



PREMIUM BRANDS HOLDINGS CORPORATION

Management's Discussion and Analysis

For the 13 and 39 Weeks Ended September 29, 2012

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 7, 2012. 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 29, 2012, its fiscal 2011 audited consolidated financial statements and the notes thereto, both of which are prepared in accordance with International Financial Reporting Standards (IFRS), and its MD&A for fiscal 2011. 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 a food focused holding company investing in:

- **Manufacturers and wholesalers of specialty food products with strong proprietary brands and leading niche market positions.** Specialty food products are food products that are purchased by consumers 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.** Differentiated food distribution businesses are businesses that provide customers with unique services (such as in-store merchandising, product promotions, equipment leasing and equipment servicing) and product solutions (such as exclusive branded products and custom portion cutting) in addition to the normal logistical solutions provided by a distribution business. 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.

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 differentiating themselves from distributors who are primarily focused on logistics. In addition, by owning these differentiated distribution businesses the Company is able to generate and sustain additional margin by providing its specialty food manufacturing businesses with proprietary access to a diversified customer base.

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

The Foodservice segment includes the Company's Centennial Foodservice, B&C Food Distributors, Harlan Fairbanks, Worldsource, E1even, Wescadia (formerly South Seas), Maximum Seafood and Hub City Fisheries businesses. With the exception of Worldsource, Maximum Seafood and Hub City Fisheries, 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 and Hub City Fisheries, these businesses have been included in the Foodservice segment on the basis that (i) many of their customers are distributors who sell their products to foodservice customers; and (ii) these businesses work closely with Centennial Foodservice and B&C Food Distributors in the implementation of the Company's national seafood strategies. With respect to Worldsource, it has been included in the Foodservice segment on the basis that it is substantially integrated, particularly with respect to the procurement of raw materials, with Centennial Foodservice.

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

Revenue

(in thousands of dollars except percentages)

	13 weeks ended Sep 29, 2012	% (1)	13 weeks ended Sep 24, 2011	% (1)	39 weeks ended Sep 29, 2012	% (1)	39 weeks ended Sep 24, 2011	% (1)
Revenue by segment:								
Retail	158,474	62.2%	113,385	55.1%	445,609	61.5%	284,387	52.3%
Foodservice	96,504	37.8%	92,363	44.9%	279,117	38.5%	259,308	47.7%
<u>Consolidated</u>	<u>254,978</u>	<u>100.0%</u>	<u>205,748</u>	<u>100.0%</u>	<u>724,726</u>	<u>100.0%</u>	<u>543,695</u>	<u>100.0%</u>

(1) Expressed as a percentage of consolidated revenue

Retail's revenue for the third quarter of 2012 as compared to the third quarter of 2011 increased by \$45.1 million or 39.8% due to: (i) the acquisition of Piller's in 2011 (see *Liquidity and Capital Resources – Corporate Investments*) which resulted in \$37.2 million in incremental sales; and (ii) organic growth of \$7.9 million representing an organic growth rate of approximately 7.0%.

Retail's organic growth for the quarter, which was within the Company's targeted range of 6% to 8%, was due to a range of factors including: (i) a variety of new product and customer sales initiatives; (ii) price increases across a broad range of products; and (iii) favourable weather conditions in most of Retail's markets across Canada. These factors were partially offset by lower sales resulting from the restructuring of the Company's NDSD business' distribution network (see *Results of Operations – Restructuring Costs*). This initiative involves the conversion of NDSD's customers in certain defined territories from being serviced by NDSD's direct-to-store delivery trucks to being serviced by exclusive third party distributors that form part of NDSD's distribution network. Hence, for territories that have been converted, the Company now sells its products at a discounted price to an exclusive third party distributor who in turn sells and distributes the Company's products to convenience store retailers.

Retail's revenue for the first three quarters of 2012 increased by \$161.2 million or 56.7% as compared to the first three quarters of 2011 primarily due to: (i) the acquisitions of Piller's, SJ and Deli Chef in 2011, which resulted in incremental sales of \$136.0 million; and (ii) organic growth across a range of products and customers of \$25.2 million representing an organic growth rate of approximately 8.9%.

Looking forward (see *Forward Looking Statements*), for the fourth quarter of 2012 the Company expects Retail's organic sales growth to continue to be within the range of its previous guidance of 6% to 8%.

Foodservice's revenue for the third quarter of 2012 as compared to the third quarter of 2011 increased by \$4.1 million or 4.5% due to: (i) general organic growth of \$3.4 million representing an organic growth rate of 3.9%; and (ii) increased sales in its Worldsource food brokerage business of \$0.7 million resulting from improved trading opportunities.

Foodservice's low organic growth rate as compared to the Company's guidance of 6% to 8% was primarily due to lower seafood sales resulting from exceptionally warm weather that negatively impacted both consumer demand for seafood products and seafood harvesting. Foodservice's sales to its core hotel, restaurant and institutional customers grew at an organic rate of approximately 5.8% which was slightly below the Company's targeted range.

Foodservice's revenue for the first three quarters of 2012 as compared to the first three quarters of 2011 increased by \$19.8 million or 7.6% due to: (i) general organic growth of \$15.2 million representing a growth rate of 6.2%; (ii) increased sales in its Worldsource food brokerage business of \$3.5 million; and (iii) \$1.1 million in unusual trading volume in its Hub City Fisheries business resulting from the sale of excess inventory relating to a very successful salmon fishery in 2011.

Looking forward (see *Forward Looking Statements*), for the fourth quarter of 2012 the Company expects Foodservice's organic sales growth to be below its previous guidance of 6% to 8% primarily

due to: (i) the negative impact on its sales to restaurants and pubs resulting from a delay in the start of the 2012/13 National Hockey League season; and (ii) product supply issues resulting from the shutdown at the end of the third quarter of one of Canada's largest beef processors due to a major product recall.

Gross Profit

(in thousands of dollars except percentages)

	13 weeks ended Sep 29, 2012	% (1)	13 weeks ended Sep 24, 2011	% (1)	39 weeks ended Sep 29, 2012	% (1)	39 weeks ended Sep 24, 2011	% (1)
Gross profit by segment:								
Retail	36,205	22.8%	30,364	26.8%	101,062	22.7%	75,988	26.7%
Foodservice	18,255	18.9%	18,006	19.5%	52,941	19.0%	49,899	19.2%
<u>Consolidated</u>	<u>54,460</u>	<u>21.4%</u>	<u>48,370</u>	<u>23.5%</u>	<u>154,003</u>	<u>21.2%</u>	<u>125,887</u>	<u>23.2%</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 2012 as compared to the third quarter of 2011 decreased from 26.8% to 22.8% due in part to: (i) the acquisition of Piller's in 2011 (see *Liquidity and Capital Resources – Corporate Investments*) as this business generally has lower average gross margins as compared to Retail's other businesses; and (ii) a change in selling terms whereby certain customers now receive their products FOB the Company's plant versus FOB the customers' warehouses. This resulted in the elimination of freight being billed to these customers and corresponding decreases in gross profit and selling expenses (see *Results of Operations – SG&A*).

Normalizing for the above factors, Retail's gross margin for the quarter was 25.7% as compared to 27.0% in the third quarter of 2011. The balance of the decrease in Retail's gross margin was primarily due to: (i) reduced gross margins on product sales transitioned to third party distributors as part of the restructuring of NDSD's distribution network (see *Results of Operations – Revenue*); and (ii) increased plant overheads associated with Retail's new bakery facility, which was completed in the third quarter (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*).

Retail's gross margin for the first three quarters of 2012 as compared to the first three quarters of 2011 decreased from 26.7% to 22.7% due in part to: (i) the acquisitions of Piller's and SJ in 2011; and (ii) the change in selling terms for certain customers as discussed above. Normalizing for these factors, Retail's gross margin for the first three quarters of 2012 was 26.4% as compared to 27.1% for the first three quarters of 2011. The balance of the decrease in Retail's gross margin was primarily due to the restructuring of NDSD's distribution network and increased bakery plant overheads as discussed above.

Foodservice's gross margin for the third quarter of 2012 as compared to the third quarter of 2011 decreased from 19.5% to 18.9% due to a variety of commodity input cost increases including: (i) higher premium beef prices, which were the result of increased buying and promotion of premium beef by a large U.S. based retailer; (ii) higher seafood costs, which were the result of a poor harvest of several species of seafood (see *Results of Operations – Revenue*); and (iii) increased popcorn kernel prices, which were due to relatively poor crops in 2011 and 2012.

Foodservice's gross margin for the first three quarters of 2012 was relatively consistent with its gross margin for the first three quarters of 2011.

Selling, General and Administrative Expenses (SG&A)

(in thousands of dollars except percentages)

	13 weeks ended Sep 29, 2012	% (1)	13 weeks ended Sep 24, 2011	% (1)	39 weeks ended Sep 29, 2012	% (1)	39 weeks ended Sep 24, 2011	% (1)
SG&A by segment:								
Retail	20,673	13.0%	17,700	15.6%	59,699	13.4%	46,796	16.5%
Foodservice	12,315	12.8%	11,550	12.5%	36,483	13.1%	33,946	13.1%
Corporate	1,307		1,488		4,576		4,581	
<u>Consolidated</u>	<u>34,295</u>	<u>13.5%</u>	<u>30,738</u>	<u>14.9%</u>	<u>100,758</u>	<u>13.9%</u>	<u>85,323</u>	<u>15.7%</u>

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

Retail's SG&A in the third quarter of 2012 as compared to the third quarter of 2011 increased by \$3.0 million primarily due to: (i) the acquisition of Piller's in 2011 (see *Liquidity and Capital Resources – Corporate Investments*) which resulted in an increase of \$2.9 million; and (ii) a variety of items consisting primarily of variable selling costs associated with Retail's organic sales growth (see *Results of Operations – Revenue*). These increases were partially offset by: (i) a decrease in freight costs of approximately \$0.9 million due to a change in selling terms whereby certain customers now receive their products FOB the Company's plant versus FOB the customers' warehouses. This resulted in the elimination of freight being billed to these customers and corresponding decreases in gross profit and selling expenses (see *Results of Operations – Gross Profit*); and (ii) reduced distribution related costs resulting from the rationalization of Retail's DSD Network (see *Results of Operations – Restructuring Costs*).

Retail's SG&A for the first three quarters of 2012 as compared to the first three quarters of 2011 increased by \$12.9 million primarily due to: (i) the acquisitions of Piller's, SJ and Deli Chef in 2011 (see *Liquidity and Capital Resources – Corporate Investments*) which resulted in an increase in Retail's SG&A of \$13.5 million; and (ii) a variety of items consisting primarily of variable selling costs associated with Retail's organic sales growth (see *Results of Operations – Revenue*). These increases were partially offset by: (i) a decrease in freight costs of approximately \$2.5 million due to the change in selling terms whereby certain customers now receive their products FOB the Company's plant versus FOB the customers' warehouses (see *Results of Operations – Gross Profit*); and (ii) reduced distribution related costs resulting from the rationalization of Retail's DSD Network (see *Results of Operations – Restructuring Costs*).

Normalizing for the acquisitions of Piller's and SJ and for the impact of the change in selling terms for certain customers, Retail's SG&A as a percentage of revenue for the first three quarters of 2012 was 16.2% as compared to 16.5% for the first three quarters of 2011. The decrease in Retail's normalized SG&A as a percentage of revenue was due to a range of factors including reduced distribution related costs resulting from the rationalization of its DSD Network (see *Results of Operations – Restructuring Costs*).

Foodservice's SG&A in the third quarter of 2012 as compared to the third quarter of 2011 increased by \$0.8 million while its SG&A in the first three quarters of 2012 as compared to the first three quarters of 2011 increased by \$2.5 million. Both increases were due to a variety of items including higher variable selling costs associated with Foodservice's organic sales growth (see *Results of Operations – Revenue*).

Foodservice's SG&A as a percentage of revenue for the first three quarters of 2012 was 13.1%, which is consistent with its SG&A as a percentage of revenue of 13.1% for the first three quarters of 2011.

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. Adjusted 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 Adjusted EBITDA to earnings before income taxes:

<i>(in thousands of dollars)</i>				
	13 weeks ended Sep 29, 2012	13 weeks ended Sep 24, 2011	39 weeks ended Sep 29, 2012	39 weeks ended Sep 24, 2011
Earnings before income taxes	6,811	8,839	18,533	15,961
Depreciation of capital assets (1)	4,088	3,148	11,483	8,175
Amortization of intangible assets (1)	1,214	817	3,701	2,372
Amortization of other assets (1)	1	1	4	4
Interest and other financing costs (2)	4,676	3,653	13,100	10,302
Amortization of financing costs (2)	94	55	306	193
Acquisition transaction costs (3)	140	490	193	892
Change in value of puttable interest in subsidiaries (4)	500	490	1,205	1,678
Accretion of provisions (2)	210	35	629	35
Unrealized loss (gain) on foreign currency contracts (5)	200	(796)	300	(715)
Unrealized gain on interest rate swap contracts (6)	(100)	-	(200)	-
Restructuring costs (3)	2,331	900	3,991	2,745
Acquisition bargain purchase gain (3)	-	-	-	(1,355)
Equity loss in associate (7)	-	-	-	277
Adjusted EBITDA	20,165	17,632	53,245	40,564

- (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 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 and Euro 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 and Euro denominated purchases and, in turn, its selling margins.
- (6) Amount represents the change in fair value of the Company's interest rate swap contracts and is adjusted for on the basis that the Company does not intend to liquidate these contracts but rather uses them to fix the interest rate on certain portions of its long-term debt.
- (7) Amount relates to businesses that the Company did not control.

<i>(in thousands of dollars except percentages)</i>								
	13 weeks ended Sep 29, 2012	% (1)	13 weeks ended Sep 24, 2011	% (1)	39 weeks ended Sep 29, 2012	% (1)	39 weeks ended Sep 24, 2011	% (1)
Adjusted EBITDA by segment:								
Retail	15,532	9.8%	12,663	11.2%	41,363	9.3%	29,192	10.3%
Foodservice	5,940	6.2%	6,457	7.0%	16,458	5.9%	15,953	6.2%
Corporate	(1,307)		(1,488)		(4,576)		(4,581)	
Consolidated	20,165	7.9%	17,632	8.6%	53,245	7.3%	40,564	7.5%

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

The Company's Adjusted EBITDA for the first three quarters of 2012 as compared to the first three quarters of 2011 increased by \$12.7 million or 31.3% to \$53.2 million primarily due to: (i) acquisitions (see *Liquidity and Capital Resources – Corporate Investments*); and (ii) organic growth in a number of

the Company's legacy businesses (see *Results of Operations – Revenue*). These increases were partially offset by:

- A decrease in the Company's Stuyver's business' Adjusted EBITDA in the third quarter of 2012 as compared to the third quarter of 2011 due to a combination of: (i) a planned increase in Stuyver's production overheads resulting from the incremental capacity of its new artisan bakery (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*); and (ii) Stuyver's delay of a variety of selling initiatives (which are based on leveraging its incremental capacity) due to startup related issues at its new artisan bakery (see *Results of Operations – Restructuring Costs*). The Company expects (see *Forward Looking Statements*) Stuyver's startup related issues to be resolved in the fourth quarter of 2012 after which Stuyver's will begin aggressively pursuing its new selling initiatives.
- A decrease in the Company's NDSD business' Adjusted EBITDA in the third quarter of 2012 as compared to the third quarter of 2011 due to delays in fully implementing the SG&A savings associated with the restructuring of its distribution network (see *Results of Operations – Revenue*). As a result, the Company lost the margin associated with sales that were transitioned to exclusive third party distributors (see *Results of Operations – Gross Profit*) but did not fully realize the cost savings projected to result from these changes. The Company expects (see *Forward Looking Statements*) NDSD to have all of the cost savings initiatives associated with its restructuring implemented by the end of the first quarter of 2013.

Looking forward (see *Forward Looking Statements*), despite the impact of the decrease in Stuyver's and NDSD's Adjusted EBITDA, as discussed above, the Company still expects its Adjusted EBITDA for 2012 to be within its current guidance of \$70.0 million to \$75.0 million, albeit likely at the bottom end of this range.

Depreciation and Amortization (D&A)

(in thousands of dollars)

	13 weeks ended Sep 29, 2012	13 weeks ended Sep 24, 2011	39 weeks ended Sep 29, 2012	39 weeks ended Sep 24, 2011
Depreciation and amortization of intangible and other assets (D&A) by segment:				
Retail	4,158	2,726	11,778	7,052
Foodservice	1,020	1,104	3,038	3,099
Corporate	125	136	372	400
Consolidated	5,303	3,966	15,188	10,551

The increase in the Company's D&A expense for both the third quarter of 2012 as compared to the third quarter of 2011, and for the first three quarters of 2012 as compared to the first three quarters of 2011 was primarily due to business acquisitions made in 2011 (see *Liquidity and Capital Resources – Corporate Investments*) by its Retail segment.

Interest

The increase in the Company's interest and other financing costs for both the third quarter of 2012 as compared to the third quarter of 2011, and for the first three quarters of 2012 as compared to the first three quarters of 2011, was primarily due to: (i) an increase in the Company's average outstanding net funded debt (see *Liquidity and Capital Resources – Debt Financing Activities – Funded Debt*); and (ii) the issuance of \$57.5 million of convertible debentures, the proceeds of which were used to repay lower cost senior debt (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 2012 was \$0.5 million which was consistent with the \$0.5 million expensed in the third quarter of 2011.

Change in value of puttable interest in subsidiaries for the first three quarters of 2012 as compared to the first three quarters of 2011 decreased by \$0.5 million primarily due to: (i) the Company purchasing the minority interest in its Stuyver's artisan bakery business in 2011; and (ii) changes made in the assumptions used to value the put options.

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 and Euro 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 and Euro denominated purchases and, in turn, its selling margins.

Gains / Losses on Interest Rate Swap Contracts

Gains and losses on interest rate swap contracts are the result of changes in the fair market valuation of the Company's interest rate swap contracts (see *Financial Instruments – Interest Rate Swap Contracts*). The Company does not hold these contracts for speculative purposes nor does it intend to liquidate them, but rather uses the contracts to help stabilize its interest cost.

Restructuring Costs

Restructuring costs consist of costs associated with the significant restructuring of one or more of the Company's businesses. For the first three quarters of 2012, the Company incurred \$4.0 million in restructuring costs consisting of:

- \$2.2 million in costs relating to the reconfiguration of the Company's sandwich production facilities (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*). This project consists of the following three initiatives: (i) the construction of a new 20,000 square foot sandwich plant in Laval, Quebec, which was completed at the end of the second quarter of 2012 and commenced operations in July 2012; (ii) the transfer of the operations of the Company's leased sandwich production facility in Edmonton, Alberta to its owned sandwich production facility in Edmonton and the subsequent shutdown of the leased facility. This was completed in August 2012; and (iii) the transfer of the production of certain products from the Company's sandwich plant in Etobicoke, Ontario to its new plant in Laval and the subsequent sale of the Etobicoke plant's remaining operations, which consisted primarily of fresh sandwich production. This was completed at the end of September 2012.

Once completed, the benefits expected (see *Forward Looking Statements*) to be generated from this project include: (i) a new state-of-the-art facility in Laval which will be used to grow the Company's sandwich business in central and eastern Canada; (ii) reduced plant operating overhead costs through the shutdown of the Company's leased facility in Edmonton; (iii) improved production efficiencies by transferring production from the less efficient Etobicoke plant to the new Laval plant; and (iv) freight savings associated with reconfiguring production

so that sandwiches for the central and eastern Canadian markets are made in the Laval facility while sandwiches for the western Canadian market are produced in the Edmonton facility.

Looking forward (see *Forward Looking Statements*), the Company anticipates that it will incur an additional \$0.4 million in restructuring costs associated with this initiative in the fourth quarter of 2012.

- \$0.9 million in charges relating to the restructuring of the Company's NDSD business' direct-to-store distribution networks (DSD networks) for the convenience store channel. This restructuring, which is expected to be completed in the first quarter of 2013, involves the merging and rationalization of the following three DSD networks:
 - a. The Company's Direct Plus DSD network, which operates primarily in western Canada;
 - b. The DSD network acquired as part of the Deli Chef acquisition (see *Liquidity and Capital Resources – Corporate Investments*) in 2011. This network operates in Ontario and Quebec; and
 - c. The independent distributor network controlled by the Company's recently acquired Pridcorp business (see *Liquidity and Capital Resources – Corporate Investments*). This network operates in various markets across Canada, including the Maritimes.

Once completed, this initiative is expected to (see *Forward Looking Statements*): (i) create Canada's only national convenience store DSD network in the sandwich, meat snack and pastry categories; (ii) gain efficiencies by eliminating overlaps where two of the above three DSD networks are servicing the same customer sites; and (iii) further improve the profitability of the DSD delivery routes serviced by the Company's own fleet by adding products to these routes that were previously distributed exclusively by Pridcorp's network.

Looking forward (see *Forward Looking Statements*), the Company anticipates that it will incur an additional \$0.4 million in restructuring costs relating to this initiative over the next two quarters.

- \$0.9 million in startup, redundant lease and severance costs associated with Stuyver's new artisan bread facility, which commenced commercial operations in the second quarter of 2012 (see *Liquidity and Capital Resources – Capital Expenditures*).

This initiative is expected to (see *Forward Looking Statements*): (i) provide a substantial increase in production capacity as Stuyver's previous bakery, which was shut down in July 2012 and was operating at near to capacity; and (ii) generate significant production efficiencies once the plant is operating at a reasonable level of utilization of its capacity (see *Results of Operations – Adjusted EBITDA*).

Looking forward (see *Forward Looking Statements*), the Company anticipates that it will incur an additional \$0.2 million in restructuring costs relating to this initiative in the fourth quarter of 2012.

Income Taxes

Tax Attributes

An estimate of the Company's tax attributes as at the end of the third quarter of 2012 is as follows:

(in millions of dollars)

Scientific research and experimental development tax credits	92.4
Un-depreciated capital costs	126.4
Non-capital losses carried forward	42.4
Capital losses carried forward	0.9
Cumulative eligible capital	51.4
Section 20(1)(e) financing fee	5.6
<u>Investment tax credits</u>	<u>15.3</u>
Total	334.4

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 un-depreciated capital costs. At the time of the Conversion the Company estimated the value of these tax attributes to be approximately \$167.0 million and correspondingly recognized a deferred tax asset of \$52.3 million.

There is considerable uncertainty about whether the tax authorities will accept the deduction of some or any of the tax attributes 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 earnings.

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 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 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 29, 2012	13 weeks ended Sep 24, 2011	39 weeks ended Sep 29, 2012	39 weeks ended Sep 24, 2011
Opening DIT asset	33,124	47,221	39,952	42,817
Adjustments:				
Foreign currency translation adjustment (1)	(98)	133	57	285
Convertible unsecured subordinated debenture issuance	-	-	-	(332)
Reallocation of acquisition purchase price (to) from goodwill (2)	-	-	(4,377)	1,560
DIT resulting from acquisitions	-	(3,269)	-	381
Adjusted opening DIT asset	33,026	44,085	35,632	44,711
Closing DIT asset	31,923	41,729	31,923	41,729
Provision for DIT	1,103	2,356	3,709	2,982

(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) Adjustment is the result of the finalization of purchase price allocations relating to business acquisitions (see *Liquidity and Capital Resources – Corporate Investments – Goodwill and Intangible Assets*).

SUMMARY OF QUARTERLY RESULTS

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

<i>(in millions of dollars except per share amounts)</i>	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Revenue	156.0	154.1	183.8	205.7	245.2	218.7	251.0	255.0
Adjusted EBITDA	10.6	9.2	13.7	17.6	14.4	12.0	21.1	20.2
Earnings	4.0	1.0	4.5	6.1	1.5	1.2	7.0	4.6
Earnings per share – basic	0.23	0.05	0.24	0.32	0.07	0.06	0.34	0.22
Earnings per share – diluted	0.22	0.05	0.24	0.32	0.07	0.05	0.34	0.21

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 financial 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 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.

Over the last eight quarters the seasonal nature of the Company's business has been impacted by business acquisitions made part way through 2010 and 2011 that have resulted in general growth in the Company's revenue and earnings (see *Liquidity and Capital Resources – Corporate Investments*).

The Company's earnings over the last eight quarters have been relatively volatile due to a number of factors including: (i) fluctuations in acquisition transaction and restructuring costs as these are event driven (see *Results of Operations – Restructuring Costs*); (ii) volatile commodity input costs for a number of the Company's businesses; (iii) volatility associated with the fair market valuation of a variety of the Company's assets such as foreign currency and interest rate swap contracts, puttable interest in subsidiaries, and acquired businesses; and (iv) an unusual deferred income tax recovery in the fourth quarter of 2010 resulting from the recognition of certain deferred tax assets.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial position and liquidity for the 13 and 39 week periods ended September 29, 2012 was 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 29, 2012	13 weeks ended Sep 24, 2011	39 weeks ended Sep 29, 2012	39 weeks ended Sep 24, 2011
Cash flow from operating activities	20,631	15,319	40,216	17,014
Changes in non-cash working capital	(7,937)	(2,711)	(4,695)	9,592
Funds from operations	12,694	12,608	35,521	26,606

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 Adjusted EBITDA, interest and other financing costs, restructuring costs and current income tax provision.

Net Working Capital Requirements

Net Working Capital

Net working capital and adjusted net working capital 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 net working capital and adjusted net working capital are useful indicators of the cash needed to fund the Company's working capital requirements.

The following table provides the calculation of net working capital and adjusted net working capital:

<i>(in thousands of dollars)</i>	As at Sep 29, 2012	As at Dec 31, 2011	As at Sep 24, 2011
Accounts receivable	83,669	78,830	79,370
Inventories	88,685	79,977	87,415
Prepaid expenses	5,588	13,455	11,181
Accounts payable and accrued liabilities	(91,784)	(80,162)	(82,233)
Net working capital	86,158	92,100	95,733
Less: deposits on capital expenditure projects ⁽¹⁾	-	(9,001)	(6,139)
Adjusted net working capital	86,158	83,099	89,594

(1) See *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*. Amounts are included in prepaid expenses.

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

<i>(in days)</i>	As at Sep 29, 2012	As at Dec 31, 2011	As at Sep 24, 2011
Days sales in accounts receivable ⁽¹⁾	29.9	30.8	35.1
Days cost of sales in inventory ⁽²⁾	40.2	39.8	50.5

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

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

The Company's net working capital needs are seasonal in nature and generally peak in the spring and summer months and around festive holiday seasons (e.g. Easter, Thanksgiving and Christmas) as inventories 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 primarily through draws and repayments on its Facility A revolving credit facility (see *Liquidity and Capital Resources – Debt Financing Activities*).

Adjusted net working capital at the end of the third quarter of 2012 as compared to the end of the third quarter of 2011 decreased by \$3.4 million primarily due to:

- Increased accounts payable and accrued liabilities due to the general timing of payments to suppliers. The Company's accounts payable balance can fluctuate significantly based on a variety of factors including the timing of when inventory is received.
- Improved accounts receivable and inventory turnover rates, as shown in the decreases in the Company's days sales in accounts receivable and days cost of sales in inventory ratios. These improvements were due to: (i) the implementation of several initiatives designed to improve the utilization of the Company's working capital assets; (ii) the ratio's as at September 24, 2011 do not include a full thirteen weeks of operations for Piller's, which was acquired towards the end of the quarter; and (iii) normal fluctuations in net working capital.

The above decreases were partially offset by additional net working capital, particularly accounts receivable, associated with the Company's organic growth (see *Results of Operations – Revenue*).

Non-Cash Working Capital Cash Flows

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

<i>(in thousands of dollars)</i>	13 weeks ended Sep 29, 2012	13 weeks ended Sep 24, 2011	39 weeks ended Sep 29, 2012	39 weeks ended Sep 24, 2011
Change in non-cash working capital	7,937	2,711	4,695	(9,592)
Change relating to deposits on capital expenditure projects (1)	-	2,564	(9,001)	6,139
	<u>7,937</u>	<u>5,275</u>	<u>(4,306)</u>	<u>(3,453)</u>

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

Due to the seasonal nature of the Company's business, changes in the Company's non-cash working capital generally result 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*). This, combined with the Company's higher accounts payable balance and improved accounts receivable and inventory turnover rates (see *Liquidity and Capital Resources – New Working Capital Requirements – Net Working Capital*), resulted in the Company generating \$7.9 million in cash from changes in non-cash working capital.

After adjusting for cash flows relating to unusual deposits on capital expenditure projects, the Company used \$4.3 million for non-cash working capital in the first three quarters of 2012. This is the result of a variety of factors; however, overall it is consistent with the Company's historic trend of building non-cash working capital to support its organic growth.

Debt Financing Activities

Credit Facilities

As at September 29, 2012 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
Facility A – revolving senior credit (1)	50,000	937	49,063
Facility B – revolving senior credit (2)	55,000	20,000	35,000
Facility C – non-revolving senior credit (3)	100,000	100,000	-
7.00% debentures (4)	24,392	24,392	-
5.75% debentures (5)	54,594	54,594	-
5.70% debentures (6)	54,765	54,765	-
Vendor take-back notes resulting from business acquisitions	10,531	10,531	-
Capital leases	6,630	6,630	-
Farm Credit Canada loans (7)	7,146	7,146	-
Industrial Development Revenue Bond (8)	6,025	6,025	-
Other revolving loans	3,250	433	2,817
Other term loans	1,713	1,713	-
Cheques outstanding	-	1,941	(1,941)
Cash and cash equivalents	-	(3,895)	3,895
	374,046	285,212	88,834

- (1) Amount represents the total amount available under the facility of \$60.0 million less approximately \$10.0 million in outstanding letters of credit. 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 present value of the outstanding portion of the \$40.3 million in convertible unsecured subordinated debentures issued by the Company in 2009. The face value of the 7.00% debentures outstanding as at September 29, 2012 was \$26.1 million (December 31, 2011 – \$37.6 million, September 24, 2011 – \$37.6 million). These debentures mature in December 2014 and have no principal payments prior to that date.
- (5) Represents the present value of the outstanding portion of the \$57.5 million in convertible unsecured subordinated debentures issued by the Company in 2011. The face value of the 5.75% debentures outstanding as at September 29, 2012 was \$57.5 million (December 31, 2011 – \$57.5 million, September 24, 2011 – \$57.5 million). These debentures mature in December 2015 and have no principal payments prior to that date.
- (6) Represents the present value of the outstanding portion of the \$57.5 million in convertible unsecured subordinated debentures issued by the Company in 2012 plus the value attributed to the cash conversion option associated with the debentures. The face value of the 5.70% debentures outstanding as at September 29, 2012 was \$57.5 million (December 31, 2011 – nil, September 24, 2011 – nil). The debentures mature in June 2017 and have no principal payments prior to that date.
- (7) Loans relate to SJ (see *Liquidity and Capital Resources – Corporate Investments*), mature between March 2014 and July 2020, and have quarterly principal payments of approximately \$0.3 million.
- (8) Credit facility is held by the Company's U.S. subsidiary, Hempler Foods Group LLC, is denominated in U.S. dollars (US\$6.1 million), matures in 2036 and has no principal payments due prior to its maturity date.

The 7.00%, 5.75% and 5.70% debentures trade on the Toronto Stock exchange under the symbols PBH.DB, PBH.DB.A and PBH.DB.B, respectively.

Funded Debt

Senior funded debt and total funded debt are not defined under IFRS and, as a result, may not be comparable to similarly titled measures presented by other publicly traded entities. The Company believes that senior funded debt and total funded debt, used in conjunction with its Adjusted EBITDA, are useful indicators of its financial strength and ability to access additional debt financing. Senior funded debt is also used in the calculation of certain debt covenants associated with the Company's senior credit facilities (see *Liquidity and Capital Resources – Debt Financing Activities – Banking Covenants*).

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

<i>(in thousands of dollars)</i>	As at Sep 29, 2012	As at Dec 31, 2011	As at Sep 24, 2011
Cheques outstanding	1,941	2,504	3,438
Bank indebtedness	1,370	18,061	9,490
Current portion of long-term debt	23,596	20,536	17,516
Deferred financing costs ⁽¹⁾	641	940	731
<u>Long-term debt</u>	<u>127,808</u>	<u>162,661</u>	<u>162,209</u>
	155,356	204,702	193,384
<u>Less: cash and cash equivalents</u>	<u>3,895</u>	<u>4,860</u>	<u>4,290</u>
Senior funded debt	151,461	199,842	189,094
7.00% debentures	24,392	35,393	35,224
5.75% debentures	54,594	54,003	53,806
5.70% debentures	54,765	-	-
<u>Total funded debt</u>	<u>285,212</u>	<u>289,238</u>	<u>278,124</u>

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

Debt Activities

During the first three quarters of 2012 the Company's significant debt activities consisted of the following:

<i>(in thousands of dollars)</i>	39 weeks ended Sep 29, 2012
Opening total funded debt at December 31, 2011	289,238
Issuance of 5.70% convertible debentures (see discussion below)	54,600
Draws on operating lines and cash used to fund the Company's general cash requirements	3,312
Draws on Facility B used to fund capital expenditures made in 2011 and 2012 ⁽¹⁾	8,300
Principal accretion on long term debt and debentures	1,776
Purchase and cancellation of 7.00% debentures	(205)
Foreign currency translation adjustment ⁽²⁾	(432)
Scheduled principal payments ⁽³⁾	(5,465)
7.00% debenture conversions ⁽⁴⁾	(11,312)
Application of proceeds from 5.70% debenture issuance to Facility A (see discussion below)	(19,600)
<u>Application of proceeds from 5.70% debenture issuance to Facility B (see discussion below)</u>	<u>(35,000)</u>
<u>Closing total funded debt</u>	<u>285,212</u>

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

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

(4) Debentures are convertible into common shares at a conversion price of \$14.50 per common share.

Debenture Offering

In June 2012, the Company issued \$57.5 million of convertible unsecured subordinated debentures resulting in net proceeds of \$54.6 million after commissions of \$2.3 million and transaction costs of approximately \$0.6 million. The debentures bear interest at an annual rate of 5.70% payable semi-annually, have a maturity date of June 30, 2017 and are convertible into common shares of the Company at a price of \$28.30 per share. Upon conversion of the 5.70% 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.

\$35.0 million of the proceeds of the debenture offering were used to reduce the amount outstanding under the Company's Facility B loan, which is a revolving facility that can be drawn on to fund acquisitions and capital expenditures (see *Liquidity and Capital Resources – Debt Financing Activities*

– *Credit Facilities*). The balance of the net proceeds of the offering was used to reduce the amount outstanding under the Company's Facility A loan, which is a revolving facility that can be drawn on for general corporate purposes.

See note 5 in the Company's unaudited interim condensed consolidated financial statements for the third quarter of 2012 for a detailed description of the accounting treatment of the 5.70% debentures.

Issuer Bid

In the third quarter of 2012 the Company announced a normal course issuer bid through the facilities of the TSX for the purchase and cancellation of up to 5% of its issued and outstanding common shares and up to 10% of each of its issued and outstanding convertible debentures. During the quarter the Company purchased and cancelled \$217,000 of its 7.00% debentures, having a book value of \$205,000, at a total cost, including commissions, of \$261,000.

Banking Covenants

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

	Covenant Requirement	Sep 29, 2012 Ratio
Senior funded debt to Adjusted EBITDA ratio ^{(1) (2)}	=< 3.00 : 1.0	2.21 : 1.0
Current ratio ⁽³⁾	> 1.30 : 1.0	1.53 : 1.0
Interest coverage ratio ⁽³⁾	> 4.00 : 1.0	7.45 : 1.0

- (1) Covenant is increased by 0.25:1 to a maximum of 3.25:1.0 for a period of two consecutive quarters in the event of a business acquisition.
- (2) Adjusted EBITDA is calculated as the Company's rolling four quarters Adjusted EBITDA plus the trailing Adjusted EBITDA of new acquisitions so that the total Adjusted EBITDA amount includes four quarters of Adjusted 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 statements of operations 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 statement of operations.

Financial Leverage

Two of the key indicators that the Company uses to assess the appropriateness of its financial leverage are its senior funded debt to Adjusted EBITDA and total funded debt to Adjusted EBITDA ratios. The Company has set 2.5:1 to 3.0:1 as the long-term targeted range for its senior funded debt to Adjusted EBITDA ratio and 3.5:1 to 4.0:1 as the long-term targeted range for its total funded debt to Adjusted EBITDA ratio. These ranges are based on a number of considerations including:

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

At the end of the third quarter of 2012 the Company's senior funded debt to Adjusted EBITDA ratio of 2.21:1 was below its long-term targeted range primarily due to its recent debenture offering (see *Liquidity and Capital Resources – Debt Financing Activities – Debt Activities*).

The Company's total funded debt to Adjusted EBITDA ratio at the end of the third quarter was 4.2:1, which is above its long-term targeted levels, however, looking forward (see *Forward Looking Statements*) the Company expects this ratio to decrease over the next several quarters due to: (i)

growth in its Adjusted EBITDA (see *Results of Operations – Adjusted EBITDA*); and (ii) lower levels of funded debt based on using excess cash flow from its operations to reduce the amounts outstanding on its revolving credit facilities (see *Liquidity and Capital Resources – Dividends – Dividend Policy*).

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

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

<i>(in thousands of dollars)</i>	53 weeks ended Dec 31, 2011	39 weeks ended Sep 24, 2011	39 weeks ended Sep 29, 2012	Rolling Four Quarters
Cash flow from operating activities	29,524	17,014	40,216	52,726
Changes in non-cash working capital ⁽¹⁾	6,050	9,592	(4,695)	(8,237)
Deferred revenue ⁽²⁾	1,118	1,118	-	-
Acquisition transaction costs ⁽³⁾	1,594	892	193	895
Restructuring costs ⁽³⁾	2,819	2,745	3,991	4,065
Capital maintenance expenditures ⁽⁴⁾	(2,880)	(1,905)	(2,622)	(3,597)
Free cash flow	38,225	29,456	37,083	45,852

- (1) Cash used for increases in the Company's non-cash working capital is funded primarily 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 primarily to pay down its Facility A revolving credit facility.
- (2) Amount represents free cash flow generated from deferred revenue (see *Liquidity and Capital Resources – Capital Expenditures – Deferred Revenue*).
- (3) 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*).
- (4) 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 2012 the Company declared dividends of \$0.882 per share totaling \$18.2 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 Dividends/ Distributions	Nature of Distribution	Free Cash Flow	Ratio (1)	Average Annualized Dividend/ Distribution Per Share
Rolling four quarters ended:					
September 29, 2012	24,151	Dividend	45,852	52.7%	\$1.176
December 31, 2011	22,672	Dividend	38,225	59.3%	\$1.176
December 25, 2010	21,019	Dividend	32,202	65.3%	\$1.176
December 26, 2009	20,687	(2)	29,280	70.7%	\$1.176
December 31, 2008	20,593	Trust distribution	29,631	69.5%	\$1.176
December 31, 2007	20,514	Trust distribution	26,440	77.6%	\$1.176
December 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 2012:

<i>(in thousands of dollars)</i>	39 weeks ended Sep 29, 2012
Opening capital assets at December 31, 2011	167,982
Depreciation	(11,483)
Asset sales and other	(529)
Foreign currency translation adjustment (1)	(564)
Capital expenditures:	
Project	24,176
Maintenance	2,622
Closing capital assets	182,204

(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.

During the first three quarters of 2012 the Company capitalized \$24.2 million in project capital expenditures, which included:

- \$17.1 million for the construction of a new artisan bakery in Langley, BC that replaced the Company's Stuyver's business' artisan bakery in Burnaby, BC (see *Results of Operations – Restructuring Costs*). \$9.0 million of the amount capitalized in 2012 relates to equipment deposits that had been included in prepaid expenses in 2011 (see *Liquidity and Capital Resources – Net Working Capital Requirements*).
- \$0.5 million for the present value of estimated future site restoration costs associated with the leased facility housing the Stuyver's new artisan bakery. These costs will not, however, be incurred until the expiry of the lease, which runs through to December 31, 2025 and has two five-year renewal options thereafter. Corresponding to this capitalized amount, the Company has set up a long-term liability for \$0.5 million (see *Corporate Investments - Provisions*).
- \$3.1 million for the reconfiguration of the Company's sandwich production facilities (see *Results of Operations – Restructuring Costs*).
- \$0.4 million for the construction of a new 8,100 square foot seafood processing and distribution facility that will be adjacent to the Company's Centennial Foodservice business' Richmond facility. This project, which is budgeted to cost \$2.2 million and is scheduled to be completed in the fourth quarter of 2012 (see *Forward Looking Statements*), will enable Centennial Foodservice to: (i) provide its customers across most of western Canada with unique fresh seafood product solutions; and (ii) capitalize on a rapidly growing segment of the food industry.

The balance of the Company's project capital expenditures for the first three quarters of 2012 was for a variety of smaller projects consisting mainly of capacity related equipment purchases.

Maintenance capital expenditures for the first three quarters of 2012 increased to \$2.6 million as compared to \$1.9 million in the first three quarters of 2011 primarily due to business acquisitions made in the latter part of 2011 (see *Liquidity and Capital Resources – Corporate Investments*).

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 29, 2012		3,597
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 2012 the Company expects (see *Forward Looking Statements*) its capital maintenance expenditures to be approximately \$4.0 million. This is higher than its historic levels due to: (i) business acquisitions made in 2011 (see *Liquidity and Capital Resources – Corporate Investments*); and (ii) some catch-up in maintenance capital expenditures deferred from prior years due to the uncertain economic environment.

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 \$1.1 million in deferred revenue that is being amortized into income over the three-year term of the resulting leases.

In 2010 the Company successfully obtained \$1.2 million in government grants relating to capital projects completed over the previous several years. \$0.3 million of these grants were recognized in 2010 with the balance being recorded on the Company's consolidated balance sheet as deferred revenue. The deferred grant revenue is being amortized into earnings 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.

During the first three quarters of 2012 the Company made no corporate investments.

During 2011 the company completed four business acquisitions: (i) in the first quarter Les Aliments Deli Chef (Deli Chef) was purchased for \$7.8 million; (ii) in the second quarter an additional 25.7% interest in SJ Irvine Fine Foods Ltd. (SJ) was acquired through the purchase of \$3.9 million in treasury shares. This increased the Company's interest in SJ to 50.7% and resulted in it acquiring control; (iii) in the third quarter Piller's Fine Foods (Piller's) was purchased for \$64.9 million in cash, the issuance of 1,968,750 common shares valued at \$31.5 million and the assumption of \$9.4 million in funded debt. In addition, the purchase price will be increased by up to \$10.0 million if Piller's achieves certain profitability targets over the two-year period ending September 9, 2013 (see *Liquidity and Capital*

Resources – Corporate Investments – Provisions); and (iv) in the fourth quarter the business of Preferred Regional Independent Distributors Corporation (Pridcorp) was acquired for \$0.6 million.

Goodwill and Intangible Assets

Primarily all of the Company's intangible assets (consisting of brand names, customer relationships, customer supply agreements and trade secrets) 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 2012:

<i>(in thousands of dollars)</i>	39 weeks ended Sep 29, 2012
Opening intangible assets and goodwill at December 31, 2011	227,504
Amortization of intangible assets	(3,701)
Foreign currency translation adjustment (1)	(788)
Reallocation of 2011 acquisition purchase price (goodwill) from deferred income taxes (2)	4,377
Closing intangible assets and goodwill	227,392

- (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*.

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 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 2012:

<i>(in thousands of dollars)</i>	39 weeks ended Sep 29, 2012
Opening puttable interest at December 31, 2011 (1)	15,210
Change in value (2)	1,205
Foreign currency translation adjustment (3)	(6)
Cash distributions to non-controlling shareholders with puttable interests	(1,127)
Closing puttable interest (1)	15,282

- (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.

Provisions

Provisions consist of the following amounts:

<i>(in thousands of dollars)</i>	As at Sep 29, 2012
Contingent consideration – Piller's acquisition	8,988
Contingent consideration – Pridcorp distributor indemnities	2,349
<u>Lease restoration costs</u>	<u>501</u>
<u>Provisions (1)</u>	<u>11,838</u>

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

Contingent Consideration – Piller's Acquisition

In 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*). This amount represents the discounted present value of the \$10.0 million contingent consideration that is payable to the previous owners of Piller's if Piller's achieves certain profitability targets over the two years ended September 9, 2013.

Contingent Consideration – Pridcorp Distributor Indemnities

Also in 2011, the Company recorded a provision for contingent consideration of \$2.9 million as a result of indemnifying independent distributors that joined its convenience store direct-to-store delivery network (the DSD network) as part of the acquisition of Pridcorp (see *Liquidity and Capital Resources – Corporate Investments*) against certain defined losses. This contingent consideration is for up to a maximum amount of \$2.9 million in losses and is payable if: (i) a defined key supplier (the Key Supplier) terminates its relationship with the distributor as a result of the distributor joining the Company's DSD network; and (ii) the distributor is unable to replace the resulting lost sales with sales of other products including any new listings of the Company's products.

In the first quarter of 2012 the Key Supplier terminated its arrangement with the distributors and, as a result, during the first three quarters of 2012 the Company reimbursed the distributors a total of \$0.6 million for qualified losses.

Lease Restoration Costs

In the third quarter of 2012 the Company recorded a \$0.5 million provision for the present value of estimated (see *Forward Looking Statements*) future site restoration costs associated with the leased facility in which its new bakery is located (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*). This liability will not, however, be payable until the expiry of the lease, which runs through to December 31, 2025 and has two five-year renewal options thereafter.

The following table shows the changes in the provisions during the first three quarters of 2012:

<i>(in thousands of dollars)</i>	39 weeks ended Sep 29, 2012
Opening provisions at December 31, 2011 (1)	11,284
Lease restoration costs	500
Accretion of provisions	629
<u>Payments – Pridcorp distributor indemnities</u>	<u>(575)</u>
<u>Closing provisions (1)</u>	<u>11,838</u>

(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 2012. See *Liquidity and Capital Resources – Capital Expenditures – Historic Capital Maintenance Expenditures* for details on the Company's capital maintenance expenditure expectations for 2012.

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 29, 2012 are as follows:

<i>(in thousands of dollars)</i>							
	Total	1 year out	2 years out	3 years out	4 years out	5 years out	There- after
Term debt and notes payable	143,702	19,134	13,474	100,757	793	3,518	6,026
Capital leases and other	8,343	4,462	1,419	329	669	381	1,083
7.00% debentures	26,118	-	-	26,118	-	-	-
5.75% debentures	57,500	-	-	-	57,500	-	-
5.70% debentures	57,500	-	-	-	-	57,500	-
Operating leases	57,675	10,023	8,034	7,112	6,221	4,807	21,478
Total	350,838	33,619	22,927	134,316	65,183	66,206	28,587

TRANSACTIONS WITH RELATED PARTIES

During the first three quarters of 2012 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 \$0.2 million from participating employees, including its President and Chief Executive Officer, George Paleologou, and its Chief Financial Officer, Will Kalutycz.

SUBSEQUENT TRANSACTIONS

As of the date of this filing, there were no material subsequent transactions.

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 7, 2012, 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*.

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 will continue to show modest improvement in the near to medium term 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 will continue to fluctuate in line with historic levels.
- The Company's capital projects (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*) and restructuring initiatives (see *Results of Operations – Restructuring Costs*) will continue to progress in line with the Company's 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 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 7, 2012 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; (x) execution risk associated with the Company's growth and business restructuring initiatives; (xi) risks associated with the Company's business acquisition strategies; and (xii) 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 31, 2011, 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 2011 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 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 factors, including comparative information for other similar financial instruments, and 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 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

New Accounting Pronouncements

There are a number of revised standards and amendments under IFRS that are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company has not yet assessed the impact of these standards and amendments or determined whether it will early adopt them. See note 2 to the Company's 2011 audited consolidated financial statements for details on the revised standards and amendments.

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 29, 2012, the Company had outstanding foreign currency contracts for the purchase of US\$21.2 million over the next nine months at a blended rate of C\$0.9941 and for the purchase of €2.5 million over the next twelve months at a blended rate of C\$1.3007.

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

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 September 29, 2012, a change of 0.25 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 \$0.5 million in the Company's consolidated statement of operations.

OTHER

Outstanding Shares

The shares outstanding in the Company as of November 7, 2012 were 21,047,495. 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 7, 2012 were 20,952,578.

Disclosure Controls and Procedures and Internal Controls 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 29, 2012 and has concluded that such procedures are adequately designed and effective for providing reasonable assurance that (i) material information relating to the Company, including its consolidated subsidiaries, is made known to Management on a timely basis to ensure adequate disclosure and (ii) information required to be disclosed by the Company in its annual filings or other reports filed and submitted under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time period.

Management has also evaluated the Company's ICFR as of September 29, 2012 and has concluded that the Company's ICFR is adequately designed and effective for providing reasonable assurance that the reliability of financial reporting and the preparation of financial statements for external purposes are in accordance with IFRS.

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

The Company's Management has also concluded that there have been no changes to the Company's ICFR during the interim period ending September 29, 2012 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 7, 2012. 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 7, 2012, 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.