CARA OPERATIONS LIMITED
Management's Discussion and Analysis
For the years ended December 25, 2016 and December 27, 2015

The following Management's Discussion and Analysis ("MD&A") for Cara Operations Limited ("Cara" or the "Company") provides information concerning the Company's financial condition and results of operations. This MD&A should be read in conjunction with the Company's Consolidated Financial Statements and accompanying notes for the 52 week period ended December 25, 2016. The consolidated results from operations for the 13 and 52 weeks ended December 25, 2016 are compared to the 13 and 52 weeks ended December 27, 2015. Cara's fiscal year ends on the last Sunday in December. As a result, the Company's fiscal year is usually 52 weeks in duration but includes a 53rd week every five to six years. The Company's fiscal 2017 will end on December 31, 2017 and will be a 53 week year.

Some of the information contained in this MD&A contains forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements" and "Risk and Uncertainties" for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results may differ materially from those indicated or underlying forward-looking statements as a result of various factors, including those described in "Risk and Uncertainties" and elsewhere in this MD&A.

This MD&A was prepared as at March 2, 2017. Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Basis of Presentation

The year end Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and all amounts presented are in Canadian dollars unless otherwise indicated.

Fourth Quarter and Year End Highlights:

- Operating EBITDA(1) increased to $46.7 million for the 13 weeks ended December 25, 2016 compared to $29.6 million in 2015, an improvement of $17.1 million or 57.8% for the quarter. Operating EBITDA for the year was $144.0 million compared to $112.2 million in 2015, an improvement of $31.8 million or 28.3%. The increases have been driven by an increase in contribution dollars in all three of the Company's historical operating segments, being Corporate restaurants, Franchise restaurants and Central operations, and from the addition of New York Fries in the fourth quarter of 2015, St-Hubert in September 2016 and Original Joe's in December 2016.

- Operating EBITDA Margin on System Sales(1) increased to 7.3% for the fourth quarter compared to 6.4% in the same quarter in 2015, representing the third consecutive quarter the Company has achieved its long-term (2020 – 2022) Operating EBITDA Margin target of between 7% and 8% of System Sales. Operating EBITDA Margin on System Sales for the year was 7.1% compared to 6.4% in 2015. At 7.1%, it is the first full year Cara achieved its long-term Operating EBITDA Margin target of between 7% and 8% of System Sales.

- Earnings before income taxes was $30.3 million for the 13 weeks ended December 25, 2016 compared to $21.7 million in 2015, an improvement of $8.6 million or 39.6% for the quarter. Earnings before income taxes was $96.0 million for the 52 weeks ended December 25, 2016 compared to $66.2 million, an improvement of $29.8 million or 45.0%.

- Adjusted Net Earnings (1) was $25.9 million and $97.0 million for the 13 and 52 weeks ended December 25, 2016 compared to $20.7 million and $64.3 million in 2015, respectively, representing increases of $5.2 million or 25.1% for the quarter and $32.7 million or 50.9% for the year. The increases were mainly attributed to improved restaurant performance resulting in increased contribution dollars from corporate and franchised restaurants, the addition of new corporate restaurants, the addition of New York Fries, St-Hubert and Original Joe's, and reduced interest expense related to the reduction of debt for the first 8 months of 2016 before the completion of the St-Hubert and Original Joe's transactions.

- System Sales(1) grew $180.0 million to $641.1 million for the 13 weeks ended December 25, 2016 as compared to 2015, representing an increase of 39.0%. For the 52 weeks ended December 25, 2016, System Sales(1) grew $276.0 million to $2,041.7 million compared to the same period in 2015, representing an increase of 15.6%. The increase in System Sales is primarily related to the addition of New York Fries in November 2015, St-

Hubert in September 2016, Original Joe’s in December 2016 and the addition of 42 new restaurants opened during the year, partially offset by restaurant closures.

- Same Restaurant Sales (“SRS”) Growth(1) for the fourth quarter was a decrease of 2.8% compared to the same 13 weeks in 2015. SRS for the 52 weeks ended December 25, 2016 was a decrease of 1.7% for the 52 weeks ended December 25, 2016 compared the same period in 2015. SRS excludes the impact from the Original Joe’s transaction that was completed on November 28, 2016. SRS continues to be impacted by challenges in the western provinces, and uneven performance in certain restaurant banners. While this result still has Cara ahead of 2014 levels, we have increased our focus and resources to improve upon the 2016 results.

  Management continues to focus on both short-term and long-term strategies to improve SRS through restaurant renovations, greater emphasis on menu innovation, enhanced guest experiences, and expanded e-commerce sales through new or improved off-premise applications for most brands over the next 2 years. In addition, we will add several digital marketing initiatives that are expected to launch in 2017 to reach new customer segments and to increase the frequency of existing ones. In order to accelerate these e-commerce and digital marketing initiatives we will be increasing our investment in technology resources in 2017.

- On September 2, 2016, the Company completed the acquisition of 100% of Groupe St-Hubert Inc. ("St-Hubert"), Québec's leading full-service restaurant operator as well as fully integrated food manufacturer for a purchase price of $540.2 million. The transaction was settled through the issuance of $53.9 million in Cara Subordinate Voting Shares to the vendor and management shareholders, $230.0 million in gross proceeds from the offering of subscription receipts, on a private placement basis, and through upsizing the Company’s credit facility with Scotiabank and a syndicate of lenders.

- On November 28, 2016, the Company completed the majority ownership investment in Original Joe's Franchise Group Inc. ("Original Joe's") for cash consideration of $93.0 million. Original Joe's operates and franchises 99 full-service restaurants in Canada and the United States across three brands - Original Joe's Restaurant & Bar, State & Main Kitchen Bar and Elephant & Castle Pub and Restaurant. The Original Joe’s transaction was settled by drawing on the Company’s existing credit facility.

- Together with the completion of Groupe St-Hubert Inc and Original Joe’s acquisitions, total Cara System Sales are expected to increase to approximately $2.7 billion on a pro forma basis and earnings per share is expected to be accretive when 12 months earnings from the acquisitions are included.

(1) See “Non-IFRS Measures” on page 39 for definitions of System Sales, SRS Growth, Operating EBITDA, Operating EBITDA Margin, and Operating EBITDA Margin on System Sales. See “Reconciliation of Net Earnings to EBITDA” and “Reconciliation of Net Earnings to Adjusted Net Earnings” for a reconciliation of Operating EBITDA and Adjusted Net Earnings.

Significant transformation since 2013

The Company has significantly transformed all of the key financial measurements since 2013. Management has delivered on our strategy to aggressively grow our top line, consolidate restaurant brands in the industry, drive synergies, control overheads and maximize earnings. Since 2013, the company's assets have more than doubled from $620.2 million in 2013 to $1,316.0 million in 2016. Successful acquisitions and integration, improved profitability, and reduced leverage have resulted in a significantly larger company from a sales and assets perspective, a remarkably more profitable company from a total dollar and EBITDA Margin perspective, and a company in a much stronger financial position from a debt to EBITDA and capital structure perspective.

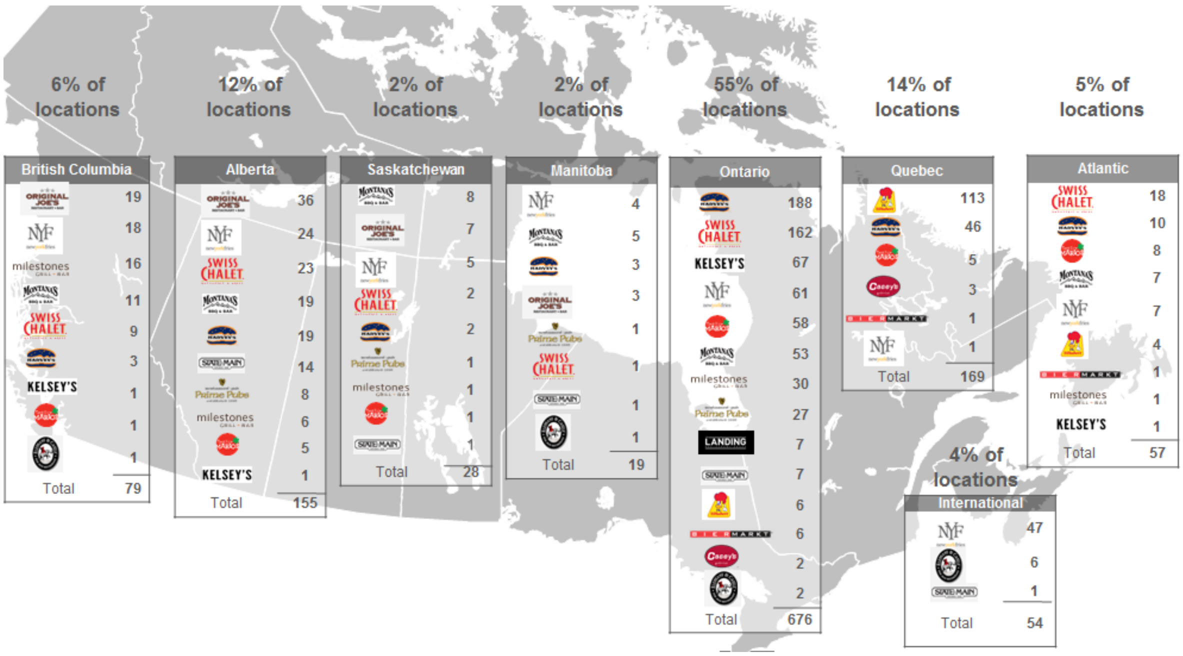
- System Sales have increased to $2,041.7 million in 2016 compared to $1,371.9 million in 2013, an increase of $669.8 million or 48.8%;
- Total number of restaurants have increased to 1,237 in 2016 compared to 833 restaurants in 2013, an increase of 404 restaurants or 48.5%;
- Total gross revenue has increased to $463.3 million in 2016 compared to $270.6 million in 2013, an increase of $192.7 million or 71.2%;
- Selling, general and administrative expenses as a percentage of gross revenue has decreased from 63.8% in 2013 to 46.9% in 2016;
- Operating EBITDA has increased to $144.0 million in 2016 compared to $47.9 million in 2013, an increase of $96.1 million or 201%;
- Operating EBITDA Margin on System Sales has increased to 7.1% in 2016 compared to 3.5% in 2013, an increase of 360 basis points or 103% improvement;
- Operating income has increased to $102.0 million in 2016 compared to $1.8 million in 2013, an increase of $100.2 million;
- Earnings before income taxes has increased to $96.0 million in 2016 compared to a loss of ($42.2) million in 2013, an improvement of $138.2 million;
- Adjusted Net Earnings has increased to $97.0 million in 2016 compared to a loss of ($39.5) million in 2013, an improvement of $136.5 million;
- The Company has reshaped its balance sheet to significantly reduce its leverage ratios from a debt to EBITDA multiple of 6.2x in 2013 to 2.1x at the end of 2016. The deleveraged balance sheet will allow the Company to continue seeking opportunities to invest in its brands as well as pursue strategic acquisitions which will fuel sales and profitable growth while maintaining conservative EBITDA leverage multiples.

Subsequent event

On March 2, 2017, the Company's Board of Directors declared a dividend of $0.10169 per share of subordinate and multiple voting common stock. Payment of the dividend will be made on April 15, 2017 to shareholders of record at the close of business on March 31, 2017.

Overview

Cara is a full-service restaurant company that franchises and operates iconic restaurant brands. As at December 25, 2016, Cara had 15 brands and 1,237 restaurants, 83% of which are operated by franchisees. Cara's restaurant network includes Harvey's, Swiss Chalet, Kelsey's, East Side Mario's, Montana's, Milestones, Prime Pubs, Casey's, Bier Markt, Landing, New York Fries, St-Hubert, Original Joe's, State & Main and Elephant & Castle restaurants. Cara's iconic brands have established Cara as a nationally recognized franchisor of choice. Cara's restaurants are located across Canada with 55% of Cara's locations based in Ontario.



Unit count (unaudited)	As at December 25, 2016 Corporate	Franchise	Joint Venture	Total	As at December 27, 2015 Corporate	Franchise	Total
Swiss Chalet ………………	9	206	0	215	7	210	217
Harvey's ……………………	13	258	0	271	17	251	268
Montana's …………………	13	90	0	103	13	86	99
East Side Mario's [(1)]………	2	76	0	78	4	74	78
Kelsey's………………………	13	57	0	70	16	55	71
Casey's………………………	0	5	0	5	1	18	19
Prime Pubs…………………	5	32	0	37	5	28	33
Bier Markt…………………	8	0	0	8	7	0	7
Milestones…………………	29	25	0	54	29	26	55
Landing……………………	7	0	0	7	4	0	4
New York Fries ……………	17	150	0	167	16	143	159
St-Hubert……………………	13	110	0	123	0	0	0
Original Joe's………………	20	17	28	65	0	0	0
State & Main………………	12	4	8	24	0	0	0
Elephant & Castle…………	10	0	0	10	0	0	0
Total restaurants…………	171	1,030	36	1,237	119	891	1,010
	14%	83%	3%	100%	12%	88%	100%

[(1)] Unit count excludes East Side Mario restaurants located in the United States.

Selected Financial Information

The following table summarizes the results of Cara's operations for 2016, 2015, 2014, and 2013:

	For the 52 week period ended			
(C$ millions unless otherwise stated)	December 25, 2016	December 27, 2015	December 30, 2014	December 31, 2013
System Sales [3] (unaudited)	**$ 2,041.7**	**$ 1,765.7**	**$ 1,691.7**	**$ 1,371.9**
Sales	$ 380.6	$ 247.5	$ 205.1	$ 194.8
Franchise revenues	82.6	73.3	71.8	74.3
Development revenues	-	5.6	5.0	1.5
Total gross revenue [1]	**$ 463.3**	**$ 326.3**	**$ 281.8**	**$ 270.6**
Cost of inventories sold	(141.8)	(70.5)	(59.4)	(56.3)
Selling, general and administrative expenses	(217.2)	(169.1)	(162.7)	(172.6)
Development expenses	-	(5.6)	(4.5)	(1.5)
Impairment of assets, net of reversals	(1.9)	1.1	(4.9)	(2.7)
Restructuring	(0.2)	(0.4)	(6.6)	(14.2)
Other	-	-	-	(21.5)
Operating income [1]	**$ 102.0**	**$ 81.9**	**$ 43.8**	**$ 1.8**
Net interest expense and other financing charges	(5.9)	(15.7)	(33.9)	(44.0)
Share of loss from investment in associates and joint ventures	(0.1)	-	-	-
Earnings before income taxes [1]	**$ 96.0**	**$ 66.2**	**$ 9.9**	**$ (42.2)**
Income taxes - current	(6.9)	(1.6)	(4.4)	-
Income taxes - deferred	(22.0)	35.1	(0.1)	-
Net earnings [1]	**$ 67.0**	**$ 99.7**	**$ 5.4**	**$ (42.2)**
Adjusted Net Earnings [2]	**$ 97.0**	**$ 64.3**	**$ 10.4**	**$ (39.5)**
Total assets	$ 1,316.0	$ 503.8	$ 389.2	$ 367.8
Non-current financial liabilities	$ 593.8	$ 145.6	$ 467.7	$ 484.3
Earnings per share attributable to common shareholders (in dollars)				
Basic EPS	$ 1.28	$ 2.46	$ 0.31	$ (0.30)
Diluted EPS	$ 1.22	$ 2.10	$ 0.19	$ (0.30)
Adjusted Basic EPS[2]	$ 1.86	$ 1.58	$ 0.57	$ (0.30)
Adjusted Diluted EPS[2]	$ 1.76	$ 1.35	$ 0.36	$ (0.30)

(1) Figures may not total due to rounding.

(2) Adjusted Net Earnings and Adjusted EPS excludes the impact related to non-cash deferred income tax expense, non-cash impairment charges, non-cash amortization of inventory fair value increases resulting from the St-Hubert purchase, and transaction costs. See "Non-IFRS Measures" on page 39 for definitions of Adjusted Net Earnings, Adjusted Basic EPS and Adjusted Diluted EPS.

(3) Results from East Side Mario restaurants in the United States are excluded in System Sales totals. See "Non -IFRS Measures" on page 39 for definition of System Sales.

(C$ millions unless otherwise stated)	For the 52 week period ended December 25, 2016	December 27, 2015	December 30, 2014	December 31, 2013
Dividends Declared (in dollars per share) (1)				
Subordinate Voting Shares, Multiple Voting Shares and Subscription Receipts …………………………….	$ 0.41	$ 0.19	$ -	$ -
Common shares……………………………………………………	$ -	$ -	$ 0.23	$ 0.21
Cash Dividend on Class A Preferred Share Liabilities…....…..…	$ -	$ -	$ 0.09	$ -
Cash Dividend on Class B Preferred Share Liabilities…………	$ -	$ -	$ 0.15	$ -
Reconciliation of net earnings to Adjusted Net Earnings (2)				
Net earnings ………………………………………………	$ 67.0	$ 99.7	$ 5.4	$ (42.2)
Deferred income taxes……………………………………	22.0	(35.1)	0.1	-
Inventory fair value adjustment resulting from acquisition.	2.9	-	-	-
Transaction costs…….…………………………………	3.1	0.8	-	-
Impairment charges………………………………………	1.9	(1.1)	4.9	2.7
Adjusted Net Earnings (1)(2)……..………………………	**$ 97.0**	**$ 64.3**	**$ 10.4**	**$ (39.5)**
Reconciliation of net earnings to EBITDA (2)				
Net earnings …………………………………………………	$ 67.0	$ 99.7	$ 5.4	$ (42.2)
Net interest expense and other financing charges…….………	5.9	15.7	33.9	44.0
Income taxes…………………………………………………	29.0	(33.5)	4.5	-
Depreciation of property, plant and equipment……...………	26.7	19.4	17.4	23.7
Amortization of other assets………………………………	5.4	5.0	3.2	0.7
EBITDA(2)……………………………………………..………	**$ 134.0**	**$ 106.3**	**$ 64.4**	**$ 26.2**
Reconciliation of EBITDA (2) to Operating EBITDA (2):				
Losses on early buyout/cancellation of equipment rental contracts ……………………………………	0.9	3.5	4.4	1.8
Restructuring…………………………………………………	0.2	0.4	6.6	14.2
Transaction costs……………………………………………	3.1	0.8	-	-
Conversion fees……………………………………………...…	(1.6)	(1.8)	(1.8)	(16.3)
Net (gain) loss on disposal of property, plant and equipment	(3.8)	(1.3)	(0.3)	18.6
Impairment of assets…………………………………………	1.9	(1.1)	4.9	2.7
Inventory fair value adjustment resulting from acquistion…..	2.9	-	-	-
Stock based compensation…………………….……………	4.1	6.4	6.1	(0.9)
Change in onerous contract provision………………………	2.2	(1.0)	(0.8)	1.6
Operating EBITDA (1)(2)……………………………...………	**$ 144.0**	**$ 112.2**	**$ 83.6**	**$ 47.9**
% change……..………………………………………………	28.3%	34.2%	74.5%	

(1) Figures may not total due to rounding.

(2) See "Non-IFRS Measures" on page 39 for definitions of Adjusted Net Earnings, EBITDA and Operating EBITDA.

The following table summarizes Cara's System Sales Growth, SRS Growth, number of restaurants, Selling, general and administrative expenses, Operating EBITDA, Operating EBITDA Margin, and Operating EBITDA on System Sales.

	For the 52 weeks ended			
(C$ millions unless otherwise stated)	**December 25, 2016**	**December 27, 2015**	**December 30, 2014**	**December 31, 2013**
System Sales [1][3] (unaudited)……	$ 2,041.7	$ 1,765.7	$ 1,691.7	$ 1,371.9
System Sales Growth [1][3] (unaudited)……	15.6%	4.4%	23.3%	4.7%
SRS Growth [2][3] …(unaudited)……	(1.7%)	2.4%	2.9%	0.5%
Number of corporate restaurants (at period end)……	171	119	91	77
Number of joint venture restaurants (at period end)……	36	0	0	0
Number of franchised restaurants (at period end)……	1,030	891	746	756
Total number of restaurants [1] (at period end)……	**1,237**	**1,010**	**837**	**833**
Total gross revenue……	$ 463.3	$ 326.3	$ 281.8	$ 270.6
Selling, general and administrative expenses ("SG&A")……	$ 217.2	$ 169.1	$ 162.7	$ 172.6
SG&A as a percentage of gross revenue……	46.9%	51.8%	57.7%	63.8%
Operating EBITDA [3]……	$ 144.0	$ 112.2	$ 83.6	$ 47.9
Operating EBITDA Margin [3]……	31.1%	34.4%	29.7%	17.7%
Operating EBITDA on System Sales [3]……	7.1%	6.4%	4.9%	3.5%

(1) Results from East Side Mario restaurants in the United States are excluded in System Sales totals and number of restaurants.

(2) Results from New York Fries located outside of Canada, East Side Mario restaurants in the United States and all Casey's restaurants are excluded from SRS Growth.

(3) See "Non-IFRS Measures" on page 39 for definitions of System Sales, System Sales Growth, SRS Growth, Operating EBITDA, Operating EBITDA Margin and Operating EBITDA on System Sales.

Factors Affecting Our Results of Operations

SRS Growth

SRS Growth is a metric used in the restaurant industry to compare sales earned in established locations over a certain period of time, such as a fiscal quarter, for the current period and the same period in the previous year. SRS Growth helps explain what portion of sales growth can be attributed to growth in established locations and what portion can be attributed to the opening of net new restaurants. Cara calculates SRS Growth as the percentage increase or decrease in sales of restaurants open for at least 24 complete months. Cara's SRS Growth results excludes Original Joe's as the transaction was completed on November 28, 2016; Casey's restaurants as the Company is in the process of winding down its operations and will either convert certain locations to other Cara brands, will license the restaurant for continuing Casey's operation, or close the location; and sales from international operations from 47 New York Fries and 3 East Side Mario's.

SRS Growth is primarily driven by changes in the number of guest transactions and changes in average transaction size. Cara's SRS Growth results are principally impacted by both its operations and marketing efforts. Cara's SRS Growth results are also impacted by external factors, particularly macro-economic developments that affect discretionary consumer spending in Canada.

Atypical weather conditions over a prolonged period of time can adversely affect Cara's business. During the summer months, unseasonably cool or rainy weather can negatively impact the patio business that exists in five of Cara's fifteen brands. During the winter months, unusually heavy snowfalls, ice storms, or other extreme weather conditions can reduce guest visits to restaurants and in turn can negatively impacts sales and profitability.

SRS for the fourth quarter was a decrease of 2.8% and for the 52 weeks ended December 25, 2016 a decrease of 1.7%. SRS for the fourth quarter continues to be impacted by challenges in the western provinces, and uneven performance in certain restaurant banners. While the sales declines in 2016 were below management expectations, sales for the 52 weeks ended December 25, 2016 remain above the 2014 SRS level. As Cara is a multi-branded company, not all brands will have strong results at the same time which can result in overall variable sales and SRS results. Management continues to focus on short-term and long-term strategies to improve SRS through restaurant renovations, greater emphasis on menu innovation, enhanced guest experiences, and expanded e-commerce sales through new or improved off-premise applications for most brands over the next 2 years. In addition, we will add several digital marketing initiatives that are expected to launch in 2017 to reach new customer segments and to increase the frequency of existing ones. In order to accelerate these e-commerce and digital marketing initiatives we will be increasing our investment in technology resources dedicated to e-commerce and digital development and data analytics.

See "Non-IFRS Measures" on page 39 for a description of how Cara calculates SRS growth. SRS Growth for individual brands may be higher or lower than SRS Growth for all restaurants combined, and in some cases, SRS Growth, for individual brands, may be negative.

Competition

The Canadian Restaurant Industry has been and continues to be intensely competitive. While guests' tastes and expectations have evolved over the years, many of the factors impacting their dining decisions remain the same: quality, value, service, and convenience. Cara competes with a range of competitors including large national and regional restaurant chains and local independent restaurant operators. While independent restaurants continue to have a significant share in the restaurant industry, Cara's management believes larger restaurant operators (like Cara) will continue to offer competitive advantages compared to their independent counterparts. These advantages include lower food costs through greater purchasing power, the ability to generate sales through more efficient advertising dollars, stronger selection of sites and a long history and expertise in real estate negotiations.

New Restaurant Openings

The opening and success of new restaurants is dependent on a number of factors, including: availability of suitable sites; negotiation of acceptable lease terms for new locations; attracting qualified franchisees with suitable financing; availability, training and retention of management and other employees necessary to operate new corporate restaurants; and other factors, some of which are beyond Cara's control.

Financial results

System Sales

System Sales for 2016 were $2,041.7 million compared to $1,765.7 million for 2015, representing an increase of $276.0 million or 15.6%. This increase was primarily the result of new restaurants opened in 2015, the addition of the New York Fries restaurants in the fourth quarter of 2015, the September 2016 addition of St-Hubert including its food processing and distribution sales, and the addition of Original Joe's in December 2016, which together generated higher sales offsetting restaurant closures and the SRS change during the year.

Total gross revenue

Total gross revenue represents sales from corporate restaurants, franchise revenues (including royalty fees net of agreed subsidies, new franchise fees, equipment rental income and corporate to franchise conversion fees), fees generated from Cara's off-premise call centre business, development revenue, and food processing and distribution revenue to retail grocery customers and to its franchise network.

Total gross revenue was $463.3 million in 2016 compared to $326.3 million in 2015, representing an increase of $137.0 million or 42.0%. The increase in gross revenues was primarily the result of new openings in 2015, the addition of corporate restaurants during 2015 and 2016, the New York Fries acquisition in the fourth quarter of 2015, the St-Hubert acquisition in September 2016 and the addition of Original Joe's in December 2016.

Total gross revenue was $326.3 million in 2015 compared to $281.8 million for 2014, representing an increase of $44.5 million or 15.8%. The increase in gross revenues from continuing operations was primarily the result of SRS Growth of 2.4%, and the addition of 28 corporate restaurants resulting from new openings in 2015 less restaurant closures, restaurants re-acquired from franchisees in 2015, the New York Fries acquisition and full year sales from the 3 Landing restaurants acquired in December 2014.

Selling, general and administrative expenses

SG&A expenses represent direct corporate restaurant costs such as labour, other direct corporate restaurant operating costs (e.g. supplies, utilities, net rent, net marketing, property taxes), overhead costs, franchisee rent assistance and bad debts, central overhead costs, costs related to the food processing and distribution division, lease costs and tenant inducement amortization, losses on early buyout / cancellation of equipment rental agreements and depreciation and amortization on other assets. These charges are offset by vendor purchase allowances.

Direct corporate restaurant labour costs and other direct corporate restaurant operating and overhead costs are impacted by the number of restaurants, minimum wage increases and the Company's ability to manage input costs through its various cost monitoring programs. Central overhead costs are impacted by general inflation, market conditions for attracting and retaining key personnel and management's ability to control discretionary costs. Food processing and distribution costs are impacted by minimum wage increases, volume of sales and the Company's ability to manage controllable costs related to the promotion, manufacture and distribution of products. Franchisee rent assistance and bad debts are impacted by franchisee sales and overall franchisee profitability. Vendor purchase allowances are impacted by the volume of purchases, inflation and fluctuations in the price of negotiated products and services. Losses on early buyout/cancellation of equipment rental contracts, recognition of lease cost and tenant inducements, and depreciation and amortization represent non-cash expenses generally related to prior year's transactions where corporate restaurants were converted to franchise.

SG&A expenses in 2016 were $217.2 million compared to $169.1 million in 2015, representing an increase of $48.1 million or 28.4%. The increase was primarily related to the addition of St-Hubert in September 2016, one-time transaction costs primarily related to the St-Hubert and Original Joe's transaction of $3.1 million, and a non-cash impairment charge of $1.9 million. In addition, the increased number of corporate restaurants operated by the Company during the year compared to 2015 resulted in increased direct restaurant labour and other direct restaurant costs. These increases were partially offset by a reduction in net overhead costs. SG&A expenses as a percentage of gross revenue from operations decreased from 51.8% in 2015 to 46.9% in 2016, a decrease of 4.9 percentage points. Excluding the impact of the one-time transaction costs and the non-cash impairment charge, SG&A expenses as a percentage of revenue decreased to 45.8% or a decrease of 6.0 percentage points compared to 2015 as we continue to grow revenues faster than SG&A expenses.

SG&A expenses in 2015 were $169.1 million compared to $162.7 million in 2014, representing an increase of $6.4 million or 3.9%. The increase was related to 28 additional corporate restaurants in 2015 compared to 2014, increased direct restaurant labour and other direct restaurant costs due to the impact of minimum wage increases and an increase in the Company's over-contribution to marketing funds in an effort to build sales. These increases were offset by savings realized from a reduction in central costs from restructuring head-office staffing, variable wage savings at corporate restaurants and other overhead costs. SG&A expenses as a percentage of gross revenue from operations decreased from 57.7% in 2014 to 51.8% in 2015, a decrease of 5.9 percentage points.

Net interest expense and other financing charges

Finance costs are derived from Cara's financing activities which include the Existing Credit Facility and amortization of financing fees. Prior to the completion of the Initial Public Offering ("IPO") on April 10, 2015, finance costs also included interest on Subordinated Debentures, interest on Class A and Class B Preferred Shares, non-cash accretion expense related to the Subordinated Debentures, Class A and Class B Preferred Shares, and mark-to-market adjustments on an interest rate derivative. On April 10, 2015, the Subordinated Debentures, Class A and Class B Preferred Shares were surrendered and converted into common shares in conjunction with a cashless warrant exercise. These common shares were then converted into Subordinated Voting and Multiple Voting Shares.

Net interest expense and other financing charges were $5.9 million in 2016 compared to $15.7 million in 2015, a decrease of $9.8 million or 62.4%. The decrease is related to the decrease in the amounts drawn on the credit facility during the first 8 months of the year before the completion of the St-Hubert and Original Joe's transactions.

Net interest expense and other financing charges were $15.7 million in 2015 compared to $33.9 million in 2014, representing a decrease of $17.7 million or 53.0%. The significant decrease in net interest expense is primarily related to the reduction of total debt from the net proceeds of the IPO, the conversion of the preferred shares and warrants into multiple voting shares and the amendment of the existing term credit facility at reduced interest rates.

In the second quarter of 2015, in conjunction with the amended and extended term credit facility, the Company settled its $150.0 million interest rate derivative on the previous credit facility and recognized a loss of $1.6 million related to the fair value adjustment on the derivative. The Company also wrote off unamortized financing fees of $1.8 million related to the previous credit facility.

Earnings before income taxes

Earnings before income taxes were $96.0 million in 2016 compared to $66.2 million in 2015, representing an improvement of $29.8 million or 45.0%. Earnings before income taxes was $66.2 million in 2015 compared to $9.9 million for 2014, representing an improvement of $56.3 million, or an increase of 568.7%. The increase was mainly attributed to improved restaurant performance resulting in increased contribution dollars from corporate and franchised restaurants, the addition of corporate restaurants, the addition of the Landing Group and New York Fries, and reduced interest expense after the IPO transaction in April 2015.

Income taxes

Cara's earnings are subject to both federal and provincial income taxes. Cara has income tax losses available to offset taxable earnings and at present does not pay significant cash income taxes on its operational earnings. In 2015 prior to the IPO, the Company paid taxes in respect of dividend payments relating to its Class A and Class B Preferred Shares. According to Canadian income tax legislation, any dividends paid in respect of these preferred shares were subject to a special tax (Part VI.1 taxes) at a rate of 40% and were recorded as current tax expense. These taxes were eligible for a deduction from taxable income equal to 3.5 times the amount of the Part VI.1 taxes paid. For financial accounting purposes, these dividends were presented as finance costs. These taxes on dividend payments are not expected to be incurred in future periods as the preferred shares were converted into multiple voting common shares on April 10, 2015.

The Company recorded a current income tax expense of $6.9 million for 2016, compared to $1.6 million in 2015, representing an income tax expense increase of $5.3 million. The income tax expense is primarily related to St-Hubert earnings resulting in taxes payable.

The Company recorded a deferred income tax expense of $22.0 million in 2016, compared to a recovery of $35.1 million in 2015, representing a deferred income tax expense change of $57.1 million. The deferred income tax expense is a non-cash expense primarily related to the utilization of previously recognized income tax losses available from prior years.

The Company recorded a net income tax recovery of $33.5 million in 2015, compared to a net expense of $4.5 million for 2014, representing an income tax expense decrease of $38.0 million. The decreased income tax expense from 2014 is primarily due to the Company recognizing a deferred tax asset of $37.5 million in respect of non-capital losses and other timing differences available to offset future income tax payable on operating profits. Management determined it was appropriate to record a deferred tax asset based on the Company's recent financial performance, financial projections and the likelihood that future taxable profits would be available against which the asset (ie. tax losses) will be utilized.

The deferred tax asset primarily relates to $34.4 million in income tax losses available to offset future taxable earnings. These losses expire between the years 2033 and 2035.

Adjusted Net Earnings

Adjusted Net Earnings was $97.0 million in 2016 compared to $64.3 million in 2015, representing an increase of $32.7 million or 50.9%. The increase is primarily related to the improved restaurant performance and corresponding increased contribution from corporate and franchised restaurants, and the addition of New York Fries, St-Hubert and Original Joe's, reduced interest expense during the first 8 months of the year. These increases were partially offset by one-time or non-cash charges totaling $29.9 million that are removed to determine Adjusted Net Earnings. The charges include non-cash deferred income taxes of $22.0 million, a $2.9 million non-cash fair value adjustment from the increased inventory valuation at the acquisition date of St-Hubert that was reflected in cost of goods sold for inventory sold during the third and fourth quarters, one-time transaction costs primarily attributed to the St-Hubert and Original Joe's acquisitions of $3.1 million, and an asset impairment charge of $1.9 million. In addition to these amounts, the decrease also includes the write-off of deferred financing fees in the amount of $0.4 million and incremental income tax expense.

See "Non-IFRS Measures" on page 39 for definition of Adjusted Net Earnings.

Net earnings

Net earnings were $67.0 million for 2016 compared to $99.7 million in 2015, representing a reduction of $32.7 million or 32.8%. The decrease is primarily related to a $57.1 million change in deferred income taxes related to a recovery of $35.1 million recorded in 2015 as compared to an expense of $22.0 million in 2016 (see "Income taxes" on page 10), one-time or non-cash charges totaling $29.9 million as described above, partially offset by improved restaurant performance and corresponding increased contribution from corporate and franchised restaurants, and the addition of New York Fries, St-Hubert and Original Joe's, reduced interest expense during the first 8 months of the year.

Net earnings were $99.7 million in 2015 compared to $5.4 million for 2014, representing an improvement of $94.3 million, or an increase of 1,746.3%. The increase in net earnings was mainly attributed to improved restaurant performance resulting in increased contribution from corporate and franchised restaurants, the addition of the Landing Group and New York Fries, reduced interest expense of $17.7 million, and the income tax asset recognition of $36.9 million described above.

Operating EBITDA

Operating EBITDA was $144.0 million in 2016 compared to $112.2 million in 2015, representing an increase of $31.8 million or 28.3%. The increases were driven by improved contribution dollars in all four of the Company's operating segments, being corporate restaurants, franchise restaurants, food processing and distribution, and central operations, the addition of New York Fries in November 2015, the addition of St-Hubert in September 2016 and the addition of Original Joe's in November 2016.

Increases from the Corporate restaurant segment were primarily driven by increased sales from the addition of Landing restaurants and New York Fries in 2015, the addition of St-Hubert in September 2016, the addition of Original Joe's in November 2016, improved labour cost controls, partially offset by St-Hubert and Original Joe's corporate restaurants that operate at lower contribution levels than Cara's historical brands. The improvements in the Franchise segment is related to the addition of St-Hubert royalties greater than franchisee bad debts recorded. The Food processing and Distribution segment contribution is the result of the St-Hubert acquisition. Central segment improvements are primarily a result of central costs growing slower than System Sales.

Operating EBITDA was $112.2 million in 2015 compared to $83.6 million for 2014, representing an increase of $28.6 million or 34.2%. The increase was primarily the result of improved performance at Cara's corporate restaurants, the additions of the Landing Group and New York Fries, increased net franchise royalties and improved central contribution from decreases in net central costs.

See "Non-IFRS Measures" on page 39 for definition of Operating EBITDA and page 6 for a reconciliation of net earnings to Operating EBITDA.

Restaurant Count

Cara's restaurant network consists of company-owned corporate locations and franchised locations. As at the end of December 25, 2016, there were 1,237 restaurants, a net increase of 227 restaurants.

The following table presents the changes in Cara's restaurant unit count:

	For the 52 week period ended						
	December 25, 2016				December 27, 2015		
Unit count (unaudited)	**Corporate**	**Franchised**	**Joint Venture**	**Total**	**Corporate**	**Franchised**	**Total**
Beginning of period[1]	119	891	-	**1,010**	91	746	**837**
Acquisitions [2]	55	131	36	**222**	16	141	**157**
New openings	7	35	-	**42**	10	29	**39**
Closures	(7)	(16)	-	**(23)**	(4)	(13)	**(17)**
Casey's closures	(1)	(13)	-	**(14)**	-	(6)	**(6)**
Corporate buy backs [3]	10	(10)	-	**-**	8	(8)	**-**
Restaurants re-franchised [4]	(12)	12	-	**-**	(2)	2	**-**
End of period	171	1,030	36	**1,237**	119	891	**1,010**

[1] Unit count excludes East Side Marios restaurants located in the United States.

[2] St-Hubert was acquired on September 2, 2016 and Original Joe's was acquired on November 28, 2016.

[3] Corporate buy backs represent previously franchised restaurants acquired by the Company to operate corporately.

[4] Restaurants re-franchised represent corporate restaurants re-franchised to be operated by a franchisee.

Segment Performance

Cara divides its operations into the following four business segments: corporate restaurants, franchise restaurants, food processing and distribution, and central operations.

The Corporate restaurant segment includes the operations of the company-owned restaurants which generate revenues from the direct sale of prepared food and beverages to customers.

Franchised restaurants represent the operations of its franchised restaurant network operating under the Company's several brand names from which the Company earns royalties calculated at an agreed upon percentage of franchise restaurant sales. Cara provides financial assistance to certain franchisees and the franchise royalty income reported is net of any assistance being provided.

Food processing and distribution represent sales of St-Hubert branded and other private label products produced and shipped from the Company's manufacturing plant and distribution centers to retail grocery customers and to its network of St-Hubert restaurants.

Central operations includes sales from call centre services which earn fees from off-premise phone, mobile and web orders processed for corporate and franchised restaurants; and income generated from the lease of buildings and certain equipment to franchisees as well as the collection of new franchise and franchise renewal fees. Central operations also include corporate (non-restaurant) expenses which include head office people and non-people overhead expenses, finance and IT support, occupancy costs, and general and administrative support services offset by vendor purchase allowances. The Company has determined that the allocation of corporate (non-restaurant) revenues and expenses which include finance and IT support, occupancy costs, and general and administrative support services would not reflect how the Company manages the business and has not allocated these revenues and expenses to a specific segment.

The CEO and CFO are the chief operating decision makers and they regularly review the operations and performance by segment. The CEO and CFO reviews operating income as a key measure of performance for each segment and to make decisions about the allocation of resources. The accounting policies of the reportable operating segments are the same as those described in the Company's summary of significant accounting policies. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The following table presents the financial performance of Cara's business segments:

	For the 13 week period ended							
	December 25, 2016				December 27, 2015			
(C$ thousands unless otherwise stated)	**Corporate**	**Franchised**	**Central**	**Total**	**Corporate**	**Franchised**	**Central**	**Total**
System Sales (unaudited)……………	**$ 82,069**	**$ 492,510**	**$ 66,500**	**$ 641,079**	**$ 60,639**	**$ 400,462**	**$ -**	**$ 461,101**
Corporate Results								
Sales…………………………………	$ 82,069	$ -	$ 3,191	$ 85,260	$ 60,639	$ -	$ 2,722	$ 63,361
Cost of inventories sold and cost of labour…………	(51,855)	-	-	(51,855)	(37,962)	-	-	(37,962)
Restaurant contribution before other costs………………………..	30,214	-	3,191	33,405	22,677		2,722	25,399
Restaurant contribution before other costs %…………………..	36.8%				37.4%			
Other operating costs……………..	(23,412)	-	-	(23,412)	(16,590)	-	-	(16,590)
Total Contribution…………………	**6,802**	**-**	**3,191**	**9,993**	**6,087**	**-**	**2,722**	**8,809**
Franchise Results								
Franchise royalty income…….….…		21,956	-	21,956	-	17,749	-	17,749
Franchise royalty income as a % of franchise sales……………….	-	4.5%	-	-	-	4.4%	-	-
New franchise fees, rent revenue and equipment rent…………	-	-	3,185	3,185	-	-	691	691
Franchise rent assistance and bad debt…………………………….	-	(1,820)	-	(1,820)	-	(1,665)	-	(1,665)
Contribution from franchise restaurants…………………………	**-**	**20,136**	**3,185**	**23,321**	**-**	**16,084**	**691**	**16,775**
Food processing and distribution								
Net food processing and distribution contribution…………	**-**	**-**	**5,900**	**5,900**	**-**	**-**	**-**	**-**
Central								
Net central contribution…………	**-**	**-**	**7,526**	**7,526**	**-**	**-**	**4,015**	**4,015**
Operating EBITDA [1]………………	**$ 6,802**	**$ 20,136**	**$ 19,802**	**$ 46,740**	**$ 6,087**	**$ 16,084**	**$ 7,428**	**$ 29,599**
Contribution as a % of corporate sales…………………………….	8.3%	-	-	-	10.0%	-	-	-
Contribution as a % of franchise sales ………………………………	-	4.1%	-	-	-	4.0%	-	-
Contribution as a % of total System sales……………………….	-	-	3.1%	7.3%	-	-	1.6%	6.4%

[1] See "Non-IFRS Measures on page 39 for definition of Operating EBITDA and page 6 for a reconciliation of net earnings to Operating EBITDA

(C$ thousands unless otherwise stated)	For the 52 week period ended December 25, 2016 Corporate	 Franchised	 Central	 Total	 December 27, 2015 Corporate	 Franchised	 Central	 Total
System Sales (unaudited)…………..	**$ 288,443**	**$ 1,669,078**	**$ 84,193**	**$ 2,041,714**	**$ 237,808**	**$ 1,527,921**	**$ -**	**$ 1,765,729**
Corporate Results								
Sales……………………………….	$ 288,443	$ -	$ 9,933	$ 298,376	$ 237,808	$ -	$ 9,670	$ 247,478
Cost of inventories sold and cost of labour………..	(180,124)	-	-	(180,124)	(149,694)	-	-	(149,694)
Restaurant contribution before other costs………………………	108,319	-	9,933	118,252	88,114		9,670	97,784
Restaurant contribution before other costs %…………………	37.6%				37.1%			
Other operating costs…………….	(78,441)	-	-	(78,441)	(63,134)	-	-	(63,134)
Total Contribution…………………	**29,878**	**-**	**9,933**	**39,811**	**24,980**	**-**	**9,670**	**34,650**
Franchise Results								
Franchise royalty income………..		75,172	-	75,172	-	68,274	-	68,274
Franchise royalty income as a % of franchise sales………………	-	4.5%	-	-	-	4.5%	-	-
New franchise fees, rent revenue and equipment rent…………	-	-	5,681	5,681	-	-	3,207	3,207
Franchise rent assistance and bad debt…………………………..	-	(7,928)	-	(7,928)	-	(7,918)	-	(7,918)
Contribution from franchise restaurants……………………….	**-**	**67,244**	**5,681**	**72,925**	**-**	**60,356**	**3,207**	**63,563**
Food processing and distribution								
Net food processing and distribution contribution…………	**-**	**-**	**8,608**	**8,608**	**-**	**-**	**-**	**-**
Central								
Net central contribution…………	**-**	**-**	**22,667**	**22,667**	**-**	**-**	**13,969**	**13,969**
Operating EBITDA [(1)]………………	**$ 29,878**	**$ 67,244**	**$ 46,889**	**$ 144,011**	**$ 24,980**	**$ 60,356**	**$ 26,846**	**$ 112,182**
Contribution as a % of corporate sales………………………………	10.4%	-	-	-	10.5%	-	-	-
Contribution as a % of franchise sales ………………………………	-	4.0%	-	-	-	4.0%	-	-
Contribution as a % of total System sales……………………….	-	-	2.3%	7.1%	-	-	1.5%	6.4%

[(1)] See "Non-IFRS Measures on page 39 for definition of Operating EBITDA and page 6 for a reconciliation of net earnings to Operating EBITDA

Corporate

As at December 25, 2016, the corporate segment restaurant count consisted of 207 restaurants compared to 119 at December 27, 2015, an increase of 88 locations. The increase is related to 7 new restaurant openings, 10 corporate buybacks and 91 restaurants relating from the acquisition of St-Hubert and the Original Joe's transaction, partially offset by 8 closures, excluding the impact of Casey's, and 12 restaurants re-franchised during the year. The corporate restaurant segment includes the proportionate results from 34 joint venture restaurants from the Original Joe's transaction.

Sales

Sales represent food and beverage sales from Cara's corporate restaurants. Corporate restaurant sales are impacted by SRS Growth and the change in number of corporate restaurants. Sales were $82.1 million and $288.4 million for the 13 and 52 weeks ended December 25, 2016 compared to $60.6 million and $237.8 million in 2015, respectively, an increase of $21.5 million or 35.5% for the quarter and $50.6 million or 21.3% for the year. The increase was primarily related to the increase in number of corporate restaurants, in particular the addition of new Bier Markt and Landing restaurants, and the acquisitions of New York Fries, St-Hubert, and Original Joe's, partially offset by the closures and SRS decrease.

Cost of inventories sold and cost of labour

Cost of inventories sold represents the net cost of food, beverage and other inventories sold at Cara's corporate restaurants. Cost of inventories sold and cost of labour is impacted by the number of corporate restaurants, fluctuations in the volume of inventories sold, food prices, minimum wage increases, and Cara's ability to manage input costs at the restaurant level. Cara manages input costs through various cost monitoring programs and through the negotiation of favourable contracts on behalf of its corporate and franchise restaurant network.

Cost of inventories sold and cost of labour was $51.9 million and $180.1 million for the 13 and 52 weeks ended December 25, 2016 compared to $38.0 million and $149.7 million in 2015, respectively, an increase of $13.9 million or 36.6% for the quarter and $30.4 million or 20.3% for the year. The increase was primarily due to the addition of 88 corporate restaurants, including the impact from the St-Hubert acquisition and Original Joe's transaction. The increase was offset by overall cost reductions relating to improved food and beverage cost controls as well as better management of variable labour costs at the restaurant level. Cost of inventories sold and cost of labour as a percentage of sales have increased from 62.6% to 63.2% in the 13 weeks ended December 25, 2016 compared to 2015, an increase of 0.6 percentage points. For the 52 weeks ended December 25, 2016, cost of inventories sold and cost of labour as a percentage of sales decreased from 62.9% to 62.4%, an improvement of 0.5 percentage points. With the addition of St-Hubert and Original Joe's, which operate at slightly higher cost of inventories sold and higher cost of labour, there are opportunities for improvement as these brands benefit from the Company's purchasing power and different labour management tools.

Contribution from Corporate segment

Total contribution from corporate restaurants was $6.8 million and $29.9 million for the 13 and 52 weeks ended December 25, 2016 compared to $6.1 million and $25.0 million in 2015, an improvement of $0.7 million and $4.9 million, respectively. The increases are primarily driven by the increase in number of corporate restaurants, including the addition of St-Hubert and Original Joe's, coupled with a 52 week improvement of food and labour costs as a percentage of corporate restaurant sales for Cara's historical brands described above.

For the 13 and 52 weeks ended December 25, 2016, total contribution from corporate restaurants as a percentage of corporate sales was 8.3% and 10.4% compared to 10.0% and 10.5% for the 13 and 52 weeks ended December 27, 2015, a reduction of 1.7 percentage points and 0.1 percentage points, respectively. The reduction was driven by the acquisitions of St-Hubert and Original Joe's that operate at lower contribution levels, decrease in SRS, offset by better labour management.

Franchise

As at December 25, 2016, the franchise restaurant segment consisted of 1,030 restaurants compared to 891 at December 27, 2015, an increase of 139 locations. The increase is related to 35 new restaurant openings and the addition of 131 restaurants from the acquisition of St-Hubert and the Original Joe's transaction, partially offset by 16 closures, excluding the impact of Casey's. The franchise segment includes the proportionate share of royalties earned from the joint venture restaurants from the Original Joe's transaction.

Franchise segment System Sales were $492.5 million and $1,669.1 million during the 13 and 52 weeks ended December 25, 2016 compared to $400.5 million and $1,527.9 million in 2015, respectively, an increase of $92.0 million or 23.0% for the quarter and $141.2 million or 9.2% for the year. The increase was primarily attributed to the new restaurant openings in 2016, and the addition of St-Hubert and Original Joe's, partially offset by the SRS decrease and restaurant closures.

Franchise revenues

Franchise revenues represent royalty fees charged to franchisees as a percentage of restaurant sales net of contractual subsidies and temporary assistance to certain franchisees.

The primary factors impacting franchise revenues are SRS Growth and net new restaurant activity, as well as the rate of royalty fees (net of contractual subsidies and temporary assistance) paid to Cara by its franchisees. In certain circumstances, the royalty rate paid to Cara can be less than Cara's standard 5.0% royalty rate due to different contractual rates charged for certain brands (St-Hubert's standard royalty rate is 4%) and historical contractual subsidies primarily associated with prior year's conversion transactions or agreements to temporarily assist certain franchisees. With the majority of contractual subsidies scheduled to end at prescribed dates and the reduction in the number of restaurants requiring temporary assistance, management believes the effective royalty recovery rate will gradually increase over time closer to 5.0% for franchisees (excluding St-Hubert at 4%).

Franchise revenues were $22.0 million and $75.2 million for the 13 and 52 weeks ended December 25, 2016 compared to $17.7 million and $68.3 million in 2015, respectively, an increase of $4.3 million or 24.3% for the quarter and $6.9 million or 10.1% for the year. The increase was primarily attributed to the addition of St-Hubert and Original Joe's, reductions in contractual subsidies and temporary assistance to franchisees, partially offset by franchise restaurant buybacks.

Contribution from franchise segment

Total contribution from franchise restaurants was $20.1 million and $67.2 million for the 13 and 52 weeks ended December 25, 2016 compared to $16.1 million and $60.4 million in 2015, respectively, an increase of $4.0 million or 24.8% for the quarter and $6.8 million or 11.3% for the year. The increase was related to increased royalty income as a result of the franchise sales increase and the addition of St-Hubert and Original Joe's, net of the SRS decrease.

The effective net royalty rate for the 13 and 52 weeks ended December 25, 2016 was 4.1% and 4.0%, respectively, compared to 4.0% and 4.0% for the 13 and 52 weeks in 2015. Cara's standard royalty rate is 5.0%. There are brands acquired since 2014 which charge different standard royalty rates.

As at December 25, 2016, a total of 148 restaurants were paying Cara a royalty below the standard rate as compared to 172 restaurants at December 27, 2015, a decrease of 24 restaurants. 91 out of the 148 restaurants paying below the standard royalty are related to previously agreed upon conversion agreements, an improvement of 9 restaurants compared to 100 as at December 27, 2015. 57 out of the 148 restaurants paying less than the standard royalty were related to temporary assistance provided to certain other restaurants, a decrease of 15 restaurants compared to 72 as at December 27, 2015.

Food processing and distribution

Sales from food processing and distribution relate to the manufacture and distribution of fresh, frozen and non-perishable food products under the St-Hubert brand name as well as under several private label brands. Food processing and distribution sales are impacted by orders from franchised restaurant locations and by the volume of orders generated from retail grocery chains.

Contribution from food processing and distribution

Contribution from food processing and distribution for the 13 and 52 weeks ended December 25, 2016 was $5.9 million and $8.6 million, respectively, representing the addition of St-Hubert from September 2, 2016, the date of acquisition.

Central

Sales

Sales in the central segment consist of revenues from Cara and St-Hubert's off-premise call centre business representing fees generated from delivery, call-ahead, web and mobile-based meal orders. The call centre business receives fees from restaurants to recover administrative costs associated with processing guest orders. Call centre revenues are impacted by the volume of guest orders as well as by the mix of fee types charged on the orders received (i.e. higher fees are received on phone orders compared to mobile or web orders).

Total central segment sales were $3.2 million and $9.9 million for the 13 and 52 weeks ended December 25, 2016 compared to $2.7 million and $9.7 million in 2015, respectively, representing an increase of $0.5 million, or 18.5% for the quarter, and an increase of $0.2 million or 2.1% for the year. The increase for the year relates to increased call centre orders offset by reduced rates Cara charges to franchisees for web and mobile orders starting in 2016 compared to 2015 and prior years. The decrease from reduced rates on web and mobile orders during the quarter was offset by off-premise sales increases from East Side Mario's which started offering off-premise in the first quarter of 2016 and the addition of St-Hubert call centre fees.

New franchise fees, rent revenue and equipment rent

Cara grants franchise agreements to independent operators ("franchisees") for new locations. Cara also renews franchise agreements in situations where a previous franchise agreement has expired and is extended. As part of these franchise agreements, franchisees pay new franchise and/or renewal fees and, in the case of converting established locations from corporate to franchise, conversion fees. New franchise fees and conversion fees, if applicable, are collected at the time the franchise agreement is entered into. Renewal fees are collected at the time of renewal. Rent revenue relates to properties owned by the Company which are leased to franchisees.

Franchise fees, rent revenue and equipment rent from franchisees were $3.2 million and $5.7 million for the 13 and 52 weeks ended December 25, 2016 compared to $0.7 million and $3.2 million in 2015, respectively, an increase of $2.5 million or 357.1% for the quarter and $2.5 million for the year or 78.1%. The net increase for the quarter is related to the addition of St-Hubert property rent revenue offset by decreases in equipment rent due to buyouts and terminations of equipment rental agreements.

Contribution from central segment

Central segment contribution for the 13 and 52 weeks ended December 25, 2016 was $19.8 million and $46.9 million, compared to $7.4 million and $26.8 million in 2015, respectively, representing an increase of $12.4 million or 167.6% for the quarter and $20.1 million or 75.0% for the year. Total central segment contribution as a percentage of total System Sales for the 13 and 52 weeks ended December 25, 2016 was 3.1% and 2.3% compared to 1.6% and 1.5% in 2015, an improvement of 1.5 percentage points and 0.8 percentage points respectively. The improvements are primarily related to System Sales increasing faster than central overhead costs resulting in overhead costs decreasing as a percentage of System Sales and from the addition of contribution from St-Hubert's food processing and distribution business.

Selected Quarterly Information

The following table provides selected historical information and other data of the Company which should be read in conjunction with the annual consolidated financial statements of the Company.

(C$ millions unless otherwise stated) [1]	Q4 – 2016 Dec 25, 2016	Q3 – 2016 Sept 25, 2016	Q2 – 2016 June 26, 2016	Q1 – 2016 Mar 27, 2016	Q4 – 2015 Dec 27, 2015	Q3 – 2015 Sept 27, 2015	Q2 – 2015 June 28, 2015	Q1 – 2015 Mar 29, 2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
System Sales	641.1	500.1	$ 450.3	$ 450.2	$ 461.1	$ 438.6	$ 437.0	$ 429.0
Total System Sales Growth	39.0%	14.0%	3.0%	4.9%	5.5%	2.6%	4.6%	5.0%
SRS Growth	(2.8%)	(2.3%)	(2.0%)	0.5%	1.2%	1.9%	3.3%	3.5%
Number of restaurants (at period end)	1,237	1,127	1,003	997	1,010	828	827	834
Operating EBITDA	**$ 46.7**	**$ 36.9**	**$ 32.8**	**$ 27.5**	**$ 29.6**	**$ 28.9**	**$ 28.4**	**$ 24.9**
Operating EBITDA Margin on System Sales	**7.3%**	**7.4%**	**7.3%**	**6.1%**	**6.4%**	**6.6%**	**6.5%**	**5.8%**
Corporate restaurant sales	$ 82.1	$ 74.7	$ 68.4	$ 63.2	$ 60.6	$ 63.4	$ 60.6	$ 53.1
Number of corporate restaurants	171	136	119	118	119	96	92	92
Contribution from Corporate segment	$ 6.8	$ 9.1	$ 8.9	$ 5.1	$ 6.1	$ 7.5	$ 7.7	$ 3.6
Contribution as a % of corporate sales	8.3%	12.1%	13.0%	8.1%	10.0%	11.9%	12.7%	6.7%
Franchise restaurant sales	$ 492.5	$ 407.7	$ 381.9	$ 387.0	$ 400.5	$ 376.3	$ 376.4	$ 375.9
Number of franchised restaurants	1,030	991	884	879	891	732	735	742
Contribution from Franchise segment	$ 20.1	$ 16.0	$ 15.4	$ 15.7	$ 16.1	$ 14.6	$ 14.7	$ 14.9
Contribution as a % of Franchise sales	4.1%	3.9%	4.0%	4.1%	4.0%	3.9%	3.9%	4.0%
Contribution from food processing and distribution	$ 5.9	$ 2.7	$ -	$ -	$ -	$ -	$ -	$ -
Contribution from Central segment	$ 13.9	$ 9.1	$ 8.5	$ 6.7	$ 7.4	$ 6.7	$ 5.9	$ 6.4
Contribution as a % of total System Sales	2.2%	1.8%	1.9%	1.5%	1.6%	1.5%	1.4%	1.5%
Total gross revenue	$ 175.6	$ 114.5	$ 89.0	$ 84.2	$ 84.0	$ 85.7	$ 80.9	$ 75.7
Operating EBITDA Margin	26.6%	32.2%	36.9%	32.7%	35.2%	33.7%	35.1%	32.9%
Earnings before income taxes	$ 30.3	$ 20.7	$ 24.9	$ 20.1	$ 21.7	$ 19.7	$ 17.1	$ 7.7
Net earnings	$ 19.7	$ 14.9	$ 18.1	$ 14.3	$ 58.3	$ 19.2	$ 15.9	$ 6.2
Adjusted Net Earnings	**$ 25.9**	**$ 24.3**	**$ 25.5**	**$ 21.1**	**$ 20.7**	**$ 20.2**	**$ 16.5**	**$ 6.8**
Net earnings operations attributable to common shareholders of the Company	$ 19.7	$ 14.8	$ 18.1	$ 14.5	$ 58.3	$ 19.1	$ 15.5	$ 6.3
EPS attributable to common shareholders of the Company (in dollars) [2]								
Basic EPS	$ 0.33	$ 0.29	$ 0.37	$ 0.29	$ 1.19	$ 0.39	$ 0.34	$ 0.35
Diluted EPS	$ 0.32	$ 0.27	$ 0.34	$ 0.27	$ 1.11	$ 0.36	$ 0.31	$ 0.17
Adjusted Basic EPS	**$ 0.44**	**$ 0.47**	**$ 0.52**	**$ 0.43**	**$ 0.42**	**$ 0.41**	**$ 0.33**	**$ 0.38**
Adjusted Diluted EPS	**$ 0.42**	**$ 0.43**	**$ 0.48**	**$ 0.40**	**$ 0.39**	**$ 0.38**	**$ 0.30**	**$ 0.19**

(1) See "Non-IFRS Measures" on page 39 for definitions of System Sales, System Sales Growth, SRS Growth, Operating EBITDA, Operating EBITDA Margin, Operating EBITDA on System Sales, Adjusted Net Earnings, Adjusted Basic EPS, and Adjusted Diluted EPS.

(2) Amounts per share give effect on a retrospective basis for the 2.79 to 1 share consolidation for common shares outstanding as at April 10, 2015, that took place as part of the Offering.

The Company's quarterly operating results may fluctuate significantly because of numerous factors, including, but not limited to:

- restaurant acquisitions;
- the timing of restaurant openings and closures;
- increases and decreases in SRS Growth;
- royalty recovery rates and the extent to which Cara provides financial assistance to franchisees;
- restaurant operating costs for corporate-owned restaurants;
- labour availability and costs for hourly and management personnel at corporate-owned restaurants and at its manufacturing and distribution facilities;
- profitability of the corporate-owned restaurants, especially in new markets;
- fluctuations in sales to retail grocery chains;
- changes in interest rates;
- impairment of long-lived assets and any loss on restaurant closures for corporate-owned restaurants;
- macroeconomic conditions, both nationally and locally;
- changes in consumer preferences and competitive conditions;
- expansion in new markets;
- increases in fixed costs; and
- fluctuations in commodity prices.

Seasonal factors and the timing of holidays cause the Company's revenue to fluctuate from quarter to quarter. Revenue per restaurant is typically slightly lower in the first quarter when consumer spending generally is lower following the holiday season. Adverse weather conditions may also affect customer traffic during the first quarter. In addition, the Company has outdoor patio seating at some of its restaurants, and the effects of adverse weather may impact the use of these areas and may negatively impact the Company's revenue.

Operating EBITDA has improved from $24.9 million in the first quarter of 2015 to $46.7 million in the fourth quarter of 2016. Operating EBITDA has improved each quarter (year over year) as a result of improvements in all three of the Company's historical segments, the addition of new restaurants, and from the acquisitions of New York Fries, St-Hubert, and Original Joe's. The significant increase in the fourth quarter in 2016 is primarily driven by having a full quarter of St-Hubert results.

Operating EBITDA Margin on System Sales in the second, third and fourth quarters of 2016 reached the Company's long-term target of between 7% and 8% as compared to a low of 5.8% in Q1 2015. The increases have been driven by improved performance in all three of the Company's historical operating segments, being Corporate restaurants, Franchise restaurants and Central operations. This increase in 2016 Operating EBITDA has resulted in a full year margin on System Sales of 7.1%, representing the Company's first full year of achieving its long-term target.

With the exception of the fourth quarter in 2016, contribution from the corporate restaurant segment as a percentage of sales has improved quarter over quarter (year over year). Contribution as a percentage of sales from the corporate restaurant segment is impacted by seasonality where the sales are traditionally lower in the first quarter and highest during the fourth quarter. The contribution rate improvement is related to better cost management of food and labour costs. The decrease in the fourth quarter 2016 contribution rate was impacted by lower SRS during the quarter, pre-opening restaurant costs incurred for restaurants opened in the fourth quarter, and lower contribution rates from the St-Hubert and Original Joe's restaurants.

The franchise restaurant segment contribution in the fourth quarter improved to 4.1% from 4.0% in 2015. Overall, the reduction on franchise assistance provided to restaurants has been offset by the lower royalty rates of new brands acquired.

Quarterly contribution from central, excluding food processing and distribution, has increased from a range of $5.9 million to $7.0 million in 2015 to a quarterly range of $6.7 million to $13.9 million in 2016. The increases are a result of head office cost reductions and the growth of the Company's off premise business.

Total gross revenue has increased from $75.7 million in the first quarter of 2015 to $175.6 million in the fourth quarter of 2016 as a result of the increase in the number corporate restaurants as a result of adding new Landing and Bier Markt restaurants, the addition of corporate restaurants from the St-Hubert acquisition and Original Joe's transaction, and the addition of the St-Hubert food processing and distribution business in the third quarter of 2016.

Quarterly earnings before income taxes increased significantly from $7.7 million in the first quarter of 2015 to $30.3 million in the fourth quarter of 2016. The significant increases are a result of improvements in all business segments as described above as well as from significant reductions in financing costs since the third quarter of 2015 to the third quarter of 2016 resulting from the reduction in debt with proceeds from the April 2015 IPO and before the completion of the St-Hubert and Original Joe's transactions.

Liquidity and Capital Resources

Cara's principal uses of funds are for operating expenses, capital expenditures, finance costs, debt service and dividends. Management believes that cash generated from operations, together with amounts available under its credit facility (refer to page 24), will be sufficient to meet its future operating expenses, capital expenditures, future debt service costs and discretionary dividends. However, Cara's ability to fund future debt service costs, operating expenses, capital expenditures and dividends will depend on its future operating performance which will be affected by general economic, financial and other factors including factors beyond its control. See "Risk and Uncertainties" (refer to page 32). Cara's management reviews acquisition and investment opportunities in the normal course of its business and, if suitable opportunities arise, may make selected acquisitions and investments to implement Cara's business strategy. Historically, the funding for any such acquisitions or investments have come from the issue of equity, cash flow from operating activities, and additional debt. Similarly, from time to time, Cara's management reviews opportunities to dispose of non-core assets and may, if suitable opportunities arise, sell certain non-core assets.

Working Capital

A working capital deficit is typical of restaurant operations, where the majority of sales are for cash and there are rapid turnover of inventories. In general, the turnover of accounts receivable and inventories is faster than accounts payable, resulting in negative working capital. Cara's Ultimate Gift Card sales significantly improve the Company's liquidity in the fourth quarter as cash is received within one to two weeks from time of sale. Gift card sales are highest in November and December followed by high redemptions in the January to March period. Cara's gift card liability at December 25, 2016 was $56.0 million compared to $51.9 million at December 27, 2015, an increase of $4.1 million due to increased sales during the holiday period in 2016 compared to 2015.

At December 25, 2016, Cara had a working capital deficit of ($23.7) million compared to ($51.6) million at December 27, 2015. The change of $27.9 million was related to (i) increase in cash of $7.4 million primarily related to the increases in cash from operations offset by repayments under the credit facility and capital asset additions during the year; (ii) increase in accounts receivable of $34.9 million primarily related to the addition of St-Hubert; (iii) increase in inventories of $24.0 million primarily related to the addition of St-Hubert; (iv) decrease in assets held for sale of $7.3 million related a number of restaurants built in December 2015 which were subsequently franchised; (v) increase in prepaid and other assets of $3.4 million primarily related to the addition of St-Hubert; (vi) increase in accounts payable and accrued liabilities of $25.6 million related to the addition of St-Hubert and increases in year end related costs; (vii) increase in gift card liability of $4.1 million related to higher gift card sales during the holiday period compared to 2015; (viii) increase in current provisions of $0.2 million; (ix) a net increase in income taxes payable of $4.6 million primarily related to St-Hubert; and (x) an increase in current portion of long-term debt of $0.3 million.

Investment in working capital may be affected by fluctuations in the prices of food and other supply costs, vendor terms and the seasonal nature of the business. While Cara has availability under its credit facility, it chooses to apply available cash flow against its facility to lower financing costs, rather than to reduce its current liabilities, while still paying within its payment terms. Management believes it will continue to operate in a working capital deficit position as the nature of its business is not expected to change.

Cash Flows

The following table presents Cara's cash flows for the 52 weeks ended December 25, 2016 compared December 27, 2015:

(C$ millions unless otherwise stated)	For the 52 week period ended December 25, 2016		For the 52 week period ended December 27, 2015	
Cash flows from operating activities ……………………………………………	$	120.0	$	79.5
Cash flows used in investing activities…………………………..………...………	$	(610.8)	$	(76.9)
Cash flows from financing activities……………………………………………..	$	498.2	$	13.1
Change in cash during the period [(1)]………..………………………..…………………..	$	7.4	$	15.6

(1) Figures may not total due to rounding.

Cash flows from operating activities of continuing operations

Cash flows from operating activities of continuing operations were $120.0 million in 2016 compared to $79.5 million in 2015, an improvement of $40.5 million. The increase was primarily the result of improved earnings offset by increases in accounts receivable, inventories, and increases in accounts payable related to the addition of St-Hubert and Original Joe's.

Cash flows used in investing activities of continuing operations

The following table presents Cara's capital expenditures for the 52 weeks ended December 25, 2016 as compared to the 52 weeks ended December 27, 2015:

(C$ millions unless otherwise stated)	For the 52 week period ended December 25, 2016		For the 52 week period ended December 27, 2015	
Purchase of property, plant and equipment:				
Maintenance:				
Corporate restaurants………………………………………………..		(9.2)		(3.3)
Central / IT expenditures / Other…………………………...…………		(13.3)		(11.5)
Total maintenance……………………………………………………..	$	(22.5)	$	(14.8)
Growth initiatives:				
Major renovations……...……………………………………………..		(5.0)		(2.5)
New builds…………………………………………………………….		(14.5)		(4.0)
Total growth……..……………………………………………………...	$	(19.5)	$	(6.5)
Total purchase of property, plant and equipment…………….......	**$**	**(41.6)**	**$**	**(21.3)**
Business acquisitions, net of cash assumed:				
Acquisitions……………………………………………………………..		(576.4)		(40.6)
Buyout of non-controlling interests…………………………….		-		(14.4)
Buy backs [1]………………………………………………………….		(0.3)		(6.4)
Total business acquisitions, net of cash assumed……………….	**$**	**(576.7)**	**$**	**(61.4)**
Total purchase of property, plant and equipment…………….......	$	(41.6)	$	(21.3)
Total business acquisitions, net of cash assumed……………….		(576.7)		(61.4)
Proceeds on disposal of property, plant and equipment.…………..		5.0		0.3
Proceeds on early buyout of equipment and rental contracts………….		0.6		2.6
Additions to other assets…………………………...………….		-		(0.1)
Change in long term receivables…..……………………………...		1.9		3.1
Total cash flows used in investing activities [2]…...……………...	**$**	**(610.8)**	**$**	**(76.9)**

[1] 2016 buy backs are comprised of 9 locations (2015 – 8 locations)

[2] Figures may not total due to rounding.

Cash flows used in investing activities were ($610.8) million during the 52 weeks ended December 25, 2016 compared to ($76.9) million 2015, an increase in use of $533.9 million. The increase is primarily related to the acquisition of St-Hubert, the Original Joe's transaction and capital asset additions related to the purchase of 9 restaurants formerly franchised, capital expenditures primarily for new Bier Markt and Landing restaurants, capital expenditures related to the refresh of IT systems at the Cara data center and at restaurants.

In 2015, cash flows used in investing activities related to the acquisition of New York Fries, purchasing the remaining 45% of the Landing Group and capital asset additions related to the purchase of 8 restaurants formerly franchised.

Commitments for Capital Expenditures

The Company incurs on-going capital expenditures in relation to the operation of its buildings, corporate restaurants, manufacturing equipment and distribution centers, maintenance and upgrades to its head office IT infrastructure, and to its call centre operations. The Company will also invest in major renovations and new corporate store growth opportunities. Cara's capital expenditures are generally funded from operating cash flows and through its Existing Credit Facility.

Cash flows (used in) from financing activities

The following table presents Cara's cash from financing activities for the 52 weeks ended December 25, 2016 compared to the 52 weeks ended December 27, 2015:

	For the 52 weeks ended	
(C$ millions unless otherwise stated)	**December 25, 2016**	**December 27, 2015**
Increases in debt	$ 434.2	$ 437.8
Debt repayments	(110.0)	(603.8)
Issuance of subordinate voting shares, net of transaction costs	221.5	216.6
Change in finance leases	(2.2)	(2.0)
Interest paid net of interest income received	(2.8)	(10.5)
Dividends paid	(20.9)	(23.1)
Other	(21.6)	(1.8)
Cash flows from financing activities [1]	$ 498.2	$ 13.1

[1] Figures may not total due to rounding.

Cash flows from financing activities were $498.2 million in 2016. Cash from financing activities primarily consist of a net increase in the Company's credit facility of $324.2 million, issuance of subordinate voting shares for $221.5 million, less dividends paid in the amount of $20.9 million.

Cash flows from financing activities were $13.1 million in 2015. Cash from financing activities primarily consist of proceeds from the IPO of $216.6 million less $166.0 million net reduction of the Company's credit facility, the payment of interest in the amount of ($10.5) million and cash dividends of ($23.1) million.

Contractual Obligations

Cara's significant contractual obligations and commitments as of December 25, 2016 (except as noted below), are shown in the following table:

(C$ millions unless otherwise stated)[1]	2017	2018	2019	2020	2021	Thereafter
Gross operating lease payments	105.6	96.0	84.0	75.0	65.1	221.6
Expected sub-lease income	75.9	69.2	60.1	52.8	44.1	139.3
Net operating lease obligation[2]	29.7	26.8	23.9	22.2	21.0	82.3
Finance leases[3]	4.3	4.1	3.6	3.0	2.5	9.0
Revolving term credit facility	-	-	-	-	242.0	-
Non-revolving term credit facility	-	-	150.0	-	-	-
Other obligations[4]	163.5	5.9	4.6	4.2	3.7	58.6
Total contractual obligations	**197.5**	**36.8**	**182.1**	**29.4**	**269.2**	**149.9**

(1) All figures include obligations that are in the normal course of business and pension fund obligations. Cara does not have any purchase obligations or other obligations as of December 25, 2016.

(2) Cara has obligations for leases for corporate locations and for certain leases related to franchisees (in the event of default by franchisees, Cara retains ultimate responsibility to the landlord for payment of amounts under those leases). For franchise operating leases, the above figures represent Cara's net exposure (i.e. after giving consideration to the portion of rent recovered from franchisees).

(3) Cara has financing lease obligations for land and buildings.

(4) Other obligations represent total accounts payable & accrued liabilities, provisions and other long term liabilities.

Debt

On September 2, 2016, the Company amended and extended the terms of its existing term credit facility. The fourth amended and restated term credit facility is comprised of a revolving credit facility in the amount of $400 million with an accordion feature of up to $50 million maturing on September 2, 2021 and a non-revolving term credit facility in the amount of $150 million maturing on September 2, 2019. A maximum amount of $26.3 million per year may be repayable on the term credit facility if certain covenant levels are exceeded by the Company.

The interest rate applied on amounts drawn by the Company under its total credit facility is the effective bankers acceptance rate or prime rate plus a spread based on the Company's total funded net debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio, as defined in the agreement, measured using EBITDA for the four most recently completed fiscal quarters.

The Company is required to pay a standby fee between 0.25% to 0.60% per annum, on the unused portion of the credit facility, for the term of its term credit facility. The standby fee rate is based on the Company's total funded net debt to EBITDA ratio. As of December 25, 2016, the standby fee was 0.25%.

As at December 25, 2016, $392.0 million (December 27, 2015 - $65.0 million) was drawn under the amended and extended term credit facility with an effective interest rate of 2.65% representing bankers acceptance rate of 0.75% plus 1.5%, standby fee and the amortization of deferred financing fees of 0.4%.

As at December 25, 2016, the Company has not exceeded any covenant levels requiring early repayment.

Pension deficit

The Company supports a number of pension plans, including a registered funded defined benefit pension plan, a multi-employer pension plan, a defined contribution plan and other supplemental unfunded unsecured arrangements providing pension benefits in excess of statutory limits. The defined benefit plans are non-contributory and these benefits are, in general, based on career average earnings subject to limits.

Defined benefit plan assets are held in trust and at December 25, 2016, were invested 100% in a balanced fund. The accrued benefit plan obligations are determined using actuarial valuations calculated by the Company's actuary. The

Company's pension funding policy is to contribute amounts sufficient, at a minimum, to meet local statutory funding requirements as recommended by the Company's actuary plus make annual required repayments of participant benefits for the Supplementary Retirement Plans. During 2017, the Company does not expect to contribute any funds to the defined benefit plan based on the most recent actuarial valuation.

A summary of the $22.4 million deficit in the plans is summarized below. Cara meets its pension obligations by settling its obligations as they come due with cash-on-hand. The pension obligations that Cara settled were $1.9 million and $1.6 million in 2016 and 2015 respectively.

(C$ millions unless otherwise stated)	Defined Benefit Pension Plans	Supplementary Retirement Plans (unfunded)	Total
Fair value of plan assets	$ 32.3	$ -	$ 32.3
Present value of obligations	(37.9)	(16.8)	(54.7)
Total	**$ (5.6)**	**$ (16.8)**	**$ (22.4)**

Off Balance Sheet Arrangements

Letters of credit

Cara has outstanding letters of credit amounting to $0.7 million as at December 25, 2016 (December 27, 2015 - $0.9 million), primarily for various utility companies that provide services to the corporate owned locations and support for certain franchisees' external financing used to fund their initial conversion fee payable to Cara.

Outstanding Share Capital

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of non-voting common shares. As at March 2, 2017, there were 59,982,554 subordinate and multiple voting shares (December 27, 2015 – 49,162,591) issued and outstanding.

The Company has a common share stock option plan for its directors, CEO and employees. The total number of options granted and outstanding as at March 2, 2017 is 4,279,283.

On May 5, 2016, the Company's Board of Directors suspended the Dividend Reinvestment Plan ("DRIP") which enabled shareholders to acquire additional Subordinate Voting Shares from Cara by reinvesting all of their cash dividends.

Related Parties

Shareholders

Prior to the IPO, Cara Holdings held 96.7% of the voting common shares. As part of the IPO, these voting common shares were exchanged into Multiple Voting Shares. After the IPO and the subsequent disposition of a portion of their ownership, Cara Holdings holds 24.2% of the total issued and outstanding shares, representing 40.9% voting control.

On April 10, 2015, as part of the IPO, subsidiaries of Fairfax exchanged non-voting preferred shares in conjunction with a cashless warrant exercise into Multiple Voting Shares of the Company. As a result of the conversion and subsequent purchases of Subordinate Voting Shares, Fairfax holds 39.1% of the total issued and outstanding shares, representing 56.6% voting control.

Fairfax and Cara Holdings together hold 63.3% of the total issued and outstanding shares and have 97.5% of the voting control attached to all the shares.

On March 30, 2016, the Company entered into an Equity Commitment Agreement with Fairfax, where Fairfax provided a commitment that Fairfax would either exercise its pre-emptive right in full to purchase its pro-rata share of any Subordinate Voting Shares the Company offers to the public provided that the offering price does not exceed $30.00 per share or, alternatively, would purchase $200.0 million of Subordinate Voting Shares at a price of $26.20. Fairfax also maintained its pre-emptive right to purchase its pro rata share of any Subordinate Voting Shares the Company offers to the public at a price above $30.00. In consideration for Fairfax's commitment, the Company paid Fairfax a fee of $4.0 million.

On April 15, 2016, as part of the Offering, Fairfax purchased 3,487,180 Subscription Receipts, accounting for approximately $102.0 million of the total $230.0 million gross proceeds. On September 2, 2016, in conjunction with the closing of the St-Hubert transaction (see note 5 of the 2016 consolidated financial statements), each outstanding subscription receipt was exchanged for one Subordinate Voting Share and as a result Fairfax now holds 39.9% of the total issued and outstanding shares, representing 56.7% voting control. As at December 25, 2016, the pro-rata share of dividends equivalents paid on the subscription receipts was $0.7 million.

During the period ended December 25, 2016, the Company declared a dividend of $0.40676 per share of Subordinate and Multiple Voting Shares of which Fairfax and Cara Holdings received $8.1 million and $5.9 million, respectively.

Fairfax and the Company are parties to a Shared Services and Purchasing Agreement. Under this agreement, Fairfax is authorized to enter into negotiations on behalf of the Company (and Fairfax associated restaurant companies) to source shared services and purchasing arrangements for any aspect of Cara's operations, including food and beverages, information technology, payment processing, marketing and advertising or other logistics. There were no transactions under this agreement for the period ended December 25, 2016 and December 27, 2015.

The Company's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions.

Insurance Provider

Some of Cara's insurance policies are held by a company that is a subsidiary of Fairfax. The transaction is on market terms and conditions.

Investment in Original Joe's joint venture companies

The Company has joint venture arrangements with certain Original Joe's franchises. The Company has an equity investment in these restaurants at varying ownership interests as well as term loans and demand loans related to new restaurant construction, renovation and working capital. The due from related party balance of $12.8 million consists of term loans and demand loans secured by restaurant assets of the joint venture company which has been recorded at fair value and will be accreted up to the recoverable value over the remaining term of the loans. The term loans bear interest at rates ranging from 7.75% to 9.76% and all mature September 21, 2017. The term loans are reviewed and renewed on an annual basis. The expected current portion of these loans is $2.4 million. The demand loans bear interest at 5% and have no specific terms of repayment. Pooling arrangements between the joint venture companies to share costs and repay the loans exist such that restaurants within a certain restaurant pool of common ownership agree that available cash from restaurants can be used to apply against balances outstanding among the group. Management fair values these loans based on expected cash flows from the restaurant at a discount rate of 15%. For the period ended December 25, 2016, the Company charged interest in the amount of $0.1 million on the term loans and demand loans.

The Company charges Original Joe's joint venture franchises a royalty and marketing fee of 5% and 2%, respectively, on net sales. At December 25, 2016 the accounts receivable balance included $0.5 million due from related parties in relation to these royalty and marketing payments. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Company's investment in the joint ventures and associates are reduced by losses incurred. For the period ended December 25, 2016, $0.1 million reduction to the investment balance was recorded in relation to the Company's proportionate share of losses for the period and included in share of (profit) loss of associates and joint ventures on the statement of earnings.

All entities above are related by virtue of being under joint control with, or significant influence by, the Company.

Transactions with key management personnel

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company and/or its subsidiary, directly or indirectly, including any external director of the Company and/or its subsidiary. Key management personnel may also participate in the Company's stock-based compensation plans and the Company's defined contribution savings plan.

Remuneration of key management personnel of the Company is comprised of the following expenses:

	For the 52 weeks ended	
(C$ thousands unless otherwise stated)	**December 25, 2016**	**December 27, 2015**
Short-term employee benefits	$ 4,973	$ 4,114
Long-term incentive plans	2,557	6,126
Termination benefits	577	635
Total compensation	**$ 8,107**	**$ 10,875**

Post-employment benefit plans

The Company sponsors a number of defined benefit plans as described in note 21 of the 2016 consolidated annual financial statements. In 2016, the Company's contributions to these plans were $0.8 million (December 27, 2015 - $0.7 million). The Company does not receive any reimbursement of expenses incurred by the Company to provide services to these plans.

Significant subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements. Intercompany balances and transactions are eliminated in preparing the consolidated financial statements.

Outlook

Management believes the Net Earnings and Operating EBITDA dollar and percentage improvements of $31.8 million and 28.3% over 2015, respectively, achieved in 2016 are significant, especially compared to 2013 when the Company's transformation began. With Operating EBITDA growth in all 4 segments and the Company achieving Operating EBITDA Margin within our long term range of 7% to 8% of System Sales in three quarters in 2016 and for all of 2016, we continue to increase the efficiency of our sales dollars. Despite year to date progress in this earnings efficiency factor and improved SRS compared to 2014, management is unsatisfied with the 2016 SRS performance and remains cautious on the Canadian economy and its potential impact on restaurant sales stemming from the continued challenges in western Canada. With respect to 2017, Management provides the following comments regarding its strategies and initiatives:

- *System Sales and SRS Growth* — While Management is satisfied with total System Sales growth of 15.6%, the SRS decline of 2.8% in the fourth quarter and 1.7% for the year fell below Management's expectations. SRS in the fourth quarter continues to be impacted by challenges in the western provinces, and uneven performance in certain restaurant banners. As Cara is a multi-branded company, not all brands will have strong results at the same time which can result in overall variable sales and SRS results. While this SRS result still has Cara ahead of 2014 levels, we have increased our focus and resources to improve upon the 2016 results. Management continues to focus on both short-term and long-term strategies to improve SRS through restaurant renovations, greater emphasis on menu innovation, enhanced guest experiences, and expanded e-commerce sales through new and improved off-premise applications for most brands over the next 2 years. In addition, in the third and fourth quarters we added several digital marketing initiatives that are launching in 2017 to reach new customer segments and to increase the frequency of existing ones. In order to accelerate these e-commerce and digital marketing initiatives we increased our investment in technology resources dedicated to e-commerce, digital development and data analytics.

- *Restaurant Count* — During the 52 weeks ended December 25, 2016, the Company completed 42 new openings and closed 23 restaurants for a net increase of 19 restaurants. 14 Casey's restaurants were also closed in 2016 as part of the brand wind down strategy. Management is targeting to open a minimum of 30 net new restaurants in 2017 before the impact of Casey's closures and any acquisitions. Management is also pursuing the sale of certain corporate restaurants in its franchise banners to franchisees to continue to improve the corporate-franchise portfolio mix.

- *Corporate restaurant profitability* — Management is pleased with the corporate restaurant profitability of 10.4% for the 52 weeks ended December 25, 2016 compared to 10.5% in 2015. Overall there was improvement in the historical Cara brands, primarily driven by the reduction in food and labour costs across the corporate store portfolio, partially offset by St- Hubert and the Original Joe's corporate restaurants that currently operate below the 10% target contribution level. Management believes there is significant opportunity for improved contribution in the future from St-Hubert and Original Joe's as Management realizes operating synergies from lower food costs and better labour management tools, as well as sales increases as the western provinces recover from the economic slowdown driven by resource industry challenges.

- *Franchise segment* —Franchise contribution as a percentage of franchise sales remained steady at 4.0% during the 52 weeks ended December 25, 2016 compared to 2015. The continued sales challenges experienced in the western provinces may require the Company to provide financial assistance to certain franchised locations which will result in slower improvements in franchise contribution rate over the short term.

- *Food processing and distribution segment* — During the fourth quarter of 2016, contribution margin from the food processing and distribution segment was $5.9 million, representing a contribution margin rate of 8.9% on food processing and distribution sales, and was $8.6 million from the date of acquisition, representing a contribution margin rate of 10.2%. Sales from this segment will typically be higher in the month of September and in the fourth quarter which will result in a higher contribution margin during the third and fourth quarters. Contribution as a percentage of sales from this segment is expected to be higher than Cara's overall 7%-8% target, however, there is also a higher capital requirement associated with this business segment. Overall, the higher Operating EBITDA contribution margin from the food processing and distribution segment should help bring Cara closer to the higher end of its long term target range of 7%-8% Operating EBITDA as a % of System Sales .

- *Central segment* — Going forward, central contribution will continue to improve on our model for growing sales faster than head office expenses, and by expanding our off premise business.

- *Total Operating EBITDA* — The combined contributions from Corporate, Franchise, Food and Distribution, and Central segments resulted in Total Operating EBITDA margin of 7.3% as a percentage of total System Sales for the quarter compared to 6.4% in 2015, representing the third consecutive quarter the Company has reached its long-term Operating EBITDA Margin target of between 7% and 8% of System Sales. Operating EBITDA margin for the year was 7.1% compared to 6.4% in 2015. The Company will continue to work on all four segments to achieve its long-term targets to increase both segmented EBITDA Contribution and Total Operating EBITDA in relation to Total System Sales.

- *Growth and acquisitions* —The Company currently has a debt to EBITDA ratio of approximately 2.1x. Management is comfortable that at these debt levels and will use the Company's cash flow from operations to support growth and to reduce debt.

The foregoing description of Cara's outlook is based on management's current strategies and its assessment of the outlook for the business and the Canadian Restaurant Industry as a whole, may be considered to be forward-looking information for purposes of applicable Canadian securities legislation. Readers are cautioned that actual results may vary. See "Forward-Looking Information" and "Risk & Uncertainties" for a description of the risks and uncertainties that impact the Company's business and that could cause actual results to vary.

Future Accounting Changes

New standards and amendments to existing standards have been issued and may be applicable to the company for its annual periods beginning on or after December 26, 2016. See note 3 of the Company's consolidated financial statements for the 52 weeks ended December 25, 2016 for a summary of new accounting standards adopted during 2016 and note 4 for a summary of future accounting standards not yet adopted.

Controls and Procedures

In accordance with the provisions of National Instrument 52-109 certification of Disclosure in issued annual and interim filings, management, including the CEO and CFO, have limited the scope of their design of the Company's disclosure controls and procedures and controls over financial reporting to exclude controls, policies and procedures of St-Hubert and Original Joe's. The scope limitation is in accordance with section 3.3 (1)(b) of National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filing, which allows an issuer to limit its design and evaluation of internal controls over financial reporting to exclude the controls, policies and procedures of a company acquired no more than 365 days before the end of the financial period to which the certification of interim filings relates. Cara acquired shares of St-Hubert on September 2, 2016 and Original Joe's on November 28, 2016.

Disclosure Controls and Procedures

Disclosure controls and procedures should be designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, namely the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding required disclosure.

As of December 25, 2016, an evaluation of the design of the Company's disclosure controls and procedures, as defined under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, was carried out under the supervision of the CEO and CFO and with the participation of the Company's management. Based on that evaluation, except for the above scope limitation described above, there were no material changes in controls during the year and the CEO and CFO concluded that as of December 25, 2016, the Company's disclosure controls were appropriately designed and procedures were effective.

Internal Controls Over Financial Reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is responsible for establishing adequate internal control over financial reporting for the Company.

Except for the scope limitation described above, an evaluation of the effectiveness of the design and operation of the Company's internal control over financial reporting was conducted as of December 25, 2016. Based on the evaluation, the CEO and the CFO concluded that the internal controls over financial reporting, as defined by National Instrument 52-109, were appropriately designed and were operating effectively. The evaluations were conducted in accordance with the framework and criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), a recognized control model, and the requirements of National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings.

Critical Accounting Judgments and Estimates

The preparation of the consolidated financial statements requires management to make various judgements, estimates and assumptions in applying the Company's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

These judgements and estimates are based on management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Within the context of these consolidated financial statements, a judgement is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount, and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions.

Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following are the accounting policies that are subject to judgements and estimates.

Business combinations

Accounting for business combinations requires judgments and estimates to be made in order to determine the fair values of the consideration transferred, assets acquired and the liabilities assumed. The Company uses all available information, including external valuations and appraisals where appropriate, to determine these fair values. Changes in estimates of fair value due to additional information related to facts and circumstances that existed at the acquisition date would impact the amount of goodwill recognized. If necessary, the Company has up to one year from the acquisition date to finalize the determinations of fair value for business combinations.

Accounting for joint ventures and associates

Joint ventures represent separately incorporated entities for which joint control exists. This requires judgement to determine if in fact joint control exists in each circumstance. Entities are considered to be under joint control when the Company has the ability to exercise significant influence but not control. Management has assessed the nature of its joint venture agreements with the respective other joint venture parties and using judgement determined where joint control does in fact exist. While the Company will also have a franchise agreement with the joint venture restaurants, the rights included in the franchise agreement are considered to be protective in nature and, therefore, do not allow for any additional substantive control over the other party.

Accounts receivable, long-term franchise receivables and amounts due from related party joint ventures

Management reviews accounts receivables, long-term franchise receivables and amounts due from related party joint ventures at each balance sheet date, utilizing judgements to determine whether a triggering event has occurred requiring an impairment test to be completed.

If an impairment test is required, management determines the net realizable value of its accounts receivables and long-term franchise receivables by updating and reviewing expected future cash flows and discounting their cash flows at their original discount rate. The process of determining the net realizable value requires management to make estimates regarding projected future cash flows.

Depreciation and amortization

The Company's property and equipment and definite life intangible assets are depreciated and amortized on a straight-line basis. Management uses judgment in determining the estimated useful lives of the assets and residual values. Changes to these estimates may affect the carrying value of these assets, net earnings, and comprehensive income in future periods.

Valuation of investments

For equity investments in other companies where the underlying investment shares are not traded publicly, in order to determine the value of the commons shares, estimates are required to determine the fair value of the underlying investment shares. Accordingly, those amounts are subject to measurement uncertainty and judgement.

Impairment of non-financial assets

Management is required to use judgement in determining the grouping of assets to identify their cash generating units ("CGUs") for the purposes of testing fixed assets for impairment. Judgement is further required to determine appropriate groupings of CGUs, for the level at which goodwill and intangible assets are tested for impairment. In addition, judgement is used to determine whether a triggering event has occurred requiring an impairment test to be completed for fixed assets and definite life intangible assets.

In determining the recoverable amount of a CGU, various estimates are employed. The Company determines the recoverable amount of fixed assets as the higher of fair value less costs to sell or its value in use. The Company determines fair value less costs to sell using estimates such as projected future sales, earnings, capital investments and discount rates for trademarks, and determines the recoverable amount of goodwill based on value in use. Projected future sales and earnings are consistent with strategic plans provided to the Company's Board. Discount rates are based on an estimate of the Company's weighted average cost of capital taking into account external industry information reflecting the risk associated with the specific cash flows.

Leases

In classifying a lease as either financial or operating, management has to make certain assumptions in estimating the present value of future lease payments and the estimated useful lives of the related assets. These assumptions include the allocation of value between land and building, and discount rates.

Income and other taxes

The calculation of current and deferred income taxes requires management to make certain judgements regarding the tax rules in jurisdictions where the Company performs activities. Application of judgements is required regarding classification of transactions and in assessing probable outcomes of claimed deductions including expectations of future operating results, the timing and reversal of temporary differences, the likelihood of utilizing deferred tax assets and possible audits of income tax and other tax filings by the tax authorities.

Employee future benefits

Accounting for the costs of defined benefit pension plans is based on using a number of assumptions including estimates of rates of compensation increase, retirement ages of plan members and mortality assumptions. The discount rate used to value the accrued pension benefit obligation is based on high quality corporate bonds in the same currency in which the benefits are expected to be paid and with terms to maturities that on average match the terms of the defined benefit obligations. Other key assumptions for pension obligations are based on actuarial determined data and current market conditions.

Gift cards

Management is required to make certain assumptions on the likelihood of gift card redemptions based on historical redemption patterns. The impact of these assumptions results in the reduction to the costs of administering and fulfilling the liability associated with the gift card program when it can be determined that the likelihood of the gift card being redeemed is remote based on several facts including historical redemption patterns and any changes to the gift card program.

Provisions

Management reviews provisions at each balance sheet date utilizing judgements to determine the probability that an outflow of economic benefit will result from the legal or constructive obligation and an estimate of the associated obligation. Due to the judgemental nature of these items, future settlements may differ from amounts recognized.

Stock-based compensation

The accounting for equity-settled stock-based compensation requires management to make an estimate of the fair value of the stock options when granted based on the enterprise value of the Company at the time of the grant as well as estimates around volatility, risk free interest rates and forfeitures of vested and unvested options.

Risks and Uncertainties

Restaurant Industry

The financial performance of the Company is subject to a number of factors that affect the commercial food service industry generally and the full-service restaurant and limited-service restaurant segments of this industry in particular. The Canadian restaurant industry is intensely competitive with respect to price, value proposition, service, location and food quality. There are many well-established competitors, including those with greater financial and other resources than the Company. Competitors include national and regional chains, as well as numerous individually owned restaurants. Recently, competition has increased in the mid-price, full-service, casual dining segment of this industry in which many of the Company's restaurants operate. Some of the Company's competitors may have restaurant brands with longer operating histories or may be better established in markets where the Company's restaurants are located or may be located. If the Company is unable to successfully compete in the segments of the Canadian Restaurant industry in which it operates, the financial condition and results of operations of the Company may be adversely affected.

The Canadian restaurant industry business is also affected by changes in demographic trends, traffic patterns, and the type, number and locations of competing restaurants. In addition, factors such as inflation, increased food, labour and benefit costs, and the availability of experienced management and hourly employees may adversely affect the restaurant industry in general and the Company in particular. Changing consumer preferences and discretionary spending patterns and factors affecting the availability of certain foodstuffs could force the Company to modify its restaurant content and menu and could result in a reduction of revenue. Even if the Company is able to successfully compete with other restaurant companies, it may be forced to make changes in one or more of its concepts in order to respond to changes in consumer tastes or dining patterns. If the Company changes a restaurant concept, it may lose additional customers who do not prefer the new concept and menu, and it may not be able to attract a sufficient new customer base to produce the revenue needed to make the restaurant profitable. Similarly, the Company may have different or additional competitors for its intended customers as a result of such a concept change and may not be able to successfully compete against such competitors. The Company's success also depends on numerous other factors affecting discretionary consumer spending, including general economic conditions, disposable consumer income, consumer confidence and consumer concerns over food safety, the genetic origin of food products, public health issues and related matters. Adverse changes in these factors could reduce guest traffic or impose practical limits on pricing, either of which could reduce revenue and operating income, which would adversely affect the Company.

Competition with Other Franchisors

The Company competes with other companies, including other well-capitalized franchisors with extensive financial, technological, marketing and personnel resources and high brand name recognition and awareness. There can be no assurance that the Company will be able to respond to various competitive factors affecting the franchise operations of the Company.

Quality Control and Health Concerns

The Company's business can be materially and adversely affected by publicity resulting from illness, injury, cleanliness, poor food quality or safety or any other health concerns or operating issues relating to a single restaurant or a limited number of restaurants. Such publicity or concerns could reduce guest traffic at one or more restaurants, reducing gross revenues of the restaurant. The Company has a number of procedures in place for managing food safety and quality. Nevertheless, the risk of food borne illness or contamination cannot be completely eliminated. Any outbreak of such illness or contamination at a restaurant or within the food service industry more generally (even if it does not affect any of the restaurants in the Cara network), or the perception of such an outbreak, could have a material adverse effect on the financial condition and results of operations of the Company.

Security Breaches of Confidential Guest Information

The Company's business requires the collection, transmission and retention of large volumes of guest and employee data, including credit and debit card numbers and other personally identifiable information, in various information technology systems that the Company maintains and in those maintained by third parties with whom the Company contracts to provide services. The integrity and protection of that guest and employee data is critical to the Company. Further, the Company's guests and employees have a high expectation that the Company and its service providers will adequately protect their personal information.

The information, security and privacy requirements imposed by governmental regulation are increasingly demanding. The Company's systems may not be able to satisfy these changing requirements and guest and employee expectations, or may require significant additional investments or time in order to do so. Efforts to hack or breach security measures, failures of systems or software to operate as designed or intended, viruses, operator error or inadvertent releases of data all threaten the Company and its service provider's information systems and records. A breach in the security of the Company's information technology systems or those of the Company's service providers could lead to an interruption in the operation of its systems, resulting in operational inefficiencies or a loss of revenues or profits. Additionally, a significant theft, loss or misappropriation of, or access to, guests' or other proprietary data or other breach of the Company's information technology systems could result in fines, legal claims or proceedings, including regulatory investigations and actions, or liability for failure to comply with privacy and information security laws, which could disrupt the Company's operations, damage its reputation and expose it to claims from guests and employees, any of which could have a material adverse effect on the Company's financial condition and results of operations.

Public Safety Issues

Adverse conditions, such as the threat of terrorist attacks, acts of war, pandemics or other outbreaks or perceived outbreaks of disease (including avian flu, H2N1, SARS or mad cow disease), may have a negative impact on the restaurant industry and the economy in general. These incidents can adversely affect restaurant traffic, discretionary consumer spending and consumer confidence, which may result in decreased patronage in the Company's restaurants or force the Company to reduce or cap prices. The occurrence, re-occurrence, continuation or escalation of such local, regional, national or international events or circumstances could reduce revenue for the Company.

Damage to the Company's Reputation

There has been a marked increase in the use of social media platforms and similar channels, including weblogs (blogs), social media websites and other forms of Internet-based communications that provide individuals with access to a broad audience of consumers and other interested persons. The availability and impact of information on social media platforms is virtually immediate and many social media platforms publish user-generated content without filters or independent verification as to the accuracy of the content posted. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available. Information concerning the Company or one or more of its brands may be posted on such platforms at any time. Information posted may be adverse to the Company's interests or may be inaccurate, each of which may harm the Company's performance, prospects or business. The harm may be immediate without affording the Company an opportunity for redress or correction.

Ultimately, the risks associated with any such negative publicity or incorrect information cannot be completely eliminated or mitigated and may materially harm the Company's reputation, business, financial condition and results of operations.

Availability and Quality of Raw Materials; Reliance on Suppliers

Sales by restaurants in Cara's network are dependent upon the availability and quality of the raw materials, food, services and products used in the products sold by such restaurants. The availability and price of these commodities are subject to fluctuation and may be affected by a variety of factors affecting the supply and demand of the raw materials used in these products.

Unfavourable trends or developments, including among others, fluctuations in the price of raw materials, a significant reduction in the availability or quality of raw materials purchased by restaurants, the unavailability of certain products, transportation disruptions, strikes, lock-outs, labour unrest and financial difficulties affecting the Company's suppliers, may cause a significant reduction in the availability or quality of products or services purchased by restaurants in Cara's network. There is no assurance that the Company will be able to find alternate suppliers, which could have a material adverse impact and/or other adverse effects on the Company and restaurants in its network.

Growth of the Company; Franchisees

The growth of the Company is dependent upon the ability of the Company to (i) maintain and grow the current system of franchised and corporate-owned restaurants, (ii) execute its current strategy for growth, (iii) locate new retail sites in prime locations and (iv) obtain qualified operators to become franchisees. The Company faces competition for retail locations and franchisees from its competitors and from franchisors of other businesses. The Company's inability to successfully obtain qualified franchisees could adversely affect its business development. The opening and success of franchised restaurants is dependent upon a number of factors, including availability of suitable sites, operating costs, negotiations of acceptable lease or purchase terms for new locations, permitting and government regulatory compliance and the ability to meet construction schedules. Prospective franchisees may not have all the business abilities or access to financial resources necessary to open a franchise or to successfully develop or operate a Company restaurant in a manner consistent with the Company's standards.

The Company provides training and support to franchisees, but the quality of franchised operations may be diminished by any number of factors beyond its control. Consequently, franchisees may not successfully operate outlets in a manner consistent with the Company's standards and requirements, or may not hire and train qualified managers and other restaurant personnel. If they do not, the image and reputation of the Company may suffer, and sales of restaurants in Cara's network could decline. There can be no assurance that the Company will be able to effectively manage its expanding operations.

Franchise Fees and Other Revenue

The Company's financial performance is dependent, in part, on its franchisees' ability to generate revenue and to pay franchise fees, royalties and other amounts to the Company. Failure to achieve adequate levels of collection from franchisees could have a material effect on the revenue and cash flow of the Company.

Under various provincial franchise statutes, a franchisee may rescind a franchise agreement for late or lack of proper provision of a disclosure document (as defined under the applicable statute) within certain prescribed time periods. Rescission claims by such franchisees could have a material effect on the revenue of the Company.

Franchisee Relations

The Company's success is dependent on its relationship with its franchisees. There can be no assurances that the Company will be able to maintain positive relationships with all of its franchisees. In addition, in certain jurisdictions in which the Company has restaurants, franchisees are permitted to establish associations among themselves. There can be no assurances that franchisees have not or will not in the future organize an association in order to act together to lobby the Company. Adverse publicity resulting from such activities may affect the sales of the restaurants, regardless of whether such publicity is accurate. In addition, any challenges in the relationships with franchisees may have an adverse impact on the performance of affected restaurants and the ability of the Company to undertake new initiatives, and could result in the diversion of management resources and increased administrative costs.

For certain franchisees, the Company acts as the "head lessee" under the lease for the restaurant. A default by the franchisee under the lease could result in increased costs and could have a negative impact on the Company's business and results of operations. The Company from time to time is also subject to litigation claims from franchisees.

Revenue Reporting Risks

Certain franchisees report sales to the Company on an ongoing basis via the Company's central POS system. There can be no assurance, however, that sales reported by franchisees are accurate and in accordance with the terms of the franchise agreements.

Opening New Restaurants

The consumer target area of the Company's restaurants varies by location, depending on a number of factors, including population density, other local retail and business attractions, area demographics and geography. As a result, the opening of a new restaurant in or near markets in which the Company already has restaurants could adversely impact sales at these existing restaurants. Existing restaurants could also make it more difficult to build the Company's consumer base for a new restaurant in the same market. The opening and success of a new restaurant will also be dependent on a number of factors, including availability of suitable sites, negotiation of acceptable lease or purchase terms for new locations, permitting and government regulatory compliance and the ability to meet construction schedules.

The Company may not be able to support sustained new restaurant growth or open all of its planned new restaurants, and the new restaurants that the Company does open may not be profitable or as profitable as its existing restaurants. New restaurants typically experience an adjustment period before sales levels and operating margins normalize, and even sales at successful newly-opened restaurants generally do not make a significant contribution to profitability in their initial months of operation. The opening of new restaurants can also have an adverse effect on sales levels at existing restaurants.

Potential Inability to Consummate Acquisitions

The Company does not currently have any agreement or commitment to acquire any businesses. However, Cara continues to seek opportunities to acquire or invest in restaurant businesses, such as its recent investments in St-Hubert and Original Joe's, that could expand, complement or otherwise relate to its current or future restaurant operations. Cara may also consider, from time to time, opportunities to engage in business collaborations with third parties to address particular purchasing requirements, such as the Shared Services Agreement. The pursuit of these activities may divert the attention of management and cause the Company to incur various expenses in identifying, investigating and pursuing suitable acquisitions or business arrangements, whether or not they are consummated. The Company may also be precluded from pursuing such transactions as a result of financial or other covenants in agreements to which it is a party. The Shared Services Agreement, in particular, includes provisions that would restrict the Company from engaging in negotiations with respect to a potential investment in certain Canadian foodservice companies if Fairfax is already engaged in negotiations with respect to that opportunity. In these circumstances, the interests of Fairfax (and of other restaurant operators in which it may hold an investment, such as The Keg), may conflict with the Company's interests.

Integration of Acquisitions and Brand Expansion

The consummation of an acquisition, investment or other business collaboration may create risks such as: (i) the need to integrate and manage the businesses, brands and/or products acquired with the Company's business, brands and products; (ii) additional demands on the Company's resources, systems, procedures and controls, (iii) disruption of the Company's ongoing business, (iv) adverse effects to the Company's existing business relationships; and (v) potential loss of key employees. While each of the Company's brands and restaurants are subject to the risks and uncertainties described herein, there is an enhanced level of risk and uncertainty related to the operation and expansion of the Company's smaller, newer brands, and any future-acquired brands. These brands and business ventures may have not yet proven their long-term viability or growth potential and will continue to be subject to the risks that accompany any new restaurant brand or new business initiative.

Moreover, an acquisition, investment or other business collaboration could involve: (i) substantial investment of funds or financings by issuance of debt or equity securities; (ii) substantial investment with respect to technology transfers and operational integration; and (iii) the acquisition or disposition of product lines or businesses. Also, such activities could result in one-time charges and expenses and have the potential to either dilute the interests of existing shareholders or result in the issuance of, or assumption of debt. Such acquisitions, investments or other business collaborations may involve significant commitments of the Company's financial and other resources. Any such activity may not be successful in generating revenue, income or other returns to the Company. Additionally, if the Company is unable to access capital markets on acceptable terms or at all, the Company may not be able to consummate acquisitions, or may have to do so on the basis of a less than optimal capital structure. The Company's inability to (i) take advantage of growth opportunities for its business or its products, or (ii) to address risks associated with acquisitions or investments in businesses, may negatively affect its operating results. Finally, any impairment of goodwill or other intangible assets acquired in an acquisition or in an investment, or charges to earnings associated with any acquisition or investment activity, may materially reduce Cara's earnings which, in turn, may have an adverse material effect on the price of the Subordinate Voting Shares. If the Company does complete such transactions, it cannot be sure that it will ultimately strengthen its competitive position or that it will not be viewed negatively by customers, security analysts or investors.

Retail Licensing Opportunities

Cara currently licenses a limited number of branded products which are sold through select grocery stores and other retail outlets. There can be no assurance that Cara will be successful in identifying or in capitalizing on opportunities to expand sales of its existing branded products or to introduce additional branded products in the manner and on the timelines anticipated by management or at all.

Seasonality and Weather

The restaurant industry is affected by weather and seasonal conditions. Adverse or unusual weather patterns may negatively affect operations of businesses in the restaurant industry. Favourable weather tends to increase guest traffic at the Company's restaurants, particularly in summer seasons at restaurants with patios or outdoor seating. Additionally, certain holidays and observances also affect guest dining patterns, both favourably or unfavourably.

Dependence on frequent deliveries of fresh produce and groceries subjects businesses in the restaurant industry to the risk that shortages or interruptions in supply caused by adverse weather conditions could adversely affect the availability, quality and cost of ingredients. Severe cold weather increases consumption of electricity and may cause an increase in oil and natural gas prices, which may result in markedly higher utility prices for the Company's restaurants. Severe hot weather leads to higher air conditioning costs. Any one of these consequences of adverse or unusual weather conditions, as well as water or electricity supply disruptions, may adversely affect the operations of the Company's restaurants by increasing operating costs and/or reducing revenue.

Regulations Governing Alcoholic Beverages

A portion of the Company's revenue is attributable to the sale of alcoholic beverages and the ability to serve such beverages is an important factor in attracting customers. Alcoholic beverage control regulations require each restaurant to apply to provincial and/or municipal authorities for a licence or permit to sell alcoholic beverages on the premises and, in certain locations, to provide service for extended hours and on Sundays. Typically, licences must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of daily operations of restaurants including minimum age of patrons and employees, hours of operation, advertising, wholesale purchasing, inventory control and handling and storage and dispensing of alcoholic beverages.

The failure of the Company or a restaurant to retain a licence to serve liquor could adversely affect the restaurant's operations and reduce the Company's revenue. Changes to laws regulating alcoholic beverages may also adversely affect operations of restaurants and reduce the Company's revenue by increasing costs, reducing the potential customer base or reducing the hours of operations of such restaurants.

The Company or a restaurant may be subject in certain provinces to "dram-shop" statutes, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. The Company carries liquor liability coverage as part of its existing comprehensive general liability insurance.

Laws Concerning Employees

The operations of restaurants are subject to minimum wage laws governing such matters as working conditions, overtime and tip credits. Significant numbers of restaurants' food service and preparation personnel are paid at rates related to the minimum wage and, accordingly, further increases in the minimum wage could increase the restaurants' labour costs. The franchisees may also hire foreign workers through the Canadian federal government's Temporary Foreign Worker Program, and accordingly, changes to this program could increase labour costs.

Dependence on Key Personnel

The success of the Company depends upon the personal efforts of senior management, including their ability to retain and attract appropriate franchisee candidates. The loss of the services of such key personnel could have a material effect on the operations of the Company. In addition, the Company's continued growth depends on its ability to attract and retain skilled management and employees and the ability of its key personnel to manage the Company's growth. Certain key personnel are not bound by non-competition covenants. If such personnel depart the Company and subsequently compete with the Company or determine to devote significantly more time to other business interests, such activities could have a material adverse effect on the Company's results of operations.

Attracting and Retaining Quality Employees

The Company and its franchisees' business is dependent upon attracting and retaining a large number of quality employees who reflect the Company's various brand images and culture. Many of these employees are in entry level or part-time positions with historically high rates of turnover. The inability of the Company and its franchisees to hire, train and retain employees may adversely affect the operations of the Company's restaurants and could have a material adverse effect on the Company's revenue.

The Company's ability to meet its labour needs while controlling the costs associated with hiring and training new employees is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation and changing demographics. Changes that adversely impact the Company's ability to attract and retain quality employees could adversely affect its business.

Unionization Activities May Disrupt Company Operations

Although only the employees at approximately 86 franchised restaurants and 5 corporate restaurant are currently covered under collective bargaining agreements, the Company's employees may elect to be represented by labour unions in the future. If a significant number of the Company's employees were to become unionized and collective bargaining agreement terms were significantly different from the Company's current compensation arrangements, it could adversely affect the Company's business, financial condition or results of operations. In addition, a labour dispute involving some or all of the Company's employees or the employees of franchisees may harm Cara's reputation, disrupt its operations and reduce its revenues, and resolution of disputes may increase its costs. Further, if the Company enters into a new market with unionized construction companies, or the construction companies in the Company's current markets become unionized, construction and build out costs for new Company restaurants in such markets could materially increase.

Reliance on Information Technology

The Company relies heavily on information systems, including point-of-sale processing in its restaurants, for management of its supply chain, accounting, payment of obligations, collection of cash, credit and debit card transactions, upkeep of Cara's in-house call centre and other processes and procedures. The Company's ability to efficiently and effectively manage its business depends significantly on the reliability and capacity of these systems. The Company's operations depend upon its ability to protect its computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses and other disruptive problems. The failure of these systems to operate effectively, maintenance problems, upgrading or transitioning to new platforms, expanding the Company's systems as it grows or a breach in security of these systems could result in interruptions to or delays in the Company's business and guest service and reduce efficiency in its operations. If the Company's information technology systems fail and its redundant systems or disaster recovery plans are not adequate to address such failures, or if the Company's business interruption insurance does not sufficiently compensate the Company for any losses that it may incur, the Company's revenues and profits could be reduced and the reputation of its brands and its business could be materially adversely affected. In addition, remediation of such problems could result in significant, unplanned capital investments.

Intellectual Property

The ability of the Company to maintain or increase its revenue will depend on its ability to maintain "brand equity", including through the use of the Company's trade-marks. If the Company fails to enforce or maintain any of its intellectual property rights, the Company may be unable to capitalize on its efforts to establish brand equity. All registered trade-marks in Canada can be challenged pursuant to provisions of the Trade-marks Act (Canada), and if any Company trade-marks are ever successfully challenged, this may have a material adverse impact on the Company.

The Company owns the Company's trade-marks in Canada, and owns trade-marks used in New York Fries' international operations. However, it may not own identical and similar trade marks in other jurisdictions. Third parties may use such trade-marks in jurisdictions other than Canada in a manner that diminishes the value of such trade-marks. If this occurs, the value of the Company's trade-marks may suffer and the results of operations of the Company could be impacted. Similarly, negative publicity or events associated with the Company, in jurisdictions outside of Canada may negatively affect the image and reputation of the Company in Canada, resulting in a material adverse effect on the Company.

Lawsuits

The Company and the franchisees may, from time to time, become party to a variety of legal claims and regulatory proceedings in Canada or elsewhere in the ordinary course of its business, including, but not limited to, complaints or litigation from guests alleging food-related illness, injuries suffered on the premises or other food quality, health or operational concerns. The Company is also subject to a variety of other claims arising in the ordinary course of its business, including personal injury claims, contract claims, class action claims, claims from franchisees (which tend to increase when franchisees experience declining sales and profitability) and claims alleging violations regarding workplace and employment matters, discrimination and similar matters. The existence of such claims against the Company or its affiliates, Directors or officers could have various adverse effects, including the incurrence of significant legal expenses defending such claims, even those claims without merit. The Company may also be named in lawsuits primarily directed at a franchisee. Adverse publicity resulting from such allegations may materially affect the sales or results of operations of restaurants, regardless of whether such allegations are true or whether the Company or a franchisee is ultimately held liable.

Regulation

The Company and each restaurant is subject to various licensing, laws and regulations governing its business, employment standards, taxes and other matters, including but not limited to, laws and regulations relating to alcoholic beverage control, smoking laws, accessibility and regulations of health and safety and fire agencies. It is possible that future changes in applicable federal, provincial or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the Company (including with retroactive effect). Any changes in the laws to which the Company is subject, including but not limited to, changes to the minimum wage, the Canadian federal government's Temporary Foreign Worker Program and informed dining regulations could materially adversely affect the Company's overall business. In addition, difficulties in obtaining or failures to obtain the required licences or approvals could delay or prevent the development of a new restaurant in a particular area. It is impossible to predict whether there will be any future changes in the regulatory regimes to which the Company will be subject or the effect of any such change.

As the owner or operator of real property, the Company and its franchisees are subject to federal, provincial and local governmental regulations relating to the use, storage, discharge, emission and disposal of waste and hazardous materials. Failure to comply with environmental laws could result in the imposition of severe penalties or restrictions on operations by governmental agencies or courts of law which could adversely affect the Company's operations.

The Company's Insurance May Not Provide Adequate Levels of Coverage

The Company believes that it maintains insurance customary for businesses of its size and type. However, there are types of losses that the Company may incur that cannot be insured against or that the Company believes are not economically reasonable to insure. Such losses could have a material adverse effect on the Company's business and results of operations.

Foreign Currency Exchange Rates

The Company is exposed to foreign exchange risk. A depreciating Canadian dollar relative to the U.S. dollar will have an adverse impact on the cost of produce, IT equipment and services, and other goods imported from the U.S., while an appreciating Canadian dollar relative to the U.S. dollar will have the opposite impact. Foreign exchange rate fluctuations may materially affect the Company's results of operations in future periods.

Non-IFRS Measures

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. The Company uses non-IFRS measures including "System Sales", "SRS Growth", "EBITDA", "Operating EBITDA", "Operating EBITDA Margin", "Operating EBITDA Margin on System Sales", "Adjusted Net Earnings", "Adjusted Basic EPS", and "Adjusted Diluted EPS", to provide investors with supplemental measures of its operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. The Company's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets, and to determine components of management compensation.

"System Sales" represents top-line sales from restaurant guests at both corporate and franchise restaurants including take-out and delivery customer orders. System Sales includes sales from both established restaurants as well as new restaurants. System sales also includes sales received from its food processing and distribution division. Management believes System Sales provides meaningful information to investors regarding the size of Cara's restaurant network, the total market share of the Company's brands sold in restaurant and grocery and the overall financial performance of its brands and restaurant owner base, which ultimately impacts Cara's consolidated financial performance.

"System Sales Growth" is a metric used in the restaurant industry to compare System Sales over a certain period of time, such as a fiscal quarter, for the current period against System Sales in the same period in the previous year.

"SRS Growth" is a metric used in the restaurant industry to compare sales earned in established locations over a certain period of time, such as a fiscal quarter, for the current period against sales in the same period in the previous year. SRS Growth helps explain what portion of sales growth can be attributed to growth in established locations and what portion can be attributed to the opening of net new restaurants. Cara defines SRS Growth as the percentage increase or decrease in sales during a period of restaurants open for at least 24 complete fiscal months relative to the sales of those restaurants during the same period in the prior year. Cara's SRS Growth results excludes Original Joe's as the transaction was completed on November 28, 2016; Casey's restaurants as the Company is in the process of winding down its operations and will either convert certain locations to other Cara brands or close; and sales from international operations from 45 New York Fries and 3 US East Side Mario's. For the first quarter of 2016, SRS excludes the timing impact resulting from Easter weekend occurring in the last week of the first quarter of 2016 as compared to being in the first week of the second quarter in 2015. To provide comparable quarter over quarter results, SRS for the first quarter was comprised of 12 weeks compared to the same 12 weeks in 2015 and the second quarter SRS compares 14 weeks in 2016 to the same 14 weeks in 2015 to include the impact of Easter weekend.

"EBITDA" is defined as net earnings (loss) before: (i) net interest expense and other financing charges; (ii) loss (gain) on derivative; (iii) write-off of financing fees; (iv) income taxes; (v) depreciation of property, plant and equipment; (vi) amortization of other assets.

"Operating EBITDA" is defined as net earnings (loss) before: (i) net interest expense and other financing charges; (ii) gain (loss) on derivative; (iii) write-off of financing fees; (iv) income taxes; (v) depreciation of property, plant and equipment; (vi) amortization of other assets; (vii) impairment of assets, net of reversals; (viii) losses on early buyout / cancellation of equipment rental contracts; (ix) restructuring; (x) conversion fees; (xi) net (gain) / loss on disposal of property, plant and equipment; (xii) stock based compensation; (xiii) changes in onerous contract provision; (xiv) lease costs and tenant inducement amortization; (xv) expense impact from fair value inventory adjustment resulting from the St-Hubert purchase relating to inventory sold during the period; and (xvi) acquisition related transaction costs.

"Operating EBITDA Margin" is defined as Operating EBITDA divided by total gross revenue.

"Operating EBITDA Margin on System Sales" is defined as Operating EBITDA divided by System Sales.

"Adjusted Net Earnings" is defined as net earnings plus (i) deferred income tax expense (reversal); (ii) non-cash amortization of inventory fair value increases related to inventory sold during the period resulting from the St-Hubert purchase determined at acquisition date; (iii) one-time transaction costs; and (iv) non-cash impairment charges.

"Adjusted Basic EPS" is defined as Adjusted Net Earnings divided by the weighted average number of shares outstanding.

"Adjusted Diluted EPS" is defined as Adjusted Net Earnings divided by the weighted average number of shares outstanding plus the dilutive effect of stock options and warrants issued.

The following table provides reconciliations of Net Earnings and Adjusted Net Earnings:

(C$ millions unless otherwise stated)	Q4 – 2016 December 25, 2016	Q3 – 2016 September 25, 2016	Q2 – 2016 June 26, 2016	Q1 – 2016 Mar 27, 2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reconciliation of net earnings to Adjusted Net Earnings				
Net earnings	$ 19.7	$ 14.9	$ 18.1	$ 14.3
Deferred income taxes	5.5	4.3	6.5	5.7
Inventory fair value adjustment resulting from acquisition	0.3	2.5	-	-
Transaction costs	-	1.1	0.9	1.1
Impairment charges	0.4	1.5	-	-
Adjusted Net Earnings [(1)]	**$ 25.9**	**$ 24.3**	**$ 25.5**	**$ 21.2**

(C$ millions unless otherwise stated)	Q4 – 2015 Dec 27, 2015	Q3 – 2015 September 27, 2015	Q2 – 2015 June 28, 2015	Q1 – 2015 Mar 29, 2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reconciliation of net earnings to Adjusted Net Earnings				
Net earnings	$ 58.3	$ 19.2	$ 15.9	$ 6.2
Deferred income taxes	(37.0)	0.8	0.6	0.4
Inventory fair value adjustment resulting from acquisition	-	-	-	-
Transaction costs	0.4	0.2	-	0.2
Impairment charges	(1.1)	-	-	-
Adjusted Net Earnings [(1)]	**$ 20.7**	**$ 20.2**	**$ 16.5**	**$ 6.9**

(1) Figures may not total due to rounding.

The following table provides reconciliations of EBITDA and Operating EBITDA:

(C$ millions unless otherwise stated)	Q4 – 2016 December 25, 2016	Q3 – 2016 September 25, 2016	Q2 – 2016 June 26, 2016	Q1 – 2016 Mar 27, 2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reconciliation of net earnings from continuing operations to EBITDA:				
Net earnings	$ 19.7	$ 14.9	$ 18.1	$ 14.3
Net interest expense and other financing charges	2.8	1.6	0.8	0.6
Income taxes	10.6	5.8	6.8	5.8
Depreciation of property, plant and equipment	10.1	6.6	5.5	4.9
Amortization of other assets	1.6	1.5	0.7	1.2
EBITDA[1]	**$ 44.9**	**$ 30.4**	**$ 31.9**	**$ 26.8**
Reconciliation of EBITDA to Operating EBITDA:				
Losses on early buyout/cancellation of equipment rental contracts	0.4	0.5	-	-
Restructuring	0.6	0.1	(0.4)	(0.1)
Transaction costs	-	1.1	0.9	1.1
Conversion fees	(0.4)	(0.4)	(0.4)	(0.4)
Net (gain) loss on disposal of property, plant and equipment	(2.6)	(0.1)	(0.2)	(0.9)
Impairment of assets, net of reversals	0.4	1.5	-	-
Inventory fair value adjustment resulting from acquisition	0.4	2.5	-	-
Stock based compensation	0.7	1.2	1.1	1.1
Change in onerous contract provision	2.3	0.2	(0.2)	(0.1)
Operating EBITDA [1]	**$ 46.7**	**$ 36.9**	**$ 32.8**	**$ 27.5**

(C$ millions unless otherwise stated)	Q4 – 2015 Dec 27, 2015	Q3 – 2015 September 27, 2015	Q2 – 2015 June 28, 2015	Q1 – 2015 Mar 29, 2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reconciliation of net earnings from continuing operations to EBITDA:				
Net earnings	$ 58.3	$ 19.2	$ 15.9	$ 6.2
Net interest expense and other financing charges	1.0	1.0	3.8	9.9
Income taxes	(36.7)	0.5	1.1	1.5
Depreciation of property, plant and equipment	5.1	4.9	4.7	4.7
Amortization of other assets	1.5	1.3	1.1	1.1
EBITDA[1]	**$ 29.2**	**$ 26.9**	**$ 26.6**	**$ 23.4**
Reconciliation of EBITDA to Operating EBITDA:				
Losses on early buyout/cancellation of equipment rental contracts	1.0	1.4	-	1.1
Restructuring	0.3	(0.1)	0.4	(0.2)
Transaction costs	0.4	0.2	-	0.2
Conversion fees	(0.4)	(0.5)	(0.4)	(0.5)
Net (gain) loss on disposal of property, plant and equipment	(0.4)	(0.6)	0.3	(0.6)
Impairment of assets, net of reversals	(1.1)	-	-	-
Stock based compensation	1.2	2.0	1.5	1.7
Change in onerous contract provision	(0.6)	(0.2)	(0.2)	-
Operating EBITDA [1]	**$ 29.6**	**$ 29.1**	**$ 28.4**	**$ 25.1**

[1] Figures may not total due to rounding.

Forward-Looking Information

Certain statements in this MD&A may constitute "forward-looking" statements within the meaning of applicable Canadian securities legislation which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this MD&A, such statements use words such as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks and uncertainties, including those related to: (a) the Company's ability to maintain profitability and manage its growth including SRS Growth, System Sales Growth, increases in net income, Operating EBITDA, Operating EBITDA Margin on System Sales, , and Adjusted net earnings (b) competition in the industry in which the Company operates; (c) the general state of the economy; (d) integration of acquisitions by the Company; (e) risk of future legal proceedings against the Company. These risk factors and others are discussed in detail under the heading "Risk Factors" in the Company's Annual Information Form dated March 2, 2017. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A.

Risks and Uncertainties

The financial performance of the Company is subject to a number of factors that affect the commercial food service industry generally and the full-service restaurant and limited-service restaurant segments of this industry in particular. The Canadian restaurant industry is intensely competitive with respect to price, value proposition, service, location and food quality. There are many well-established competitors, including those with greater financial and other resources than the Company. Competitors include national and regional chains, as well as numerous individually owned restaurants. Recently, competition has increased in the mid-price, full-service, casual dining segment of this industry in which many of the Company's restaurants operate. Some of the Company's competitors may have restaurant brands with longer operating histories or may be better established in markets where the Company's restaurants are located or may be located. If the Company is unable to successfully compete in the segments of the Canadian Restaurant industry in which it operates, the financial condition and results of operations of the Company may be adversely affected.

The Canadian restaurant industry business is also affected by changes in demographic trends, traffic patterns, and the type, number and locations of competing restaurants. In addition, factors such as inflation, increased food, labour and benefit costs, and the availability of experienced management and hourly employees may adversely affect the restaurant industry in general and the Company in particular. Changing consumer preferences and discretionary spending patterns and factors affecting the availability of certain foodstuffs could force the Company to modify its restaurant content and menu and could result in a reduction of revenue. Even if the Company is able to successfully compete with other restaurant companies, it may be forced to make changes in one or more of its concepts in order to respond to changes in consumer tastes or dining patterns. If the Company changes a restaurant concept, it may lose additional customers who do not prefer the new concept and menu, and it may not be able to attract a sufficient new customer base to produce the revenue needed to make the restaurant profitable. Similarly, the Company may have different or additional competitors for its intended customers as a result of such a concept change and may not be able to successfully compete against such competitors. The Company's success also depends on numerous other factors affecting discretionary consumer spending, including general economic conditions, disposable consumer income, consumer confidence and consumer concerns over food safety, the genetic origin of food products, public health issues and related matters. Adverse changes in these factors could reduce guest traffic or impose practical limits on pricing, either of which could reduce revenue and operating income, which would adversely affect the Company.

Please refer to the Company's Annual Information Form available on SEDAR at www.sedar.com for a more comprehensive list.