# PREMIUM BRANDS HOLDINGS CORPORATION

## Management's Discussion and Analysis

## For the 13 Weeks and 39 Weeks Ended September 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 November 10, 2015. 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 26, 2015, and its fiscal 2014 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 characteristic of a specialty food product is that a consumer's decision to purchase it is based primarily on factors other than price, such as quality, convenience, health and/or lifestyle. Examples of specialty food products manufactured by the Company's 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.

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

- **Differentiated food distribution and wholesale businesses**.

  The key characteristic of differentiated food distribution and wholesale businesses is that they offer their customers specialized and/or unique services and products in addition to basic logistical solutions. Examples of these differentiating factors include: (i) chef specific menu solutions that utilize in-house custom meat cutting facilities; (ii) top quality live and fresh specialty seafood products sourced from around the world; and (iii) combined product and equipment solutions that include maintenance and leasing programs.

  The Company's focus on this segment of the food industry is based on the ability of these companies, in general terms, to generate higher and more consistent selling margins and to avoid competing with large national and international distributors that are primarily focused on logistics. Furthermore, these businesses enable the Company to generate and sustain additional margin by providing its specialty food businesses with proprietary access to a broad and diversified customer base that includes regional and specialty grocery retailers, restaurants, hotels and institutions.

## RESULTS OF OPERATIONS

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

The Foodservice segment includes the Company's differentiated distribution and wholesale businesses such as Centennial Foodservice, B&C Food Distributors, Harlan Fairbanks, Worldsource, E1even, Wescadia, Maximum Seafood and Ocean Miracle. In addition, the Foodservice segment includes Hub City Fisheries, a specialty seafood processor, on the basis that it is an integral part of the Foodservice segments national seafood strategies.

### *Revenue*

| *(in thousands of dollars except percentages)* | 13 weeks ended Sep 26, 2015 | % (1) | 13 weeks ended Sep 27, 2014 | % (1) | 39 weeks ended Sep 26, 2015 | % (1) | 39 weeks ended Sep 27, 2014 | % (1) |
|---|---|---|---|---|---|---|---|---|
| Revenue by segment: | | | | | | | | |
| Retail | 259,840 | 65.7% | 204,292 | 61.8% | 716,682 | 65.4% | 580,008 | 63.1% |
| Foodservice | 135,709 | 34.3% | 126,142 | 38.2% | 379,568 | 34.6% | 339,556 | 36.9% |
| Consolidated | 395,549 | 100.0% | 330,434 | 100.0% | 1,096,250 | 100.0% | 919,564 | 100.0% |

(1) Expressed as a percentage of consolidated revenue

Retail's revenue for the third quarter of 2015 as compared to the third quarter of 2014 increased by $55.5 million or 27.2% primarily due to: (i) general organic growth across a range of products and customers; (ii) an increase in the translated value of Retail's U.S. based businesses' sales resulting from a decline in the value of the Canadian dollar; (iii) the acquisitions of Isernio's and Expresco during the quarter which accounted for $6.7 million of the increase (see *Liquidity and Capital Resources – Corporate Investments*); and (iv) selling price increases that were implemented in the latter part of 2014 in response to higher raw material costs. Excluding the impact of acquisitions, exchange translation and selling price increases, Retail's organic growth for the quarter was 14.4%.

Retail's revenue for the first three quarters of 2015 as compared to the first three quarters of 2014 increased by $136.7 million or 23.6% primarily due to the same factors as outlined above. Excluding the impact of acquisitions, exchange translation and selling price increases, Retail's organic growth for the first three quarters of 2015 was 11.3%.

Retail's long-term targeted range for its organic growth rate is 6% to 8%. Looking forward (see *Forward Looking Statements*), it expects to exceed this range for the balance of 2015 based on (i) continued general growth resulting from a number of factors including the completion of several large production capacity expansion projects over the last three years; and (ii) the favorable impact that the decline in the value of the Canadian dollar is having on the translation of the Company's U.S. based operations. Selling price increases, which had a significant positive impact on the Company's sales growth in the first half of 2015, are not expected (see *Forward Looking Statements*) to be a factor in the fourth quarter of 2015.

Foodservice's revenue for the third quarter of 2015 as compared to the third quarter of 2014 increased by $9.6 million or 7.6% primarily due to: (i) selling price increases that were implemented in the latter part of 2014 and in 2015 in response to historically high raw material costs (see *Results of Operations – Gross Profit*); and (ii) the acquisition of Ocean Miracle, an Ontario based seafood distribution business, in the fourth quarter of 2014 which accounted for $5.1 million of the increase. Excluding the impact of these factors, Foodservice's sales for the quarter declined by $4.9 million primarily due to: (i) reduced sales in northern Alberta resulting from the economic impact that lower oil commodity prices has had on this region; and (ii) a below average west coast sockeye salmon fishery relative to a very strong fishery in 2014.

Foodservice's revenue for the first three quarters of 2015 as compared to the first three quarters of 2014 increased by $40.0 million or 11.8% primarily due to the same factors as outlined above. Excluding the impact of selling price increases and acquisitions, Foodservice's sales for the first three quarters of 2015 were down 0.8%.

Foodservice's long-term targeted range for its organic growth rate is also 6% to 8%. Looking forward (see *Forward Looking Statements*), it expects to exceed this range for the balance of 2015 based on continued high selling prices. In terms of volume, Foodservice's growth for 2015 is expected (see *Forward Looking Statements*) to be relatively flat to slightly negative due to continued weak sales in northern Alberta and the smaller west coast sockeye salmon fishery in 2015 relative to 2014.

### *Gross Profit*

| *(in thousands of dollars except percentages)* | 13 weeks ended Sep 26, 2015 | % [(1)] | 13 weeks ended Sep 27, 2014 | % [(1)] | 39 weeks ended Sep 26, 2015 | % [(1)] | 39 weeks ended Sep 27, 2014 | % [(1)] |
|---|---|---|---|---|---|---|---|---|
| Gross profit by segment: | | | | | | | | |
| Retail | 56,577 | 21.8% | 41,170 | 20.2% | 148,447 | 20.7% | 112,364 | 19.4% |
| Foodservice | 22,240 | 16.4% | 21,420 | 17.0% | 61,338 | 16.2% | 58,542 | 17.2% |
| Consolidated | 78,817 | 19.9% | 62,590 | 18.9% | 209,785 | 19.1% | 170,906 | 18.6% |

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

Retail's gross profit as a percentage of its revenue (gross margin) for the third quarter of 2015 as compared to the third quarter of 2014 as well as for the first three quarters of 2015 as compared to the first three quarters of 2014 increased primarily due to: (i) an easing of certain pork raw material costs, albeit this factor was partially offset by longer term purchase commitments, a weaker Canadian dollar as pork commodity prices are generally U.S. dollar based and increases in other raw material commodities such as certain turkey products; (ii) improved operating efficiencies resulting from several factors including higher sales volumes and completion of the restructuring of Retail's deli meats

operations in 2014 (see *Results of Operations – Plant Start-up and Restructuring Costs*); and (iii) selling price increases implemented by its protein focused businesses in response to high raw material costs that were resulting in lower than normal gross margins in 2014. These factors were partially offset by temporary operating inefficiencies associated with the ramp up of Retail's new 180,000 square foot sandwich production facility (see *Results of Operations – Plant Start-up and Restructuring Costs*).

Foodservice's gross margin for the third quarter of 2015 as compared to the third quarter of 2014 as well as for the first three quarters of 2015 as compared to the first three quarters of 2014 decreased primarily due to record high beef raw material costs. Foodservice has been able to recover most of its raw material cost increases through higher selling prices, however, due to the extent of the increases it has not been able to achieve its historic gross margin levels.

Looking forward (see *Forward Looking Statements*), Foodservice expects its gross margin to improve in the fourth quarter of 2015 based on projected lower beef raw material costs.

### *Selling, General and Administrative Expenses (SG&A)*

| *(in thousands of dollars except percentages)* | 13 weeks ended Sep 26, 2015 | % (1) | 13 weeks ended Sep 27, 2014 | % (1) | 39 weeks ended Sep 26, 2015 | % (1) | 39 weeks ended Sep 27, 2014 | % (1) |
|---|---|---|---|---|---|---|---|---|
| SG&A by segment: | | | | | | | | |
| Retail | 27,006 | 10.4% | 22,623 | 11.1% | 75,547 | 10.6% | 67,883 | 11.7% |
| Foodservice | 15,396 | 11.3% | 13,878 | 11.0% | 44,455 | 11.7% | 40,378 | 11.9% |
| Corporate | 3,733 | | 2,070 | | 9,372 | | 5,755 | |
| Consolidated | 46,135 | 11.7% | 38,571 | 11.7% | 129,374 | 11.8% | 114,016 | 12.4% |

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

Retail's SG&A for the third quarter of 2015 as compared to the third quarter of 2014 as well as for the first three quarters of 2015 as compared to the first three quarters of 2014 increased by $4.4 million and $7.7 million, respectively, primarily due to: (i) incremental costs associated with Retail's organic sales growth including higher advertising, promotion and freight costs as well as additional sales and administration infrastructure; (ii) increased discretionary employee compensation accruals associated with growth in the Company's free cash flow (see *Liquidity and Capital Resources – Dividends – Free Cash Flow*); (iii) the acquisitions of Isernio's and Expresco; and (iv) an increase in the translated value of Retail's U.S. based businesses' SG&A resulting from a decline in the value of the Canadian dollar. These increases were partially offset by reduced costs resulting from the rationalization and subsequent sale of Retail's direct-to-store delivery network for the convenience store channel in 2014.

Retail's SG&A as a percentage of its revenue for the first three quarters of 2015 as compared to the first three quarters of 2014 decreased mainly due to the fixed nature of certain costs relative to the growth in its revenue (see *Results of Operations – Revenue*).

Foodservice's SG&A for the third quarter of 2015 as compared to the third quarter of 2014 increased by $1.5 million primarily due to: (i) increased discretionary employee compensation accruals associated with growth in the Company's free cash flow; (ii) the acquisition of Ocean Miracle; and (iii) $0.5 million in severance payments associated with the restructuring of Foodservice's Harlan Fairbanks business' sales force.

Foodservice's SG&A for the first three quarters of 2015 as compared to the first three quarters of 2014 increased by $4.1 million primarily due to the factors impacting Foodservice's SG&A in the third quarter of 2015 as well as additional sales and administration infrastructure added in 2014.

Foodservice's SG&A as a percentage of its revenue for the first three quarters of 2015 as compared to the first three quarters of 2014 decreased mainly due to the fixed nature of certain costs relative to the growth in its revenue (see *Results of Operations – Revenue*).

Corporate SG&A for the third quarter of 2015 as compared to the third quarter of 2014 as well as for the first three quarters of 2015 as compared to the first three quarters of 2014 increased by $1.7 million and $3.6 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:

| *(in thousands of dollars)* | 13 weeks ended Sep 26, 2015 | 13 weeks ended Sep 27, 2014 | 39 weeks ended Sep 26, 2015 | 39 weeks ended Sep 27, 2014 |
|---|---|---|---|---|
| Earnings before income taxes | 15,417 | 5,898 | 35,041 | 12,730 |
| Other income (1) | - | - | - | (4,703) |
| Plant start-up and restructuring costs (1) | - | 5,732 | 2,924 | 13,576 |
| Depreciation of capital assets (2) | 6,683 | 5,215 | 19,088 | 14,411 |
| Amortization of intangible assets (2) | 1,198 | 1,113 | 3,254 | 3,340 |
| Amortization of other assets (2) | 1 | 1 | 4 | 4 |
| Interest and other financing costs (3) | 4,611 | 5,178 | 13,891 | 15,237 |
| Amortization of financing costs (3) | 56 | 48 | 165 | 195 |
| Acquisition transaction costs (1) | 160 | 44 | 171 | 188 |
| Change in value of puttable interest in subsidiaries (4) | 4,331 | 989 | 5,226 | 1,788 |
| Accretion of provisions (3) | 117 | 80 | 376 | 262 |
| Unrealized loss (gain) on foreign currency contracts (5) | - | (200) | 100 | - |
| Equity loss (income) in associates (6) | 108 | (79) | 171 | (138) |
| Consolidated | 32,682 | 24,019 | 80,411 | 56,890 |

(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 Sep 26, 2015 | % (1) | 13 weeks ended Sep 27, 2014 | % (1) | 39 weeks ended Sep 26, 2015 | % (1) | 39 weeks ended Sep 27, 2014 | % (1) |
|---|---|---|---|---|---|---|---|---|
| Adjusted EBITDA by segment: | | | | | | | | |
| Retail | 29,571 | 11.4% | 18,547 | 9.1% | 72,900 | 10.2% | 44,481 | 7.7% |
| Foodservice | 6,844 | 5.0% | 7,542 | 6.0% | 16,883 | 4.4% | 18,164 | 5.3% |
| Corporate | (3,733) | | (2,070) | | (9,372) | | (5,755) | |
| Consolidated | 32,682 | 8.3% | 24,019 | 7.3% | 80,411 | 7.3% | 56,890 | 6.2% |

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

The Company's adjusted EBITDA as a percentage of sales (EBITDA margin) was 8.3% for the third quarter which was within the Company's targeted range of 8.0% to 8.5%. The Company's EBITDA margin for the first three quarters of 2015 of 7.3% was below its targeted range primarily due to: (i) temporary operating inefficiencies associated with the ramp up of itsnew 180,000 square foot sandwich plant in Columbus, OH (see *Results of Operations – Plant Start-up and Restructuring Costs*); and (ii) below normal margins in its foodservice business due to record high beef raw material costs.

Looking forward (see *Forward Looking Statements*) the Company expects its annualized run rate EBITDA margin to be within its targeted range in the latter half of 2016 based on: (i) improved operating efficiencies resulting from continued organic sales growth; (ii) steady improvement in the performance of the Company's new Columbus sandwich plant; (iii) a reduction in certain beef raw material costs; and (iv) the impact of the recently acquired Isernio's and Expresco 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 Sep 26, 2015 | 13 weeks ended Sep 27, 2014 | 39 weeks ended Sep 26, 2015 | 39 weeks ended Sep 27, 2014 | Expected Completion Date |
|---|---|---|---|---|---|
| Sandwich Capacity | - | 5,562 | 2,924 | 8,582 | Complete |
| Deli Capacity | - | - | - | 3,449 | Complete |
| NDSD Reconfiguration | - | - | - | 1,375 | Complete |
| Other | - | 170 | - | 170 | Complete |
| | - | 5,732 | 2,924 | 13,576 | |

The Sandwich Capacity project, which included the construction of a new 180,000 square foot production facility in Columbus, OH 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.

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)***

| *(in thousands of dollars)* | 13 weeks ended Sep 26, 2015 | 13 weeks ended Sep 27, 2014 | 39 weeks ended Sep 26, 2015 | 39 weeks ended Sep 27, 2014 |
|---|---|---|---|---|
| Depreciation and amortization of intangible and other assets (D&A) by segment: | | | | |
| Retail | 6,589 | 5,028 | 18,514 | 13,981 |
| Foodservice | 1,194 | 1,195 | 3,535 | 3,459 |
| Corporate | 99 | 106 | 297 | 315 |
| Consolidated | 7,882 | 6,329 | 22,346 | 17,755 |

The Company's D&A expense for the third quarter of 2015 as compared to the third quarter of 2014 and for the first three quarters of 2015 as compared to the first three quarters of 2014 increased primarily due to: (i) the completion of the Company's new sandwich production facility 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 third quarter of 2015 as compared to the third quarter of 2014 and for the first three quarters of 2015 as compared to the first three quarters of 2014 decreased primarily due to: (i) a reduction in the weighted average cost of its funded debt resulting from the conversion and repayment of its 7.00% debentures at the end of 2014 and its 5.75% debentures in the second quarter of 2015 (see *Liquidity and Capital Resources – Debt Financing Activities – Funded Debt*); and (ii) a reduction in the Company's total funded debt (see *Liquidity and Capital Resources – Debt Financing Activities – Funded Debt*).

### ***Change in Value of Puttable Interest in Subsidiaries***

Change in value of puttable interest 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 the third quarter also included $3.4 million in adjustments resulting from: (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 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***

Tax Attributes

An estimate of the Company's tax attributes as at the end of the third quarter of 2015 is as follows:

| *(in millions of dollars)* | |
|---|---|
| Scientific research and experimental development tax credits | 4.1 |
| Un-depreciated capital costs | 133.1 |
| Non-capital losses carried forward | 34.2 |
| Capital losses carried forward | 0.3 |
| Cumulative eligible capital | 83.5 |
| Section 20(1)(e) financing fee | 5.8 |
| Investment tax credits | 8.7 |
| Total | 269.7 |

In 2009 the Company completed a plan of arrangement that resulted in the conversion (the Conversion) of Premium Brands Income Fund (the Fund), a publicly traded income trust, into the Company, a publicly traded corporation. As a result of the Conversion, the Company was deemed to acquire certain tax attributes consisting primarily of scientific research and experimental development tax credits, non-capital losses carried forward and undepreciated capital costs (the Tax Attributes). At the time of the Conversion the Company estimated the value of the Tax Attributes to be approximately $167.0 million and correspondingly recognized a deferred tax asset of $52.3 million.

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 will not challenge the $63.4 million of the Tax Attributes utilized by the Company in prior taxation years hence solidifying approximately $16.6 million of previously realized income tax savings;

- The Company will be allowed to utilize an additional $44.8 million of the Tax Attributes in future taxation periods which, over the next several years, are expected (see *Forward Looking Statements*) to result in approximately $15.7 million in income tax savings; and

- The remaining $89.1 million of the Tax Attributes will be cancelled resulting in a non-cash write-down of the Company's deferred income tax assets of $21.5 million.

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

Deferred Income Tax (DIT) Provision

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

| *(in thousands of dollars)* | 13 weeks ended Sep 26, 2015 | 13 weeks ended Sep 27, 2014 | 39 weeks ended Sep 26, 2015 | 39 weeks ended Sep 27, 2014 |
|---|---|---|---|---|
| Opening DIT asset (liability) | (4,429) | 26,342 | 22,257 | 26,697 |
| Adjustments: | | | | |
| DIT resulting from acquisitions | (1,897) | - | (1,897) | 65 |
| Foreign currency translation adjustment [1] | (43) | (100) | (265) | (230) |
| Prior period adjustment and other | - | - | (700) | 282 |
| Adjusted opening DIT asset (liability) | (6,369) | 26,242 | 19,395 | 26,814 |
| Closing DIT asset (liability) | (10,794) | 23,738 | (10,794) | 23,738 |
| Change in DIT asset/liability | 4,425 | 2,504 | 30,189 | 3,076 |
| Non-cash write-down of DIT assets resulting from the CRA Agreement [2] | - | - | (21,520) | - |
| Provision for DIT | 4,425 | 2,504 | 8,669 | 3,076 |

(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 *Income Taxes – Tax Attributes.*

## SUMMARY OF QUARTERLY RESULTS

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

| *(in millions of dollars except per share amounts)* | Q4 2013 | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Q3 2015 |
|---|---|---|---|---|---|---|---|---|
| Revenue | 227.7 | 266.9 | 322.3 | 330.4 | 322.1 | 332.6 | 368.1 | 395.5 |
| Adjusted EBITDA | 15.4 | 11.2 | 21.7 | 24.0 | 19.2 | 19.1 | 28.7 | 32.7 |
| Earnings (loss) | 0.9 | 1.9 | 3.7 | 4.7 | 1.1 | 3.6 | (10.5) | 10.0 |
| Earnings (loss) per share – basic | 0.04 | 0.09 | 0.17 | 0.21 | 0.05 | 0.16 | (0.43) | 0.39 |
| Earnings (loss) per share – diluted | 0.04 | 0.09 | 0.17 | 0.21 | 0.05 | 0.16 | (0.43) | 0.39 |

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 raw materials, particularly certain 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 (see *Results of Operations – Income Taxes – Tax Attributes*); (ii) plant start-up and restructuring costs, which are event driven (see *Results of Operations – Plant Start-up and Restructuring Costs*); and (iii) the Company's business acquisition initiatives, including the associated impact 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 39 week periods ended September 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:

| *(in thousands of dollars)* | As at Sep 26, 2015 | As at Dec 27, 2014 | As at Sep 27, 2014 |
|---|---|---|---|
| Accounts receivable | 150,016 | 116,544 | 109,971 |
| Inventories | 136,187 | 121,693 | 134,481 |
| Prepaid expenses | 6,056 | 5,798 | 5,881 |
| Accounts payable and accrued liabilities | (133,873) | (102,598) | (112,153) |
| Net working capital | 158,386 | 141,437 | 138,180 |

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 2015 as compared to the end of the third quarter of 2014 increased by $20.2 million primarily due to: (i) additional working capital associated with the Company's revenue growth (see *Results of Operations – Revenue*); (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:

| (in days) | As at Sep 26, 2015 | As at Dec 27, 2014 | As at Sep 27, 2014 |
|---|---|---|---|
| Days sales in accounts receivable (1) | 34.5 | 32.9 | 30.3 |
| Days cost of sales in inventory (2) | 39.1 | 41.9 | 45.7 |

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

The Company's days sales in accounts receivable at the end of the third quarter of 2015 as compared to the end of the third quarter of 2014 increased by 4.2 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 the third quarter of 2015 as compared to the end of the third quarter of 2014 decreased by 6.6 days due to higher than normal seafood inventory levels at the end of the third quarter of 2014 and improved inventory turns resulting from the Company's sales growth.

## *Debt Financing Activities*

### Credit Facilities

As at September 26, 2015 the Company's credit facilities and the unutilized portion of those facilities were as follows:

| (in thousands of dollars) | Credit Facilities | Amount Drawn On Facility | Unutilized Credit Capacity |
|---|---|---|---|
| Revolving senior credit facility (1) | 240,500 | 181,000 | 59,500 |
| 5.70% debentures (2) | 56,340 | 56,340 | - |
| 5.50% debentures (3) | 55,591 | 55,591 | - |
| 5.00% debentures (4) | 66,031 | 66,031 | - |
| Industrial Development Revenue Bond (5) | 8,162 | 8,162 | - |
| Note payable (6) | 4,397 | 4,397 | - |
| SJ Irvine term loan (7) | 2,200 | 2,200 | - |
| Capital leases and other term loans | 2,721 | 2,721 | - |
| Other revolving loans | 9,800 | 1,079 | 8,721 |
| Cheques outstanding | - | 6,993 | (6,993) |
| Cash and cash equivalents | - | (9,707) | 9,707 |
| | 445,742 | 374,807 | 70,935 |

(1) The credit facility amount of $240.5 million represents the total available under this facility of $250.0 million less approximately $9.5 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 5.70% convertible unsecured subordinated debentures issued by the Company in 2012 plus the value attributed to the cash conversion option associated with the debentures. The outstanding face value of the 5.70% debentures, which mature on June 30, 2017 and have no principal payments prior to that date, was $57.4 million as at September 26, 2015.
(3) 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 $57.5 million as at September 26, 2015.
(4) 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 September 26, 2015.
(5) 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.
(6) Unsecured promissory note is denominated in U.S. dollars (US$3.3 million), matures in 2025, is redeemable by the noteholder beginning in 2020, and has no principal payments prior to redemption or maturity.
(7) Loan has quarterly principal payments of $0.2 million and matures in June 2016.

The Company's 5.70%, 5.50% and 5.00% debentures trade on the Toronto Stock Exchange under the symbols PBH.DB.B, 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:

| *(in thousands of dollars)* | As at Sep 26, 2015 | As at Dec 27, 2014 | As at Sep 27, 2014 |
|---|---|---|---|
| Cheques outstanding | 6,993 | 6,353 | 6,495 |
| Bank indebtedness | 1,079 | - | - |
| Current portion of long-term debt | 3,369 | 2,645 | 2,534 |
| Long-term debt | 193,998 | 211,292 | 203,415 |
| Deferred financing costs [(1)] | 1,113 | 1,124 | 993 |
| | 206,552 | 221,414 | 213,437 |
| Less: cash and cash equivalents | 9,707 | 9,453 | 5,026 |
| Senior funded debt | 196,845 | 211,961 | 208,411 |
| 7.00% debentures | - | 6,948 | 7,693 |
| 5.75% debentures | - | 56,421 | 56,301 |
| 5.70% debentures | 56,340 | 55,976 | 55,823 |
| 5.50% debentures | 55,591 | 55,204 | 55,069 |
| 5.00% debentures | 66,031 | - | - |
| Total funded debt | 374,807 | 386,510 | 383,297 |

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

| *(in thousands of dollars)* | 39 weeks ended Sep 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 |
| Funded debt assumed as part of acquisitions (1) | 7,760 |
| Net cash used for (generated from) the Company's general cash requirements | 4,051 |
| Principal accretion on long-term debt and debentures | 2,226 |
| Foreign currency translation adjustment (2) | 1,235 |
| Repayment of 7.00% Debentures and 5.75% Debentures (3) | (1,434) |
| Scheduled principal payments | (2,483) |
| 7.00%, 5.75% and 5.70% Debenture conversions (4) | (63,058) |
| Application of proceeds from 5.00% Debentures to Facility A | (65,740) |
| Closing total funded debt | 374,807 |

(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, and $1.2 million of the 5.75% Debentures, which were redeemed on May 26, 2015, were extinguished through a cash payment.
(4) The 7.00%, 5.75% and 5.70% Debentures were convertible into common shares at a conversion prices of $14.50, $22.40 and $28.30 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.

Banking Covenants

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

| | Covenant Requirement | Sep 26, 2015 Ratio |
|---|---:|---:|
| Senior funded debt to adjusted EBITDA ratio [1] | =< 4.00 : 1.0 | 1.7 : 1 |
| Interest coverage ratio [2] | >= 4.00 : 1.0 | 15.2 : 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 (see *Risks and Uncertainties*);
- The financial covenants associated with the Company's senior credit facilities;
- The Company's dividend policy (see *Liquidity and Capital Resources – Dividends*);
- The tax efficiency associated with financing the Company's operations with debt since interest is generally deductible in the calculation of taxable income;
- The nature of the Company's convertible debentures (see *Liquidity and Capital Resources – Debt Financing Activities – Credit Facilities*).

At the end of the third quarter 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 3.3 : 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 (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*) and business acquisitions (see *Liquidity and Capital Resources – Corporate Investments*).

***Dividends***

Free Cash Flow

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

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

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

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

| *(in thousands of dollars)* | 52 weeks ended Dec 27, 2014 | 39 weeks ended Sep 26, 2015 | 39 weeks ended Sep 27, 2014 | Rolling Four Quarters |
|---|---|---|---|---|
| Cash flow from operating activities | 21,344 | 57,655 | 9,444 | 69,555 |
| Changes in non-cash working capital (1) | 20,283 | 5,894 | 21,192 | 4,985 |
| Acquisition transaction costs (2) | 266 | 171 | 188 | 249 |
| Plant start-up and restructuring costs (3) | 20,299 | 2,924 | 13,576 | 9,647 |
| Capital maintenance expenditures (4) | (4,818) | (5,237) | (3,697) | (6,358) |
| Free cash flow | 57,374 | 61,407 | 40,703 | 78,078 |

(1) Cash used for increases in the Company's non-cash working capital is funded primarily through draws on its revolving credit facilities (see *Liquidity and Capital Resources – Debt Financing Activities – Credit facilities*), while cash resulting from decreases in its non-cash working capital is used primarily to pay down these facilities.
(2) Amount relates to the Company's business acquisition activities (see *Liquidity and Capital Resources – Corporate Investments*).
(3) Amount relates to the Company's plant start-up and business restructuring initiatives (see *Results of Operations – Plant Start-up and Restructuring Costs*).
(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 2015 as compared to the first three quarters of 2014 increased by $20.7 million primarily due to the increase in its adjusted EBITDA.

## Dividend Policy

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

- The ratio of its dividends to its free cash flow on a rolling four quarter basis (see *Liquidity and Capital Resources – Dividends – Dividend History*);
- Debt principal repayment obligations (see *Liquidity and Capital Resources – Debt Financing Activities*);
- Financing requirements for project capital expenditures (see *Liquidity and Capital Resources – Capital Expenditures*), plant start-up and business restructuring initiatives (see *Results of Operations – Plant Start-up and Restructuring Costs*) and business acquisitions (see *Liquidity and Capital Resources – Corporate Investments*);
- Ability to access reasonably priced debt and equity financing;
- The ratio of its annual dividend per share to the trading price of its shares on the Toronto Stock Exchange, i.e. dividend yield; and
- Significant changes, if any, in the status of one or more of the risk factors facing the Company (see *Forward Looking Statements* and *Risks and Uncertainties*).

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.

Looking forward (see *Forward Looking Statements*), the Company is continually assessing its dividend policy based on the considerations outlined above as well as other possible factors that may become relevant in the future and, correspondingly, there can be no assurance that its quarterly dividend of $0.3450 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 thousands of dollars except per share amounts and ratios)* | Declared Shareholder Dividends/ Distributions | Nature of Distribution | Free Cash Flow | Ratio (1) | Average Annualized Dividend/ Distribution Per Share |
|---|---|---|---|---|---|
| Rolling four quarters ended: | | | | | |
| September 26, 2015 | 32,539 | Dividend | 78,078 | 41.7% | $1.3475 |
| 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 (see *Liquidity and Capital Resources – Debt Financing Activities*), however, larger expenditures, such as the building of a new plant or a major expansion of an existing plant, may also be funded through the issuance of new debt and/or equity.

Changes in Capital Assets

The following table shows the changes in the Company's capital assets during the first three quarters of 2015:

| *(in thousands of dollars)* | 39 weeks ended Sep 26, 2015 |
|---|---|
| Opening capital assets at December 27, 2014 | 203,340 |
| Depreciation | (19,088) |
| Asset sales | (221) |
| Foreign currency translation adjustment (1) | 8,450 |
| Acquisitions (2) | 9,791 |
| Capital expenditures: | |
| Project | 16,509 |
| Maintenance | 5,237 |
| Closing capital assets | 224,018 |

(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 the first three quarters of 2015 the Company invested $16.5 million in project capital expenditures consisting of the following:

- $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 three quarters in order to bring the Columbus plant up to full capacity.

- $4.2 million for capacity expansion projects at its deli and premium processed meats production facilities in Langley, BC, Ferndale, WA and Yorkton, SK. All of these projects are expected (see *Forward Looking* Statements) to be completed over the next twelve months at a total cost of approximately $11.6 million.

- $1.5 million for a new enterprise resource planning system that the Company intends to implement in most of its businesses over the next several years. Approximately $3.6 million is expected (see *Forward Looking Statements*) to be invested in this project in the next three quarters.

- $0.8 million for additional production capacity at the Company's deli meat production facilities in Waterloo, ON and Brantford, ON. This investment is part of the Company's initiative to shut down an older deli meats plant located in Toronto, ON and transfer a portion of its production to the Waterloo and Brantford plants (see *Subsequent Events*). The Company expects (see *Forward Looking Statements*) to spend an additional $0.6 million on this initiative in the fourth quarter of 2015.

- $4.9 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 budget 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.

- The addition of a third production line at the Company's newly acquired Expresco business' Montreal, QC plant. This project, which is projected (see *Forward Looking Statements*) to cost $4.1 million, will provide Expresco with the capacity it needs to continue pursuing its aggressive growth plans in both Canada and the U.S.

- A $1.9 million expansion of Centennial's Calgary distribution and custom cutting facility that will: (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.

Historic Capital Maintenance Expenditures

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

| *(in thousands of dollars)* | Total |
|---|---|
| Rolling four quarters ended: | |
| September 26, 2015 | 6,358 |
| 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 2015 the Company expects (see *Forward Looking Statements*) its capital maintenance expenditures to be between $6.0 million and $7.0 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 the first three quarters of 2015 the Company made the following corporate investments:

***Isernio's 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 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 $23.9 million consisting of $22.8 million in cash 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 the first three quarters of 2015:

| *(in thousands of dollars)* | 39 weeks ended Sep 26, 2015 |
|---|---|
| Opening intangible assets and goodwill at December 27, 2014 | 246,391 |
| Amortization of intangible assets | (3,254) |
| Acquisitions | 41,783 |
| Foreign currency translation adjustment (1) | 3,935 |
| Closing intangible assets and goodwill | 288,855 |

(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 the first three quarters of 2015:

| *(in thousands of dollars)* | 39 weeks ended Sep 26, 2015 |
|---|---|
| Opening investment in associates at December 27, 2014 | 9,517 |
| Equity loss in associates | (171) |
| Cash distributions from associates | (193) |
| Closing investment in associates | 9,153 |

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 2015:

| *(in thousands of dollars)* | 39 weeks ended Sep 26, 2015 |
|---|---|
| Opening puttable interest at December 27, 2014 | 17,900 |
| Change in value (1) | 5,226 |
| Acquisitions (2) | 13,455 |
| Purchase of minority shareholders' interest (2) | (10,010) |
| Foreign currency translation adjustment (3) | 564 |
| Cash distributions to non-controlling shareholders with puttable interests | (1,423) |
| Closing puttable interest | 25,712 |

(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:

| *(in thousands of dollars)* | As at Sep 26, 2015 |
|---|---|
| Contingent consideration – Freybe acquisition [1] | 2,278 |
| Contingent consideration – Ocean Miracle acquisition [2] | 2,620 |
| Lease restoration costs [3] | 1,031 |
| Provisions [4] | 5,929 |

(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 each of the next two years.
(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 three 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 the first three quarters of 2015:

| *(in thousands of dollars)* | 39 weeks ended Sep 26, 2015 |
|---|---|
| Opening provisions at December 27, 2014 | 6,302 |
| Additional lease restoration costs accrual | 500 |
| Payment | (1,250) |
| Accretion of provisions | 377 |
| Closing provisions [1] | 5,929 |

(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 and adjusted EBITDA expectations for 2015.

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

See *Liquidity and Capital Resources – Dividends – Dividend Policy* for details on the Company's dividend payment 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 September 26, 2015 are as follows:

| *(in thousands of dollars)* | Total | 1 year out | 2 years out | 3 years out | 4 years out | 5 years out | There-after |
|---|---|---|---|---|---|---|---|
| Term debt and notes payable | 195,759 | 2,200 | - | - | 181,000 | 4,397 | 8,162 |
| Capital leases and other | 2,722 | 1,173 | 855 | 526 | 144 | 24 | - |
| 5.70% debentures | 57,349 | - | 57,349 | - | - | - | - |
| 5.50% debentures | 57,500 | - | - | - | 57,500 | - | - |
| 5.00% debentures | 69,000 | - | - | - | - | - | 69,000 |
| Operating leases | 130,892 | 15,124 | 13,834 | 12,475 | 11,480 | 10,318 | 67,661 |
| Total | 513,222 | 18,497 | 72,038 | 13,001 | 250,124 | 14,739 | 144,823 |

## TRANSACTIONS WITH RELATED PARTIES

During the first three quarters of 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 $2.2 million in lease payments to Pender West LP during the first three quarters of 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:

- Facilitating ownership in the Company by the participants and thereby further aligning their interests with those of the Company's shareholders; and
- 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 September 26, 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 September 26, 2015 the new loans denominated in Canadian dollars totaled $6.2 million, $2.9 million of which was owed by officers and directors of the Company, and the new loans denominated in U.S. dollars totaled US$1.0 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 for the first three quarters of 2015.

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

## SUBSEQUENT EVENTS

Shutdown of Toronto Plant

Subsequent to the quarter the Company shut down the last of its older deli meats production facilities, namely a 70,000 square foot plant located in Toronto, ON. This initiative, which will be accounted for as a discontinued operation, is expected (see *Forward Looking Statements*) to result in the following financial impacts on the Company:

- The Company's exit from approximately $14.0 million in private label deli meats sales that were a core part of the Toronto plant's production;
- One time shut down costs, consisting mainly of employee severance payments, of approximately $4.2 million after tax;
- $1.2 million in capital expenditures associated with moving a portion of the Toronto plant's production to the Company's Waterloo and Brantford plants (see *Liquidity and Capital resources – Capital Expenditures – Changes in Capital Assets*); and
- A positive impact on the Company's earnings from continuing operations for 2015 as the Toronto plant's operations before shut down costs are expected to generate a loss for the year.

## 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 10, 2015, such statements involve unknown risks and uncertainties beyond the Company's control which may cause its actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward looking statements. Forward looking statements generally can be identified by the use of the words "may", "could", "should", "would", "will", "expect", "intend", "plan", "estimate", "project", "anticipate", "believe" or "continue", or the negative thereof or similar variations.

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

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

- Current economic conditions in Canada and the United States will continue to show modest improvement in the near to medium term.
- The Company will be able to pass on to its customers increases in the average cost of the basket of commodities that it purchases.
- The Company's capital projects (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*) and restructuring initiatives (see *Results of Operations – Plant Start-up and Restructuring Costs*) will progress in line with its expectations.
- The Company will be able to continue to access sufficient goods and services for its manufacturing and distribution operations.
- There will be no material changes in the competitive environment or consumer food consumption trends in the markets in which the Company's various businesses compete.
- There will be no significant changes to Canada's historic weather patterns.
- There will be no material changes in the Company's relationships with its larger customers.
- The value of the Canadian dollar relative to the U.S. dollar will continue to fluctuate in line with recent historic levels.
- The Company will be able to continue to access sufficient qualified staff.
- The Company will be able to negotiate new collective agreements with no labour 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 10, 2015 and, except as required by applicable law, will not be publicly updated or revised. This cautionary statement expressly qualifies the forward looking information in this document.

## RISKS AND UNCERTAINTIES

The Company is subject to a number of risks and uncertainties related to its businesses that may have adverse effects on its results of operations and financial position. 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 products sourced from third party manufacturers and sold through the Company's proprietary distribution networks; (v) risks associated with the Company's conversion from a publicly traded income trust to a publicly traded corporation; (vi) changes in the Company's relationships with its larger customers; (vii) potential liabilities and expenses resulting from defects in the Company's products; (viii) changes in consumer food product preferences; (ix) competition from other food manufacturers and distributors; (x) execution risk associated with the Company's growth and business restructuring initiatives; (xi) risks associated with the Company's business acquisition strategies; (xii) changes in the value of the Canadian dollar relative to the U.S. dollar; (xiii) new government regulations affecting the Company's business and operations; (xiv) the Company's ability to raise the capital needed to fund its business activities; (xv) labour related issues including potential labour disputes with employees represented by labour unions and labour shortages; and (xvi) a major disruption or failure of the Company's information technology systems.

Details on the above risks as well as other risks that the Company is subject to can be found in its MD&A for the 52 weeks ended December 27, 2014, 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 27, 2014 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 labour and overhead. Inherent in the determination of the cost of such inventories are certain management judgements and estimates.

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

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

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

***Puttable interest in subsidiaries***. Puttable interest in subsidiaries is calculated using the effective interest rate method based on projections of future cash flows of certain subsidiaries and, correspondingly, a significant amount of judgement is required in estimating the amounts and timing of these cash flows and in determining the appropriate discount rates to be used value them.

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

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

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

## NEW ACCOUNTING POLICIES

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

*IFRS 9 – Financial Instruments*

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

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

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is in the final stages of assessing the potential impact IFRS 9 will have on its consolidated financial statements and expects that it will be adopting the new rules in the fourth quarter of 2015. Upon implementing IFRS 9, the Company will likely account for its interest rate swaps (see *Financial Instruments – Interest Rate Swap Contracts*) using hedge accounting.

*IFRS 15 – Revenue from Contracts with Customers*

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

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

## FINANCIAL INSTRUMENTS

### *Foreign Currency Contracts*

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

As at September 26, 2015, the Company had outstanding foreign currency contracts for the purchase of US$18.9 million over the next twelve months at a blended rate of C$1.2916.

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.

On August 13, 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 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 November 10, 2015 were 25,338,051. 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 10, 2015 were 25,229,101.

### *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 26, 2015 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 26, 2015 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.

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

The Company's Management has also concluded that there have been no changes to the Company's ICFR during the interim period ending September 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 November 10, 2015. It is the responsibility of the Company's Audit Committee to provide oversight in reviewing the MD&A and the Company's Board of Directors to approve the MD&A.

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

This MD&A, dated November 10, 2015, has been approved by the Company's Board of Directors.

## **Additional Information**

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