's employment with the Company otherwise no fixed maturity date

Prior to 2015 the Company had made \$1.7 million in loans under the ELP. As at the end of 2015 the balance outstanding on these loans was \$0.4 million, \$0.3 million of which was owed by officers and directors of the Company.

In the second quarter of 2015 the Company made an additional \$7.5 million in loans (the new loans) under the ELP which was used by the participants to purchase, in a private market transaction, 242,248 of the Company's issued and outstanding common share at a price of \$30.96 per share. The new loans were denominated in Canadian dollars for employees in Canada and in U.S. dollars for employees in the U.S. As at the end of 2015 the new loans denominated in Canadian dollars totaled \$6.2 million, \$3.0 million of which was owed by officers and directors of the Company, and the new loans denominated in U.S. dollars totaled US\$0.9 million, US\$0.2 million of which was owed by officers and directors of the Company.

Principal payments by officers and directors of the Company on loans made under the ELP were \$0.1 million in 2015.

Employee loans are included as part of *Other Assets* on the Company's consolidated balance sheet.

SUBSEQUENT EVENTS

Increase in Dividend

Subsequent to 2015, the Company increased its quarterly dividend by 10.1% to \$0.38 per share, or \$1.52 per share on an annualized basis.

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 9, 2016, 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.

- The overall economic conditions in Canada and the United States will be relatively stable with modest improvement in the near to medium term. More specifically, in terms of Canada, the Company is expecting any impacts from the weakness in Alberta's economy, resulting from lower oil commodity prices, to be more than offset by benefits resulting from growth in the economies of British Columbia, Ontario and Quebec.
- The average cost of the basket of food commodities purchased by the Company's businesses will be relatively stable and, to the extent that there are significant increases, the Company will be able to pass these on to its customers. More specifically, the Company is assuming that: (i) the average cost of its beef raw materials over the next several quarters will decrease from recent record highs; and (ii) the U.S. dollar, which is the valuation currency for many of the

commodity raw materials used by the Company, relative to the Canadian dollar will not materially fluctuate from recent levels.

- The Company's major capital projects and business acquisition initiatives will progress in line with its expectations. More specifically, the Company is expecting: (i) its new sandwich plant in Columbus, OH will in 2016 achieve operating efficiency levels similar to those of its sandwich plant in Reno, NV; and (ii) its recently acquired Isernio's and Expresco businesses will perform in line with its original acquisition projections.
- The Company will be able to continue to access sufficient goods and services for its manufacturing and distribution operations. In particular, the Company's Canadian businesses will be able to access adequate supplies of certain supply managed commodities such as turkey.
- There will not be any material changes in the competitive environment or consumer food trends in the markets in which the Company's various businesses compete. Some of the specific consumer trends that the Company's business strategies are focused on include: (i) growing demand for higher quality foods made with simpler more wholesome ingredients and/or with differentiating attributes such as all natural ingredients, antibiotic free, no added hormones and organic; (ii) increased reliance on convenience oriented foods both for on-the-go snacking as well as for easy home meal preparation; (iii) healthier eating including reduced sugar consumption and increased emphasis on protein; (iv) increased snacking in between and in replacement of meals; (v) increased interest in understanding the background and stories behind food products being consumed; and (vi) increased social awareness on issues such as sustainability, sourcing products locally, animal welfare and food waste.
- Overall North American weather patterns will be in line with historic patterns. To the extent that unusual and/or extreme weather occurs this can impact the Company in a variety of ways including: (i) changes in consumer demand patterns; (ii) changes in raw material costs; and (iii) raw material shortages.
- There will not be any material changes in the Company's relationships with its larger customers. More specifically, the Company will not lose a major product listing with one of its larger customers or be forced to give significant product pricing concessions to a larger customer.
- The value of the Canadian dollar relative to the U.S. dollar will continue to fluctuate in line with recent levels.
- The Company will be able to continue to access sufficient skilled and unskilled labor at current wage levels.
- The Company will be able to negotiate new collective agreements with no labor disruptions.
- 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 9, 2016 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 purchases a variety of 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. In addition, 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 selling margins.

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.

The Company's product diversification strategies, which reduce its exposure to any single commodity, combined with its focus on differentiated products 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

Many of the Company's businesses are seasonal and weather dependent. Poor weather can impact these businesses 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; (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; and (iii) reduced availability of certain species of wild seafood sold by the Company.

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.

The Company's business 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 the foodservice segment resulting from poor economic conditions is often partially offset by an increase in sales in the retail segment.

Sales and Margin Risk

The Company's profitability depends on its ability to maintain its sales and profit margins. If the cost of the products sold by the Company 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 selling margins could be adversely affected.

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 favorable terms to compete successfully.

Customer Risk

The Company's sales to large format retail customers account for approximately 36% 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 23% 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 sales.

The Company's customer diversification strategies, which include having its individual businesses maintaining unique relationships with their customers, 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), the Company's strong past performance as a strategic supplier, and the strength of the Company's relationship with this customer.

Access to Commodity Raw Materials Risk

Most of the commodity raw materials purchased by the Company are generally readily available from a variety of suppliers and brokers, however, there are risks associated with the Company being able to adequately source such materials at reasonable prices. These include livestock risk (see *Risk and Uncertainties – Livestock Risk*), international trade risk (see *Risk and Uncertainties – International Trade Risk*), the potential impact of climate change on livestock production and, specific to the Company's Canadian operations, Canada's supply management system for certain agricultural commodities. Canada's supply management system, in particular, has in the past created supply / demand imbalances that have resulted in the Company not being able to source adequate amounts of reasonably priced turkey raw materials.

The Company mitigates these risks by maintaining a broad network of suppliers, contractual relationships with certain suppliers, developing global procurement relationships and through its general business and product diversification strategies.

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.

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 a number of consumer trends (see *Forward Looking Statements*), 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.

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 such products.

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 labor 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.

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.

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.

Acquisition Risk

A key component of the Company's growth strategies is through business acquisitions and combinations, however, there can be no assurances that the Company will be able to identify and acquire appropriate businesses.

Furthermore, there are inherent risks associated with acquiring a business including unanticipated transaction costs, costs associated with failed transactions, undisclosed liabilities, and integration issues. In addition, 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.

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' raw material and finished product purchases 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 can result in an increase, in Canadian dollar terms, in the cost of these products. 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. Correspondingly, 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.
- 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.
- 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.

Governmental Regulation Risk

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 licenses 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, seizures,

criminal sanctions, negative publicity, or increased costs associated with complying with such standards and controls.

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.

Labor Risk

Approximately 29% of the Company's non-management employees are represented by labor unions or employee associations. In addition, 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 labor unions.

A labor disruption, whether at one of the Company's businesses or involving one of the Company's significant suppliers, could impair the Company's ability to produce and/or source an adequate supply of finished products. A labor disruption involving one of the Company's significant customers could impair the Company's sales.

The Company is also dependent on having sufficient skilled and unskilled production and distribution labor for the continued efficient operation and growth of its business. In the event the Company is unable to hire and retain adequate labor resources this could also impair the Company's ability to produce an adequate supply of finished products.

Dependence on Key Personnel Risk

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 impact the Company's ability to execute its various business plans.

Interest Rate Risk

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.

Cyber Security Risk

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.

Credit Risk

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.

Manufacturing Risk

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.

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.

International Trade Risk

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.

Environmental, Health and Safety Regulation Risk

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 operating costs.

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.

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 labor 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. Assessing impairment of goodwill and intangible assets with indefinite lives requires significant judgement including making estimates with regards to the amounts and timing of future cash flows and the discount rates to be used to value such cash flows.

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 provision for deferred income taxes is based on changes in the estimated temporary differences between the value of the assets and liabilities used for tax purposes and those used for accounting purposes. In determining these temporary differences, certain management judgments 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. 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.

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 determination of plant start-up and restructuring costs

requires a significant amount of judgement with regards to the allocation of certain costs to these projects.

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 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.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, *Leases*, which replaces the existing lease accounting guidance. IFRS 16 requires all leases to be reported on the balance sheet unless certain criteria for exclusion are met. IFRS 16 is effective for the year ending December 31, 2019 with early adoption permitted if IFRS 15 is also adopted at the same time. The Company has not yet determined the impact of this standard 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 26, 2015, the Company had outstanding foreign currency contracts for the purchase of US\$20.0 million over the next twelve months at a blended rate of C\$1.35.

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 swaps for speculative purposes.

In August, 2015, the Company entered into swaps that fixed the rate of interest on \$75.0 million of its long-term debt for a three-year period at a rate of 0.8865% plus 1.25% to 2.25% depending on the Company's quarterly ratio of debt to cash flow.

As at December 26, 2015, a change of 0.25 percentage points in the effective interest rate for the remaining term of the swaps would result in an increase (if interest rates increase) or a decrease (if interest rates decrease) in the fair value of the swaps of approximately \$0.5 million.

OTHER

Outstanding Shares

The shares outstanding in the Company as of March 9, 2016 were 27,354,066. 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 9, 2016 were 27,245,116.

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 26, 2015 and has concluded that such procedures are adequately designed and effective for providing reasonable assurance that (i) material information relating to the Company, including its consolidated subsidiaries, is made known to Management on a timely basis to ensure adequate disclosure and (ii) information required to be disclosed by the Company in its annual filings or other reports filed and submitted under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time period.

Management has also evaluated the Company's ICFR as of December 26, 2015 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 (2013 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 26, 2015 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 9, 2016. 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 9, 2016, 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.