



PREMIUM BRANDS HOLDINGS CORPORATION

Management's Discussion and Analysis

For the 13 Weeks and 39 Weeks Ended September 24, 2016

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 November 2, 2016. It should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and the notes thereto for the period ended September 24, 2016, and its fiscal 2015 audited consolidated financial statements and the notes thereto, both of 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 and/or customer'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; (iv) artisan breads; and gourmet burgers.

- **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 (iv) 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.

RESULTS OF OPERATIONS

The Company reports on two reportable segments, Specialty Foods and Premium Food Distribution, as well as corporate costs (Corporate). 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, Expresco and Belmont Meats. 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, Ocean Miracle, C&C Packing and Premier Meats. 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 millions of dollars except percentages)</i>								
	13 weeks ended Sep 24, 2016	% (1)	13 weeks ended Sep 26, 2015	% (1)	39 weeks ended Sep 24, 2016	% (1)	39 weeks ended Sep 26, 2015	% (1)
Revenue by segment:								
Specialty Foods	274.5	57.1%	256.9	65.4%	809.7	61.1%	704.6	65.0%
Premium Food Distribution	206.5	42.9%	135.7	34.6%	515.2	38.9%	379.6	35.0%
Consolidated	481.0	100.0%	392.6	100.0%	1,324.9	100.0%	1,084.2	100.0%

(1) Expressed as a percentage of consolidated revenue

Specialty Foods' revenue for the third quarter of 2016 as compared to the third quarter of 2015 increased by \$17.6 million or 6.9% primarily due to: (i) the acquisition of Expresco Foods in the third quarter of 2015 which accounted for \$11.5 million of the increase; and (ii) \$8.2 million of organic volume growth, representing a growth rate of 3.2%, across a range of products with a significant portion coming from the segment's sandwich initiatives. These increases were partially offset by: (i) a \$1.2 million decrease in the translated value of its U.S. based businesses' sales; and (ii) a \$0.9 million decrease in its net selling prices resulting from lower commodity raw material costs.

For the first three quarters of 2016 as compared to the first three quarters of 2015 Specialty Foods' revenue increased by \$105.1 million or 14.9% primarily due to: (i) the acquisitions of Isernio's Sausage and Expresco Foods in 2015 which accounted for \$51.0 million of the increase; (ii) \$37.5 million of organic volume growth, representing a growth rate of 5.3%; and (iii) a \$16.8 million increase in the translated value of its U.S. based businesses' sales. These increases were partially offset by approximately \$0.2 million in net selling price decreases.

Specialty Foods' organic volume growth rate for the third quarter of 3.2% was below its year to date rate of 5.3% and the Company's long-term targeted range of 4% to 6% primarily due to: (i) customer product promotions and limited time offerings that were either delayed to the fourth quarter of 2016 or not repeated; (ii) general volatility in the timing of certain larger customers' orders; and (iii) rationalization of lower margin products. Looking forward (see *Forward Looking Statements*), the Company expects Specialty Foods to recapture a significant portion of the sales not achieved in the third quarter in the fourth quarter and correspondingly is maintaining its 2016 revenue guidance for this segment, i.e. its organic volume growth being at the top end or above the Company's long-term targeted range of 4% to 6% (6% to 8% after inflation).

Premium Food Distribution's revenue for the third quarter of 2016 as compared to the third quarter of 2015 increased by \$70.8 million or 52.2% primarily due to: (i) the acquisition of C&C Foods in the second quarter of 2016 (see *Liquidity and Capital Resources – Corporate Investments – C&C Foods*) which accounted for \$67.5 million of the increase; (ii) approximately \$1.1 million in net selling price increases that were implemented in response to higher raw material costs, namely a variety of seafood products; and (iii) net organic volume growth of \$2.2 million representing an organic volume growth rate of 1.6%.

For the first three quarters of 2016 as compared to the first three quarters of 2015 Premium Food Distribution's revenue increased by \$135.6 million or 35.7% primarily due to: (i) the acquisition of C&C Foods which accounted for \$120.1 million of the increase; (ii) approximately \$10.8 million in net selling price increases; and (iii) net organic volume growth of \$4.7 million representing an organic volume growth rate of 1.2%.

Premium Food Distribution's low organic volume growth rate in 2016 is due to the impact on its Alberta and Saskatchewan foodservice operations from the economic slowdowns in these regions. Excluding this factor, Premium Food Distribution's organic volume growth rate would have been near to or at the bottom end of the Company's long-term targeted range of 4% to 6%.

Looking forward (see *Forward Looking Statements*), for 2016 the Company is maintaining its revenue guidance for Premium Food Distribution's organic volume growth to be below the Company's long-term targeted range of 4% to 6% (6% to 8% after inflation) as the impact of the weakness in the Alberta and Saskatchewan economies continues to largely offset the solid growth being generated from a variety of new product initiatives as well as stronger foodservice sales in southern British Columbia.

Gross Profit

<i>(in millions of dollars except percentages)</i>								
	13 weeks ended Sep 24, 2016	% (1)	13 weeks ended Sep 26, 2015	% (1)	39 weeks ended Sep 24, 2016	% (1)	39 weeks ended Sep 26, 2015	% (1)
Gross profit by segment								
Specialty Foods	58.2	21.2%	56.2	21.9%	162.9	20.1%	146.9	20.8%
Premium Food Distribution	33.1	16.0%	22.2	16.4%	83.3	16.2%	61.3	16.1%
Consolidated	91.3	19.0%	78.4	20.0%	246.2	18.6%	208.2	19.2%

(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 third quarter of 2016 as compared to the third quarter of 2015 and for the first three quarters of 2016 as compared to the first three quarters of 2015 decreased slightly due to a variety of factors including changes in the its sales mix, namely higher sandwich sales, and lower than normal margins on certain turkey and chicken based products resulting from raw material cost increases. In addition, Specialty Foods' sandwich operation's gross margins were impacted by temporary operating inefficiencies at its new sandwich plant in Columbus, Ohio. These totaled approximately \$1.3 million for the third quarter and \$5.1 million for the first three quarters of 2016.

Premium Food Distribution's gross margin for the third quarter of 2016 as compared to the third quarter of 2015 and for the first three quarters of 2016 as compared to the first three quarters of 2015 was relatively stable as improved margins on beef based products, resulting from a decline in raw material costs from record highs earlier in the year, were largely offset by the lower average gross margins, on a relative basis, of its recently acquired C&C Foods business.

Selling, General and Administrative Expenses (SG&A)

<i>(in millions of dollars except percentages)</i>								
	13 weeks ended Sep 24, 2016	% (1)	13 weeks ended Sep 26, 2015	% (1)	39 weeks ended Sep 24, 2016	% (1)	39 weeks ended Sep 26, 2015	% (1)
SG&A by segment:								
Specialty Foods	26.5	9.7%	26.6	10.4%	78.7	9.7%	74.3	10.5%
Premium Food Distribution	18.4	8.9%	15.3	11.3%	51.0	9.9%	44.4	11.7%
Corporate	2.4		3.8		7.3		9.4	
Consolidated	47.3	9.8%	45.7	11.6%	137.0	10.3%	128.1	11.8%

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

Specialty Foods' SG&A as a percentage of sales (SG&A ratio) for the third quarter of 2016 as compared to the third quarter of 2015 and for the first three quarters of 2016 as compared to the first three quarters of 2015 decreased primarily due to: (i) reduced discretionary employee compensation associated with growth in the free cash flow of certain businesses; (ii) the fixed nature of a variety of costs relative to its organic revenue growth; and (iii) changes in its sales mix, namely higher sandwich sales.

Premium Food Distribution's SG&A ratio for the third quarter of 2016 as compared to the third quarter of 2015 and for the first three quarters of 2016 as compared to the first three quarters of 2015 decreased primarily due to: (i) the acquisition of C&C Foods, which has a lower SG&A ratio relative to Premium

Food Distribution's other businesses; and (ii) the fixed nature of a variety of costs relative to its organic revenue growth.

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 millions of dollars)</i>				
	13 weeks ended Sep 24 2016	13 weeks ended Sep 26 2015	39 weeks ended Sep 24 2016	39 weeks ended Sep 26 2015
Earnings before income taxes	28.8	15.5	66.8	34.9
Plant start-up costs ⁽¹⁾	-	-	-	2.9
Depreciation of capital assets ⁽²⁾	6.9	6.6	20.1	18.9
Amortization of intangible assets ⁽²⁾	1.9	1.2	5.2	3.3
Interest and other financing costs ⁽³⁾	5.3	4.5	12.9	13.8
Amortization of financing costs ⁽³⁾	0.1	0.1	0.2	0.2
Acquisition transaction costs ⁽¹⁾	-	0.2	0.5	0.2
Change in value of puttable interest in subsidiaries ⁽⁴⁾	0.8	4.3	2.5	5.2
Accretion of provisions ⁽³⁾	0.3	0.2	0.7	0.4
Unrealized loss on foreign currency contracts ⁽⁵⁾	-	-	0.7	0.1
Equity loss (income) in associates ⁽⁶⁾	(0.1)	0.1	(0.4)	0.2
Consolidated adjusted EBITDA	44.0	32.7	109.2	80.1

(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 millions of dollars except percentages)

	13 weeks ended Sep 24, 2016	% (1)	13 weeks ended Sep 26, 2015	% (1)	39 weeks ended Sep 24, 2016	% (1)	39 weeks ended Sep 26, 2015	% (1)
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Adjusted EBITDA by segment:

Specialty Foods	31.7	11.5%	29.6	11.5%	84.2	10.4%	72.6	10.3%
Premium Food Distribution	14.7	7.1%	6.9	5.1%	32.3	6.3%	16.9	4.5%
Corporate	(2.4)		(3.8)		(7.3)		(9.4)	
Consolidated	44.0	9.1%	32.7	8.3%	109.2	8.2%	80.1	7.4%

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

The Company's targeted adjusted EBITDA as a percentage of sales (EBITDA margin) for 2016 is to be with a range of 8.0% to 8.5%. This objective was set several years ago when its EBITDA margin was approximately 6.5% and since then the Company has made steady progress with its adjusted EBITDA margin improving to 8.2% for the rolling four quarters ended September 24, 2016.

Looking forward (see *Forward Looking Statements*) the Company is maintaining its adjusted EBITDA margin guidance for 2016 of being at the lower end of its 8.0% to 8.5% targeted range. This guidance is based on the following key assumptions:

- The impact of its recent acquisitions of C&C Foods and Belmont (see *Liquidity and Capital Resources – Corporate Investments*) as both businesses have adjusted EBITDA margins that are below than the Company's 2016 targeted range. Furthermore, due to the seasonality of Belmont's business, which mirrors the Company's (see *Summary of Quarterly Results*) but is much more dramatic, Belmont is expected to generate only nominal adjusted EBITDA in the fourth quarter of 2016;
- Continued improvement in the Columbus sandwich plant's operating efficiencies;
- A general improvement in operating efficiencies in many of the Company's businesses resulting from projected organic sales volume growth; and
- Continued improvement in the gross margins of certain beef and poultry based products due to falling commodity raw material costs.

Depreciation and Amortization (D&A)

(in millions of dollars)

	13 weeks ended Sep 24, 2016	13 weeks ended Sep 26, 2015	39 weeks ended Sep 24, 2016	39 weeks ended Sep 26, 2015
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Depreciation and amortization of intangible and other assets (D&A) by segment:

Specialty Foods	6.7	6.5	19.9	18.3
Premium Food Distribution	2.0	1.2	5.1	3.6
Corporate	0.1	0.1	0.3	0.3
Consolidated	8.8	7.8	25.3	22.2

The Company's D&A expense for the third quarter of 2016 as compared to the third quarter of 2015 and for the first three quarters of 2016 as compared to the first three quarters of 2015 increased primarily due to the acquisition of new businesses.

Interest and other financing costs

The Company's interest and other financing costs for the third quarter of 2016 as compared to the third quarter of 2015 increased by \$0.8 million due to \$1.4 million in additional accretion associated with convertible debentures converted or redeemed during the quarter. This increase was partially offset by the impact of: (i) lower total funded debt levels; and (ii) lower average interest rates on the Company's outstanding convertible debentures.

The Company's interest and other financing costs for the first three quarters of 2016 as compared to the first three quarters of 2015 decreased by \$0.9 million primarily due to the impact of (i) lower total funded debt levels; and (ii) lower average interest rates on the Company's outstanding convertible debentures. The impact of these items was partially mitigated by \$0.5 million of additional accretion associated with convertible debentures converted or redeemed during the year.

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*).

The Company's put expense for the third quarter of 2016 as compared to the third quarter of 2015 and for the first three quarters of 2016 as compared to the first three quarters of 2015 decreased by \$3.5 million and \$2.7 million, respectively, primarily due to a premium, relative to the expected put option price, paid in the third quarter of 2015 on the acquisition of a group of minority shareholders' interest in one of the Company's subsidiaries. The Company paid the premium in order to facilitate the early exit of the minority shareholders so it could dedicate substantially all of the subsidiary's manufacturing capacity to the production of its proprietary branded products.

Income Taxes

The Company's expected range for its provision for income taxes as a percentage of earnings before income taxes (income tax rate) is 26% to 28% based on: (i) an effective income tax rate range within the tax jurisdictions that it operates (the tax jurisdictions) of 26% to 35%; (ii) the current allocation of its taxable income among the tax jurisdictions; and (iii) the deductibility of certain costs for income tax purposes.

For the third quarter of 2016 and for the first three quarters of 2016 the Company's income tax rates of 26.4% and 26.9%, respectively, were within its expected income tax rate range.

The Company's income tax rates in 2015 were higher than its expected range primarily due to: (i) a \$21.5 million non-cash tax charge in the second quarter of 2015 that was the result of a settlement with the Canada Revenue Agency on the deductibility of certain tax attributes that the Company was deemed to have acquired as part of its conversion from a publicly traded income trust in 2009; and (ii) higher than normal put expense (see *Results of Operations – Change in Value of Puttable Interest in Subsidiaries*) which is not deductible for income tax purposes.

Discontinued Operation

In the fourth quarter of 2015 the Company shut down the last of its older deli meats manufacturing facilities, 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.

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>								
	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16
Revenue	317.4	328.2	363.3	392.7	400.3	381.0	462.9	481.0
Adjusted EBITDA	19.4	18.8	28.5	32.8	31.5	25.1	40.1	44.0
Earnings (loss) from continuing operations	1.3	3.5	(10.6)	10.1	13.6	9.2	18.4	21.2
Earnings (loss) per share - basic - continuing operations	0.06	0.15	(0.44)	0.40	0.53	0.34	0.64	0.72
Earnings (loss) per share - diluted - continuing operations	0.06	0.15	(0.43)	0.40	0.53	0.34	0.64	0.72

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 favorable weather conditions and decline in the fourth quarter due to a return to poorer weather conditions.

In addition to seasonal factors, over the last eight quarters the Company's revenue and/or adjusted EBITDA have been impacted by: (i) organic growth initiatives and business acquisitions; and (ii) unusual volatility in the cost of certain raw materials, particularly for beef and pork commodities.

The Company's earnings over the last eight quarters have fluctuated significantly due to the factors outlined above as well as: (i) the write-off in the second quarter of 2015 of certain deferred tax assets as a result of a settlement agreement with the CRA; (ii) plant start-up and restructuring costs, which are event driven, in 2014 and the first quarter of 2015; and (iii) a variety of costs associated with 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

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 millions of dollars)</i>	As at Sep 24, 2016	As at Dec 26, 2015	As at Sep 26, 2015
Accounts receivable	166.6	159.9	150.0
Inventories	169.2	141.6	136.2
Prepaid expenses	5.8	6.4	6.1
Accounts payable and accrued liabilities	(154.1)	(133.9)	(133.8)
Net working capital	187.5	174.0	158.5

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 the third quarter of 2016 as compared to the end of the third quarter of 2015 increased by \$29.0 million primarily due to: (i) the acquisitions of C&C Foods and Fletcher's US (see *Liquidity and Capital Resources – Corporate Investments*), which resulted in \$41.7 million of additional net working capital; and (ii) the Company's organic growth. These increases were partially offset by: (i) normal fluctuations in the timing of payments to suppliers which impacts the Company's accounts payable; and (ii) higher income tax accruals associated with the Company's increased profitability.

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

<i>(in days)</i>	As at Sep 24, 2016	As at Dec 26, 2015	As at Sep 26, 2016
Days sales in accounts receivable ⁽¹⁾	31.5	36.3	34.8
Days cost of sales in inventory ⁽²⁾	39.5	39.8	39.4

(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 the third quarter of 2016 as compared to the end of the third quarter of 2015 decreased by 3.3 days primarily due to: (i) the acquisition of Espresso part way through the third quarter of 2015; and (ii) normal fluctuations in the timing of customer payments.

The Company's days cost of sales in inventory at the end of the third quarter of 2016 as compared to the end of the third quarter of 2015 was relatively stable due to the impact of the acquisition of Expresco part way through the third quarter of 2015 being offset by normal fluctuations in inventory levels.

Debt Financing Activities

Credit Facilities

As at September 24, 2016, the Company's credit facilities and the unutilized portion of those facilities were as follows:

<i>(in millions of dollars)</i>	Credit Facilities	Amount Drawn on Facility	Unutilized Credit Capacity
Revolving senior credit facility ⁽¹⁾	338.9	171.7	167.2
5.00% debentures ⁽²⁾	64.0	64.0	-
4.65% debentures ⁽³⁾	82.7	82.7	-
Industrial Development Revenue Bond ⁽⁴⁾	8.1	8.1	-
Note payable ⁽⁵⁾	4.0	4.0	-
Capital leases and other term loans	1.5	1.5	-
Other revolving loans	8.3	1.5	6.8
Cheques outstanding	-	7.1	(7.1)
Cash and cash equivalents	-	(5.4)	5.4
	507.5	335.2	172.3

- (1) The credit facility amount of \$338.9 million represents the total available under this facility of \$350.0 million less approximately \$11.1 million in outstanding letters of credit. The facility matures in September 2020, 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 \$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 April 30, 2020 and have no principal payments prior to that date, was \$66.3 million as at September 24, 2016.
- (3) Represents the present value of the outstanding portion of the \$86.3 million in 4.65% convertible unsecured subordinated debentures issued by the Company in 2016 plus the value attributed to the cash conversion option associated with the debentures. The outstanding face value of these debentures, which mature on April 30, 2021 and have no principal payments prior to that date, was \$86.3 million as at September 24, 2016.
- (4) The bond, which was 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) The promissory note, which is unsecured and denominated in U.S. dollars (US\$3.1 million), has quarterly principal payments of US\$0.1 million, matures in 2025 and is redeemable by the noteholder beginning in 2020.

The Company's 5.00% and 4.65% debentures trade on the Toronto Stock Exchange under the symbols PBH.DB.D and PBH.DB.E, 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 millions of dollars)</i>	As at Sep 24, 2016	As at Dec 26, 2015	As at Sep 26, 2015
Cheques outstanding	7.1	6.8	7.0
Bank indebtedness	1.2	3.9	1.1
Current portion of long-term debt	1.2	3.7	3.4
Long-term debt	182.9	202.8	194.0
Deferred financing costs ⁽¹⁾	1.5	1.2	1.1
	193.9	218.4	206.6
Less: cash and cash equivalents	5.4	11.3	9.7
Senior funded debt	188.5	207.1	196.9
5.70% debentures	-	-	56.3
5.50% debentures	-	55.6	55.6
5.00% debentures	64.0	66.2	66.0
4.65% debentures	82.7	-	-
Total funded debt	335.2	328.9	374.8

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

Debt Activities

During the first three quarters of 2016, the Company's significant debt activities consisted of the following:

<i>(in millions of dollars)</i>	39 weeks ended Sep 24, 2016
Opening total funded debt at December 26, 2015	328.9
Draw on revolving senior credit facility for the acquisition of C&C Foods ⁽¹⁾	19.7
Issuance of 4.65% Debentures	82.3
Accretion of debentures	2.7
Foreign currency translation adjustment ⁽²⁾	(0.7)
Repayment of 5.50% Debentures at redemption	(0.7)
Scheduled repayments	(3.4)
Net cash generated from operating activities and used to pay down senior debt	(34.2)
5.50% Debenture and 5.00% Debenture conversions ⁽³⁾	(59.4)
	335.2

(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) The 5.50% Debentures and 5.00% Debentures were convertible into common shares at a conversion prices of \$29.25 and \$44.65 per common share, respectively.

During the second quarter of 2016, the Company issued \$86.3 million of convertible unsecured subordinated debentures (4.65% Debentures) resulting in net proceeds of \$82.3 million after commissions of \$3.5 million and transaction costs of approximately \$0.5 million. The 4.65% Debentures bear interest at an annual rate of 4.65% payable semi-annually, have a maturity date of April 30, 2021 and are convertible into common shares of the Company at a price of \$85.90 per share.

The net proceeds from the 4.65% Debenture issuance, combined with a draw on the Company's revolving senior credit facility, were used to fund the acquisition of C&C Foods (see *Liquidity and Capital Resources – Corporate Investments – C&C Foods*).

Also during the second quarter of 2016, the Company renegotiated the terms of its revolving senior credit facility including increasing the size of the facility to \$350.0 million and extending its maturity to September 2020.

During the third quarter of 2016, the Company issued a notice of intention to redeem on August 3, 2016, all of its outstanding 5.50% Debentures. \$0.7 million of the 5.50% Debentures were redeemed through a cash payment of principal and accrued interest, and the balance were converted at the option of the debenture holders into common shares of the Company at the conversion price of \$29.25.

Banking Covenants

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

	Covenant Requirement	Sep 24, 2016 Ratio
Senior funded debt to adjusted EBITDA ratio ⁽¹⁾	=< 4.0 : 1.0	1.2 : 1.0
Interest coverage ratio ⁽²⁾	>= 4.0 : 1.0	23.6 : 1.0

(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 the third quarter of 2016, the Company's senior funded debt to adjusted EBITDA ratio of 1.2 : 1 and its total funded debt to adjusted EBITDA ratio of 2.3 : 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.

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

<i>(in millions of dollars)</i>	52 weeks ended Dec 26, 2015	39 weeks ended Sep 24, 2016	39 weeks ended Sep 26, 2015	Trailing Four Quarters
Cash flow from operating activities	67.4	115.8	57.6	125.6
Changes in non-cash working capital ⁽¹⁾	17.1	(23.6)	6.0	(12.5)
Acquisition transaction costs ⁽²⁾	0.2	0.5	0.2	0.5
Plant start-up costs ⁽³⁾	2.9	-	2.9	-
Maintenance capital expenditures ⁽⁴⁾	(6.5)	(5.4)	(5.2)	(6.7)
Free cash flow	81.1	87.3	61.5	106.9

(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 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 the first three quarters of 2016 as compared to the first three quarters of 2015 increased by \$25.8 million primarily due to its increased adjusted EBITDA partially offset by higher cash taxes.

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;
- Maintaining a stable quarterly per share dividend, despite the seasonal nature of many of the Company's businesses; and
- Significant changes, if any, in the status of one or more of the risk factors facing the Company.

In the first quarter of 2016, the Company increased its quarterly dividend by 10.1% to \$0.38 per share, or \$1.52 per share on an annualized basis. Its previous quarterly dividend was \$0.345 per share, or \$1.38 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.

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

	Declared Shareholder Dividends / Distributions	Nature of Distribution	Free Cash Flow	Ratio ⁽¹⁾	Average Annualized Dividend / Distribution Per Share / Unit
Trailing four quarters ended:					
September 24, 2016	42.6	Dividend	106.9	39.9%	\$1.4850
December 26, 2015	35.0	Dividend	81.1	43.2%	\$1.3800
December 27, 2014	27.8	Dividend	57.4	48.4%	\$1.2315
December 28, 2013	26.5	Dividend	49.2	53.9%	\$1.1760
December 29, 2012	24.4	Dividend	46.0	53.0%	\$1.1760
December 31, 2011	22.7	Dividend	38.2	59.4%	\$1.1760
December 25, 2010	21.0	Dividend	32.2	65.2%	\$1.1760
December 26, 2009	20.7	(2)	29.3	70.6%	\$1.1760
December 31, 2008	20.6	Trust distribution	29.6	69.6%	\$1.1760
December 31, 2007	20.5	Trust distribution	26.4	77.7%	\$1.1760
December 31, 2006	18.4	Trust distribution	17.3	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 the first three quarters of 2016:

<i>(in millions of dollars)</i>	39 weeks ended Sep 24, 2016
Opening capital assets at December 26, 2015	227.3
Depreciation	(20.1)
Foreign currency translation adjustment ⁽¹⁾	(3.6)
Disposals	(0.2)
Acquisitions	3.6
Capital expenditures:	
Project	20.7
Maintenance	5.4
Closing capital assets	233.1

(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.

Project Capital Expenditures

During the first three quarters of 2016, the Company invested \$20.7 million in project capital expenditures consisting of the following:

- \$3.2 million for capacity expansion projects at its deli and premium processed meats production facilities. The total cost of these projects, which are expected to be completed over the next two quarters, is \$6.1 million (see *Forward Looking Statements*).
- \$3.1 million for an additional production line at the Company's newly acquired Expresco business' Montreal, QC plant. The total cost of this project, which was completed during the quarter, is projected to be \$3.5 million (see *Forward Looking Statements*).
- \$3.1 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 total cost of this project, which is expected to be completed in 2017, is projected to be US\$5.7 million (see *Forward Looking Statements*).

- \$2.2 million for the expansion of the Company's Centennial foodservice business' Calgary distribution and custom cutting facility. In addition to providing Centennial with incremental distribution capacity for the southern Alberta market, this project, which was completed during the quarter, includes specialized dry aging rooms that enable Centennial to now provide its customers across western Canada with a premium dry aged beef program.
- \$2.0 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 to invest an additional \$1.0 million in this project in 2016 (*see Forward Looking Statements*).
- \$1.7 million for the construction of a 212,000 square foot, state-of-the-art sandwich assembly facility in Phoenix, AZ. The facility, which is scheduled to open in the second quarter of 2017, will complement the Company's sandwich production facilities in Reno, NV, Columbus, OH, Edmonton, AB and Montreal, QC. In total, once the Phoenix plant is complete, the Company will have approximately 610,000 square feet of state-of-the-art sandwich production capacity.

The projected cost for this project, which consists of modifying a newly constructed leased building to allow for the installation of up to 16 high speed sandwich assembly lines and includes an initial six production lines, is US\$29.0 million. Additional lines will be added as needed to support the Company's growth.

- \$0.3 million for the expansion of the Company's Centennial foodservice distribution business model into Ontario. This project consists of building a state-of-the-art 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 leasehold improvements is \$13.3 million, approximately 50% of which is expected to be spent in 2016 and the balance in 2017 (*see Forward Looking Statements*).

- \$5.1 million for a variety of smaller projects consisting mainly of capacity related equipment purchases.

Historic Maintenance Capital Expenditures

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

(in millions of dollars)

Trailing four quarters ended:

September 24, 2016	6.7
December 26, 2015	6.5
December 27, 2014	4.8
December 28, 2013	4.3
December 29, 2012	2.9
December 31, 2011	2.9
December 25, 2010	1.7
December 26, 2009	2.0
December 31, 2008	2.6
December 31, 2007	1.8
December 31, 2006	1.9

Looking forward, for 2016 the Company expects its maintenance capital expenditures to be between \$7.0 million and \$8.0 million (*see Forward Looking Statements*).

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 the first three quarters of 2016 the Company made the following corporate investments:

C&C Foods

In April 2016, the Company acquired substantially all of the assets and business undertakings of Quebec based C&C Packing Inc. and its affiliate, Premier Meat Packers (2009) Inc. (collectively C&C Foods) for \$146.0 million. C&C Foods, which has annual sales of approximately \$250 million, is a leading supplier of protein products to retailers and foodservice customers in Ontario, Quebec and the Maritimes. It also has a modern production facility in Montreal, QC that produces value added protein products for retail and foodservice customers.

The acquisition purchase price, which is subject to customary closing adjustments, consisted of \$102.0 million in cash, the issuance of 514,579 of the Company's common shares valued at \$24.0 million and contingent consideration of up to \$20.0 million that is payable if C&C Foods achieves certain profitability targets over the next two years.

Fletcher's US

At the end of the third quarter of 2016, the Company completed the purchase of the business and certain assets of Washington based Fletcher's Fine Foods (Fletcher's US) for US\$5.0 million. Fletcher's US, which has sales of approximately US\$17.0 million, is a marketer and distributor of branded premium bacon and fresh sausage products to retail customers across the US Pacific Northwest.

The acquisition purchase price, which is subject to customary closing adjustments, consisted of US\$5.0 million in cash.

Belmont

Subsequent to the third quarter of 2016 the Company completed the acquisition of Ontario based Belmont Meat Products Ltd. (Belmont) for \$50.0 million. Belmont, which has annual sales of approximately \$120 million, is one of the leading manufacturers of burger patties in Canada and produces a wide variety of customized premium burgers for retail and foodservice customers across the country.

The acquisition purchase price, which is subject to customary closing conditions, consisted of \$49.2 million in cash and \$0.8 million in common shares of Premium Brands.

Goodwill and Intangible Assets

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

The following table shows the changes in the combined total of the Company's goodwill and intangible assets during the first three quarters of 2016:

<i>(in millions of dollars)</i>	39 weeks ended Sep 24, 2016
Opening goodwill and intangible assets at December 26, 2015	289.2
Amortization of intangible assets	(5.2)
Acquisitions	117.1
Adjustment to preliminary purchase price allocation of 2015 acquisition	1.5
Foreign currency translation adjustment ⁽¹⁾	(2.0)
Closing goodwill and intangible assets	400.6

(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 and organic processed meats.

The following table shows the changes in investment in associates during the first three quarters of 2016:

<i>(in millions of dollars)</i>	39 weeks ended Sep 24, 2016
Opening investment in associates at December 26, 2015	9.3
Equity income in associates	0.4
Cash distribution from associates	(0.1)
Closing investment in associates	9.6

Puttable Interest in Subsidiaries

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

The following table shows the changes in puttable interest during the first three quarters of 2016:

<i>(in millions of dollars)</i>	39 weeks ended Sep 24, 2016
Opening puttable interest at December 26, 2015	26.3
Change in value ⁽¹⁾	2.5
Addition arising from issuance of shares of subsidiary ⁽²⁾	0.5
Cash distributions to non-controlling shareholders with puttable interests	(1.7)
Foreign currency translation adjustment ⁽³⁾	(0.3)
Closing puttable interest	27.3

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

(2) Contingent consideration relating to the acquisition of Ocean Miracle (see *Liquidity and Capital Resources – Corporate Investments – Provisions*) was partially settled through the issuance of shares of one of the Company's subsidiaries. The holders of these shares have put options which entitle them to require the Company to purchase the shares from them.

(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 millions of dollars)</i>	As at Sep 24, 2016
Contingent consideration - Freybe acquisition ⁽¹⁾	1.2
Contingent consideration - Ocean Miracle acquisition ⁽²⁾	1.8
Contingent consideration - C&C Foods acquisition ⁽³⁾	18.6
Lease restoration costs ⁽⁴⁾	1.0
Provisions ⁽⁵⁾	22.6

(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 the business achieves certain performance targets over each of the next two years.

(3) This represents the discounted present value of the contingent consideration that is payable to the previous owners of C&C Foods (acquired during the second quarter of 2016) if the business achieves certain performance targets over the next two years.

(4) This represents the discounted 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.

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

The following table shows the changes in the provisions during the first three quarters of 2016:

<i>(in millions of dollars)</i>	39 weeks ended Sep 24, 2016
Opening provisions at December 26, 2015	6.0
Acquisition	18.1
Accretion of provisions	0.7
Cash payments	(1.7)
Settlement through issuance of shares of subsidiary ⁽¹⁾	(0.5)
Closing provisions ⁽²⁾	22.6

(1) \$1.0 million of the contingent consideration relating to Ocean Miracle was settled during the second quarter of 2016 through a cash payment of \$0.5 million and the issuance of shares of one of the Company's subsidiaries valued at \$0.5 million.

(2) 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 potential transactions.

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 September 24, 2016 are as follows:

(in millions of dollars)	Total	1 year out	2 years out	3 years out	4 years out	5 years out	There- after
Long-term debt	185.6	1.2	0.9	0.5	172.4	2.5	8.1
5.00% Debentures	64.0	-	-	-	64.0	-	-
4.65% Debentures	82.7	-	-	-	-	82.7	-
Operating leases	147.8	19.3	17.7	16.6	14.6	12.2	67.4
Total	480.1	20.5	18.6	17.1	251.0	97.4	75.5

TRANSACTIONS WITH RELATED PARTIES

During the first three quarters of 2016, 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 \$2.2 million in lease payments to Pender West LP in the first three quarters of 2016.

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

Principal payments made in the first three quarters of 2016 by officers and directors of the Company on loans under the ELP were \$0.1 million.

Employee loans, which totaled \$7.5 million at the end of the quarter, are included as part of *Other Assets* on the Company's consolidated balance sheet.

Subsequent to the third quarter of 2016 the Company made an additional \$1.2 million in loans under the ELP, the proceeds of which were used by the participants to purchase 19,668 of the Company's issued and outstanding common shares in the public market at an average price per share of \$61.08.

SUBSEQUENT EVENTS

Acquisition of Belmont

Subsequent to the third quarter of 2016 the Company completed the acquisition of Belmont (see *Liquidity and Capital Resources – Corporate Investments – Belmont*).

Employee Loan Program

Subsequent to the third quarter of 2016 the Company made \$1.2 million in loans under its ELP (see *Transactions with Related Parties*).

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 November 2, 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.
- The average cost of the basket of food commodities purchased by the Company will be relatively stable with the exception of beef raw materials which are expected to decrease in the fourth quarter of 2016.
- 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 to continue to improve its operating efficiencies; and (ii) its recently acquired C&C Foods and Belmont businesses to perform in line with its 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.
- The value of the Canadian dollar relative to the U.S. dollar will continue to fluctuate in line with recent levels.

- 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 antibiotic free, no added hormones or 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 place 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 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 November 2, 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. These risks and uncertainties include: (i) changes in the cost of raw materials used in the production of the Company's products; (ii) seasonal and/or weather related fluctuations in the Company's sales; (iii) changes in consumer discretionary spending resulting from changes in economic conditions and/or general consumer confidence levels; (iv) changes in the cost of finished products sourced from third party manufacturers; (v) changes in the Company's relationships with its larger customers; (vi) access to commodity raw materials; (vii) potential liabilities and expenses resulting from defects in the Company's products; (viii) changes in consumer food product preferences; (ix) competition from other food manufacturers and distributors; (x) execution risk associated with the Company's growth and business restructuring initiatives; (xi) risks associated with the Company's business acquisition strategies; (xii) changes in the value of the Canadian dollar relative to the U.S. dollar; (xiii) new government regulations affecting the Company's business; (xiv) the Company's ability to raise the capital needed to fund its growth initiatives; (xv) labor related issues including potential disputes with employees represented by labor unions and labor shortages; (xvi) the loss and/or inability to attract key senior personnel; (xvii) fluctuations in the interest rates associated with the Company's funded debt; (xviii) failure or breach of the Company's information systems; (xix) financial exposure resulting from credit extended to the Company's customers; (xx) the malfunction of critical equipment used in the Company's operations; (xxi) livestock health issues; (xxii) international trade issues; and (xxiii) changes in environmental, health and safety standards.

Details on these risk factors as well as other factors that could potentially impact the Company's results of operations and financial position can be found in its MD&A for the 52 weeks ended December 26, 2015, which has been filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR) and is available online at www.sedar.com. 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 above listed risk factors as well as any additional items included in its MD&A for the 52 weeks ended December 26, 2015 are not necessarily the only risk factors facing the Company and it may be subject to other risks and uncertainties that it is not presently aware of or that it may currently deem insignificant (see *Forward Looking Statements*).

CRITICAL ACCOUNTING ESTIMATES

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

Inventories. Internally manufactured products are valued at the lower of cost and net realizable value, where cost includes raw materials, manufacturing 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 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 estimated useful 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 judgements and estimates are required. Furthermore, deferred income tax assets are recognized only to the extent that management determines that it is more likely than not that the deferred income tax assets will be realized.

Puttable interest in subsidiaries. Puttable interest in subsidiaries is calculated using the effective interest rate method based on projections of future cash flows of certain subsidiaries. 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/or restructuring costs. Plant start-up and/or 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 September 24, 2016, the Company had outstanding foreign currency contracts for the purchase of US\$22.1 million over the next sixteen months at a blended rate of C\$1.3185.

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 September 24, 2016, 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 \$0.4 million. The Company has designated these swaps as a cash flow hedge and determined that the hedge had no ineffectiveness. Correspondingly, any changes in the fair value of the swaps are recognized in other comprehensive income.

OTHER

Outstanding Shares

The shares outstanding in the Company as of November 2, 2016 were 29,794,643. 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 November 2, 2016 were 29,662,646.

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 September 24, 2016 and has concluded that such procedures are adequately designed for providing reasonable assurance that (i) material information relating to the Company, including its consolidated subsidiaries, is made known to Management on a timely basis to ensure adequate disclosure and (ii) information required to be disclosed by the Company in its annual filings or other reports filed and submitted under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time period.

Management has also evaluated the Company's ICFR as of September 24, 2016 and has concluded that the Company's ICFR is adequately designed for providing reasonable assurance that the reliability of financial reporting and the preparation of financial statements for external purposes are in accordance with IFRS.

In assessing the design of the Company's DCP and ICFR as at September 24, 2016, the Company has excluded the controls and procedures of C&C Foods, which was acquired on April 15, 2016 (see *Liquidity and Capital Resources – Corporate Investments – C&C Foods Acquisition*). C&C Foods accounted for \$120.1 million of the Company's revenue and \$6.6 million in earnings in its consolidated statement of operations for the 39 weeks ended September 24, 2016, and approximately \$46.5 million, \$114.3 million, \$6.6 million and \$3.7 million of its current assets, non-current assets, current liabilities and non-current liabilities, respectively, in its September 24, 2016 consolidated balance sheet. Documentation and assessment of C&C Foods' impact on the overall design of the Company's DCP and ICFR is expected to be completed in 2016.

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 September 24, 2016 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 November 2, 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 November 2, 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.A-