PREMIUM BRANDS HOLDINGS CORPORATION

Management's Discussion and Analysis

For the 13 and 52 Weeks Ended December 30, 2017

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 March 14, 2018. It should be read in conjunction with the Company's fiscal 2017 audited consolidated financial statements and the notes thereto, which are prepared in accordance with International Financial Reporting Standards (IFRS). These documents, as well as additional information on the Company, are filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR) and are available online at www.sedar.com.

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

BUSINESS OVERVIEW

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

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

  The Company considers the key characteristics of a specialty food business to be: (i) a consumer's decision to purchase its products is based primarily on factors other than price, such as quality, convenience, health and/or lifestyle; and / or (ii) it caters to smaller more niche oriented markets. As a result of these characteristics, specialty food businesses generally earn higher and more consistent selling margins, relative to other types of food manufacturing companies, and avoid competing with large national and international food companies.

- **Differentiated food distribution and wholesale businesses ("premium food distribution businesses")**.

  The Company considers the key characteristic of a premium food distribution business to be that it offers its customers specialized and/or unique products and services in addition to logistical solutions. This enables it to generate higher and more consistent selling margins

relative to the large national and international food distributors that are primarily focused on logistics.

The Company's premium food distribution businesses also enable it to generate and sustain additional margin by using these businesses to provide its specialty food businesses with proprietary access to a broad and diversified customer base that includes regional and specialty grocery retailers, restaurants, hotels and institutions.

EXTRA WEEK OF OPERATIONS

The Company's fiscal year is the 52 week or 53 week period ending on the nearest Saturday on or before December 31. For 2017 this was the 52 week period ended on December 30, 2017, for 2016 this was the 53 week period ended on December 31, 2016 and for 2015 this was the 52 week period ended on December 26, 2015. Correspondingly, the Company's results for 2016 and for the fourth quarter of 2016 include an extra week of operations as compared to 2017 and 2015 (the "Extra Week").

The Extra Week resulted in incremental revenue and adjusted EBITDA in the fourth quarter of 2016 of approximately $29.2 million and $3.4 million, respectively.

SELECT ANNUAL INFORMATION

The following is a summary of select annual consolidated financial information. All amounts, except adjusted EBITDA and RONA, are derived from the Company's audited consolidated financial statements for each of the three most recently completed financial years and are prepared in accordance with IFRS.

The calculation of RONA is shown below. See *Results of Operations* for the calculation of adjusted EBITDA.

(in millions of dollars except per share amounts)	52 weeks ended Dec 30, 2017	53 weeks ended Dec 31, 2016	52 weeks ended Dec 26, 2015
Revenue	2,198.3	1,857.5	1,484.5
Adjusted EBITDA	190.2	154.8	111.6
Earnings	80.5	68.8	11.6
Basic earnings per share	2.70	2.39	0.48
Diluted earnings per share	2.69	2.38	0.48
Total assets	1,459.5	1,121.1	856.2
Long-term financial liabilities (1)	636.1	410.7	329.5
RONA	17.0%	17.2%	15.9%
Dividends declared per share	1.6800	1.5200	1.3800
Free cash flow per share (2)	4.41	4.22	3.32

(1) Excludes deferred financing costs and includes the current portion of long-term debt.
(2) See *Liquidity and Capital Resources – Dividends – Free Cash Flow* for the calculation of free cash flow. Free cash flow per share is calculated as free cash flow divided by the weighted average shares outstanding for the applicable period.

Revenue and Earnings

The Company has grown its revenue, adjusted EBITDA and earnings from continuing operations for each of the last two years through a combination of acquisitions and organic growth initiatives. In addition, the Company's results over the last three years were impacted by: (i) plant start-up and restructuring costs in 2017 ($7.3 million) and 2015 ($2.9 million) associated with long-term investments

being made in certain businesses; (ii) the Extra Week which resulted in incremental sales and adjusted EBITDA in 2016 of $29.2 million and $3.4 million, respectively; (iii) an unusual deferred income tax recovery in 2017 ($3.9 million) resulting from major changes in U.S. income tax rates for years starting in 2018; and (iv) a deferred income tax provision in 2015 ($21.5 million) relating to a one-time settlement with the Canadian Revenue Agency in regards to certain tax issues associated with the Company's conversion from an income trust structure in 2009.

Total Assets

The increases in the Company's total assets over the last two years were primarily due to business acquisitions and project capital expenditures.

Long-term Financial Liabilities

The Company's long-term financial liabilities have consistently increased over the last two years as these have been the primary financing source used to fund its business acquisitions strategy. In particular, from the beginning of 2015 to the end of 2017 the Company raised $255.8 million from the issuance of convertible debentures, all of which the Company expects (see *Forward Looking Statements*) to be converted to common shares in due course.

RONA

Return on adjusted net assets ("RONA") 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 RONA is a useful indicator of the performance of its operations relative to the assets employed.

The following table provides the calculation of RONA for each of the last three fiscal years:

(in millions of dollars)	52 weeks ended Dec 30, 2017	53 weeks ended Dec 31, 2016	52 weeks ended Dec 26, 2015
Return:			
Adjusted EBITDA [1]	190.2	154.8	111.6
Maintenance capital expenditures [2]	(12.0)	(8.6)	(6.4)
	178.2	146.2	105.2
Average adjusted net assets [3]:			
Opening net assets	965.2	722.3	614.3
Closing net assets excluding net assets of businesses acquired during the year	1,036.5	721.4	670.5
Average net assets before including businesses acquired during the year [4]	1,000.8	721.9	642.4
Weighted net assets of business acquired during the year [5]	47.2	127.9	19.2
	1,048.0	849.8	661.6
RONA [6]	17.0%	17.2%	15.9%

(1) See *Results of Operations – Adjusted EBITDA*.
(2) See *Liquidity and Capital Resources – Capital Expenditures*
(3) Net assets are calculated as total assets less deferred income tax assets, accounts payable and accrued liabilities.
(4) Calculated as the sum of the opening net assets and the closing net assets (excluding net assets of businesses acquired during the year) divided by two.
(5) Based on weighting the net assets of each business acquired during the current fiscal year by a factor based on the number of days in the fiscal year that the Company owned the applicable business in relation to the total number of days in the fiscal year.
(6) Calculated as return divided by average adjusted net assets.

The Company's long-term targeted average RONA is 15.0%, which it has consistently exceeded in each of the last three years. Looking forward (see *Forward Looking Statements*), the Company is maintaining its target and outlook for a long-term average RONA of 15.0%.

FOURTH QUARTER FINANCIAL STATEMENTS

The Company's operating results for the fourth quarters of 2017 and 2016 and for the fiscal years of 2017 and 2016 were as follows:

(in millions of dollars)	13 weeks ended Dec 30, 2017	14 weeks ended Dec 31, 2016	52 weeks ended Dec 30, 2017	53 weeks ended Dec 31, 2016
Revenue	585.4	532.6	2,198.3	1,857.5
Gross profit	108.1	104.6	418.6	350.8
Selling, general and administrative expenses	60.8	59.0	228.4	196.0
	47.3	45.6	190.2	154.8
Plant start-up costs	3.4	-	7.3	-
	43.9	45.6	182.9	154.8
Depreciation of capital assets	8.6	7.3	30.9	27.4
Amortization of intangible assets	2.8	2.4	10.2	7.6
Interest and other financing costs	7.4	4.8	23.3	17.9
Acquisition transaction costs	3.7	1.1	4.2	1.6
Change in value of puttable interest in subsidiaries	1.3	1.6	5.7	4.1
Accretion of provisions for contingent consideration	0.3	0.3	1.1	1.0
Unrealized loss (gain) on foreign currency contracts	-	-	-	0.7
Equity loss (income) in associates	0.2	-	0.5	(0.4)
Earnings before income taxes	19.6	28.1	107.0	94.9
Income tax provision – current	6.4	4.0	28.2	10.2
Income tax provision (recovery) – deferred	(4.0)	4.1	(1.7)	15.9
Income tax provision	2.4	8.1	26.5	26.1
Earnings	17.2	20.0	80.5	68.8

RESULTS OF OPERATIONS

The Company reports on two reportable segments, Specialty Foods and Premium Food Distribution, as well as corporate costs (**Corporate**). The Specialty Foods segment consists of the Company's specialty food manufacturing businesses and includes: Harvest, Grimm's, Freybe, Hempler's, Isernio's, Made-Rite Meat Products, SJ Fine Foods, Piller's, Expresco, Belmont Meats, Leadbetter Foods, Skilcor Food Products, Creekside, Stuyver's, Island City Baking, Duso's, Gourmet Chef, Conte Foods, Larosa Fine Foods, Hygaard, Quality Fast Foods, Deli Chef, SK Food Group, Raybern's and Buddy's Kitchen.

The Premium Food Distribution segment consists of the Company's differentiated distribution and wholesale businesses and includes: Harlan Fairbanks, Centennial Foodservice, B&C Food Distributors, Worldsource, E1even, Wescadia, C&C Packing, Premier Meats, Interprovincial Meat Sales, Maximum Seafood, Ocean Miracle and Diana's Seafood. In addition, the Premium Foods Distribution segment includes Hub City Fisheries, a specialty seafood processor, on the basis that it is an integral part of the Premium Food Distribution segment's national seafood distribution strategy.

Revenue

(in millions of dollars except percentages)	13 weeks ended Dec 30, 2017	% (1)	14 weeks ended Dec 31, 2016	% (1)	52 weeks ended Dec 30, 2017	% (1)	53 weeks ended Dec 31, 2016	% (1)
Revenue by segment:								
Specialty Foods	372.6	63.6%	326.9	61.4%	1,334.2	60.7%	1,136.6	61.2%
Premium Food Distribution	212.8	36.4%	205.7	38.6%	864.1	39.3%	720.9	38.9%
Consolidated	585.4	100.0%	532.6	100.0%	2,198.3	100.0%	1,857.5	100.0%

(1) Expressed as a percentage of consolidated revenue.

Specialty Foods' (**SF**) revenue for the fourth quarter of 2017 as compared to the fourth quarter of 2016 increased by $45.7 million or 13.9% primarily due to: (i) business acquisitions, which accounted for $39.6 million of the increase (see *Liquidity and Capital Resources – Corporate Investments*); (ii) $35.2 million in organic volume growth, representing a growth rate of 12.3%, driven primarily by artisan sandwiches, meat snacks and cooked protein products; and (iii) $1.7 million in selling price increases that were implemented mainly in response to higher commodity raw material costs. These increases were partially offset by: (i) SF's exit from approximately $5.3 million of lower margin processed meat sales as part of a process to reallocate its production capacity to more sustainable and higher margin sales opportunities – including this factor SF's net organic growth for the quarter is 9.1%; (ii) $16.7 million in additional sales in the fourth quarter of 2016 due to the Extra Week; and (iii) an $8.8 million decrease in the translated value of its U.S. based businesses' sales resulting from a stronger Canadian dollar.

For 2017 as compared to 2016 SF's revenue increased by $197.6 million or 17.4% primarily due to: (i) business acquisitions, which accounted for $164.2 million of the increase; and (ii) $93.8 million of organic volume growth representing a growth rate of 8.4%. These increases were partially offset by: (i) SF's exit from approximately $20.7 million of lower margin sales – including this factor SF's net organic growth for 2017 is 6.5%; (ii) $16.7 million in additional sales in the fourth quarter of 2016 due to the Extra Week; (iii) a $16.3 million decrease in the translated value of its U.S. based businesses resulting from a stronger Canadian dollar; and (iv) $6.7 million in selling price reductions.

Premium Food Distribution's (**PFD**) revenue for the fourth quarter of 2017 as compared to the fourth quarter of 2016 increased by $7.1 million or 3.5% primarily due to: (i) business acquisitions, which accounted for $12.6 million of the increase (see *Liquidity and Capital Resources – Corporate*

Investments); (ii) $3.6 million in organic volume growth representing a growth rate of 1.8%; and (iii) $3.4 million in selling price increases that were implemented mainly in response to high input costs for a variety of commodity beef raw materials. These factors were partially offset by $12.5 million in additional sales in the fourth quarter of 2016 due to the Extra Week.

PFD's low organic growth rate for the quarter was primarily due to: (i) capacity limitations at its Ontario distribution facility which are preventing it from pursuing a variety of growth opportunities – this issue is expected to be addressed when PFD's new facility in the Greater Toronto Area (GTA) is completed in mid-2018 (see *Liquidity and Capital Resources – Capital Expenditures – Project Capital Expenditures*); (ii) less retailer feature sales in Quebec resulting from a variety of transitory issues including general timing of ad activity and higher raw material costs; and (iii) challenging weather in eastern Canada that impacted consumer spending in the foodservice channel. These factors were partially offset by continued strong growth in western Canada driven by: (i) the expansion of its western Canada foodservice distribution network into niche segments of the retail market; and (ii) the success of its non-distributive sales initiatives for national and large regional restaurant chains.

For 2017 as compared to 2016 PFD's revenue increased by $143.2 million or 19.9% primarily due to: (i) business acquisitions, which accounted for $117.7 million of the increase; (ii) $28.6 million of organic volume growth representing a growth rate of 4.0%; and (iii) $9.4 million in selling price increases. These factors were partially offset by $12.5 million in additional sales in the fourth quarter of 2016 due to the Extra Week.

Gross Profit

(in millions of dollars except percentages)	13 weeks ended Dec 30, 2017	% (1)	14 weeks ended Dec 31, 2016	% (1)	52 weeks ended Dec 30, 2017	% (1)	53 weeks ended Dec 31, 2016	% (1)
Gross profit by segment:								
Specialty Foods	73.6	19.8%	71.5	21.9%	279.7	21.0%	234.4	20.6%
Premium Food Distribution	34.5	16.2%	33.1	16.1%	138.9	16.1%	116.4	16.1%
Consolidated	108.1	18.5%	104.6	19.6%	418.6	19.0%	350.8	18.9%

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

SF's gross profit as a percentage of its revenue (gross margin) for the fourth quarter of 2017 as compared to the fourth quarter of 2016 decreased by 210 basis points primarily due to: (i) operating inefficiencies in a number of its plants resulting from tight labor market conditions that caused higher employee turnover rates and, in some circumstances, labor shortages and supply chain disruptions. SF's U.S. operations in particular were significantly impacted by this challenge. During the quarter SF implemented a variety of initiatives to address this issue, including more aggressive recruiting, new hire incentive programs and compensation changes. These initiatives started to have a favorable impact by the end of the quarter and are expected to significantly reduce the impact of this challenge going forward (see *Forward Looking Statements*); (ii) increased overhead costs associated with SF's new sandwich plant in Phoenix; (iii) higher costs for certain pork and beef raw material commodities; and (iv) interim operating inefficiencies at SF's artisan bread bakery in Langley, BC while it rationalizes production among three baking facilities (see *Results of Operations – Plant Start-up Costs*). The impact of these temporary challenges was partially offset by contribution margin associated with SF's organic volume growth.

For 2017 as compared to 2016 SF's gross margin increased by 40 basis points primarily due: (i) contribution margin and production efficiencies associated with SF's organic volume growth; (ii) production efficiencies resulting from a variety of continuous improvement projects; and (iii) an improved sales mix resulting from a combination of SF's exit from certain lower margin product sales and its growth coming from higher margin branded products. These increases were, however, mostly offset by the impact in the third and fourth quarters of the challenges outlined above.

PFD's gross margins for the fourth quarter of 2017 as compared to the fourth quarter of 2016 and for 2017 as compared to 2016 were relatively stable as the benefits of a variety of long-term initiatives focused on expanding PFD's margins, including increasing the utilization rates of its custom cutting facilities and optimizing its product mix, were offset by temporary challenges associated with the cost of certain raw material commodities.

Selling, General and Administrative Expenses (SG&A)

(in millions of dollars except percentages)	13 weeks ended Dec 30, 2017	% (1)	14 weeks ended Dec 31, 2016	% (1)	52 weeks ended Dec 30, 2017	% (1)	53 weeks ended Dec 31, 2016	% (1)
SG&A by segment:								
Specialty Foods	34.2	9.2%	30.8	9.4%	129.8	9.7%	109.5	9.6%
Premium Food Distribution	21.5	10.1%	20.3	9.9%	83.5	9.7%	71.3	9.9%
Corporate	5.1		7.9		15.1		15.2	
Consolidated	60.8	10.4%	59.0	11.1%	228.4	10.4%	196.0	10.6%

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

SF's SG&A for the fourth quarter of 2017 as compared to the fourth quarter of 2016 and for 2017 as compared to 2016 increased by $3.4 million and $20.3 million, respectively, primarily due to: (i) business acquisitions; (ii) variable selling and marketing costs associated with SF's organic volume growth; and (iii) investments in additional selling and administration infrastructure needed to support SF's continued organic volume growth. These increases were partially offset by additional SG&A in the fourth quarter of 2016 due to the Extra Week.

SF's SG&A as a percentage of sales (SG&A ratio) for the fourth quarter of 2017 as compared to the fourth quarter of 2016 and for 2017 as compared to 2016 remained relatively stable as the favorable impact of its organic revenue growth in relation to the relatively fixed nature of a variety of its SG&A costs was offset by: (i) higher SG&A ratios associated with its recent business acquisitions; and (ii) investments in additional selling and administration infrastructure needed to support SF's continued organic volume growth. Excluding the impact of acquisitions, SF's SG&A ratios for the fourth quarter of 2017 and for 2017 are 8.3% and 9.8%, respectively.

PFD's SG&A for the fourth quarter of 2017 as compared to the fourth quarter of 2016 and for 2017 as compared to 2016 increased by $1.2 million and $12.2 million, respectively, primarily due to: (i) business acquisitions; and (ii) investments in additional fleet and sales infrastructure needed to support PFD's continued organic volume growth. These increases were partially offset by additional SG&A in the fourth quarter of 2016 due to the Extra Week.

PFD's SG&A ratio for the fourth quarter of 2017 as compared to the fourth quarter of 2016 and for 2017 as compared to 2016 remained relatively stable as the favorable impact of its organic revenue growth in relation to the relatively fixed nature of a variety of its SG&A costs was offset by investments in additional selling and administration infrastructure needed to support its continued organic growth.

Corporate SG&A for the fourth quarter of 2017 as compared to the fourth quarter of 2016 decreased by $2.8 million primarily due to: (i) lower accruals for the Company's long-term incentive programs as a result of increased accruals in earlier quarters of 2017 as well as an overall reduction in 2017 based on a slower growth rate for the Company's fully diluted free cash flow per share relative to 2016; and (ii) additional SG&A in the fourth quarter of 2016 due to the Extra Week. These decreases were partially offset by investments in additional administrative infrastructure needed to support the Company's acquisitions and information technology strategies.

Corporate SG&A for 2017 as compared to 2016 was relatively flat as lower accruals for the Company's long-term incentive programs were offset by investments in additional administrative infrastructure needed to support the Company's acquisition and information technology strategies.

Adjusted EBITDA

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

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

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

(in millions of dollars)	13 weeks ended Dec 30, 2017	14 weeks ended Dec 31, 2016	52 weeks ended Dec 30, 2017	53 weeks ended Dec 31, 2016
Earnings before income taxes	19.6	28.1	107.0	94.9
Plant start-up costs (1)	3.4	-	7.3	-
Depreciation of capital assets (2)	8.6	7.3	30.9	27.4
Amortization of intangible assets (2)	2.8	2.4	10.2	7.6
Interest and other financing costs (3)	7.4	4.8	23.3	17.9
Acquisition transaction costs (1)	3.7	1.1	4.2	1.6
Change in value of puttable interest in subsidiaries (4)	1.3	1.6	5.7	4.1
Accretion of provisions (3)	0.3	0.3	1.1	1.0
Unrealized loss on foreign currency contracts (5)	-	-	-	0.7
Equity loss (income) in associates (6)	0.2	-	0.5	(0.4)
Consolidated adjusted EBITDA	47.3	45.6	190.2	154.8

(1) Amount is not part of the Company's normal operating costs.
(2) Amount relates to the consumption of the Company's capital assets, intangible assets or other assets.
(3) Amount relates to the Company's financing strategies.
(4) Amount relates to the valuation of minority shareholders' interest in certain subsidiaries of the Company.
(5) Amount represents the change in fair value of the Company's U.S. dollar forward purchase contracts for the period and is adjusted for on the basis that the Company does not intend to liquidate these contracts but rather uses them to stabilize the cost of its U.S. dollar denominated purchases and, in turn, its profit margins.
(6) Amount relates to businesses that the Company does not control.

(in millions of dollars except percentages)	13 weeks ended Dec 30, 2017	% (1)	14 weeks ended Dec 31, 2016	% (1)	52 weeks ended Dec 30, 2017	% (1)	53 weeks ended Dec 31, 2016	% (1)
Adjusted EBITDA by segment:								
Specialty Foods	39.4	10.6%	40.7	12.5%	149.9	11.2%	124.9	11.0%
Premium Food Distribution	13.0	6.1%	12.8	6.2%	55.4	6.4%	45.1	6.3%
Corporate	(5.1)		(7.9)		(15.1)		(15.2)	
Consolidated	47.3	8.1%	45.6	8.6%	190.2	8.7%	154.8	8.3%

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

Adjusted EBITDA for the fourth quarter of 2017 as compared to the fourth quarter of 2016 increased by $1.7 million or 3.7% to $47.3 million. Normalizing for the Extra Week, adjusted EBITDA increased by $5.1 million or 12.1%. While the fourth quarter adjusted EBITDA of $47.3 million represents a new fourth quarter record for the Company, it was below what was expected due to the challenges that impacted SF's and PDF's revenue and margins during the quarter, all of which are viewed by the Company as temporary.

The Company's adjusted EBITDA for 2017 as compared to 2016 increased by $35.4 million or 22.9% ($38.8 million or 25.6% after adjusting for the Extra Week) resulting in an adjusted EBITDA as a percentage of sales for 2017 of 8.7%, which is within the Company's targeted range for the year of 8.5% to 9.0%.

Plant Start-up and Restructuring Costs

Plant start-up and restructuring costs consist of expenses associated with the start-up of new production capacity or the reconfiguration of existing capacity to gain efficiencies and/or additional capacity. The Company expects (see *Forward Looking Statements*) these projects to result in significant improvements in its future earnings and cash flows.

During 2017, the Company incurred $7.3 million in plant start-up costs for the following projects:

Phoenix Plant Project	The Company incurred $6.1 million in plant start-up costs associated with the commissioning of a new 212,000 square foot sandwich production facility in Phoenix, AZ (the Phoenix Plant) (see *Liquidity and Capital Resources – Capital Expenditures – Project Capital Expenditures*). This project was completed in the fourth quarter of 2017 and correspondingly no further costs are expected.
Bakery Reconfiguration Project	The Company incurred $0.6 million in plant start-up costs associated with the reconfiguration of production between its two legacy artisan bakeries (one in Langley, BC and the other in Delta, BC) and its newest artisan bakery (in Richmond, BC), which it acquired at the end of 2016 as part of the purchase of Island City Baking. Looking forward (see *Forward Looking Statements*), the Company expects to complete the Bakery Reconfiguration Project in the second quarter of 2018 and is projecting total plant start-up costs for this initiative of approximately $1.0 million.
GTA Facility Project	The Company incurred $0.6 million in plant-start-up costs associated with the construction of a state-of-the-art distribution and custom cutting facility in the Greater Toronto Area (the GTA Facility) (see *Liquidity and Capital Resources – Capital Expenditures – Project Capital Expenditures*). Looking forward (see *Forward Looking Statements*), the Company expects to complete construction of the GTA Facility in Q2-2018 and to have the facility operating at normal production efficiencies by the end of the third quarter of 2018. The projected total plant start-up costs for this initiative is $2.4 million.

Depreciation and Amortization (D&A)

(in millions of dollars)	13 weeks ended Dec 30, 2017	14 weeks ended Dec 31, 2016	52 weeks ended Dec 30, 2017	53 weeks ended Dec 31, 2016
Depreciation and amortization of intangible assets (D&A) by segment:				
Specialty Foods	8.8	7.2	31.4	27.1
Premium Food Distribution	2.3	2.4	8.9	7.5
Corporate	0.3	0.1	0.8	0.4
Consolidated	11.4	9.7	41.1	35.0

The Company's D&A expense for the fourth quarter of 2017 as compared to the fourth quarter of 2016 and for 2017 as compared to 2016 increased by $1.7 million and $6.1 million, respectively, primarily due to: (i) acquisitions completed in late 2016 and 2017; and (ii) the completion of a variety of capital projects in 2017 including the Phoenix Plant in the second quarter of the year.

Interest and Other Financing Costs

The Company's interest and other financing costs for the fourth quarter of 2017 as compared to the fourth quarter of 2016 and for 2017 as compared to 2016 increased by $2.6 million and $5.4 million, respectively, primarily due to: (i) increases in its net funded debt (see *Liquidity and Capital Resources – Debt Financing Activities – Funded Debt*); and (ii) a higher weighted average interest rate resulting from a combination of rising short term interest rates and, in terms of 2017 as a whole, a larger percentage of the Company's total funded debt consisting of higher cost convertible debentures. These factors were partially offset by approximately $1.5 million in accretion of long-term debt in the third quarter of 2016 resulting from the early conversion of certain convertible debentures.

Change in Value of Puttable Interest in Subsidiaries

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

Income Taxes

The Company's expected range for its provision for income taxes as a percentage of earnings before income taxes (income tax rate) for 2017 is 28% to 30%. This is based on: (i) an effective income tax rate range within the main tax jurisdictions that it operated in during 2017 (the tax jurisdictions) of 26% to 35%; (ii) the expected allocation of its taxable income among the tax jurisdictions; and (iii) the deductibility of certain costs for income tax purposes.

For 2017, the Company's provision for income taxes as a percentage of earnings before income taxes (income tax rate) was 24.8%, which is below its expected range for 2017 primarily due to a $3.9 million unusual income tax recovery. This recovery was the result of the revaluation of the tax assets and liabilities of the Company's US entities to reflect major changes in U.S. income tax rates for years starting in 2018. Normalizing for this recovery, the Company's income tax rate for 2017 is 28.4%.

Looking forward (see *Forward Looking Statements*), based on currently implemented income tax rates the Company's expected range for its income tax rate in 2018 is 25% to 27%. The decrease in this range as compared to its expected range for 2018 is primarily due to reduced federal income tax rates in the U.S. partially offset by slightly higher income tax rates in certain Canadian jurisdictions.

2018 Sales and Adjusted EBITDA Outlook

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

For fiscal 2018 the Company is projecting revenues of between $2.65 billion and $2.73 billion and adjusted EBITDA of between $244 million and $256 million, representing an adjusted EBITDA margin range of 8.9% to 9.7%. These projections reflect: (i) the impact of acquisitions that were completed in 2017; and (ii) organic sales volume growth of approximately 13%, which is above the Company's long-term targeted range of 4% to 6% mainly due to its investment in additional sandwich production capacity in 2017 and the expected completion of the new GTA Facility in the second quarter of 2018 (see *Liquidity and Capital Resources – Capital Expenditures – Project Capital Expenditures*).

The Company's 2018 projections do not include: (i) the impact of recently announced transactions that are expected to be completed in the relatively near future (see *Subsequent Events*); and (ii) any provisions for possible future acquisitions even though the Company continues (see *Forward Looking Statements*) to pursue a variety of opportunities and expects to complete several more transactions (in addition to those already announced) in 2018. A business acquisition will only be reflected in the Company's guidance after the transaction has been closed.

SUMMARY OF QUARTERLY RESULTS

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

(in millions of dollars except per share amounts)	Q1-16	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17
Revenue	381.0	462.9	481.0	532.6	478.2	577.4	557.3	585.4
Adjusted EBITDA	25.1	40.1	44.0	45.6	38.4	55.0	49.5	47.3
Earnings	9.2	18.4	21.2	20.0	15.3	26.7	21.3	17.2
Earnings per share – basic	0.34	0.64	0.72	0.67	0.52	0.90	0.72	0.57
Earnings per share – diluted	0.34	0.64	0.72	0.67	0.51	0.89	0.71	0.57

The financial performance of many of the Company's businesses is subject to fluctuations associated with the impact on consumer demand of seasonal changes in weather. As a result, the Company's performance varies with the seasons.

In general terms, its results are weakest in the first quarter of the year due to winter weather conditions which result in: (i) less consumer travelling and outdoor activities and, in turn, reduced consumer traffic through many of the Company's convenience oriented customers' stores such as restaurants, corner stores, gas stations and concessionary venues; and (ii) reduced consumer demand for its outdoor oriented products such as barbeque and on-the-go convenience foods.

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

In addition to seasonal factors, over the last eight quarters the Company's performance was impacted by business acquisitions and a variety of organic growth initiatives that resulted in consistent year over year improvement in its quarterly revenue, adjusted EBITDA and earnings. The exceptions to this trend were: (i) the Company's earnings for the third quarter of 2017 as compared to the third quarter of 2016 which were relatively flat due to plant start-up costs offsetting improvements in its operating earnings; and (ii) the Company's earnings for the fourth quarter of 2017 as compared to the fourth quarter of 2016

which were down due to a variety of factors including plant start-up costs, acquisition expenses and higher interest costs.

LIQUIDITY AND CAPITAL RESOURCES

Net Working Capital Requirements

Net Working Capital

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

The following table provides the calculation of net working capital:

(in millions of dollars)	As at Dec 30, 2017	As at Dec 31, 2016
Accounts receivable	220.6	180.9
Inventories	218.1	170.4
Prepaid expenses	9.3	7.5
Accounts payable and accrued liabilities	(179.1)	(155.8)
Net working capital	268.9	203.0

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 resulting from seasonal fluctuations in the Company's net working capital are managed primarily through draws and repayments on its revolving senior credit facility. The cash requirements for increases in the Company's net working capital resulting from its growth initiatives are over the longer term financed from the associated growth in the Company's free cash flow (see *Liquidity and Capital Resources*).

Net working capital at the end of the fourth quarter of 2017 as compared to the end of the fourth quarter of 2016 increased by $65.9 million primarily due to: (i) business acquisitions (see *Liquidity and Capital Resources – Corporate Investments*), which resulted in $23.0 million of additional net working capital; (ii) the Company's organic growth; (iii) the build-up of inventory at the Company's new sandwich plant in Phoenix; (iv) the build-up of inventory for a customer promotion that started in the first quarter of 2018; and (iv) normal fluctuations in the timing of inventory purchases and payments.

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

(in days)	As at Dec 30, 2017	As at Dec 31, 2016
Days sales in accounts receivable (1)	34.3	33.3
Days cost of sales in inventory (2)	41.6	39.0

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

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

The Company's days sales in accounts receivable at the end of 2017 as compared to the end of 2016 increased primarily due to business acquisitions. Excluding the impact of business acquisitions, the Company's days sales in accounts receivable at the end of 2017 is 33.0 days.

The Company's days cost of sales in inventory at the end of 2017 as compared to the end of 2016 increased by 2.6 days primarily due to: (i) the build-up of inventory at the Company's new sandwich plant in Phoenix; (ii) the build-up of inventory for a customer promotion that started in the first quarter of 2018; and (iii) normal fluctuations in the timing of inventory purchases. Excluding the impact of the Phoenix and customer promotion inventory build-ups, the Company's days cost of sales in inventory at the end of 2017 is 39.4 days.

Debt Financing Activities

Credit Facilities

As at December 30, 2017, the Company's credit facilities and the unutilized portion of those facilities were as follows:

(in millions of dollars)	Credit Facilities	Amount Drawn on Facility	Unutilized Credit Capacity
Revolving senior credit facility [(1)]	540.1	407.3	132.8
5.00% debentures [(2)]	21.9	21.9	-
4.65% debentures [(3)]	83.7	83.7	-
4.60% debentures [(4)]	108.7	108.7	-
Industrial Development Revenue Bond [(5)]	7.7	7.7	-
Vendor take-back notes	6.4	6.4	-
Capital leases and other term loans	0.5	0.5	-
Other revolving credit facilities	17.0	6.2	10.8
Cheques outstanding	-	13.9	(13.9)
Cash and cash equivalents	-	(15.1)	15.1
	786.0	641.2	144.8

(1) The credit facility amount of $540.1 million represents the total available under this facility of $550.0 million less approximately $9.9 million in outstanding letters of credit. The facility matures in September 2021, can be used to fund the Company's working capital and general operating needs, capital projects and acquisitions, and has no principal payments prior to its maturity date.

(2) Represents the present value of the outstanding portion of the $69.0 million in 5.00% convertible unsecured subordinated debentures issued by the Company in April 2015 plus the value attributed to the cash conversion option associated with the debentures. The outstanding face value of these debentures, which mature on April 30, 2020 and have no principal payments prior to that date, was $23.2 million as at December 30, 2017. The 5.00% debentures trade on the Toronto Stock Exchange under the symbol PBH.DB.D.

(3) Represents the present value of the outstanding portion of the $86.3 million in 4.65% convertible unsecured subordinated debentures issued by the Company in April 2016 plus the value attributed to the cash conversion option associated with the debentures. The outstanding face value of these debentures, which mature on April 30, 2021 and have no principal payments prior to that date, was $86.2 million as at December 30, 2017. The 4.65% debentures trade on the Toronto Stock Exchange under the symbol PBH.DB.E.

(4) Represents the present value of the outstanding portion of the $113.0 million in 4.60% convertible unsecured subordinated debentures issued by the Company in December 2016 plus the value attributed to the cash conversion option associated with the debentures. The outstanding face value of these debentures, which mature on December 31, 2023 and have no principal payments prior to that date, was $113.0 million as at December 30, 2017. The 4.60% debentures trade on the Toronto Stock Exchange under the symbol PBH.DB.F.

(5) The bond, which was issued by one of the Company's U.S. subsidiaries, is denominated in U.S. dollars (US$6.1 million), matures in 2036 and has no principal payments due prior to its maturity date.

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 revolving senior credit facility (see *Liquidity and Capital Resources – Debt Financing Activities – Banking Covenants*).

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

(in millions of dollars)	As at Dec 30, 2017	As at Dec 31, 2016
Cheques outstanding	13.9	12.4
Bank indebtedness	6.2	0.2
Current portion of long-term debt	1.8	2.2
Long-term debt	417.9	152.2
Deferred financing costs (1)	2.2	1.5
	442.0	168.5
Less: cash and cash equivalents	15.1	19.4
Senior funded debt	426.9	149.1
5.00% Debentures	21.9	64.1
4.65% Debentures	83.7	82.9
4.60% Debentures	108.7	107.8
Total funded debt	641.2	403.9

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

Debt Activities

During 2017, the Company's significant debt activities consisted of the following:

(in millions of dollars)	52 weeks ended Dec 30, 2017
Opening total funded debt at December 31, 2016	403.9
Payments on revolving senior credit facility net of dividends paid	(19.7)
Draws on revolving senior credit facility for capital expenditures (1)	52.9
Draws on revolving senior credit facility for business acquisitions (net of cash acquired) (3)	202.4
Funded debt assumed as part of business acquisitions (2)	3.1
Promissory note issued as part of business acquisitions (3)	2.0
Accretion of debentures	2.5
Conversions of debentures to common shares	(43.1)
Foreign currency translation adjustment (4)	39.5
Scheduled repayments	(2.3)
	641.2

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

(2) Due to the consolidation of IMS amount includes 100% of its funded debt at the time of the acquisition (see *Liquidity and Capital Resources – Corporate Investment)*.

(3) See *Liquidity and Capital Resources – Corporate Investment*.

(4) 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.

During the fourth quarter of 2017, the Company renegotiated the terms of its revolving senior credit facility including increasing the size of the facility to $550.0 million and extending its maturity to September 2021.

Banking Covenants

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

	Covenant Requirement	Dec 30, 2017 Ratio
Senior funded debt to adjusted EBITDA ratio (1)	=< 4.0 : 1.0	1.9 : 1.0
Interest coverage ratio (2)	>= 4.0 : 1.0	25.7 : 1.0

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

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

Financial Leverage

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

- The risks associated with the consistency and sustainability of the Company's cash flows;
- The financial covenants associated with the Company's senior credit facilities;
- The Company's dividend policy;
- The tax benefits associated with financing the Company's operations with debt; and
- The terms and risk characteristics of the convertible debentures issued by the Company.

At the end of 2017, the Company's senior funded debt to adjusted EBITDA ratio of 1.9 : 1 and its total funded debt to adjusted EBITDA ratio of 3.0 : 1 were both below the Company's respective long-term targeted ranges for these ratios.

Looking forward (see *Forward Looking Statements*) the Company intends to use its excess senior debt capacity to fund project capital expenditures and business acquisitions.

Dividends

Free Cash Flow

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

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

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

(in millions of dollars)	52 weeks ended Dec 30, 2017	53 weeks ended Dec 31, 2016
Cash flow from operating activities	85.9	149.9
Changes in non-cash working capital [(1)]	45.9	(21.4)
Acquisition transaction costs [(2)]	4.2	1.6
Plant start-up costs [(3)]	7.3	-
Maintenance capital expenditures [(4)]	(12.0)	(8.6)
Free cash flow	131.3	121.5

(1) Cash used for increases in the Company's non-cash working capital is funded primarily through draws on its revolving credit facilities, while cash resulting from decreases in its non-cash working capital is used primarily to pay down these facilities.

(2) Amount relates to the Company's business acquisition activities.

(3) Amount relates to the Company's plant start-up initiatives.

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

The Company's free cash flow for 2017 as compared to 2016 rose by $9.8 million primarily due to its increased adjusted EBITDA partially offset by higher cash taxes and, to a lesser extent, higher interest payments and maintenance 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;
- Financing requirements for project capital expenditures (see *Liquidity and Capital Resources – Capital Expenditures*), plant start-up and business restructuring initiatives and business acquisitions;
- Ability to access reasonably priced debt and equity financing;
- The ratio of its annual dividend per share to the trading price of its shares on the Toronto Stock Exchange, i.e. dividend yield;
- Maintaining a stable quarterly dividend per share, despite the seasonal nature of many of the Company's businesses;
- Maintaining regular annual increases in its dividend per share; and
- Significant changes, if any, in the status of one or more of the risk factors facing the Company.

In the first quarter of 2017 the Company increased its quarterly dividend by 10.5% to $0.42 per share, or $1.68 per share on an annual basis. Subsequent to 2017, the Company increased its quarterly dividend by 13.1% to $0.475 per share, or $1.90 per share on an annual basis.

Looking forward (see *Forward Looking Statements*), the Company is continually assessing its dividend policy based on the considerations outlined above as well as other possible factors that may become relevant in the future and, correspondingly, there can be no assurance that its current quarterly dividend 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 since 2006, which was its first full year of declared distributions.

(in millions of dollars except per share amounts and ratios)	Declared Shareholder Dividends / Distributions	Nature of Distribution	Free Cash Flow	Ratio [1]	Average Annualized Dividend / Distribution Per Share / Unit
Trailing four quarters ended:					
December 30, 2017	50.6	Dividend	131.3	38.5%	$1.6800
December 31, 2016	44.5	Dividend	121.5	36.6%	$1.5200
December 26, 2015	35.0	Dividend	81.1	43.2%	$1.3800
December 27, 2014	27.8	Dividend	57.4	48.4%	$1.2500
December 28, 2013	26.5	Dividend	49.2	53.9%	$1.2315
December 29, 2012	24.4	Dividend	46.0	53.0%	$1.1760
December 31, 2011	22.7	Dividend	38.2	59.4%	$1.1760
December 25, 2010	21.0	Dividend	32.2	65.2%	$1.1760
December 26, 2009	20.7	(2)	29.3	70.6%	$1.1760
December 31, 2008	20.6	Trust distribution	29.6	69.6%	$1.1760
December 31, 2007	20.5	Trust distribution	26.4	77.7%	$1.1760
December 31, 2006	18.4	Trust distribution	17.3	106.4%	$1.1760

(1) Ratio of dividends / distributions declared to free cash flow for the corresponding trailing four quarter period.
(2) Consisted of trust distributions for the first two quarters of the period and dividends for the last two quarters of the period.

Capital Expenditures

Expenditure Classification

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

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

Changes in Capital Assets

The following table shows the changes in the Company's capital assets during 2017:

(in millions of dollars)	52 weeks ended Dec 30, 2017
Opening capital assets at December 31, 2016	251.7
Depreciation	(30.9)
Foreign currency translation adjustment (1)	(6.1)
Disposals	(0.7)
Acquisitions	40.1
Capital expenditures:	
Project	52.9
Maintenance	12.0
Closing capital assets	319.0

(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 2017, the Company invested $52.9 million in project capital expenditures consisting of:

- $27.7 million (US$21.3 million) for the construction of a 212,000 square foot, state-of-the-art sandwich assembly facility in Phoenix, AZ. This facility, which commenced operations at the end of the second quarter of 2017, provides the Company with much needed capacity and complements its other sandwich production facilities in Reno, NV, Columbus, OH, Edmonton, AB and Montreal, QC. In total, with the completion of the Phoenix plant, the Company now has approximately 610,000 square feet of state-of-the-art sandwich production capacity.

  This project was completed during the fourth quarter of 2017 and no further costs are expected (see *Forward Looking Statements*).

- $7.8 million for the construction of a state-of-the-art distribution and custom cutting facility in the Greater Toronto Area. This facility will: (i) provide much needed capacity to the Company's Ocean Miracle and Diana's Seafood foodservice distribution businesses, both of which will move their operations into the new facility; and (ii) allow Ocean Miracle and Diana's Seafood to

offer hotels, restaurants and institutions a full line of high quality customized protein solutions, thereby expanding the Company's highly successful Centennial Foodservice business model into Ontario. Currently Centennial operates only in western Canada.

The projected cost of this project, which includes equipment and leasehold improvements, is $14.0 million, $8.7 million of which (after including expenditures made in 2016) had been spent as at the end of 2017. The Company expects to complete this project in the second quarter of 2018 (see *Forward Looking Statements*).

- $3.8 million (US$2.9 million) for fresh-tray-pack packaging capacity at the Company's plants in Reno, NV and Columbus, OH. This capacity will be used to support a variety of new branded and co-packing initiatives in the fresh snacking trays category that have been delayed due to the Company's current capacity is being fully utilized. The projected cost of this project is US$5.0 million and it is expected to be completed in the first quarter of 2018.
- $2.9 million for a new enterprise resource planning system that the Company intends to implement in many of its businesses over the next several years. (see *Forward Looking Statements*).
- $10.7 million for a variety of smaller projects consisting mainly of capacity related equipment purchases.

Historic Maintenance Capital Expenditures

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

(in millions of dollars)	
Trailing four quarters ended:	
December 30, 2017	12.0
December 31, 2016	8.6
December 26, 2015	6.4
December 27, 2014	4.8
December 28, 2013	4.3
December 29, 2012	2.9
December 31, 2011	2.9
December 25, 2010	1.7
December 26, 2009	2.0
December 31, 2008	2.6
December 31, 2007	1.8
December 31, 2006	1.9

Looking forward, for 2018 the Company expects its maintenance capital expenditures to be between $15.0 million and $20.0 million (see *Forward Looking Statements*).

Corporate Investments

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

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

Business Acquisitions

During 2017 the Company invested $243.9 million in the acquisition of the following seven businesses:

	Business Description	Annual Sales *(in millions of $)*	Investment	Purchase Date
Made-Rite Meat Products (Made-Rite)	A manufacturer of beef jerky and other meat snack products for primarily businesses owned by the Company	(1)	Purchase of the minority interest of 30% as well as Made-Rite's leased facility	Jan 12, 2017
Interprovincial Meat Sales (IMS)	A wholesaler of high quality protein products to retailers, foodservice distributors and manufacturers located in the Maritimes	36.0	80% interest	Jan 27, 2017
Ravensbergen	An exclusive distributor of a line of premium gelato making ingredients to foodservice customers in western Canada	1.2	100% interest	Feb 8, 2017
Leadbetter Foods Inc. (Leadbetter)	A manufacturer of specialty bacon, fresh and frozen burgers and portion-cut steaks for retailers and foodservice customers across Canada	55.0	100% interest	Sep 15, 2017
Skilcor Food Products (Skilcor)	A manufacturer of cooked protein products, including back ribs, for retailers across Canada	27.0	100% interest	Sep 22, 2017
Buddy's Kitchen Ltd. (Buddy's)	A manufacturer of artisan-quality ready-to-eat meal solutions for airlines and retailers in the mid-western U.S.	US60.5	100% interest	Nov 17, 2017
Raybern Foods Ltd. (Raybern's)	A manufacturer of branded heat-and-serve sandwiches for retailers across the U.S.	US48.3	100% interest	Nov 21, 2017

(1) Made-Rite's sales are primarily to other businesses owned by the Company and as a result are not included in the Company's consolidated sales.

Investments in Associates

Investment in associates consists of the Company's investments in businesses which it does not control, including 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. Other than Pender West LP, all of the businesses included in investment in associates are specialty food companies.

During 2017 the Company invested $14.0 million in the following three businesses, all of which are accounted for as investments in associates:

- In the third quarter the Company increased its investment in BC based McLean Meats to 36.2% from 25.0%. McLean's markets and sells a variety of premium processed meats, including organic and natural products, to retail and foodservice customers across Canada.
- Also in the third quarter the Company purchased a 25% interest in Washington based Partners, A Tasteful Choice Company, a manufacturer of high-end artisan crackers for retailers across the U.S. and Canada. Its proprietary brands include *Partners*, *Mia Dolci*, *Wisecrackers* and *Free for All Kitchen*.
- In the fourth quarter the Company purchased a 50% interest in California based Shaw Bakers, a manufacturer and distributor of fresh and frozen artisan breads as well as a range of sweet and savory pastries for retailers on the west coast of the U.S.

The following table shows the changes in investment in associates during 2017:

(in millions of dollars)	52 weeks ended Dec 30, 2017
Opening investment in associates at December 31, 2016	9.5
New investments	14.0
Note receivable from associates	2.8
Equity loss in associates	(0.5)
Cash distribution from associates	(0.3)
Closing investment in associates at December 30, 2017	25.5

Goodwill and Intangible Assets

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

The following table shows the changes in the combined total of the Company's goodwill and intangible assets during 2017:

(in millions of dollars)	52 weeks ended Dec 30, 2017
Opening goodwill and intangible assets at December 31, 2016	470.1
Amortization of intangible assets	(10.2)
Business acquisitions	182.9
Adjustments to purchase price of prior year business acquisitions	0.2
Foreign currency translation adjustment (1)	(2.7)
Closing goodwill and intangible assets	640.3

(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.

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 2017:

(in millions of dollars)	52 weeks ended Dec 30, 2017
Opening puttable interest at December 31, 2016	32.2
Change in value [1]	5.7
Acquisitions	1.1
Addition arising from issuance of shares of subsidiary [2]	0.5
Cash distributions to non-controlling shareholders with puttable interests	(2.3)
Foreign currency translation adjustment [3]	(0.5)
Closing puttable interest [4]	36.7

(1) See *Results of Operations – Change in Value of Puttable Interest in Subsidiaries*.
(2) Contingent consideration relating to the acquisition of Ocean Miracle (see *Liquidity and Capital Resources – Corporate Investments – Provisions)* was partially settled through the issuance of shares of one of the Company's subsidiaries. The holders of these shares have put options that entitle them to require the Company to purchase these shares.
(3) Adjustment is the result of changes in the currency exchange rate used to translate the Company's U.S. based operations, which are denominated in U.S. dollars, into Canadian dollars.
(4) Includes both the current and long-term portions

Provisions

Provisions consist of the following amounts:

(in millions of dollars)	As at Dec 30, 2017
Contingent consideration – Ocean Miracle acquisition [1]	1.0
Contingent consideration – C&C Foods acquisition [2]	19.7
Contingent consideration – IMS acquisition [3]	0.8
Lease restoration costs [4]	1.0
Provisions [5]	22.5

(1) This represents the discounted present value of the contingent consideration that is payable to the previous owners of Ocean Miracle (acquired in 2014) if the business achieves certain performance targets over the 52-week period ending December 29, 2018.
(2) This represents the discounted present value of the contingent consideration that is payable to the previous owners of C&C Foods (acquired in 2016) if the business achieves certain performance targets over the two-year period ending April 17, 2018.
(3) This represents the discounted present value of the contingent consideration that is payable to the previous owners of IMS (acquired in 2017) if the business achieves certain performance targets over the two-year period ending January 27, 2019.
(4) This represents the discounted present value of estimated (see *Forward Looking Statements*) future site restoration costs associated with leased facilities. The final liabilities will be payable upon the expiry of the associated leases.
(5) Includes both the current and long-term portions.

The following table shows the changes in the provisions during 2017:

(in millions of dollars)	52 weeks ended Dec 30, 2017
Opening provisions at December 31, 2016	22.9
Acquisition	0.8
Accretion of provisions	1.1
Cash payments	(1.8)
Settlement through issuance of shares of subsidiary – Ocean Miracle [1]	(0.5)
Closing provisions [1]	22.5

(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, adjusted EBITDA, plant start-up costs and income tax rate expectations for 2018.

See *Liquidity and Capital Resources – Capital Expenditures* for details on the Company's project and maintenance capital expenditure expectations for 2018.

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 pursue opportunities and, correspondingly, is in the process of evaluating several potential transactions.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off balance sheet arrangements.

Contractual Obligations

The payments due on the Company's significant contractual obligations at December 30, 2017 are as follows:

(in millions of dollars)	Total	1 year out	2 years out	3 years out	4 years out	5 years out	There-after
Long-term debt	421.9	1.8	2.4	0.4	407.7	0.5	9.1
5.00% Debentures	23.2	-	-	23.2	-	-	-
4.65% Debentures	86.2	-	-	-	86.2	-	-
4.60% Debentures	113.0	-	-	-	-	-	113.0
Operating leases	164.2	23.8	22.4	20.4	18.4	14.1	65.1
Total	808.5	25.6	24.8	44.0	512.3	14.6	187.2

TRANSACTIONS WITH RELATED PARTIES

During 2017, the Company entered into the following transactions with related parties:

Pender West LP

Pender West LP is a Vancouver, BC based real estate investment fund in which the Company owns a 35% interest (see *Corporate Investments – Investments in Associates*) and the Company's Chairman, Bruce Hodge, indirectly owns a 13% interest.

Pursuant to three twenty-year real property leases ending between April 2033 and January 2034, the Company made $2.9 million in lease payments to Pender West LP in 2017.

Employee Loan Program (ELP)

In 2006 the Company put into place the ELP. Under the terms of the program the Company makes loans to certain employees, officers and directors of the Company (the participants) for the sole purpose of enabling them to purchase the Company's issued and outstanding common shares. The primary reasons for the ELP are: (i) facilitating ownership in the Company by the participants and thereby further aligning their interests with those of the Company's shareholders; and (ii) supporting employee retention.

The terms of a loan made under the ELP are as follows:

- Security: A first charge on the shares (the ELP shares) purchased with the proceeds of the loan and a personal guarantee from the participant
- Interest: None unless an event of default occurs
- Principal payments: Quarterly payments equal to 55% of the dividends paid on the ELP shares
- Maturity: Loan is immediately due and payable upon the termination of the participant's employment with the Company, otherwise, no fixed maturity date

During 2017, $8.4 million of ELP loans, which are included as part of *Other Assets* on the Company's consolidated balance sheet, were outstanding to 91 employees, officers and directors of the Company.

Principal payments on the ELP loans in 2017 totaled $0.5 million, $0.1 million of which were made by officers and directors of the Company.

SUBSEQUENT EVENTS

Subsequent to December 30, 2017 the following events occurred:

Acquisitions

In March 2018 the company announced that it had entered into definitive agreements to acquire the following four businesses:

- Concord Premium Meats Ltd., an Ontario based manufacturer of branded and customized protein solutions for retailers and foodservice customers across Canada. Its proprietary brands include *MarcAngelo*, *Skoulakis*, *Central Park Deli*, *Black River Angus* and *Connie's Kitchen*. The transaction, which is subject to approval by the Competition Bureau of Canada as well as customary closing conditions, is expected to be completed in the second quarter of 2018.
- The Meat Factory Ltd., an Ontario based manufacturer of branded cooked protein products for retailers and foodservice customers across Canada. Its core brand is *Lou's Barbeque*, which is the number one brand in Canada in the fully cooked meals product category and a leading

brand in the fresh cooked ribs category. The transaction is subject to customary closing conditions and is expected to be completed in March 2018.

- Country Prime Meats Ltd., a BC based manufacturer of shelf stable meat snacks for primarily businesses owned by the Company. The transaction is subject to customary closing conditions and is expected to be completed in March 2018.
- Frandon Seafood Inc., a Quebec based distributor of fresh and frozen seafood to foodservice and retail customers in the greater Montreal area. Frandon will play a key role in the Company's C&C business's expansion into the seafood product category. The transaction is subject to customary closing conditions and is expected to be completed in March 2018.

The total expected investment associated with the purchase of the above four business, which have combined annual sales to companies not owned by Premium Brands of $266.5 million, is approximately $227.0 million.

Increase in Dividend Rate

In March 2018 the Company increased its quarterly dividend by 13.1% to $0.475 per share, or $1.90 per share on an annual basis (see *Liquidity and Capital Resources – Dividends – Dividend Policy*).

FORWARD LOOKING STATEMENTS

This discussion and analysis contains forward looking statements with respect to the Company, including, without limitation, statements regarding its business operations, strategy and financial performance and condition, cash distributions, proposed acquisitions, budgets, projected costs and plans and objectives of or involving the Company. 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 March 14, 2018, there can be no assurance that such expectations will prove to be correct as such forward looking 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. Forward looking statements in this discussion and analysis include statements with respect to the Company's expectations and/or projections on: (i) its organic volume growth rates; (ii) its EBITDA margins; (iii) its income tax rates; (iv) its dividend policy; (v) its capital expenditures; and (vi) the utilization of its senior debt capacity.

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

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

- The overall economic conditions in Canada and the United States will be relatively stable with modest improvement in the near to medium term.
- The average cost of the basket of food commodities purchased by the Company will be relatively stable.
- The Company's major capital projects, plant start-up and business acquisition initiatives will progress in line with its expectations.

- The Company will be able to continue to access sufficient skilled and unskilled labor at current wage levels. In particular, the Company's initiatives to address the labor supply issues that impacted its fourth quarter results will be successful.
- The Company will be able to continue to access sufficient goods and services for its manufacturing and distribution operations.
- The value of the Canadian dollar relative to the U.S. dollar will continue to fluctuate in line with recent levels.
- The Company will be able to achieve continued operating efficiency improvements.
- There will not be any material changes in the competitive environment or consumer food trends in the markets in which the Company's various businesses compete. Some of the specific consumer trends that the Company's business strategies are focused on include: (i) growing demand for higher quality foods made with simpler more wholesome ingredients and/or with differentiating attributes such as antibiotic free, no added hormones or use of organic ingredients; (ii) increased reliance on convenience oriented foods both for on-the-go snacking as well as easy home meal preparation; (iii) healthier eating including reduced sugar consumption and increased emphasis on protein; (iv) increased snacking in between and in place of meals; (v) increased interest in understanding the background and stories behind food products being consumed; and (vi) increased social awareness on issues such as sustainability, sourcing products locally, animal welfare and food waste.
- Overall North American weather patterns will be in line with historic patterns. To the extent that unusual and/or extreme weather occurs this can impact the Company in a variety of ways including: (i) changes in consumer demand patterns; (ii) changes in raw material costs; and (iii) raw material shortages.
- There will not be any material changes in the Company's relationships with its larger customers including the loss of a major product listing and/or being forced to give significant product pricing concessions.
- There will not be any material changes in the trade relationship between Canada and the U.S., particularly with respect to certain protein commodities such as beef and pork products.
- The Company will be able to negotiate new collective agreements with no labor disruptions.
- The Company will be able to continue to access reasonably priced debt and equity capital.
- The Company's average interest cost on floating rate debt will remain relatively stable in the near to medium future.
- Contractual counterparties will continue to fulfill their obligations to the Company.
- There will be no material changes to the tax and other regulatory requirements governing the Company.

Management has set out the above summary of assumptions related to forward looking information included in this discussion and analysis in order to provide a more complete perspective on the Company's future operations. Readers are cautioned that this information may not be appropriate for other purposes.

Unless otherwise indicated, the forward looking information in this document is made as of March 14, 2018 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. Some of these risks and uncertainties are outlined below. 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 risk factors described below are not the only risk factors facing the Company and it may be subject to risks and uncertainties not described below that it is not presently aware of or that it may currently deem insignificant (see *Forward Looking Statements*).

Commodity Risk

The Company purchases a variety of commodity raw materials, including beef, pork, seafood, poultry, lamb, flour, corrugated packing materials, dairy products and energy, all of which are determined by relatively volatile market forces of supply and demand over which the Company has limited or no control. In addition, the cost of many of these commodity raw materials is highly cyclical, being characterized by periods of supply and demand imbalance, and sensitive to changes in industry capacity. If there is a sudden or severe increase in the cost of such commodity raw materials and the Company is unable to pass the additional costs onto its customers through increased selling prices, this could have a material adverse effect on its selling margins.

Furthermore, even if the Company is able to pass the additional costs onto its customers, there is a risk that this could result in higher selling prices for end consumers which, in turn, could negatively impact consumer demand for the Company's products.

The Company's product diversification strategies, which reduce its exposure to any single commodity, combined with its focus on differentiated products and niche markets that are less price sensitive, help to mitigate this risk. See the Company's Annual Information Form, which is filed electronically through SEDAR and is available online at www.sedar.com, for a summary of the types and amounts of commodities purchased by the Company.

Consumer Discretionary Spending Risk

The Company's sales could be adversely effected by reduced consumer discretionary spending resulting from actual or perceived changes in the condition of the economy. The Company's foodservice and convenience related businesses, in particular, are sensitive to this risk since reduced consumer discretionary spending generally results in a decrease in the frequency and amount spent for food prepared away from home and on convenience related items.

The Company's business diversification strategies, which include the development of sales in both the retail and foodservice segments of the food industry, help to mitigate this risk as a decline in sales in the foodservice segment resulting from poor economic conditions is often partially offset by an increase in sales in the retail segment.

Sales and Margin Risk

The Company's profitability depends on its ability to maintain its sales and profit margins. If the cost of the products sold by the Company increases, including through increased prices from suppliers for products distributed by the Company, increased costs for raw materials used by the Company in the manufacturing of its products, or through increased operating costs, its sales and/or selling margins could be adversely affected.

In addition, competition in the markets in which the Company competes may require it to reduce the prices it charges. If competitors offer discounts on certain products or services in an effort to capture or gain market share or to sell other products, the Company may be required to lower its prices or offer other favorable terms to compete successfully.

Customer Risk

The Company's sales to large format retail customers accounted for approximately 35.5% of its total revenue in 2017, after adjusting for a full year's revenue of businesses acquired during 2017. As is customary in the food industry, the Company does not have long-term contracts with any of these customers. The Company also has sales, representing approximately 17.2% of its total revenue in 2017, after adjusting for a full year's revenue of businesses acquired during 2017, to a group of distributors who sell the Company's products primarily to one customer (the Core Customer). The balance of the Company's sales is to a broad and diversified base of customers. The loss of sales to a large format retail customer or the Core Customer could have a material adverse effect on the Company's revenue.

The Company's customer diversification strategies, which include its individual businesses maintaining unique relationships with its customers, help to mitigate exposure to this risk. Furthermore, the risk associated with losing sales associated with the Core Customer is mitigated by a variety of factors including a long-term supply agreement, the Company's strong past performance as a strategic supplier, and a long time solid relationship.

Product Defect Risk

Many of the Company's products require a high degree of quality control to ensure their safety for consumption by consumers. Furthermore, a significant portion of the Company's products must be kept refrigerated prior to consumption. Improper production, handling or storage of the Company's products could result in the development of bacteria in the product that may cause food-borne illness. Product defects may also be caused by other factors such as accidental contamination, product tampering, mislabeling and/or the unintentional use of defective raw materials received from third party suppliers. The occurrence of a product defect could have a material adverse effect on the Company's: (i) sales due to reduced consumer demand and/or product availability; and /or (ii) expenses due to a variety of potential items including product recall and disposal costs and lawsuits.

The Company mitigates this risk by maintaining strict and rigorous quality controls and processes in its manufacturing and distribution facilities and by maintaining product liability and other insurance coverage that it believes to be in accordance with industry practices. Its insurance coverage may not, however, be adequate to fully protect the Company against damage claims and recall costs resulting from product defects. In addition, even if a claim is unsuccessful, the negative publicity associated with a claim and/or a product recall could be harmful to the Company's reputation.

Weather Risk

Many of the Company's businesses are seasonal as their revenues depend partly on favorable weather conditions. Correspondingly the Company's strongest financial performance is during the spring and summer seasons (see *Summary of Quarterly Results*). Poor weather conditions during these periods could have a material adverse effect on the Company's sales.

Access to Raw Material Supply Risk

Most of the raw materials purchased by the Company are generally readily available from a variety of suppliers and brokers, however, there are risks associated with the Company being able to adequately source adequate quantities of raw materials at reasonable prices. These include:

- The potential impact of climate change in general, and droughts in particular, on livestock production;
- The potential impact of unusual weather conditions on the availability of certain species of wild seafood, both in terms of preventing fishing fleets from accessing wild seafood stocks during extreme storms and a general lack of availability of certain species of seafood during times of abnormal water temperatures;

- Canada's supply management system for certain agricultural commodities which, in the past, has created supply / demand imbalances that have resulted in the Company not being able to source adequate amounts of reasonably priced turkey raw materials;
- Livestock risk (see *Risk and Uncertainties – Livestock Risk*); and
- International trade risk (see *Risk and Uncertainties – International Trade Risk*).

The Company mitigates these risks by maintaining a broad network of suppliers, contractual relationships with certain suppliers, developing global procurement relationships and through its general business and product diversification strategies.

Consumer Preference Risk

The Company's business is dependent, in part, upon stable and continued consumer interest in its products. While the Company believes it is well positioned to benefit from a number of consumer trends (see *Forward Looking Statements*), there is no assurance that these trends will continue or that contrary trends will not emerge. If consumer preferences, purchasing behaviors and/or dietary habits change, the Company's success will depend upon its ability to respond to these changes and its failure to anticipate, identify or react to them could result in declining demand for the Company's products.

In addition, part of the Company's growth strategy, as well as its strategy for dealing with changes in consumer preference, is based on the development of new and innovative products and product extensions. There can be no assurance that consumers will accept any such new products or that the Company will be able to attain sufficient market share for such products.

Competition Risk

The Company competes with many local, regional and national food manufacturers and distributors and its competition varies by distribution channel, product category and geographic market. Certain of the Company's competitors have greater financial and other resources than those of the Company or may have access to labor or products that are not available to the Company. In addition, the Company's competitors may be able to withstand market volatility better than the Company. There can be no assurance that the Company's principal competitors will not be successful in capturing, or that new competitors will not emerge and capture, a share of the Company's present or potential customer base.

In addition, it is possible that some of the Company's suppliers or customers could become competitors of the Company if they decide to distribute their own food products. Furthermore, if one or more of the Company's competitors were to merge or partner with another of its competitors, the change in the competitive landscape could adversely affect the Company's ability to compete effectively. Competitors may also establish or strengthen relationships with parties with whom the Company has relationships, thereby limiting its ability to distribute certain products.

Growth Risk

A key component of the Company's strategy is to continue to grow by increasing sales and earnings in existing markets with existing products; by expanding into new markets and products; and through accretive acquisitions. There can be no assurance that the Company will be successful in growing its business or in managing its growth. Furthermore, significant growth may place a significant amount of strain on the Company's senior management team and other key personnel as well as its business processes, operations and other resources.

Acquisition Risk

Business acquisitions and combinations are a key component of the Company's growth strategies, however, there can be no assurances that the Company will be able to identify and acquire appropriate businesses. Furthermore, there are inherent risks associated with acquiring a business including unanticipated transaction costs, costs associated with failed transactions, undisclosed liabilities, and integration issues. In addition, the process of integrating an acquired business into the Company's

operations may cause disruptions to the ongoing business or may absorb significant management attention that would otherwise be available for the ongoing development of the Company's business.

Business Restructuring Risk

In order to maximize the profitability of one or more of the Company's businesses and/or address changes in the business environment in which one or more of its businesses operates, the Company will, from time to time, initiate major business restructuring projects. There can be no assurance that these projects will be successful in addressing the issues impacting the relevant business. Furthermore, a major restructuring project may absorb significant management attention that would otherwise be available for the ongoing development of the Company's business.

Capital Project Risk

As part of the Company's growth and continuing improvement initiatives, it often invests in a variety of capital projects including the construction of new facilities and enhancements to existing facilities. In estimating the cost of these projects, the Company must make a variety of assumptions which are based on its experience and understanding of current facts and circumstances. If the capital expenditures associated with the a capital project are greater than projected, or if the expected benefits associated with larger capital projects are not achieved then the Company's financial condition, results of operations and cash flows could be adversely affected.

Currency Exchange Risk

The Company is exposed to changes in the value of the Canadian dollar relative to the U.S. dollar in the following ways:

- A significant portion of the Company's Canadian operations' raw material and finished product purchases are either denominated in U.S. dollars or are priced off of U.S. commodity markets. Correspondingly, an increase in the U.S. dollar relative to the Canadian dollar can result in an increase, in Canadian dollar terms, in the cost of these products. Where appropriate the Company partially mitigates this risk exposure through the use of foreign currency forward contracts (see *Financial Instruments – Foreign Currency Contracts*).
- A portion of the Company's U.S. based operations' sales consist of product exports to Canada. Correspondingly, an increase in the U.S. dollar relative to the Canadian dollar could reduce the selling margins on these products if the Company's U.S. based operations were unable to increase their selling prices, in Canadian dollar terms, to compensate for the stronger U.S. dollar.
- The valuation of the cash flows transferred from the Company's U.S. based operations. A decrease in the U.S. dollar relative to the Canadian dollar would reduce the value of this cash flow.
- The translation of the Company's U.S. based operations' earnings and financial position. A decrease in the U.S. dollar relative to the Canadian dollar would reduce the translated earnings and net asset values of the Company's U.S. based operations, for purposes of its consolidated financial statements.

Cyber Security Risk

The Company relies heavily on information technology systems for the efficient and effective operation of many aspects of its business, including: (i) managing business data; (ii) processing financial information; and (iii) complying with various regulatory, legal and tax requirements. The Company also stores confidential proprietary business information on its information technology network infrastructure, and uses its systems for electronic communications with its personnel, customers, business partners and suppliers.

The Company's information technology systems and networks are subject to potential threats such as: system failure; the requirement to upgrade or replace its software, databases, systems or key components thereof; natural disasters; unauthorized access; theft of information; malware; and viruses which could result in the theft, manipulation and/or the destruction of key information that the Company relies on for its operations.

The Company mitigates these risks by maintaining and testing systems of internal controls over its information technology systems and networks, education of its employees of potential sources of cyber risks, maintaining disaster recovery plans and developing response plans. However, given the rapidly evolving nature of information technology, the increasing sophistication of groups and individuals with a wide range of motives and expertise, and the high rate of change in the threat landscape, the Company may not be able to mitigate all risks associated with its information technology systems and networks.

Any significant failure of the Company's systems, including failures that prevent its systems from functioning as intended, or the Company's failure to timely identify or appropriately respond to cyber-attacks or other cyber incidents, could cause processing inefficiencies, the loss of customers and sales, negative consequences on employees and business partners, negative impacts on operations or business reputation and expose the Company to liability, litigation and regulatory enforcement actions. In addition, if the Company is unable to prevent security breaches, it may suffer financial and reputational damage or penalties because of the unauthorized disclosure of confidential information belonging to the Company or to its business partners, customers, consumers or suppliers.

Governmental Regulation Risk

The Company is subject to extensive laws, rules, regulations and policies with respect to the production, processing, preparation, packaging and labeling of its internally produced food products. Such laws, rules, regulations and policies are administered by various federal, state, provincial, regional and local health agencies and other governmental authorities, including, without limitation, Agriculture and Agri-Food Canada, the Canadian Food Inspection Agency, the United States Department of Agriculture and the United States Food and Drug Administration.

Although the Company maintains strict and rigorous controls and processes in its manufacturing facilities and strives to maintain material compliance with all applicable laws and regulations and maintain all material permits and licenses relating to its operations, there can be no assurance that it is in compliance with all such laws and regulations or that it will be able to comply with all applicable laws and regulations which may be enacted in the future. Failure by the Company to comply with applicable laws and regulations could subject it to civil remedies, including fines, injunctions, recalls, seizures, criminal sanctions, negative publicity, or increased costs associated with complying with such standards and controls. As well, changes in packaging and labelling requirements regarding product content could impact consumer purchasing.

Labour Risk

Approximately 13% of the Company's non-management employees are represented by labor unions or employee associations and the Company cannot predict with certainty which, if any, groups of employees that are not currently represented by a trade union or employee association may seek such representation in the future. A labor disruption, whether at one of the Company's businesses or involving one of the Company's significant suppliers, could impair the Company's ability to produce and/or source an adequate supply of finished products. Furthermore, a labor disruption involving one of the Company's significant customers could impair the Company's sales.

The Company is also dependent on having sufficient skilled and unskilled production and distribution labor for the continued efficient operation and growth of its business. In the event the Company is unable to hire and retain adequate labor resources this could also impair the Company's ability to produce an adequate supply of finished products. A labor shortage at one of the Company's suppliers could also impair this ability.

Availability of Capital Risk

The Company's growth strategies, including its acquisition initiatives, as well as its ongoing operations are dependent on being able to access debt and equity financing at a reasonable cost. A number of factors can impact the Company's ability and the associated cost to finance its activities, including general market conditions, investor sentiment, credit availability and the Company's operating performance. If the Company is unable to source financing as needed or to the extent that the Company is able to access sufficient capital but the cost of such capital is significantly higher than its current cost, its ability to execute its business strategies could be impaired.

Dependence on Key Personnel Risk

The Company is dependent on the continued services of its senior management team and its ability to retain and/or hire other highly qualified personnel. The loss of key personnel and/or the inability to attract and assimilate qualified personnel in the future could impact the Company's ability to execute its various business plans.

Interest Rate Risk

The Company is exposed to interest rate fluctuations on all of its revolving senior credit facilities (see Liquidity and Capital Resources – Debt Financing Activities – Credit Facilities). Where appropriate, these exposures are managed through interest rate swaps (see Financial Instruments – Interest Rate Swap Contracts), however, there can be no assurance that the Company will be able, in the future, to adequately manage these exposures.

Credit Risk

The Company extends credit to its customers which, like for most businesses in the food industry, is generally unsecured. Although the Company has a system of credit management in place which includes credit limits and close monitoring of payment, there is a risk that some of the Company's customers may not be able to meet their obligations when they become due.

Manufacturing Risk

The operation of the Company's facilities is dependent on the continued operation of certain critical equipment, such as refrigerators, freezers and processing equipment, which could incur downtime as a result of unanticipated failures. The Company may experience plant shutdowns, periods of reduced production or unexpected interruptions in production capabilities as a result of such equipment failures.

The Company mitigates its exposure to this risk through a combination of maintaining strict and rigorous controls and processes in its manufacturing facilities, regular equipment maintenance and prudent levels of insurance.

Livestock Risk

The Company is susceptible to risks related to the health status of livestock. Livestock health problems could adversely affect both the supply of raw materials to the Company's production facilities as well as consumer confidence in the Company's products.

International Trade Risk

The Company imports products from and, to a lesser extent, exports products to other countries and as such can be adversely affected by international events that affect the price of food commodities or the free flow of food products between countries. In addition, the Company can be adversely affected if such events affect the supply/demand balance in the marketplace and result in increased prices for raw materials being purchased by the Company for use in its products.

The current President of the United States has expressed his intent to change the existing North American Free Trade Agreement (NAFTA), which, since it entered into force, eliminated most tariff and non-tariff barriers to free trade and investment between Canada, the United States and Mexico. As there are not yet any specifics with respect to the amendments to NAFTA, the impact to the Company is indeterminable. Management continues to review, assess and monitor for any changes to NAFTA that could significantly impact the Company.

Environmental, Health and Safety Regulation Risk

The Company's operations have been and are subject to extensive and increasingly stringent federal, state, provincial, regional and local laws and regulations pertaining to environmental, health and safety matters, including the discharge of materials into the environment and the handling and disposition of waste material resulting from the production, processing and preparation of foods (including solid and hazardous wastes) or otherwise relating to the protection of the environment. Compliance with these laws and regulations (including any future amendments thereto) or more stringent enforcement of such laws and regulations could have a material adverse effect on the Company's operating costs.

No assurance can be given that additional environmental, health and safety issues relating to presently known matters or identified sites, or to other matters or sites, will not require currently unanticipated investigation, assessment or expenditures. Future discovery of previously unknown contamination of property underlying, or in the vicinity of, the Company's present or former properties or manufacturing facilities could require the Company to incur material unforeseen expenses.

Enterprise Resource Planning System Risk

The Company is engaged in or is planning the implementation of an enterprise resource planning (ERP) system at several of its businesses. Such an implementation is a major undertaking from a financial, management, and personnel perspective and, in some cases, can take several years to complete. The implementation of the ERP system may prove to be more difficult, costly, or time consuming than expected, and there can be no assurance that this system will be beneficial to the extent anticipated. Any disruptions, delays or deficiencies in the design and implementation of the new ERP system could adversely affect the Company's ability to process orders, ship products, send invoices, track payments, fulfill contractual obligations, produce financial reports, and/or otherwise operate its business.

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, goodwill and intangible assets, capital assets, income tax provisions, puttable interest in subsidiaries, convertible unsecured subordinated debentures, business acquisitions and contingent consideration, provisions and plant start-up costs. Details on these items can be found in the Company's 2017 consolidated financial statements, which are incorporated by reference herein, have been filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR) and are available online at www.sedar.com.

NEW ACCOUNTING POLICIES

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

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which supersedes IAS 11, *Construction Contracts* and a number of revenue-related interpretations. This standard addresses revenue recognition and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to control its use and obtain the benefits from the good or service. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company has analyzed the potential impact of IFRS 15 and does not believe it will have a material impact on its 2018 consolidated financial statements.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 Leases with a mandatory effective date of January 1, 2019. The new standard will replace IAS 17 Leases and will carry forward the accounting requirements for lessors. IFRS 16 provides a new framework for lessee accounting that require substantially all assets obtained through operating leases to be capitalized and a related liability to be recorded. The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning January 1, 2019. The extent of the impact of the adoption of IFRS 16 has not yet been determined. However, given the quantity of operating leases the Company has entered into that will likely be captured under the new standard, it is expected to have a material impact to the Company's consolidated balance sheet.

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 December 30, 2017, the Company had outstanding foreign currency contracts for the purchase of US$30.6 million at a blended rate of C$1.2622 and the sale of US$24.0 million at a blended rate of C$1.2794 over the next twelve months. Based on these contracts a change of $0.01 in the value of the Canadian dollar relative to the U.S. dollar would result in an unrealized gain (if the Canadian dollar weakens) or an unrealized loss (if the Canadian dollar strengthens) of approximately $0.1 million in the Company's consolidated statement of operations.

Interest Rate Swap Contracts

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

In August 2015, the Company entered into swaps that fixed the rate of interest on $75.0 million of its long-term debt for a three-year period at a rate of 0.8865% plus 1.25% to 2.25% depending on the Company's quarterly ratio of debt to cash flow.

As at December 30, 2017, a change of 0.25 percentage points in the effective interest rate for the remaining term of the swaps would result in an increase (if interest rates increase) or a decrease (if interest rates decrease) in the fair value of the swaps of approximately $0.2 million. The Company has designated these swaps as a cash flow hedge and determined that the hedge had no ineffectiveness. Correspondingly, any changes in the fair value of the swaps are recognized in other comprehensive income.

OTHER

Outstanding Shares

The shares outstanding in the Company as of March 14, 2018 were 30,953,495. 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 March 14, 2018 were 30,813,605.

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 December 30, 2017 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 December 30, 2017 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.

In assessing the design of the Company's DCP and ICFR as at December 30, 2017, the Company has excluded the controls and procedures of Buddy's Kitchen, which was acquired on November 17, 2017, and Raybern Foods, which was acquired on November 21, 2017 (see *Liquidity and Capital Resources – Corporate Investments*). Buddy's Kitchen accounted for $14.2 million of the Company's revenue and $0.6 million in earnings in its consolidated statement of operations for the 52 weeks ended December 30, 2017, and approximately $20.1 million, $69.1 million, $6.2 million and $0.2 million of its current assets, non-current assets, current liabilities and non-current liabilities, respectively, in its December 30, 2017 consolidated balance sheet. Raybern Foods accounted for $5.2 million of the Company's revenue and $0.4 million in earnings in its consolidated statement of operations for the 52 weeks ended December 30, 2017, and approximately $7.6 million, $107.4 million, $5.9 million and $2.9 million of its current assets, non-current assets, current liabilities and non-current liabilities, respectively, in its December 30, 2017 consolidated balance sheet. Documentation and assessment of Buddy's Kitchen's, and Raybern Foods' impact on the overall design of the Company's DCP and ICFR are expected to be completed in 2018.

Although the Company's assessment of DCP and ICFR are based on the integrated framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (2013 COSO), both DCP and ICFR, no matter how well designed, have inherent limitations. Therefore, DCP and ICFR can only provide reasonable assurance and thus may not prevent or detect all misstatements.

The Company's Management has also concluded that there have been no changes to the Company's ICFR during the interim period ending December 30, 2017 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 March 14, 2018. 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 March 14, 2018, 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.