



PREMIUM BRANDS HOLDINGS CORPORATION

Management's Discussion and Analysis

For the 13 and 39 Weeks Ended September 24, 2011

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), formerly known as Premium Brands Income Fund (the Fund), and is current to November 2, 2011. It should be read in conjunction with: (i) the Company's unaudited consolidated financial statements and the notes thereto for the period ended September 24, 2011, which are prepared in accordance with International Financial Reporting Standards (IFRS); (ii) its fiscal 2010 audited consolidated financial statements and the notes thereto, which are prepared in accordance with Canadian generally accepted accounting principles (GAAP); and (iii) its MD&A for fiscal 2010. These documents, as well as additional information on the Company and the Fund, 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 a food focused holding company investing in:

- **Manufacturers and wholesalers of specialty food products with strong proprietary brands and leading niche market positions.** The Company defines specialty food products as those where the consumer's purchasing decision is based primarily on factors other than price, such as quality, convenience, product consistency, health and/or lifestyle. Examples of its specialty food products include meat snacks such as pepperoni, beef jerky and kippered beef; snack foods such as fresh and individually wrapped pastries and cookies; concession products such as popcorn, hot and frozen beverage supplies and ice cream accessories; fresh and pre-packaged sandwiches; delicatessen items such as European-style deli meats; cheeses, fresh salads, wraps and specialty crackers; and premium smoked sausages.

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

- **Differentiated food distribution businesses.** 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 margins by offering customers unique service and product solutions that differentiate them from distributors who are primarily focused on logistics. Furthermore, these businesses enable the Company to generate and sustain additional margin by providing its specialty food manufacturing businesses with proprietary access to a diversified customer base.

The Company's current distribution businesses service approximately 26,000 customers, including convenience stores, gas bars, restaurants, delicatessens, small specialty grocery chains, hotels and institutions, across most of Canada.

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 manufacturing businesses (such as Harvest, Grimm's, Hygaard, Quality Fast Foods, Hempler's, Creekside, Stuyver's, Duso's, SK Food Group, Deli Chef and Piller's) and its retail distribution businesses. The Retail segment's external sales are primarily to: (i) retailers, including delicatessens, small specialty grocery chains, convenience stores, gas bars, large national and regional grocery chains and warehouse clubs; and (ii) cafés selling convenience type grab-and-go foods such as fresh pre-made sandwiches and pastries.

The Foodservice segment includes the Company's Centennial Foodservice, B&C Food Distributors, Harlan Fairbanks, E1even, South Seas, Maximum Seafood and Hub City Fisheries businesses. With the exception of Maximum Seafood, all of these businesses are primarily focused on foodservice customers such as restaurants, concessions, bars, caterers, hotels, recreation facilities, schools and hospitals. With respect to Maximum Seafood, it has been included in the Foodservice segment on the basis that (i) many of its customers are distributors who sell Maximum Seafood's products to foodservice customers; and (ii) Maximum Seafood is working closely with Centennial Foodservice and B&C Food Distributors in the implementation of the Company's national seafood strategies.

Corporate consists primarily of the Company's head office activities, including strategic leadership, finance and information systems.

Revenue

(in thousands of dollars except percentages)

	13 weeks ended Sep 24, 2011	% (1)	13 weeks ended Sep 25, 2010	% (1)	39 weeks ended Sep 24, 2011	% (1)	39 weeks ended Sep 25, 2010	% (1)
Revenue by segment:								
Retail	113,385	55.1%	61,787	43.0%	284,387	52.3%	171,592	45.2%
Foodservice	92,363	44.9%	81,879	57.0%	259,308	47.7%	207,680	54.8%
Consolidated	205,748	100.0%	143,666	100.0%	543,695	100.0%	379,272	100.0%

(1) Expressed as a percentage of consolidated revenue

Retail's revenue for the third quarter of 2011 as compared to the third quarter of 2010 increased by \$51.6 million or 83.5% due to: (i) the acquisitions of SK Food Group in the fourth quarter of 2010, Deli Chef in the first quarter of 2011, SJ in the second quarter of 2011 and Piller's in the third quarter of 2011 (see *Liquidity and Capital Resources – Corporate Investments*) which resulted in \$51.1 million in incremental sales; and (ii) organic growth across a broad range of products and customers of \$0.5 million representing an organic growth rate of approximately 0.8%.

Retail's low organic growth for the quarter, which was below the Company's targeted range of 6% to 8%, was primarily due to: (i) the loss of approximately \$1.1 million in sales of third party products sourced in the U.S. due to suppliers choosing to directly market these products to Canadian retailers; and (ii) a \$0.6 million decrease in sales to convenience stores due to reduced consumer spending in this channel that was the result of a variety of factors, including record high gas prices. Excluding the impact of these two factors, Retail's organic growth rate was approximately 4.9% for the quarter.

Retail's revenue for the first three quarters of 2011 increased by \$112.8 million or 65.7% as compared to the first three quarters of 2010 primarily due to the acquisitions of Duso's and SK Food Group in 2010 and Deli Chef, SJ and Piller's in 2011, which resulted in incremental sales of \$116.1 million. These incremental sales were partially offset by: (i) lower sales of barbeque focused products during the first two quarters of 2011 due to extremely poor weather across western Canada; (ii) a \$3.0 million decrease in sales to convenience stores due to reduced consumer spending in this channel; (iii) a \$1.9 million decrease in revenue in the first quarter of 2011 due to one-time sales in 2010 resulting from the Company's involvement with the 2010 Vancouver Winter Olympics; and (iv) the loss of approximately \$1.1 million in sales of third party products sourced in the U.S. due to suppliers choosing to directly market these products to Canadian retailers.

Looking forward (see *Forward Looking Statements*), Retail expects its organic growth rate, excluding the impacts of the convenience store channel and the loss of certain third party product sales, to continue to improve in the fourth quarter of 2011 and to approach its targeted organic growth rate of 6% to 8% in 2012. The lost third party product sales are expected to have a \$1.4 million impact on the Company's sales in the fourth quarter of 2011 and a \$1.3 million impact on the Company's sales in the first half of 2012.

In terms of sales to the convenience store channel, Retail is working on a number of initiatives to address the impact that general channel contraction is having on both its sales and profitability. These include working with its convenience store customers to develop new foodservice product programs that will better position them to compete with quick service restaurants, and exploring new strategic relationships with other distributors servicing this channel.

Foodservice's revenue for the third quarter of 2011 as compared to the third quarter of 2010 increased by \$10.5 million or 12.8% due to: (i) increased sales to Foodservice's core hotel, restaurant and institutional customers of approximately \$4.3 million representing an organic growth rate of 6.6%; (ii) the acquisition of Hub City Fisheries in the fourth quarter of 2010 which resulted in \$3.4 million in incremental sales; and (iii) increased wholesale seafood sales resulting partially from a competitor in the Greater Toronto Area shutting down its business. These increases were partially offset by a \$1.1 million decrease in Worldsource's food brokerage sales due to reduced trading opportunities.

Foodservice's revenue for the first three quarters of 2011 as compared to the first three quarters of 2010 increased by \$51.6 million or 24.9% due to: (i) the acquisitions of Maximum Seafood and Hub City Fisheries in 2010 which resulted in \$40.0 million in incremental sales; (ii) increased sales to Foodservice's core hotel, restaurant and institutional customers of \$8.1 million representing an organic growth rate of approximately 4.4%; (iii) increased wholesale seafood sales resulting partially from a competitor in the Greater Toronto Area shutting down its business; and (iv) increased Worldsource sales of \$0.3 million. These increases were partially offset by a \$0.7 million decrease in revenue due to one-time sales in the first quarter of 2010 resulting from the Company's involvement with the 2010 Vancouver Winter Olympics.

Looking forward (see *Forward Looking Statements*) assuming western Canada's economy continues to strengthen, the Company expects Foodservice to achieve its targeted organic growth of 6% to 8% for the next several quarters.

Gross Profit

(in thousands of dollars except percentages)

	13 weeks ended Sep 24, 2011	% (1)	13 weeks ended Sep 25, 2010	% (1)	39 weeks ended Sep 24, 2011	% (1)	39 weeks ended Sep 25, 2010	% (1)
Gross profit by segment:								
Retail	30,364	26.8%	19,611	31.7%	75,988	26.7%	54,123	31.5%
Foodservice	18,006	19.5%	16,269	19.9%	49,899	19.2%	42,298	20.4%
<u>Consolidated</u>	<u>48,370</u>	<u>23.5%</u>	<u>35,880</u>	<u>25.0%</u>	<u>125,887</u>	<u>23.2%</u>	<u>96,421</u>	<u>25.4%</u>

(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 2011 as compared to the third quarter of 2010 decreased primarily due to the acquisitions of SK Food Group in 2010 and SJ and Piller's in 2011 (see *Liquidity and Capital Resources – Corporate Investments*) as these businesses generate lower average gross margins as compared to Retail's other businesses. Excluding SK Food Group, SJ and Piller's, Retail's gross margin for the third quarter was 32.1%.

Retail's gross margin for the first three quarters of 2011 as compared to the first three quarters of 2010 decreased primarily due to: (i) the acquisitions of SK Food Group, SJ and Piller's; and (ii) a number of Retail's businesses being impacted for much of 2011 by rising costs for a variety of food and non-food input commodities. Throughout 2011 the Company has been implementing a number of initiatives, including selling price increases and product packaging changes, to address the impact of higher costs on its margins. Excluding SK Food Group, SJ and Piller's, Retail's gross margin for the first three quarters of 2011 was 31.0%.

Looking forward (see *Forward Looking Statements*), Retail expects its gross margin, after adjusting for the impact of acquisitions, to be under continued pressure for the next several quarters due to expected increases in the cost of certain protein input commodities. In anticipation of this, Retail is continuing to work on a variety of margin enhancement initiatives, including targeted selling price increases, new product development, packaging changes, and improving plant efficiencies.

Foodservice's gross margin for the third quarter of 2011 was relatively stable as compared to the third quarter of 2010.

Foodservice's gross margin for the first three quarters of 2011 as compared to the first three quarters of 2010 decreased primarily due to: (i) the acquisitions of Maximum Seafood and Hub City Fisheries part way through 2010 as both of these businesses generate lower average gross margins as compared to Foodservice's other businesses; and (ii) rising input costs for a variety of food and non-food commodities, in general, and for beef based products, in particular. Excluding Maximum Seafood and Hub City Fisheries, Foodservice's gross margin for the first three quarters of 2011 was 19.9%.

Looking forward (see *Forward Looking Statements*), Foodservice expects its gross margin to remain stable over the next several quarters as the benefits of its various margin improvement initiatives, which include selling price increases, improved operating efficiencies resulting from higher sales volumes and the introduction of a new hamburger patty program (see *Liquidity and Capital Resources – Capital Expenditures*), are expected to be offset by increases in the cost of certain protein input commodities.

Selling, General and Administrative Expenses (SG&A)

(in thousands of dollars except percentages)

	13 weeks ended Sep 24, 2011	% (1)	13 weeks ended Sep 25, 2010	% (1)	39 weeks ended Sep 24, 2011	% (1)	39 weeks ended Sep 25, 2010	% (1)
SG&A by segment:								
Retail	17,700	15.6%	11,172	18.1%	46,796	16.5%	32,376	18.9%
Foodservice	11,550	12.5%	10,146	12.4%	33,946	13.1%	28,131	13.5%
Corporate	1,488		1,410		4,581		4,398	
<u>Consolidated</u>	<u>30,738</u>	<u>14.9%</u>	<u>22,728</u>	<u>15.8%</u>	<u>85,323</u>	<u>15.7%</u>	<u>64,905</u>	<u>17.1%</u>

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

Retail's SG&A in the third quarter of 2011 as compared to the third quarter of 2010 increased by \$6.5 million primarily due to: (i) the acquisitions of SK Food Group in 2010 and Deli Chef, SJ and Piller's in 2011 (see *Liquidity and Capital Resources – Corporate Investments*) which resulted in an increase of \$6.7 million; and (ii) higher freight and fuel costs resulting from fuel price increases. These increases were partially offset by: (i) lower distribution costs resulting from the rationalization of certain areas of Retail's direct-to-store delivery network; and (ii) lower variable selling costs, such as sales commissions, resulting from reduced convenience store channel sales (see *Results of Operations – Revenue*).

Retail's SG&A for the first three quarters of 2011 as compared to the first three quarters of 2010 increased by \$14.4 million primarily due to: (i) the acquisitions of Duso's and SK Food Group in 2010 and the acquisitions of Deli Chef, SJ and Piller's in 2011 which resulted in an increase in Retail's SG&A of \$15.1 million; and (ii) higher freight and fuel costs resulting from fuel price increases. These increases were partially offset by: (i) a decrease in one-time costs associated with the Company's involvement in the 2010 Vancouver Winter Olympics in 2010; (ii) lower variable selling costs, such as sales commissions, resulting from reduced convenience store channel sales; and (iii) lower distribution costs resulting from the rationalization of certain areas of Retail's direct-to-store delivery network.

Excluding acquisitions, Retail's SG&A as a percentage of revenue for the first three quarters of 2011 was approximately 18.8% as compared to 18.9% for the first three quarters of 2010.

Foodservice's SG&A in the third quarter of 2011 as compared to the third quarter of 2010 increased by \$1.4 million primarily due to: (i) increased distribution and variable selling costs associated with Foodservice's organic sales growth (see *Results of Operations – Revenue*); (ii) the acquisition of Hub City Fisheries in the fourth quarter of 2010 which accounted for \$0.4 million of the increase; and (iii) higher freight and fuel costs resulting from fuel price increases.

Foodservice's SG&A for the first three quarters of 2011 as compared to the first three quarters of 2010 increased by \$5.8 million primarily due to: (i) the acquisitions of Maximum Seafood and Hub City Fisheries in 2010 which accounted for \$4.0 million of the increase; (ii) the recognition in the second quarter of 2010 of a \$0.5 million gain on the sale of a redundant property; (iii) increased distribution and variable selling costs associated with Foodservice's organic sales growth (see *Results of Operations – Revenue*); and (iv) higher freight and fuel costs resulting from fuel price increases.

Excluding acquisitions, Foodservice's SG&A as a percentage of revenue for the first three quarters of 2011 was approximately 13.6% as compared to 13.8% for the first three quarters of 2010 after adjusting for a \$0.5 million gain on the sale of a redundant property.

EBITDA

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 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. EBITDA is also 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 EBITDA to earnings before income taxes:

<i>(in thousands of dollars)</i>				
	13 weeks ended Sep 24, 2011	13 weeks ended Sep 25, 2010	39 weeks ended Sep 24, 2011	39 weeks ended Sep 25, 2010
Earnings before income taxes	8,839	6,447	15,961	14,673
Depreciation of capital assets (1)	3,148	2,029	8,175	5,880
Interest and other financing costs (2)	3,653	2,575	10,302	7,292
Amortization of intangible and other assets (1)	818	707	2,376	1,948
Amortization of financing costs (1)	55	38	193	246
Acquisition transaction costs (3)	490	270	892	464
Change in value of puttable interest in subsidiaries (4)	490	750	1,678	750
Accretion of provision for contingent consideration (2)	35	-	35	-
Unrealized loss (gain) on foreign currency contracts (5)	(796)	217	(715)	(68)
Restructuring costs (3)	900	-	2,745	-
Acquisition bargain purchase gain (3)	-	-	(1,355)	-
Equity loss in associate (6)	-	119	277	331
EBITDA	17,632	13,152	40,564	31,516

- (1) Amount relates to the consumption of the Company's capital assets or intangible assets.
- (2) Amount relates to the Company's financing strategies.
- (3) Amount is an unusual item that is not part of the Company's normal operating costs.
- (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 selling margins.
- (6) Amount relates to businesses that the Company does not control.

<i>(in thousands of dollars except percentages)</i>								
	13 weeks ended Sep 24, 2011	% (1)	13 weeks ended Sep 25, 2010	% (1)	39 weeks ended Sep 24, 2011	% (1)	39 weeks ended Sep 25, 2010	% (1)
EBITDA by segment:								
Retail	12,663	11.2%	8,439	13.7%	29,192	10.3%	21,747	12.7%
Foodservice	6,457	7.0%	6,123	7.5%	15,953	6.2%	14,167	6.8%
Corporate	(1,488)		(1,410)		(4,581)		(4,398)	
Consolidated	17,632	8.6%	13,152	9.2%	40,564	7.5%	31,516	8.3%

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

The Company's EBITDA for the third quarter of 2011 as compared to the third quarter of 2010 increased primarily due to: (i) acquisitions (see *Liquidity and Capital Resources – Corporate Investments*); and (ii) organic growth and improved margins in a number of the Company's legacy businesses. These increases were partially offset by a variety of factors including the continuing impact of high commodity costs on the selling margins of several of the Company's businesses.

The Company's EBITDA for the first three quarters of 2011 as compared to the first three quarters of 2010 increased primarily due to acquisitions partially offset by (i) one-time benefits in the first quarter of 2010 associated with the Company's involvement with the 2010 Vancouver Winter Olympics; (ii) the impact of rising commodity costs on the selling margins of several of the Company's businesses; and (iii) the recognition in the second quarter of 2010 of a \$0.5 million gain on the sale of a redundant property.

Depreciation and Amortization (D&A)

<i>(in thousands of dollars)</i>				
	13 weeks ended Sep 24, 2011	13 weeks ended Sep 25, 2010	39 weeks ended Sep 24, 2011	39 weeks ended Sep 25, 2010
Depreciation and amortization of intangible and other assets (D&A) by segment:				
Retail	2,726	1,617	7,052	4,701
Foodservice	1,104	968	3,099	2,676
Corporate	136	151	400	451
Consolidated	3,966	2,736	10,551	7,828

The increases in the Company's D&A expense for both the third quarter of 2011 as compared to the third quarter of 2010, and the first three quarters of 2011 as compared to the first three quarters of 2010, were primarily due to business acquisitions made in 2010 and 2011 by both its Retail and Foodservice segments.

Interest

The increases in the Company's interest and other financing costs for both the third quarter of 2011 as compared to the third quarter of 2010, and the first three quarters of 2011 as compared to the first three quarters of 2010, were primarily due to: (i) an increase in the Company's net funded debt (see *Liquidity and Capital Resources – Debt Financing Activities – Funded Debt*); and (ii) the repayment of lower cost senior debt through the issuance of convertible unsecured subordinated debentures at the beginning of 2011 (see *Liquidity and Capital Resources – Debt Financing Activities – Debt Activities*).

Change in Value of Puttable Interest in Subsidiaries

Change in value of puttable interest represents an estimate of the change in the value of options held by non-controlling shareholders of certain subsidiaries of the Company that entitle such shareholders to require the Company to purchase their interest in the applicable subsidiary (see *Liquidity and Capital Resources – Corporate Investments – Puttable Interest in Subsidiaries*).

Change in value of puttable interest in subsidiaries for the third quarter of 2011 as compared to the third quarter of 2010 decreased by \$0.3 million primarily due to the purchase by the Company in the second quarter of 2011 of the minority interest in its Stuyver's artisan bakery business (see *Liquidity and Capital Resources – Corporate Investments – Puttable Interest in Subsidiaries*).

Change in value of puttable interest in subsidiaries for the first three quarters of 2011 as compared to the first three quarters of 2010 increased by \$0.9 million primarily due to: (i) increased accretion resulting from changes made in the latter half of 2010 to the assumptions used to value the put options; and (ii) incremental accretion relating to new put options resulting from business acquisitions made in the fourth quarter of 2010 and in 2011 (see *Liquidity and Capital Resources – Corporate Investments*).

Gains / Losses on Foreign Currency Contracts

Gains and losses on foreign currency contracts are the result of changes in the fair market valuation of the Company's U.S. dollar forward purchase contracts (see *Financial Instruments – Foreign Currency Contracts*). The Company does not hold these contracts for speculative purposes nor does it intend to liquidate them, but rather uses the contracts to stabilize the cost of its U.S. dollar denominated purchases and, in turn, its selling margins.

Restructuring Costs

Restructuring costs consist of costs associated with a significant restructuring of one or more of the Company's businesses. In the first three quarters of 2011, the Company incurred \$2.7 million in restructuring costs consisting primarily of: (i) \$2.1 million in charges relating to the Company's recently acquired Deli Chef business (see *Liquidity and Capital Resources – Corporate Investments*). Included in this is approximately \$1.8 million for severance and other costs associated with the shutdown on April 29, 2011 of Deli Chef's sandwich plant in Gatineau, Quebec. As previously announced the Company expects to incur \$6 million to \$7 million in capital and restructuring costs relating to the changes being made to Deli Chef's business. As at the end of the third quarter these costs totaled \$2.2 million; (ii) \$0.4 million in redundant lease costs associated with the expansion of the Company's artisan bread capacity (see *Liquidity and Capital Resources – Capital Expenditures*); and (iii) \$0.2 million in charges associated with the rationalization of the Company's direct-to-store delivery networks.

Acquisition Bargain Purchase Gains

During the second quarter of 2011, the Company finalized its fair value assessment for the acquisition of Deli Chef (see *Liquidity and Capital Resources – Corporate Investments*). In doing so it determined that the fair value of the net identifiable assets acquired was \$1.4 million greater than the consideration paid. Under IFRS this difference is recognized immediately as a bargain purchase gain.

Income Taxes

Tax Attributes

An estimate of Company's tax attributes as at the end of the third quarter of 2011 is as follows:

(millions of dollars)

Scientific research and experimental development tax credits	92.4
Un-depreciated capital costs	101.7
Non-capital losses carried forward	81.4
Capital losses carried forward	0.9
Cumulative eligible capital	57.2
Section 20(1)(e) financing fee	4.8
Investment tax credits	15.3
Total	353.7

Approximately \$167 million of the Company's tax attributes relate to a plan of arrangement that resulted in the conversion (the Conversion) of the Fund, a publicly traded income trust, into the Company, a publicly traded corporation.

There is considerable uncertainty about whether the tax authorities will accept the deduction of some or any of the tax attributes resulting from the Conversion. Should the deduction of all or a portion of the tax attributes be disallowed, the Company would derecognize the appropriate portion of the deferred income tax asset as a charge to income.

Current Income Tax Provision

As a result of the Company's tax attributes and its internal corporate structure, it does not expect its wholly owned Canadian operations, which on an annual basis generate a 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 relates primarily to its U.S. subsidiaries and its non-wholly owned Canadian subsidiaries.

Deferred Income Tax (DIT) Provision

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

<i>(in thousands of dollars)</i>	13 weeks ended Sep 24, 2011	13 weeks ended Sep 25, 2010	39 weeks ended Sep 24, 2011	39 weeks ended Sep 25, 2010
Opening DIT asset	47,221	46,319	42,817	48,468
Adjustments:				
Foreign currency translation adjustment (1)	133	(4)	285	(9)
Convertible unsecured subordinated debenture issuance (2)	-	-	(332)	-
Reallocation of 2010 acquisition purchase price from goodwill (3)	-	-	1,560	-
DIT resulting from 2011 acquisitions (4)	(3,269)	(1,783)	381	(2,013)
Adjusted opening DIT asset	44,085	44,532	44,711	46,446
Closing DIT asset	41,729	42,129	41,729	42,129
Provision for DIT	2,356	2,403	2,982	4,317

(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 – Debt Financing Activities – Debt Activities*.

(3) See *Liquidity and Capital Resources – Corporate Investments – Goodwill and Intangible Assets*.

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

SUMMARY OF QUARTERLY RESULTS

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

<i>(millions of dollars except per share amounts)</i>	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011
Revenue	111.2	109.7	125.9	143.7	156.0	154.1	183.8	205.7
EBITDA	9.7	7.2	11.0	13.2	10.6	9.2	13.7	17.6
Earnings	3.3	0.9	5.3	3.8	4.0	1.0	4.5	6.1
Earnings per share – basic and diluted	0.19	0.05	0.30	0.21	0.21	0.05	0.24	0.32

Many of the Company's businesses are subject to fluctuations associated with the impact on consumer demand of seasonal changes in weather. As a result, its results are weaker in the first quarter due to a combination of:

- 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 convenience stores, gas stations, restaurants and concessionary venues); and (ii) reduced consumer demand for its outdoor oriented products (such as barbeque and on-the-go convenience foods).
- A general decline in consumer activity at the beginning of each calendar year.

The Company's results then generally peak in the spring and summer months due to favourable weather conditions and decline in the fourth quarter due to a return to poorer weather conditions.

Looking forward, the Company expects (see *Forward Looking Statements*) its results to continue to be impacted by seasonal factors; however, due to the acquisition of less seasonal businesses in 2010, specifically Duso's Fine Foods, Maximum Seafood and SK Food Group, it expects this impact to be reduced as compared to prior years.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial position and liquidity for the 13 and 39 week periods ended September 24, 2011 were impacted by the following:

Funds from Operations

Funds from operations 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 funds from operations is a useful indicator of the cash generated by its operating activities before changes in non-cash working capital.

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

<i>(in thousands of dollars)</i>				
	13 weeks ended Sep 24, 2011	13 weeks ended Sep 25, 2010	39 weeks ended Sep 24, 2011	39 weeks ended Sep 25, 2010
Cash flow from operating activities	15,319	11,644	17,014	26,100
Changes in non-cash working capital	(2,711)	(1,357)	9,592	(2,842)
Funds from operations	12,608	10,287	26,606	23,258

See *Results of Operations* for an analysis of the significant factors impacting the Company's funds from operations, namely the changes in the Company's EBITDA, interest and other financing costs, and current tax provision.

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 24, 2011	As at Dec 25, 2010	As at Sep 25, 2010
Accounts receivable	79,370	52,807	42,914
Inventories	87,415	57,366	49,243
Prepaid expenses	11,181	3,421	3,103
Accounts payable and accrued liabilities	(82,234)	(53,700)	(46,713)
Net Working Capital	95,732	59,894	48,547

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 and accounts receivable are built up in anticipation of increased consumer demand (see *Summary of Quarterly Results*). The cash requirements associated with fluctuations in the Company's net working capital are managed through draws and repayments on its Facility A revolving credit facility (see *Liquidity and Capital Resources – Debt Financing Activities*).

Net working capital at the end of the third quarter increased by \$47.2 million as compared to the end of the third quarter of 2010 due primarily to: (i) acquisitions (see *Liquidity and Capital Resources – Corporate Investments*) which accounted for \$36.0 million of the increase; (ii) \$6.8 million in deposits on equipment purchased for the expansion of the Company's bakery operations (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*); (iii) approximately \$5.0 million in excess inventory resulting from a variety of factors including opportunistic inventory purchases and ensuring an adequate supply of certain scarce raw materials; and (iv) higher accounts receivable levels resulting from the Company's organic sales growth (see *Results of Operations – Revenue*). These increases were partially offset by higher accounts payable levels, which can fluctuate significantly based on the timing of inventory purchases and the date on which supplier payments are processed.

Non-Cash Working Capital Cash Flows

Cash flows from changes in non-cash working capital were as follows:

(in thousands of dollars)	13 weeks ended Sep 24, 2011	13 weeks ended Sep 25, 2010	39 weeks ended Sep 24, 2011	39 weeks ended Sep 25, 2010
Changes in non-cash working capital	2,711	1,357	(9,592)	2,842

Due to the seasonal nature of the Company's business changes in the Company's non-cash working capital generally results in a net cash inflow in the third quarter of the year as its sales levels decline after the busy summer months (see *Summary of Quarterly Results*). Correspondingly, the Company generated \$2.7 million in cash from changes in non-cash working capital during the third quarter of 2011.

For the first three quarters of 2011 the Company used \$9.6 million in cash for non-cash working capital primarily due to: (i) \$6.8 million in deposits on equipment purchased for the expansion of the Company's bakery operations (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*); (ii) approximately \$5.0 million in excess inventory resulting from a variety of factors including opportunistic inventory purchases and ensuring an adequate supply of certain scarce raw materials; and (iii) higher accounts receivable levels resulting from the Company's organic sales growth (see *Results of Operations – Revenue*). The cash used for these items was partially offset by cash generated from higher accounts payable levels (see *Liquidity and Capital Resources – Net Working Capital Requirements – Net Working Capital*).

Debt Financing Activities

Credit Facilities

As at September 24, 2011 the Company's credit facilities and the unutilized portion of those facilities were as follows:

<i>(in thousands of dollars)</i>	Credit Facilities	Amount Drawn on Facility	Unutilized Credit Capacity
Facility A – revolving senior credit ⁽¹⁾	37,000	9,490	27,510
Facility B – revolving senior credit ⁽²⁾	55,000	42,000	13,000
Facility C – non-revolving senior credit ⁽³⁾	100,000	100,000	-
5.75% convertible debentures ⁽⁵⁾	53,806	53,806	-
7.00% convertible debentures ⁽⁴⁾	35,224	35,224	-
Vendor take-back notes resulting from business acquisitions	14,377	14,377	-
Capital leases and other loans	10,021	10,021	-
Farm Credit Canada loans ⁽⁷⁾	7,760	7,760	-
Industrial Development Revenue Bond ⁽⁶⁾	6,298	6,298	-
Cheques outstanding	-	3,438	(3,438)
Cash and cash equivalents	-	(4,290)	4,290
	319,486	278,124	41,362

- (1) Facility matures in September 2014, can be used to fund the Company's working capital and general operating needs and has no principal payments due prior to its maturity date.
- (2) Facility matures in September 2014, can be used to fund capital projects and acquisitions, and has quarterly principal payments of \$2.75 million. Repaid amounts can be redrawn to fund new capital projects and acquisitions.
- (3) Facility matures in September 2014 and has no principal payments prior to its maturity date unless Facility B is fully paid in which case the facility would have quarterly principal payments of \$2.75 million.
- (4) Represents the debt allocated component of the \$40.3 million in convertible unsecured subordinated debentures issued by the Company in 2009. The debentures mature in December 2014 and have no principal payments prior to that date.
- (5) Represents the debt allocated component of the \$57.5 million in convertible unsecured subordinated debentures issued by the Company on January 6, 2011. The debentures mature in December 2015 and have no principal payments prior to that date.
- (6) Credit facility is held by the Company's U.S. subsidiary, Hempler Foods Group LLC, is denominated in U.S. dollars (US\$6.1 million), matures in 2036 and has no principal payments due prior to its maturity date.
- (7) Loans relate to SJ (see *Liquidity and Capital Resources – Corporate Investments*), mature between March 2014 to July 2020, and have quarterly principal payments of approximately \$0.3 million beginning in March 2012.

The 7% and 5.75% debentures trade on the Toronto Stock exchange under the symbols PBH.DB and PBH.DB.A, 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 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 the debt covenants associated with the Company's senior credit facilities (see *Liquidity and Capital Resources – Debt Financing Activities – Banking Covenants*).

The following table provides the calculation of senior funded debt and total funded debt:

<i>(in thousands of dollars)</i>	As at Sep 24, 2011	As at Dec 25, 2010	As at Sep 25, 2010
Cheques outstanding	3,438	1,670	1,908
Bank indebtedness	9,490	6,827	778
Current portion of long-term debt	17,516	19,822	9,573
Deferred financing costs ⁽¹⁾	731	516	421
Long-term debt	162,209	112,004	88,755
	193,384	140,839	101,435
Less cash and cash equivalents	4,290	868	404
Senior funded debt	189,094	139,971	101,031
7.00% debentures ⁽²⁾	35,224	37,306	37,164
5.75% debentures ⁽³⁾	53,806	-	-
Total funded debt	278,124	177,277	138,195

(1) As required by IFRS, deferred financing costs are included as an offsetting amount in long-term debt.

(2) Represents the debt allocated component of the \$40.3 million in convertible unsecured subordinated debentures issued by the Company in 2009. The debentures mature in December 2014 and have no principal payments prior to that date.

(3) Represents the debt allocated component of the \$57.5 million in convertible unsecured subordinated debentures issued by the Company on January 6, 2011. The debentures mature in December 2015 and have no principal payments prior to that date.

Debt Activities

During the first three quarters of 2011 the Company's significant debt activities consisted of the following:

- On January 6, 2011 the Company issued \$57.5 million of convertible unsecured subordinated debentures (the 5.75% debentures) resulting in net proceeds of \$54.6 million after commissions of \$2.3 million and transaction costs of approximately \$0.6 million. These debentures bear interest at an annual rate of 5.75% payable semi-annually, have a maturity date of December 31, 2015 and are convertible into common shares of the Company at a price of \$22.40 per share.
- \$38.3 million of the net proceeds of the offering were used to reduce the amount outstanding under Facility B, which is a revolving facility and hence these funds can be accessed for future business acquisitions and capital projects. The balance of the net proceeds of the offering was used to fund the Company's general operations.
- A \$36.0 million increase in Facility C, the proceeds of which were used to fund the acquisition of Piller's (see *Liquidity and Capital Resources – Corporate Investments*).
- \$46.0 million in draws on Facility B consisting of: (i) \$40.0 million for the acquisitions of Deli Chef, SJ and Piller's (see *Liquidity and Capital Resources – Corporate Investments*); and (ii) \$6.0 million to fund a portion of a US\$6.5 million vendor take-back promissory note that came due in the second quarter of 2011.
- The assumption of \$9.4 million (\$9.7 million gross value before discounting to fair market value) of Piller's funded debt consisting of \$7.7 million in capital leases and a \$1.7 million term loan.
- The consolidation in the Company's financial statements of \$7.8 million in term loans payable by recently acquired SJ (see *Liquidity and Capital Resources – Corporate Investments*).
- \$7.1 million in principal payments on vendor take-back promissory notes relating to acquisitions made in prior years.
- \$6.0 million in scheduled principal payments on Facility B. As noted above, principal payments made on this facility can be redrawn to fund future business acquisitions and capital projects.
- \$2.7 million in net draws on Facility A to fund the Company's general operations.

- A new \$0.9 million capital lease relating to new jerky packaging equipment purchased by the Company's 50% owned subsidiary Made-Rite Meat Products LP (see *Liquidity and Capital Resources – Capital Expenditures*).
- The conversion of \$2.6 million of 7.00% debentures to common shares at the option of the debenture holders resulting in the issuance of 179,510 common shares.

The Company's cash balance at the end of the third quarter of 2011 as compared to the end of 2010 increased by \$3.4 million to \$4.3 million primarily due to: (i) the acquisition of a controlling interest in SJ (see *Liquidity and Capital Resources – Corporate Investments*) through a treasury share issuance which resulted in SJ having approximately \$1.9 million of cash on hand at the end of the third quarter; and (ii) the timing of cash transfers from non-wholly owned subsidiaries.

The Company's outstanding cheques balance at the end of the third quarter of 2011 as compared to the end of 2010 increased by \$1.8 million to \$3.4 million primarily due to business acquisitions (see *Liquidity and Capital Resources – Corporate Investments*).

Banking Covenants

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

	Covenant Requirement	Sep 24, 2011 Ratio
Senior funded debt to EBITDA ratio (1) (2)	=< 3.50 : 1.0	2.82: 1.0
Current ratio (3)	> 1.30 : 1.0	1.65: 1.0
Interest coverage ratio (3)	> 4.00 : 1.0	10.26: 1.0

- (1) Covenant decreases to 3:00:1 at the earlier of: (i) the Company completing a public offering of common shares or subordinate debt; and (ii) the third quarter of 2012. This reduction would, however, be subject to a 0.25:1 add-on for a period of two consecutive quarters in the event of a business acquisition.
- (2) EBITDA is calculated as the Company's rolling four quarters EBITDA adjusted for the trailing EBITDA of new acquisitions so that the total EBITDA amount includes four quarters of EBITDA for new acquisitions. For covenant calculation purposes, senior funded debt excludes cheques outstanding.
- (3) Ratio is calculated based on the combined balance sheets and/or income statements of certain subsidiaries of the Company and therefore will not necessarily equal the ratio calculated based on the Company's consolidated balance sheet and/or income statement.

Financial Leverage

Two of the key indicators that the Company uses to assess the appropriateness of its financial leverage are its total funded debt to EBITDA and senior funded debt to 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 EBITDA ratio and 3.5:1 to 4.0:1 as the long-term targeted range for its total funded debt to EBITDA ratio. These ranges are based on a number of considerations including:

- The risks associated with the consistency and sustainability of the Company's cash flows (see *Risks and Uncertainties*);
- The financial covenants associated with the Company's senior credit facilities;
- The Company's dividend policy (see *Liquidity and Capital Resources – Dividends*); and
- The tax efficiency associated with financing the Company's operations with debt since interest is generally deductible in the calculation of taxable income.

At the end of the third quarter the Company's senior funded debt to EBITDA ratio increased to 2.82:1 as compared to 2.71:1 at the end of 2010 primarily due to senior funded debt used to fund the Company's acquisitions in 2011 (see *Liquidity and Capital Resources – Corporate Investments*), which was partially offset by using the proceeds from a convertible debenture offering in January 2011 to pay

down senior funded debt (see *Liquidity and Capital Resources – Debt Financing Activities – Debt Activities*).

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 generated by it that is available for the payment of dividends to shareholders, debt repayment and for investing in project capital expenditures (see *Liquidity and Capital Resources – Capital Expenditures*) 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 quarters basis. The Company uses this ratio 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.

Note that, due to the seasonal nature of the Company's business, it is possible that in some quarters its dividends to shareholders may exceed its free cash flow.

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

<i>(in thousands of dollars)</i>	52 weeks ended Dec 25, 2010	39 weeks ended Sep 25, 2010	39 weeks ended Sep 24, 2011	Rolling Four Quarters
Cash flow from operating activities	32,796	26,100	17,014	23,710
Changes in non-cash working capital ⁽¹⁾	(2,837)	(2,842)	9,592	9,597
Sale of redundant property ⁽²⁾	1,747	1,747	-	-
Deferred revenue ⁽³⁾	1,207	1,199	1,118	1,126
Acquisition transaction costs ⁽⁴⁾	1,015	464	892	1,443
Restructuring costs ⁽⁴⁾	-	-	2,745	2,745
Capital maintenance expenditures ⁽⁵⁾	(1,713)	(1,217)	(1,905)	(2,401)
Free cash flow	32,215	25,451	29,456	36,220

- (1) Cash used for increases in the Company's non-cash working capital is funded through draws on its Facility A revolving credit facility (see *Liquidity and Capital Resources – Debt Financing Activities – Credit facilities*), while cash resulting from decreases in its non-cash working capital is used to pay down its Facility A revolving credit facility. As a result, changes in the Company's non-cash working capital are excluded from the calculation of free cash flow.
- (2) Amount represents free cash flow generated from the sale of a redundant distribution facility (see *Results of Operations – Selling, General and Administrative Expenses*).
- (3) Amount represents free cash flow generated from deferred revenue (see *Liquidity and Capital Resources – Capital Expenditures – Deferred Revenue*).
- (4) Amount relates to the Company's business acquisition activities (see *Liquidity and Capital Resources – Corporate Investments*) and/or capital expenditure activities (see *Liquidity and Capital Resources – Capital Expenditures*).
- (5) Amount represents the portion of the Company's capital expenditures that relate to maintaining its existing capital asset base (see *Liquidity and Capital Resources – Capital Expenditures*).

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 (see *Liquidity and Capital Resources – Debt Financing Activities*);
- Financing requirements for capital project expenditures (see *Liquidity and Capital Resources – Capital Expenditures*) 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 in the status of one or more of the risk factors facing the Company (see *Forward Looking Statements and Risks and Uncertainties*).

The Company currently has a targeted quarterly dividend of \$0.294 per share, or on an annualized basis, \$1.176 per share. During the first three quarters of 2011 the Company declared total dividends of \$0.882 per share totaling \$16.7 million.

Looking forward (see *Forward Looking Statements*), the Company is continually assessing its dividend policy based on the considerations outlined above as well as other possible factors that may become relevant in the future and, correspondingly, there can be no assurance that its current quarterly dividend of \$0.294 per share will be maintained. Furthermore, the Company does not intend to use any future growth in its free cash flow to increase its dividend in the near or medium term but rather will focus on reducing the ratio of its dividends paid to its free cash flow and using the additional cash to pay down debt and fund business acquisitions and capital projects.

Dividend History

The Company declared its first distribution 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 Distributions/ Dividends	Nature of Distribution	Free Cash Flow	Ratio (1)	Average Annualized Distribution/ Dividend Per Share
Rolling four quarters ended:					
Sep 24, 2011	22,082	Dividend	36,220	61.0%	\$1.176
Dec 25, 2010	21,019	Dividend	32,215	65.2%	\$1.176
Dec 26, 2009	20,687	(2)	29,280	70.7%	\$1.176
Dec 31, 2008	20,593	Trust distribution	29,631	69.5%	\$1.176
Dec 31, 2007	20,514	Trust distribution	26,440	77.6%	\$1.176
Dec 31, 2006	18,357	Trust distribution	17,247	106.4%	\$1.176

(1) Ratio of dividends declared to free cash flow for the corresponding rolling four quarter period.

(2) Consisted of trust distributions for the first two quarters of the period and dividends for the last two quarters of the period.

Capital Expenditures

Expenditure Classification

The Company's capital expenditures can be categorized into two types: project capital expenditures and maintenance capital expenditures. Project capital expenditures are capital expenditures that are expected to generate a minimum return on investment 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 2011:

(in thousands of dollars)		39 weeks ended Sep 24, 2011
Opening capital assets at December 25, 2010		76,183
Depreciation		(8,175)
Asset sales and other		(300)
Foreign currency translation adjustment (1)		340
Acquisitions (2)		80,673
Capital expenditures:		
Project		7,293
Maintenance		1,905
Closing capital assets		157,919

(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*.

During the first three quarters of 2011 the Company spent \$7.3 million on project expenditures, which included:

- \$2.5 million for the expansion of Centennial Foodservice's custom cutting operation at its distribution facility in Calgary, AB. This project, which was completed in the second quarter, enables Centennial to further differentiate itself by providing its customers with customized fresh and frozen burger patty programs.
- \$1.7 million on the construction of a new artisan bakery that will replace Stuyver's existing facility in Burnaby, BC. This project, which commenced in the first quarter of 2011, is expected to cost approximately \$18.3 million and is scheduled to be completed in the fourth quarter of 2011. The expected benefits (see *Forward Looking Statements*) associated with it include: (i) a substantial increase in production capacity as Stuyver's Burnaby bakery is currently operating at near to capacity; and (ii) significant production efficiencies based on the automation of a number of production processes.

In addition to the \$1.7 million spent of capital assets associated with this project, as at the end of the third quarter of 2011 the Company had paid \$6.8 million for equipment deposits which are included in its prepaid expenses (see *Liquidity and Capital Resources – Net Working Capital Requirements – Net Working Capital*).

- \$1.0 million for a new jerky packaging line at Made-Rite's facility in Langley, BC. This project, which was completed in the first quarter of 2011, reduces the plant's per unit packaging costs while increasing its production capacity.
- \$0.3 million for production equipment that will improve the operating efficiency of Harvest's Yorkton, SK meat processing plant through improved handling of raw materials. This project, which commenced in the third quarter of 2011, is expected to cost approximately \$1.1 million and is scheduled to be completed in the second quarter of 2012.

The balance of the Company's project capital expenditures for the first three quarters of 2011 was for a variety of smaller projects consisting mainly of capacity related equipment purchases.

Subsequent to the third quarter of 2011, the Company acquired a 96,000 square foot meat processing facility (the Cloverdale plant) from Maple Leaf Foods Inc. for \$10.5 million. The Company does not intend to own this facility and is negotiating its sale and subsequent leaseback, which is expected (see *Forward Looking Statements*) to be completed by the end of 2011.

The Company intends to use the Cloverdale plant to replace and expand the production capacity of its 57,000 square foot deli meats production facility in Richmond, B.C., the lease on which expires in July 2013. A detailed assessment of the Cloverdale plant is currently underway to determine the final cost of the changes that will be needed to optimize its capacity and operating efficiency.

Maintenance capital expenditures for the first three quarters of 2011 increased to \$1.9 million as compared to \$1.2 million for the first three quarters of 2010 due primarily to business acquisitions made in 2010 and 2011 (see *Liquidity and Capital Resources – Corporate Investments*).

Historic Capital Maintenance Expenditures

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

(in thousands of dollars)		Total
Rolling four quarters ended:		
September 24, 2011		2,401
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 2011 the Company expects (see *Forward Looking Statements*) its capital maintenance expenditures to be between \$3.0 million and \$3.5 million. This is higher than its historic levels due to: (i) business acquisitions made in 2010 and 2011 (see *Liquidity and Capital Resources – Corporate Investments*); and (ii) maintenance capital expenditures deferred from 2010.

Deferred Revenue

In the second quarter of 2011 the Company entered into a sale and leaseback transaction for a portion of the trucks purchased as part of the Deli Chef acquisition (see *Liquidity and Capital Resources – Corporate Investments*). The transaction resulted in a \$1.1 million gain that has been deferred and is being amortized into income over the three year term of the resulting leases.

In the second quarter of 2010 the Company was successful in obtaining \$1.2 million in government grants relating to several capital projects completed over the last several years. \$0.3 million of these grants were recognized in 2010 as other income under SG&A with the balance being recorded on the Company's consolidated balance sheet as deferred revenue. The deferred grant revenue will be

amortized into income over the average life of the corresponding capital assets, which is estimated at 15 years.

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.

Deli Chef Acquisition

In the first quarter of 2011 the Company completed the acquisition of Les Aliments Deli Chef (Deli Chef) for \$8.0 million less approximately \$0.1 million relating to a net working capital adjustment. At the time of the acquisition, Deli Chef had two sandwich manufacturing facilities: one in Gatineau, Quebec and the other in Toronto, Ontario; as well as a central distribution facility in Laval, Quebec; a 14 truck convenience store DSD network in southern Ontario and a 44 truck convenience store DSD network in Quebec. In April 2011, as part of the restructuring of Deli Chef's business, the Company shut down Deli Chef's Gatineau plant.

Deli Chef's 2011 sales are projected (see *Forward Looking Statements*) to be approximately \$30 million and it is expected that it will have a small negative impact on the Company's EBITDA in 2011 as the Company repositions Deli Chef for future sustainable growth. As part of this repositioning, the Company expects to incur an additional \$6 million to \$7 million in restructuring (see *Results of Operations – Restructuring Costs*) and capital related costs.

Longer term, the Company's five year financial targets for Deli Chef are annual sales and EBITDA of \$50 million and \$5 million, respectively.

SJ Acquisition

In the second quarter of 2011 the Company acquired an additional 25.7% interest in SJ Irvine Fine Foods Ltd. (SJ) bringing its total interest in SJ to 50.7% and resulting in it acquiring control of SJ. SJ, which started operations in January 2008, manufactures high quality processed meats for the foodservice and retail industries out of a modern 40,000 square foot facility in Saskatoon, SK and currently produces a variety of products for the Company under the Grimm's brand name.

The Company's acquisition of the additional interest in SJ was the result of a series of transactions that included: (i) the Company's purchase of treasury shares from SJ for \$3.9 million; (ii) the conversion of SJ's debt payable to its shareholders to equity, including the \$1.9 million owed by SJ to the Company; and (iii) the restructuring and extension by two years of the supply agreement under which SJ produces products for the Company.

As a result of acquiring control of SJ, the Company began including SJ in its consolidated financial statements, and correspondingly ceased to use equity accounting for its investment in SJ, in the second quarter of 2011.

Piller's Acquisition

In the third quarter of 2011 the Company purchased substantially all of the assets and business operations (Piller's) of Waterloo, Ontario based Piller Sausages & Delicatessens Limited. Piller's is one of Canada's leading manufacturers of specialty European deli meats with annual sales and EBITDA run rates of approximately \$180.0 million and \$15.0 million, respectively.

The purchase price consisted of \$63.8 million in cash, the assumption of \$9.7 million in funded debt and 1,968,750 common shares. In addition, it will be increased by up to \$10.0 million if Piller's achieves certain profitability targets over the next two years. This additional consideration, if applicable, would be payable 26 months after the closing of the transaction. Furthermore, the cash portion of the purchase price is subject to adjustment if Piller's net working capital at closing is determined to be above or below a defined normalized level.

The purchase was originally expected to close in August 2011 but was delayed due to the time required to obtain clearance for the transaction from the Canadian Competition Bureau. As a result of this delay, the purchase closed on September 9, 2011 and, correspondingly, Piller's had a very limited impact on the Company's results for the third quarter of 2011.

Looking forward (see *Forward Looking Statements*) the Company expects that within the next two years Piller's EBITDA run rate will exceed \$20.0 million as growth and cost synergies are realized.

Goodwill and Intangible Assets

Primarily all of the Company's intangible assets and goodwill are the result of business acquisitions.

The following table shows the changes in the combined total of the Company's intangible assets and goodwill during the first three quarters of 2011:

<i>(in thousands of dollars)</i>	39 weeks ended Sep 24, 2011
Opening intangible assets and goodwill at December 25, 2010	195,080
Amortization of intangible assets	(2,372)
Foreign currency translation adjustment (1)	431
Reallocation of 2010 acquisition purchase price to deferred income taxes (2)	(1,560)
Additions:	
Goodwill and intangible assets resulting from 2011 acquisitions	31,820
Purchase of trade-mark license (3)	355
<u>Closing intangible assets and goodwill</u>	<u>223,754</u>

(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 *Results of Operations – Deferred Income Tax Provision*.

(3) During the first quarter of 2011 the Company repurchased the rights that had been granted to a third party to use its Bread Garden brand name in conjunction with café styled restaurants. A final payment for this repurchase of rights of \$0.1 million was made in the second quarter of 2011.

Puttable Interest in Subsidiaries

Puttable interest represents the fair value estimate of options (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 at a formula based price, which is generally a multiple of the applicable subsidiary's average EBITDA for a defined period.

The following table shows the changes in puttable interest during the first three quarters of 2011:

<i>(in thousands of dollars)</i>	39 weeks ended Sep 24, 2011
Opening puttable interest at December 25, 2010 ⁽¹⁾	12,652
Change in value ⁽²⁾	1,678
Foreign currency translation adjustment ⁽³⁾	4
Exercise of put option ⁽⁴⁾	(2,286)
Cash distributions to non-controlling shareholders with puttable interests	(345)
Puttable interest resulting from acquisitions	3,582
Closing puttable interest ⁽¹⁾	15,285

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

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

(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.

(4) Payment relates to the non-controlling shareholder in the Company's Stuyver's business exercising his put option in the second quarter of 2011. Correspondingly, at the end of the second quarter of 2011 the Company owned 100% of this business.

Provision for Contingent Consideration

During the third quarter of 2011, the Company recorded a provision for contingent consideration of \$8.1 million as a result of the acquisition of Piller's (see *Liquidity and Capital Resources – Corporate Investments – Piller's Acquisition*). Under IFRS the discounted present value of the full amount of the contingent consideration is accrued at the time of the acquisition.

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 gross margin expectations for the remainder of 2011 and for 2012.

In terms of business acquisitions, the Company continues to evaluate a number of promising opportunities but does not, at this time, expect (see *Forward Looking Statements*) to complete any material acquisitions of specialty food manufacturing and/or differentiated food distribution businesses in the near future.

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, 2011 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
Long-term debt	172,097	15,212	18,823	124,370	1,154	1,154	11,384
Capital leases	8,359	2,510	4,082	1,162	321	284	-
7.00% debentures	37,647	-	-	-	37,647	-	-
5.75% debentures	57,500	-	-	-	-	57,500	-
Operating leases	61,897	11,096	9,312	7,209	5,993	5,201	23,086
Total	337,500	28,818	32,217	132,741	45,115	64,139	34,470

TRANSACTIONS WITH RELATED PARTIES

During the first three quarters of 2011 the Company entered into the following transactions with related parties:

- Pursuant to a ten year real property lease ending in August, 2018, the Company made \$0.3 million in lease payments to a company in which the Company's Chairman, Bruce Hodge, has a minority interest.
- Pursuant to the Company's employee loan program, the Company received principal payments totaling approximately \$0.1 million from various employees, including its President and Chief Executive Officer, George Paleologou, and its Chief Financial Officer, Will Kalutycz.

SUBSEQUENT TRANSACTIONS

Interest Rate Swap Contracts

On October 6, 2011 the Company entered into interest rate swap contracts that fixed the rate of interest on \$100.0 million of its long-term debt for three years at a rate of 1.17% plus 1.5% to 2.5% based on its ratio of debt to cash flow calculated quarterly (see *Financial Instruments – Interest Rate Swap Contracts*).

Cloverdale Plant Purchase

Subsequent to the third quarter of 2011 the Company acquired a 96,000 square foot meat processing facility (the Cloverdale plant) from Maple Leaf Foods Inc. for \$10.5 million. The Company does not intend to own this facility and is negotiating its sale and subsequent leaseback, which is expected (see *Forward Looking Statements*) to be completed by the end of 2011 (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*).

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. These statements generally can be identified by the use of forward looking words such as “may”, “could”, “should”, “would”, “will”, “expect”, “intend”, “plan”, “estimate”, “project”, “anticipate”, “believe” or “continue”, or the negative thereof or similar variations.

Although 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, 2011, 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. Some of the factors that could cause actual results to differ materially from the Company's expectations are outlined below under *Risks and Uncertainties*.

Forward looking information contained or incorporated by reference in this discussion and analysis is based on various assumptions. Assumptions used by the Company are based on information currently available to it, including information obtained from third party sources, and include those outlined below. Readers are cautioned that this list of assumptions is not exhaustive.

- Current economic conditions in Canada will show modest improvement in the near to medium future and, corresponding with such improvement, consumers will return to pre-2009 buying patterns in the convenience store, hotel and restaurant food channels.
- The average cost of the basket of commodities the Company purchases on a regular basis will fluctuate in line with historic trends.
- The Company will be able 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 Company will be able to negotiate new collective agreements with no labour disruptions.
- The Company will be able to continue to access sufficient qualified staff.
- The Company will be able to continue to access reasonably priced debt and equity capital.
- The Company's average interest cost on floating rate debt will increase modestly 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, 2011 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) seasonal and/or weather related fluctuations in the Company's sales; (ii) changes in consumer discretionary spending resulting from changes in economic conditions and/or general consumer confidence levels; (iii) changes in the cost of raw materials used in the production of the Company's products; (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, including related changes in Canada's income tax laws; (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; and (x) new government regulations affecting the Company's business and operations.

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 the Company's MD&A for the fiscal year ended December 25, 2010, which has been filed electronically through SEDAR and is available online at www.sedar.com. Prospective investors should carefully review and evaluate the risk factors facing the Company together with all of the other information contained in this MD&A and the Company's 2010 MD&A.

It should also be noted that the risk factors described above are not the only risk factors facing the Company and it may be subject to risks and uncertainties not described above that it is not presently aware of or that the Company 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 net assets for tax purposes and their value 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 than 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 and, correspondingly, a significant amount of judgement is required in estimating the future cash flows to be used under this valuation method.

Convertible unsecured subordinate debentures. The valuation of the debt and equity components of convertible unsecured subordinate debentures requires a significant amount of judgement in determining reasonable fair market values for the debt and equity components of this financial instrument.

Business acquisitions. 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 intangible and intangible assets purchased; and (ii) the liabilities assumed. Furthermore, when an acquisition involves contingent consideration there is also significant judgement involved in determining the value, if any, of such consideration.

NEW ACCOUNTING POLICIES

International Financial Reporting Standards (IFRS)

The Company has adopted International Financial Reporting Standards (IFRS) for its fiscal year ending December 31, 2011 as required by the Accounting Standards Board of the Canadian Institute of Chartered Accountants.

The assessments and impacts associated with the Company's transition to IFRS are outlined in the Company's 2010 MD&A. In addition, the Company has provided a detailed explanation of the impacts of the transition in Note 3 to its unaudited interim consolidated financial statements for the third quarter of 2011. This disclosure includes reconciliations of the Company's: (i) shareholders' equity reported in accordance with GAAP to its shareholders' equity reported in accordance with IFRS as at December 25, 2010, September 25, 2010 and December 26, 2009; and (ii) net earnings and comprehensive earnings reported in accordance with GAAP to its net earnings and comprehensive earnings reported in accordance with IFRS for the 13 and 39 week periods ended September 25, 2010. Explanations of the individual impacts of adopting IFRS identified in the reconciliations are also provided, as are the Company's elections under IFRS 1, First-time Adoption of International Financial Reporting Standards.

FINANCIAL INSTRUMENTS

Foreign Currency Contracts

In order to reduce the risk associated with purchases denominated in currencies other than Canadian dollars (see *Risks and Uncertainties – Currency Exchange Risk*), 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, 2011, the Company had outstanding foreign currency contracts for the purchase of US\$13.3 million over the next 15 months at a blended rate of C\$0.9936 and for the purchase of €1.4 million over the next two months at a blended rate of C1.3656.

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 \$0.1 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. The Company does not hold interest rate swap contracts for speculative purposes.

As at September 24, 2011, the Company had no interest rate swap contracts in place.

On October 6, 2011, the Company entered into interest rate swap contracts (the swaps) that fixed the rate of interest on \$100.0 million of its long-term debt for a three-year period at a rate of 1.17% plus 1.5% to 2.5% based on its ratio of debt to cash flow calculated quarterly.

As at October 6, 2011, a change of 1.0 percentage points in the effective interest rate for the remaining term of the swaps would result in a gain (if interest rates increase) or loss (if interest rates decrease) of approximately \$0.1 million in the Company's consolidated statement of operations.

OTHER

Outstanding Shares

The shares outstanding in the Company as of November 2, 2011 were 20,264,105. 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, 2011 were 20,167,521.

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, 2011 and has concluded that such procedures are adequately designed to provide 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, 2011 and has concluded that the design of the Company's ICFR provides 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, 2011, the Company has excluded the controls, policies and procedures of Deli Chef, an acquisition the company completed on February 18, 2011 (see *Liquidity and Capital Resources – Corporate Investments*). For the third quarter, Deli Chef accounted for \$8.7 million of the Company's consolidated sales in the third quarter, \$0.7 million in loss for the third quarter, and approximately \$4.4 million, \$7.8 million, \$4.6 million and \$0.8 million of its current assets, non-current assets, current liabilities and non-current liabilities, respectively, in its September 24, 2011 consolidated balance sheet. Documentation and assessment of Deli Chef's impact on the overall design of the Company's DCP and ICFR is expected to be completed in 2012.

The Company has also excluded the controls, policies and procedures of Piller Sausages & Delicatessens Limited, an acquisition the company completed on September 9, 2011. Piller Sausages & Delicatessens Limited accounted for \$13.0 million of the Company's consolidated sales in the third quarter, \$0.3 million in profit for the third quarter, and approximately \$36.1 million, \$90.2 million, \$15.5 million and \$15.2 million of its current assets, non-current assets, current liabilities and non-current liabilities, respectively, in its September 24, 2011 consolidated balance sheet. Documentation and assessment of Piller Sausages & Delicatessens Limited's impact on the overall design of the Company's DCP and ICFR is expected to be completed in 2012.

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 24, 2011 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, 2011. 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, 2011, 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.