



PREMIUM BRANDS HOLDINGS CORPORATION

Management's Discussion and Analysis

For the 13 Weeks Ended March 28, 2015

The following Management's Discussion and Analysis (MD&A) is a review of the financial performance and position of Premium Brands Holdings Corporation (the Company or Premium Brands) and is current to May 6, 2015. It should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and the notes thereto for the period ended March 28, 2015, and its fiscal 2014 audited consolidated financial statements and the notes thereto, both of which are prepared in accordance with International Financial Reporting Standards (IFRS). These documents, as well as additional information on the Company, are filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR) and are available online at www.sedar.com.

All amounts are expressed in Canadian dollars except as noted otherwise.

BUSINESS OVERVIEW

Premium Brands is an investment platform focused on acquiring and building specialty food businesses in partnership with talented entrepreneurial management teams. Its current holdings consist primarily of:

- **Manufacturers of specialty food products (specialty food businesses) with strong proprietary brands and/or leading niche market positions.**

Premium Brands defines specialty food products as those where consumers' purchasing decisions are based primarily on factors other than price, such as quality, convenience, product consistency, health and/or lifestyle. Examples of its specialty food products include: (i) fresh, pre-packaged and frozen sandwiches, wraps and other hand held foods; (ii) high end European deli meats; (iii) protein based snack foods such as pepperoni, beef jerky and kippered beef; (iv) premium quality processed meats and seafood, including natural and organic products; (v) artisan breads; and (vi) concessionary items such as popcorn, hot and frozen beverage supplies and ice cream accessories.

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

- **Differentiated food distribution businesses.**

Premium Brands defines differentiated food distribution businesses as distribution businesses that offer their customers premium and/or unique services and products in addition to basic logistical solutions. Examples of these differentiating factors include: (i) in the foodservice industry, chef specific menu solutions that utilize in-house custom meat cutting facilities; (ii) in the retail channel, in-store merchandising and inventory management services; and (iii) in the concessionary industry, complete equipment solutions including maintenance and leasing programs.

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

RESULTS OF OPERATIONS

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

The Foodservice segment includes the Company's Centennial Foodservice, B&C Food Distributors, Harlan Fairbanks, Worldsource, E1even, Wescadia, Maximum Seafood, Ocean Miracle and Hub City Fisheries businesses. With the exception of Worldsource, Maximum Seafood and Hub City Fisheries, all of these businesses focus primarily 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 Mar 28, 2015	% (1)	13 weeks ended Mar 29, 2014	% (1)
Retail	219,840	66.1%	172,205	64.5%
Foodservice	112,764	33.9%	94,670	35.5%
Consolidated	332,604	100.0%	266,875	100.0%

(1) Expressed as a percentage of consolidated revenue

Retail's revenue for the first quarter of 2015 as compared to the first quarter of 2014 increased by \$47.6 million or 27.7% primarily due to organic growth across a range of products and customers. Retail's sandwich business, in particular, generated significant sales increases from general organic growth as well as special limited time promotions by its quick service restaurant customers.

Retail's organic growth rate for the quarter was well above the Company's targeted range of 6% to 8% partly due to: (i) selling price increases that were implemented in the later part of 2014 by several of its businesses in response to a record rise in the cost of a variety of raw materials (see *Results of Operations – Gross Profit*); and (ii) an increase in the translated value of Retail's U.S. based businesses' sales resulting from a decline in the value of the Canadian dollar. Excluding these factors, Retail's organic growth for the first quarter of 2015 was 12.5%.

Looking forward (see *Forward Looking Statements*), the Company is expecting Retail's organic growth for 2015 to exceed its targeted range based on (i) the factors outlined above; and (ii) continued implementation of a variety of growth initiatives including several production capacity expansion projects (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*).

Foodservice's revenue for the first quarter of 2015 as compared to the first quarter of 2014 increased by \$18.1 million or 19.1% primarily due to: (i) organic growth across a range of products and customers of \$13.5 million, representing an average growth rate of 14.3%; and (ii) the acquisition of Ocean Miracle, an Ontario based seafood distribution business, in the fourth quarter of 2014 which accounted for \$4.6 million of the increase.

Foodservice's organic growth rate for the quarter was also above the Company's targeted range of 6% to 8% mainly due to selling price increases that were implemented in response to record high costs for certain raw materials (see *Results of Operations – Gross Profit*). Excluding the impact of these increases, Foodservice's organic growth rate was slightly below the Company's net of inflation targeted range of 4% to 6% mainly due to temporary seafood supply disruptions resulting from poor weather conditions in certain key fishing regions on the North American east coast.

Looking forward (see *Forward Looking Statements*), the Company is expecting Foodservice's organic growth for 2015 to exceed its targeted range of 6% to 8% based on: (i) continued high selling prices for most of 2015 as record high costs for certain raw materials are expected to continue until the latter part of 2015 (see *Results of Operations – Gross Profit*); and (ii) resolution of the temporary seafood supply disruptions that impacted it in the first quarter of 2015. The impact of these factors is, however, expected to be partially offset by a much weaker west coast sockeye salmon fishery in 2015 relative to 2014.

Gross Profit

(in thousands of dollars except percentages)

	13 weeks ended Mar 28, 2015	% (1)	13 weeks ended Mar 29, 2014	% (1)
Gross profit by segment:				
Retail	42,001	19.1%	31,228	18.1%
Foodservice	17,264	15.3%	16,300	17.2%
Consolidated	59,265	17.8%	47,528	17.8%

(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 first quarter of 2015 as compared to the first quarter of 2014 increased primarily due to: (i) selling price increases implemented by its protein focused businesses over the last several quarters (see *Results of Operations – Revenue*) in order to address a record run up in beef and pork raw material costs that started in the first quarter of 2014; (ii) a recent easing of certain pork raw material costs that began in the fourth quarter of 2014, albeit this factor was partially mitigated by longer term purchase commitments and a weaker Canadian dollar as pork commodity prices are generally U.S. dollar based; and (iii) improved operating efficiencies resulting from Retail's restructuring of its deli meats production capacity, which was completed in mid-2014. These positive factors were partially offset by temporarily lower operating efficiencies in Retail's sandwich operations while a new 180,000 square foot sandwich production facility is brought into production (see *Results of Operations – Plant Start-up and Restructuring Costs – Sandwich Capacity Project*).

Foodservice's gross margin for the first quarter of 2015 as compared to the first quarter of 2014 decreased primarily due to continued record high beef raw material costs. Foodservice has been able to recover most of these cost increases through higher selling prices (see *Results of Operations – Revenue*), however, due to the extent of the increases it has not been able to achieve its historic gross margin levels. Looking forward (see *Forward Looking Statements*), Foodservice expects its gross margin to improve over the course of 2015 due to a combination of continued selling price increases and an easing off of beef raw material costs in the latter part of 2015.

Selling, General and Administrative Expenses (SG&A)

(in thousands of dollars except percentages)

	13 weeks ended Mar 28, 2015	% (1)	13 weeks ended Mar 29, 2014	% (1)
SG&A by segment:				
Retail	23,255	10.6%	21,872	12.7%
Foodservice	14,155	12.6%	12,766	13.5%
Corporate	2,788		1,674	
Consolidated	40,198	12.1%	36,312	13.6%

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

Retail's SG&A for the first quarter of 2015 as compared to the first quarter of 2014 increased by \$1.4 million due to incremental costs associated with Retail's organic sales growth (see *Results of Operations – Revenue*) including higher variable selling costs, such as freight, and additional sales and administration infrastructure. These increases were partially offset by reduced costs resulting from the rationalization and subsequent sale of Retail's direct-to-store delivery network for the convenience store channel in 2014.

Retail's SG&A as a percentage of its revenue decreased to 10.6% for the first quarter of 2015 from 12.7% in the first quarter of 2014 mainly due to the fixed nature of certain costs relative to the growth in its revenue (see *Results of Operations – Revenue*).

Foodservice's SG&A for the first quarter of 2015 as compared to the first quarter of 2014 increased by \$1.4 million primarily due to: (i) incremental costs associated with Foodservice's organic sales growth (see *Results of Operations – Revenue*) including higher variable selling costs and additional sales and administration infrastructure; and (ii) the acquisition of Ocean Miracle in the fourth quarter of 2014.

Foodservice's SG&A as a percentage of its revenue decreased to 12.6% for the first quarter of 2015 from 13.5% in the first quarter of 2014 mainly due to the fixed nature of certain costs relative to the growth in its revenue (see *Results of Operations – Revenue*).

Corporate SG&A for the first quarter of 2015 as compared to the first quarter of 2014 increased by \$1.1 million primarily due to: (i) an exchange loss on U.S. dollar denominated liabilities; and (ii) increased discretionary employee compensation accruals associated with the Company's improved performance.

Adjusted EBITDA

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

The Company believes that adjusted EBITDA is a useful indicator of the amount of normalized income generated by operating businesses controlled by the Company before taking into account its financing strategies, consumption of capital and intangible assets, taxable position and the ownership structure of non-wholly owned businesses. This measure is widely used by investors in the valuation and comparison of companies. In addition, it is used in the calculation of certain financial debt covenants associated with the Company's senior credit facilities (see *Liquidity and Capital Resources – Debt Financing Activities*).

The following table provides a reconciliation of adjusted EBITDA to earnings before income taxes:

<i>(in thousands of dollars)</i>	13 weeks ended Mar 28, 2015	13 weeks ended Mar 29, 2014
Earnings before income taxes	4,458	1,568
Other income ⁽¹⁾	-	(4,703)
Plant start-up and restructuring costs ⁽¹⁾	2,924	3,365
Depreciation of capital assets ⁽²⁾	5,694	4,579
Amortization of intangible assets ⁽²⁾	1,030	1,117
Amortization of other assets ⁽²⁾	1	1
Interest and other financing costs ⁽³⁾	4,754	4,976
Amortization of financing costs ⁽³⁾	56	73
Acquisition transaction costs ⁽¹⁾	10	-
Change in value of puttable interest in subsidiaries ⁽⁴⁾	250	216
Accretion of provisions ⁽³⁾	141	102
Unrealized gain on foreign currency contracts ⁽⁵⁾	(200)	(100)
Equity loss (income) in associates ⁽⁶⁾	(51)	22
Consolidated	19,067	11,216

(1) Amount is not part of the Company's normal operating costs.

(2) Amount relates to the consumption of the Company's capital assets, intangible assets or other assets.

(3) Amount relates to the Company's financing strategies.

(4) Amount relates to the valuation of minority shareholders' interest in certain subsidiaries of the Company.

(5) Amount represents the change in fair value of the Company's U.S. dollar forward purchase contracts for the period and is adjusted for on the basis that the Company does not intend to liquidate these contracts but rather uses them to stabilize the cost of its U.S. dollar denominated purchases and, in turn, its profit margins.

(6) Amount relates to businesses that the Company does not control.

(in thousands of dollars except percentages)

	13 weeks ended Mar 28, 2015	% (1)	13 weeks ended Mar 29, 2014	% (1)
Adjusted EBITDA by segment:				
Retail	18,746	8.5%	9,356	5.4%
Foodservice	3,109	2.8%	3,534	3.7%
Corporate	(2,788)		(1,674)	
Consolidated	19,067	5.7%	11,216	4.2%

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

The Company's adjusted EBITDA for the first quarter of 2015 as compared to the first quarter of 2014 increased by \$7.9 million or 70.0% to \$19.1 million primarily due to:

- Growth in the Company's sales (see *Results of Operations – Revenue*);
- Improved gross margins resulting from higher selling prices, decreases in certain raw material costs, and improved operating efficiencies associated with the restructuring of the Company's deli meats production capacity (see *Results of Operations – Gross Profit*); and
- The rationalization and subsequent sale of the Company's direct-to-store delivery network for the convenience store channel in 2014 (see *Results of Operations – SG&A*).

These increases were partially offset by:

- Temporarily lower operating efficiencies in the Company's sandwich operations while a new 180,000 square foot sandwich plant is brought into production (see *Results of Operations – Plant Start-up and Restructuring Costs – Sandwich Capacity Project*); and
- Below normal margins in the Company's foodservice business due to continued record high beef raw material costs (see *Results of Operations – Gross Profit*).

Looking forward (see *Forward Looking Statements*), the Company expects its adjusted EBITDA to continue to show substantial year over year improvement for 2015 based on:

- The continuing impact of the positive factors outlined above;
- A steady improvement in the profitability of the Company's sandwich operations driven by: (i) improved operating efficiencies at its new plant as production processes are refined and its workforce becomes more experienced; and (ii) sales growth which will help to offset the incremental overhead associated with the new plant and the sales and administration infrastructure that was put into place in 2014 to support the sandwich operation's long-term growth objectives;
- Strong growth from the Company's other businesses that have completed significant capital projects over the last three years including: (i) its bakery operations, which completed a new state-of-the-art artisan bakery in 2012; (ii) its seafood operations, which built a new seafood processing facility in 2013; and (iii) its premium processed meats operations, which expanded its Ferndale, WA facility in 2013;
- The integration of Ocean Miracle, which was acquired in the fourth quarter of 2014; and
- Improvement in the Company's foodservice operation's gross margins (see *Results of Operations – Gross Profit*).

Plant Start-up and Restructuring Costs

Plant start-up and restructuring costs consist of costs associated with the start-up of new production capacity and/or the significant restructuring of one or more of the Company's businesses. The Company expects these projects to result in significant improvements in its future earnings and cash flows.

Project	13 weeks ended Mar 28, 2015	13 weeks ended Mar 29, 2014	Expected Completion Date
Sandwich Capacity	2,924	847	Q2-2015
Deli Meats Production Capacity	-	2,001	Complete
NDSD Reconfiguration	-	517	Complete
	2,924	3,365	

Sandwich Capacity Project

This project involves the reconfiguration of the Company's U.S. based sandwich production capacity including the construction of a new 180,000 square foot production facility in Columbus, OH. Once complete, it will provide the Company with much needed incremental sandwich production capacity and will result in improved efficiencies at its other U.S. sandwich plant in Reno, NV.

The first phase of the project, consisting of the startup of the new Columbus plant, was completed in the third quarter of 2014.

The second and final phase of the project, consisting of: (i) getting the Columbus plant operating at expected efficiency levels; and (ii) reallocation of production between the Columbus and Reno plants to maximize various operational efficiencies, was substantially completed shortly after the first quarter of 2015.

Other Income

Other income for the first quarter of 2014 consists of a \$4.7 million gain resulting from the sale and leaseback of a distribution centre in Surrey, BC.

Depreciation and Amortization (D&A)

(in thousands of dollars)

	13 weeks ended Mar 28, 2015	13 weeks ended Mar 29, 2014
Depreciation and amortization of intangible and other assets (D&A) by segment:		
Retail	5,467	4,481
Foodservice	1,160	1,112
Corporate	98	104
Consolidated	6,725	5,697

The Company's D&A expense for the first quarter of 2015 as compared to the first quarter of 2014 increased by \$1.0 million primarily due to the completion of the Company's new sandwich production facility in the third quarter of 2014 (see *Results of Operations – Plant Start-up and Restructuring Costs – Sandwich Capacity Project*).

Interest and other financing costs

The Company's interest and other financing costs for the first quarter of 2015 as compared to the first quarter of 2014 decreased by \$0.2 million due to a reduction in the weighted average cost of its funded debt that was partly the result of the conversion and repayment of its 7.00% debentures in 2014 (see *Liquidity and Capital Resources – Debt Financing Activities – Funded Debt*).

Change in Value of Puttable Interest in Subsidiaries

Change in value of puttable interest in subsidiaries represents an estimate of the change in the value of options (the put options) held by non-controlling shareholders of certain subsidiaries of the Company that entitle such shareholders to require the Company to purchase their interest in the applicable subsidiary (see *Liquidity and Capital Resources – Corporate Investments – Puttable Interest in Subsidiaries*). Change in value of puttable interest in subsidiaries generally consists of normal accretion in the value of the put option and net differences resulting from changes in the assumptions used to value it.

Income Taxes

Tax Attributes

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

<i>(in millions of dollars)</i>	
Scientific research and experimental development tax credits	92.1
Un-depreciated capital costs	121.8
Non-capital losses carried forward	31.5
Capital losses carried forward	0.9
Cumulative eligible capital	76.6
Section 20(1)(e) financing fee	4.0
Investment tax credits	15.6
Total	342.5

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

There is considerable uncertainty about whether the tax authorities will accept the deduction of some or any of the Tax Attributes. 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 a number of its wholly owned Canadian operations, which on an annual basis generate the majority of its earnings, to incur any substantial current income tax expense in the near future (see *Forward Looking Statements*). Correspondingly, the Company's current income tax provision (recovery) relates primarily to its U.S. subsidiaries and non-wholly owned Canadian subsidiaries.

Deferred Income Tax (DIT) Provision

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

<i>(in thousands of dollars)</i>	13 weeks ended Mar 28, 2015	13 weeks ended Mar 29, 2014
Opening DIT asset	22,257	26,697
Adjustments:		
DIT resulting from acquisitions	-	65
Foreign currency translation adjustment ⁽¹⁾	(273)	(191)
Other	-	150
Adjusted opening DIT asset	21,984	26,721
Closing DIT asset	21,285	27,416
Provision for (recovery of) DIT	699	(695)

(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.

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>	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Revenue	278.9	287.0	227.7	266.9	322.3	330.4	322.1	332.6
Adjusted EBITDA	21.0	20.6	15.4	11.2	21.7	24.0	19.2	19.1
Earnings	5.3	5.2	0.9	1.9	3.7	4.7	1.1	3.6
Earnings per share – basic	0.25	0.25	0.04	0.09	0.17	0.21	0.05	0.16
Earnings per share – diluted	0.25	0.25	0.04	0.09	0.17	0.21	0.05	0.16

The financial performance of many of the Company's businesses is subject to fluctuations associated with the impact on consumer demand of seasonal changes in weather. As a result, the Company's performance varies with the seasons. In general terms, its results are weakest in the first quarter of the year due to:

- Winter weather conditions which result in: (i) less consumer travelling and outdoor activities and, in turn, reduced consumer traffic through many of the Company's convenience oriented customers' stores such as corner 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: (i) business acquisitions that have resulted in general growth in its revenue and adjusted EBITDA; and (ii) an unusual extreme inflationary environment in recent quarters caused by highly volatile beef and pork raw material costs (see *Results of Operations – Revenue* and *Results of Operations – Gross Profit*).

The Company's earnings over the last eight quarters have fluctuated significantly due to a number of factors including: (i) plant start-up and restructuring costs, which are event driven (see *Results of Operations – Plant Start-up and Restructuring Costs*); (ii) the Company's business acquisition initiatives, including fluctuations in acquisition transaction costs; (iii) gains on the sale of assets and operations (see *Results of Operations – Other Income*); and (iv) volatility resulting from the valuation of a variety of the Company's assets and liabilities, including provisions for contingent consideration, foreign currency and interest rate swap contracts and puttable interest in subsidiaries.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial position and liquidity for the 13 week period ended March 28, 2015 were impacted by the following:

Net Working Capital Requirements

Net Working Capital

Net working capital is not defined under IFRS and, as a result, may not be comparable to similarly titled measures presented by other publicly traded entities. The Company believes that net working capital is a useful indicator of the cash needed to fund the Company's working capital requirements.

The following table provides the calculation of net working capital:

<i>(in thousands of dollars)</i>	As at Mar 28, 2015	As at Mar 29, 2014
Accounts receivable	109,846	81,278
Inventories	134,974	116,349
Prepaid expenses	8,039	7,040
Accounts payable and accrued liabilities	(108,575)	(95,864)
Net working capital	144,284	108,803

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

<i>(in days)</i>	As at Mar 28, 2015	As at Mar 29, 2014
Days sales in accounts receivable ⁽¹⁾	30.1	27.7
Days cost of sales in inventory ⁽²⁾	45.0	48.3

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

Net working capital at the end of the first quarter of 2015 as compared to the end of the first quarter of 2014 increased by \$35.5 million primarily due to: (i) additional working capital associated with the Company's organic growth, both in terms of volume growth and inflation associated with record increases in the cost of certain raw materials (see *Results of Operations – Revenue and Results of Operations – Gross Profit*); (ii) the build-up of inventory at the Company's new sandwich plant in Columbus, OH (see *Results of Operations – Plant Start-Up and Restructuring Costs*); (iii) an increase in the portion of the Company's sales made to customers with 45 days plus payment terms; and (iv) opportunistic inventory purchases towards the end of the quarter.

The Company's days sales in accounts receivable at the end of the first quarter of 2015 as compared to the end of the first quarter of 2014 increased by 2.4 days primarily due to an increase in the portion of the Company's sales made to customers with 45 days plus payment terms.

The days cost of sales in inventory at the end of the first quarter of 2015 as compared to the end of the first quarter of 2014 decreased by 3.3 days due to higher than normal seafood inventory levels at the end of the first quarter of 2014. The Company's days cost of sales in inventory at the end of the first quarter of 2015 was, however, still higher than normal due to: (i) the minimum inventory levels needed at the Company's new sandwich plant in Columbus, OH relative to its initial starting sales base; and (ii) opportunistic inventory purchases made in the latter part of the quarter.

Debt Financing Activities

Credit Facilities

As at March 28, 2015 the Company's credit facilities and the unutilized portion of those facilities were as follows:

(in thousands of dollars)	Credit Facilities	Amount Drawn On Facility	Unutilized Credit Capacity
Revolving senior credit facility ⁽¹⁾	242,000	206,000	36,000
5.75% debentures ⁽²⁾	42,579	42,579	-
5.70% debentures ⁽³⁾	56,144	56,144	-
5.50% debentures ⁽⁴⁾	55,321	55,321	-
Capital leases and other term loans	2,696	2,696	-
SJ Irvine term loan ⁽⁵⁾	2,800	2,800	-
Industrial Development Revenue Bond ⁽⁶⁾	7,705	7,705	-
Other revolving loans	4,500	-	4,500
Cheques outstanding	-	4,383	(4,383)
Cash and cash equivalents	-	(10,835)	10,835
	413,745	366,793	46,952

(1) The credit facility amount of \$242,000 represents the total available under this facility of \$250.0 million less approximately \$8.0 million in outstanding letters of credit. Facility matures in September 2019, can be used to fund the Company's working capital and general operating needs, capital projects and acquisitions, and has no principal payments prior to its maturity date.

(2) Represents the present value of the outstanding portion of the \$57.5 million in convertible unsecured subordinated debentures issued by the Company in 2011. The face value of the 5.75% debentures outstanding as at March 28, 2015 was \$43.3 million. These debentures mature in December 2015 and have no principal payments prior to that date.

(3) 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 March 28, 2015 was \$57.5 million. The debentures mature in June 2017 and have no principal payments prior to that date.

(4) Represents the present value of the outstanding portion of the \$57.5 million in convertible unsecured subordinated debentures issued by the Company in 2013 plus the value attributed to the cash conversion option associated with the debentures. The face value of the 5.50% debentures outstanding as at March 28, 2015 was \$57.5 million. The debentures mature in June 2019 and have no principal payments prior to that date.

(5) Loan has quarterly principal payments of \$0.2 million and matures in June 2016.

(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.

The 5.75%, 5.70% and 5.50% debentures trade on the Toronto Stock Exchange under the symbols PBH.DB.A, PBH.DB.B and PBH.DB.C, 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 Mar 28, 2015	As at Dec 27, 2014	As at Mar 29, 2014
Cheques outstanding	4,383	6,353	3,816
Bank indebtedness	-	-	19,520
Current portion of long-term debt	2,497	2,645	129,178
Long-term debt	215,582	211,292	11,369
Deferred financing costs ⁽¹⁾	1,122	1,124	270
	223,584	221,414	164,153
Less: cash and cash equivalents	10,835	9,453	4,376
Senior funded debt	212,749	211,961	159,777
7.00% debentures	-	6,948	9,344
5.75% debentures	42,579	56,421	55,856
5.70% debentures	56,144	55,976	55,500
5.50% debentures	55,321	55,204	54,828
Total funded debt	366,793	386,510	335,305

(1) Deferred financing costs are included as an offsetting amount in long-term debt.

Debt Activities

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

<i>(in thousands of dollars)</i>	13 weeks ended Mar 28, 2015
Opening total funded debt at December 27, 2014	386,510
Net cash used for (generated from) the Company's general cash requirements	648
Foreign currency translation adjustment ⁽¹⁾	587
Principal accretion on long-term debt and debentures	541
Repayment of 7.00% Debentures at maturity ⁽²⁾	(231)
Scheduled principal payments	(467)
7.00% and 5.75% debenture conversions ⁽³⁾	(20,795)
Closing total funded debt	366,793

(1) 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.

(2) \$0.2 million of the 7.00% Debentures, which matured on December 31, 2014, were extinguished through a cash payment.

(3) 7.00% and 5.75% Debentures are convertible into common shares at a conversion price of \$14.50 and \$22.40 per common share, respectively.

Issuer Bid

In the third quarter of 2014 the Company renewed its 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.

No purchases were made under the Company's issuer bid in the first quarter of 2015.

Banking Covenants

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

	Covenant Requirement	Mar 28, 2015 Ratio
Senior funded debt to adjusted EBITDA ratio ⁽¹⁾	=< 4.00 : 1.0	2.5 : 1
Interest coverage ratio ⁽²⁾	>= 4.00 : 1.0	11.0 : 1

(1) Adjusted EBITDA is calculated as the Company's rolling four quarters adjusted EBITDA plus the trailing four quarters adjusted EBITDA of new acquisitions. For covenant calculation purposes, senior funded debt excludes cheques outstanding.

(2) Ratio is calculated based on the combined statements of operations of certain subsidiaries of the Company and therefore will not necessarily equal the ratio calculated based on the Company's consolidated statement of operations.

Financial Leverage

Two of the key indicators that the Company uses to assess the appropriateness of its financial leverage are its senior funded debt to adjusted EBITDA and total funded debt to adjusted EBITDA ratios. The Company has set 2.5:1 to 3.0:1 as the long-term targeted range for its senior funded debt to adjusted EBITDA ratio and 4.0:1 to 4.5:1 as the long-term targeted range for its total funded debt to adjusted EBITDA ratio. These ranges are based on a number of considerations including:

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

At the end of the first quarter of 2015, the Company's senior funded debt to adjusted EBITDA ratio was 2.5 : 1.0, which is at the bottom end of its long-term targeted range for this ratio, and its total funded debt to adjusted EBITDA ratio was 4.3 : 1.0, which is within its long-term targeted range for this ratio.

Subsequent to the first quarter of 2015 the Company completed the following transactions:

- The Company issued \$69.0 million of convertible unsecured subordinated debentures (the 5.0% debentures) resulting in net proceeds of \$65.7 million after commissions of \$2.8 million and transaction costs of approximately \$0.5 million. The debentures bear interest at an annual rate of 5.0% payable semi-annually, have a maturity date of April 30, 2020 and are convertible into common shares of the Company at a price of \$44.65 per share. Upon conversion of the debentures, in lieu of delivering common shares, the Company may, at its option, elect to pay the holder a cash amount which is calculated based on the daily volume weighted average price of the Company's common shares as measured over a period of ten consecutive trading days commencing on the third day following the date of the conversion.

The net proceeds from the 5.0% debenture issuance were used to reduce the amount outstanding under the Company's revolving senior credit facility (see *Liquidity and Capital Resources – Debt Financing Activities – Credit Facilities*) and can be redrawn in the future.

- The Company issued a notice of intention to redeem all of its outstanding 5.75% debentures (see *Liquidity and Capital Resources – Debt Financing Activities – Credit Facilities*) on May 26, 2015. The holders of the 5.75% convertible debentures can, at their option, elect to convert their debentures into common shares of the Company at the conversion price of \$22.40. Any 5.75% debentures remaining as at May 26, 2015 will be retired by a cash payment of principal and accrued interest.

The Company expects (see *Forward Looking Statements*) primarily all of the 5.75% debentures to be converted to common shares based on the current trading price of its common shares being materially higher than the conversion price of the 5.75% debentures.

Adjusting the Company's first quarter balance sheet on a pro-forma basis for the issuance of the 5.0% debentures and the conversion of all the 5.75% debentures into common shares, the Company's senior debt to adjusted EBITDA ratio, total funded debt to adjusted EBITDA ratio and unutilized credit capacity would be as follows:

(in thousands of dollars other than ratios)		Pro-forma Mar 28, 2015
Senior funded debt to adjusted EBITDA ratio		1.7 : 1
T funded debt to adjusted EBITDA ratio		3.8 : 1
Unutilized credit capacity		112,652

Looking forward (see *Forward Looking Statements*) the Company intends to use its excess senior debt capacity to fund project capital expenditures (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*), business acquisitions (see *Liquidity and Capital Resources – Corporate Investments*) and purchases under its normal course issuer bid (see *Liquidity and Capital Resources – Debt Financing Activities – Issuer Bid*).

Dividends

Free Cash Flow

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

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

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

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

<i>(in thousands of dollars)</i>	52 weeks ended Dec 27, 2014	13 weeks ended Mar 28, 2015	13 weeks ended Mar 29, 2014	Rolling Four Quarters
Cash flow from operating activities	21,344	11,919	10,271	22,992
Changes in non-cash working capital ⁽¹⁾	20,283	(186)	(7,199)	27,296
Acquisition transaction costs ⁽²⁾	266	10	-	276
Plant start-up and restructuring costs ⁽³⁾	20,299	2,924	3,365	19,858
Capital maintenance expenditures ⁽⁴⁾	(4,818)	(1,254)	(1,139)	(4,933)
Free cash flow	57,374	13,413	5,298	65,489

(1) Cash used for increases in the Company's non-cash working capital is funded primarily through draws on its revolving credit facilities (see *Liquidity and Capital Resources – Debt Financing Activities – Credit facilities*), while cash resulting from decreases in its non-cash working capital is used primarily to pay down these facilities.

(2) Amount relates to the Company's business acquisition activities (see *Liquidity and Capital Resources – Corporate Investments*).

(3) Amount relates to the Company's plant start-up and business restructuring initiatives (see *Results of Operations – Plant Start-up and Restructuring Costs*).

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

The Company's free cash flow for the rolling four quarters ended March 28, 2015 increased by \$8.1 million as compared to the rolling four quarters ended December 27, 2014 primarily due to the increase in its adjusted EBITDA (see *Results of Operations – Adjusted EBITDA*).

Dividend Policy

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

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

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

Looking forward (see *Forward Looking Statements*), the Company is continually assessing its dividend policy based on the considerations outlined above as well as other possible factors that may become relevant in the future and, correspondingly, there can be no assurance that its quarterly dividend of \$0.3450 per share will be maintained.

Dividend History

The Company declared its first distribution to equity holders in August 2005. The following table outlines the Company's distribution / dividend payment history starting in 2006, which was its first full year of declared distributions.

<i>(in thousands of dollars except per share amounts and ratios)</i>					
	Declared Shareholder Dividends/ Distributions	Nature of Distribution	Free Cash Flow	Ratio (1)	Average Annualized Dividend/ Distribution Per Share
Rolling four quarters ended:					
March 28, 2015	28,946	Dividend	65,489	44.2%	\$1.2825
December 27, 2014	27,768	Dividend	57,374	48.4%	\$1.2500
December 28, 2013	26,498	Dividend	49,247	53.8%	\$1.2315
December 29, 2012	24,381	Dividend	45,984	53.0%	\$1.1760
December 31, 2011	22,672	Dividend	38,225	59.3%	\$1.1760
December 25, 2010	21,019	Dividend	32,202	65.3%	\$1.1760
December 26, 2009	20,687	(2)	29,280	70.7%	\$1.1760
December 31, 2008	20,593	Trust distribution	29,631	69.5%	\$1.1760
December 31, 2007	20,514	Trust distribution	26,440	77.6%	\$1.1760
December 31, 2006	18,357	Trust distribution	17,247	106.4%	\$1.1760

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

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

Capital Expenditures

Expenditure Classification

The Company categorizes its capital expenditures into project capital expenditures and maintenance capital expenditures. Project capital expenditures are capital expenditures that are expected to generate a minimum internal rate of return of 15% through increased production capacity and/or improved operating efficiencies. Maintenance capital expenditures include all capital expenditures that do not qualify as a project capital expenditure, and consist mainly of expenditures necessary for maintaining the Company's existing level of production capacity and operating efficiency.

Maintenance capital expenditures are financed primarily through free cash flow (see *Liquidity and Capital Resources – Dividends*) while project capital expenditures are generally funded through the Company's credit facilities (see *Liquidity and Capital Resources – Debt Financing Activities*), however, larger expenditures, such as the building of a new plant or a major expansion of an existing plant, may also be funded through the issuance of new debt and/or equity.

Changes in Capital Assets

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

<i>(in thousands of dollars)</i>	13 weeks ended Mar 28, 2015
Opening capital assets at December 27, 2014	203,340
Depreciation	(5,694)
Asset sales	(73)
Foreign currency translation adjustment ⁽¹⁾	4,610
Capital expenditures:	
Project	3,286
Maintenance	1,254
Closing capital assets	206,723

(1) Adjustment is the result of changes in the currency exchange rate used to translate the Company's U.S. based operations, which are denominated in U.S. dollars, into Canadian dollars.

Project Capital Expenditures

During the first quarter of 2015 the Company capitalized \$3.3 million in project capital expenditures consisting of the following:

- \$2.1 million for capacity expansion projects at its deli and premium processed meats production facilities in Langley, BC, Ferndale, WA and Yorkton, SK. All of these projects are expected (see *Forward Looking Statements*) to be completed in 2015 at a total cost of \$11.6 million.
- \$1.2 million for a variety of smaller projects consisting mainly of capacity related equipment purchases.

Looking forward (see *Forward Looking Statements*), in addition to the projects outlined above the Company expects to make the following project capital expenditures in 2015:

- \$3.4 million for a new enterprise resource planning system that the Company expects to implement in most of its businesses over the next several years.
- US\$1.9 million for additional production lines at its new sandwich plant in Columbus, OH. This project is expected to be completed in the second quarter of 2015.
- \$1.2 million relating to the transfer of production capacity from an older deli meats plant in Toronto, ON that is scheduled to be shut down in December 2015, to the Company's other deli meat production facilities in Ontario.

Historic Capital Maintenance Expenditures

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

<i>(in thousands of dollars)</i>	Total
Rolling four quarters ended:	
March 28, 2015	4,933
December 27, 2014	4,818
December 28, 2013	4,294
December 29, 2012	2,917
December 31, 2011	2,880
December 25, 2010	1,713
December 26, 2009	2,026
December 31, 2008	2,600
December 31, 2007	1,780
December 31, 2006	1,887

Looking forward, for 2015 the Company expects (see *Forward Looking Statements*) its capital maintenance expenditures to be between \$5.0 million and \$6.0 million.

Corporate Investments

Corporate investments consist primarily of three activities: business acquisitions, equity investments in non-controlled businesses and loans to non-controlled businesses. Corporate investments, in general, and business acquisitions, in particular, are a core part of the Company's growth strategy.

The financing for corporate investments depends primarily on the size of the transaction. Smaller transactions are generally financed through the Company's credit facilities (see *Liquidity and Capital Resources – Debt Financing Activities*), while larger transactions can be financed through a variety of sources including existing credit facilities and the issuance of new debt and/or equity.

During the first quarter of 2015 the Company did not make any corporate investments.

Goodwill and Intangible Assets

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

The following table shows the changes in the combined total of the Company's net intangible assets and goodwill during the first quarter of 2015:

<i>(in thousands of dollars)</i>	13 weeks ended Mar 28, 2015
Opening intangible assets and goodwill at December 27, 2014	246,391
Amortization of intangible assets	(1,030)
Foreign currency translation adjustment ⁽¹⁾	1,939
Closing intangible assets and goodwill	247,300

- (1) Adjustment is primarily the result of changes in the currency exchange rate used to translate the Company's U.S. based operations, which are denominated in U.S. dollars, into Canadian dollars.

Investment in Associates

Investment in associates consists of the Company's investments in businesses which it does not control, and consists of a 50% interest in Golden Valley Farms Inc., an Arthur, ON based poultry processor; a 35% interest in Pender West LP, a Vancouver, BC based real estate investment fund which owns and leases to the Company three industrial real estate properties; and a 25% interest in McLean Meats Inc., a Vancouver, BC based marketer and supplier of premium processed meats.

The following table shows the changes in investment in associates during the first quarter of 2015:

<i>(in thousands of dollars)</i>	13 weeks ended Mar 28, 2015
Opening investment in associates at December 27, 2014	9,517
Equity income in associates	51
Cash distribution from associates	(65)
Closing investment in associates	9,503

(1) See *Liquidity and Capital Resources – Corporate Investments – Pender West LP Investment*.

Puttable Interest in Subsidiaries

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

The following table shows the changes in puttable interest during the first quarter of 2015:

<i>(in thousands of dollars)</i>	13 weeks ended Mar 28, 2015
Opening puttable interest at December 27, 2014	17,900
Change in value ⁽¹⁾	250
Foreign currency translation adjustment ⁽²⁾	284
Cash distributions to non-controlling shareholders with puttable interests	(562)
Closing puttable interest	17,872

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

(2) 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 Mar 28, 2015
Contingent consideration – Freybe acquisition ⁽¹⁾	3,419
Contingent consideration – Ocean Miracle acquisition ⁽²⁾	2,498
Lease restoration costs ⁽³⁾	526
Provisions ⁽⁴⁾	6,443

(1) This represents the discounted present value of the contingent consideration that is payable to the previous owners of Freybe Gourmet Foods (acquired in 2013) if the business achieves certain performance targets over each of the next two years.

(2) This represents the discounted present value of the contingent consideration that is payable to the previous owners of Ocean Miracle (acquired in 2014) if it achieves certain performance targets over each of the next three years.

(3) This represents the present value of estimated (see *Forward Looking Statements*) future site restoration costs associated with a leased facility. The final liability will be payable upon the expiry of the lease, which runs through to December 31, 2025 and has two five-year renewal options thereafter.

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

The following table shows the changes in the provisions during the first quarter of 2015:

<i>(in thousands of dollars)</i>	13 weeks ended Mar 28, 2015
Opening provisions at December 27, 2014	6,302
Accretion of provisions	141
Closing provisions ⁽¹⁾	6,443

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

OUTLOOK

See *Forward Looking Statements* for a discussion of the risks and assumptions associated with forward looking statements.

See *Results of Operations* for details on the Company's revenue and adjusted EBITDA expectations for 2015.

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

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

In terms of business acquisitions, the Company intends (see *Forward Looking Statements*) to continue to implement its business acquisition strategies and, correspondingly, is in the process of evaluating several specialty food manufacturing and/or differentiated food distribution businesses.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off balance sheet arrangements.

Contractual Obligations

The payments due on the Company's significant contractual obligations at March 28, 2015 are as follows:

(in thousands of dollars)							
	Total	1 year out	2 years out	3 years out	4 years out	5 years out	There-after
Term debt	216,505	800	2,000	-	-	206,000	7,705
Capital leases and other	2,696	1,697	351	536	81	31	-
5.75% debentures	43,315	43,315	-	-	-	-	-
5.70% debentures	57,500	-	-	57,500	-	-	-
5.50% debentures	57,500	-	-	-	-	57,500	-
Operating leases	122,655	13,395	12,146	10,704	9,465	8,995	67,950
Total	500,171	59,207	14,497	68,740	9,546	272,526	75,655

TRANSACTIONS WITH RELATED PARTIES

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

- Pursuant to several twenty-year real property leases ending between April 2033 and January 2034, the Company made \$0.7 million in lease payments to Pender West LP (see *Corporate Investments – Investments in Associates*). The Company's Chairman, Bruce Hodge, indirectly owns a 13% interest in Pender West LP.
- Pursuant to the Company's employee loan program, the Company received principal payments totaling approximately \$18,000 from participating employees, including its President and Chief Executive Officer, George Paleologou, and its Chief Financial Officer, Will Kalutycz.

SUBSEQUENT TRANSACTIONS

Issuance of 5.0% Debentures

In April 2015, the Company issued \$69.0 million of convertible unsecured subordinated debentures resulting in net proceeds of \$65.7 million (see *Liquidity and Capital Resources – Debt Financing Activities – Financial Leverage*).

Notice of Intention to Redeem 5.75% Debentures

Also in April 2015, the Company issued a notice of intention to redeem all of its outstanding 5.75% debentures on May 26, 2015 (see *Liquidity and Capital Resources – Debt Financing Activities – Financial Leverage*).

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 May 6, 2015, such statements involve unknown risks and uncertainties beyond the Company's control which may cause its actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward looking statements. Forward looking statements generally can be identified by the use of the words "may", "could",

“should”, “would”, “will”, “expect”, “intend”, “plan”, “estimate”, “project”, “anticipate”, “believe” or “continue”, or the negative thereof or similar variations.

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

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

- Current economic conditions in Canada and the United States will continue to show modest improvement in the near to medium term.
- The Company will be able to pass on to its customers increases in the average cost of the basket of commodities that it purchases.
- The Company's capital projects (see *Liquidity and Capital Resources – Capital Expenditures – Changes in Capital Assets*) and restructuring initiatives (see *Results of Operations – Plant Start-up and Restructuring Costs*) will progress in line with its expectations.
- The Company will be able to continue to access sufficient goods and services for its manufacturing and distribution operations.
- There will be no material changes in the competitive environment or consumer food consumption trends in the markets in which the Company's various businesses compete.
- There will be no significant changes to Canada's historic weather patterns.
- There will be no material changes in the Company's relationships with its larger customers.
- The value of the Canadian dollar relative to the U.S. dollar will continue to fluctuate in line with recent historic levels.
- The Company will be able to 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 remain relatively stable in the near to medium future.
- Contractual counterparties will continue to fulfill their obligations to the Company.
- There will be no material changes to the tax and other regulatory requirements governing the Company.

Unless otherwise indicated, the forward looking information in this document is made as of May 6, 2015 and, except as required by applicable law, will not be publicly updated or revised. This cautionary statement expressly qualifies the forward looking information in this document.

RISKS AND UNCERTAINTIES

The Company is subject to a number of risks and uncertainties related to its businesses that may have adverse effects on its results of operations and financial position. These risks and uncertainties include: (i) changes in the cost of raw materials used in the production of the Company's products; (ii) seasonal and/or weather related fluctuations in the Company's sales; (iii) changes in consumer

discretionary spending resulting from changes in economic conditions and/or general consumer confidence levels; (iv) changes in the cost of products sourced from third party manufacturers and sold through the Company's proprietary distribution networks; (v) risks associated with the Company's conversion from a publicly traded income trust to a publicly traded corporation, including the Company's ability to utilize the tax attributes it was deemed to have acquired as under the terms of the conversion; (vi) changes in the Company's relationships with its larger customers; (vii) potential liabilities and expenses resulting from defects in the Company's products; (viii) changes in consumer food product preferences; (ix) competition from other food manufacturers and distributors; (x) execution risk associated with the Company's growth and business restructuring initiatives; (xi) risks associated with the Company's business acquisition strategies; (xii) changes in the value of the Canadian dollar relative to the U.S. dollar; (xiii) new government regulations affecting the Company's business and operations; (xiv) the Company's ability to raise the capital needed to fund its business activities; (xv) labour related issues including potential labour disputes with employees represented by labour unions and labour shortages; and (xvi) a major disruption or failure of the Company's information technology systems.

Details on the above risks as well as other risks that the Company is subject to can be found in its MD&A for the 52 weeks ended December 27, 2014, which has been filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR) and is available online at www.sedar.com. Prospective investors should carefully review and evaluate these risk factors together with all of the other information contained in this MD&A. Furthermore, it should be noted that the above listed risk factors as well as any additional items included in its MD&A for the 52 weeks ended December 27, 2014 are not necessarily the only risk factors facing the Company and it may be subject to other risks and uncertainties that it is not presently aware of or that it may currently deem insignificant (see *Forward Looking Statements*).

CRITICAL ACCOUNTING ESTIMATES

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

Inventories. Internally manufactured products are valued at the lower of cost and net realizable value, where cost includes raw materials, manufacturing labour and overhead. Inherent in the determination of the cost of such inventories are certain management judgements and estimates.

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

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

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

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

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

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

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

NEW ACCOUNTING POLICIES

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

IFRS 9 – Financial Instruments

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

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

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted, and is not expected to have a significant impact on the Company's consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

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

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

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 March 28, 2015, the Company had outstanding foreign currency contracts for the purchase of US\$25.0 million over the next nine months at a blended rate of C\$1.2063.

Based on the outstanding contracts for the purchase of U.S. dollars, a change of \$0.01 in the value of the Canadian dollar relative to the U.S. dollar would result in an unrealized gain (if the Canadian dollar weakens) or an unrealized loss (if the Canadian dollar strengthens) of approximately \$0.2 million in the Company's consolidated statement of operations.

Interest Rate Swap Contracts

In order to reduce its exposure to rising interest rates, the Company, from time to time, enters into interest rate swap contracts (swaps). The Company does not hold interest rate swap contracts for speculative purposes.

As at March 28, 2015, the Company did not have in place any swaps.

OTHER

Outstanding Shares

The shares outstanding in the Company as of May 6, 2015 were 24,281,590. 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 May 6, 2015 were 24,172,847.

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 March 28, 2015 and has concluded that such procedures are adequately designed for providing reasonable assurance that (i) material information relating to the Company, including its consolidated subsidiaries, is made known to Management on a timely basis to ensure adequate disclosure and (ii) information required to be disclosed by the Company in its annual filings or other reports filed and submitted under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time period.

Management has also evaluated the Company's ICFR as of March 28, 2015 and has concluded that the Company's ICFR is adequately designed for providing reasonable assurance that the reliability of financial reporting and the preparation of financial statements for external purposes are in accordance with IFRS.

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

The Company's Management has also concluded that there have been no changes to the Company's ICFR during the interim period ending March 28, 2015 that has materially affected, or are reasonably likely to affect, its ICFR.

Responsibilities of Management and Board of Directors

Management is responsible for the reliability and timeliness of content disclosed in this management's discussion & analysis (MD&A), which is current as of May 6, 2015. It is the responsibility of the Company's Audit Committee to provide oversight in reviewing the MD&A and the Company's Board of Directors to approve the MD&A.

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

This MD&A, dated May 6, 2015, has been approved by the Company's Board of Directors.

Additional Information

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