Pizza Pizza Limited
Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of the financial position and results of operations of Pizza Pizza Limited ("PPL") covers the 13-weeks (the "Quarter") and 39-weeks (the "Period") ended October 1, 2017. The MD&A should be read in conjunction with PPL's October 1, 2017 unaudited interim condensed consolidated financial statements and notes thereto (the "Financial Statements"). PPL prepares its Financial Statements in accordance with IAS 34- Interim Financial Reporting ("IAS 34") The MD&A has been prepared as of November 6, 2017.

OVERVIEW

PPL, a privately-owned Canadian corporation, operates two brands, Pizza Pizza and Pizza 73. PPL acquired 100% of the shares of Pizza 73, Inc. ("Pizza 73") on July 24, 2007. Immediately following the acquisition, PPL and Pizza 73 amalgamated, continuing to operate as Pizza Pizza Limited.

PPL pays a royalty to Pizza Pizza Royalty Limited Partnership (the "Partnership") for the use of the Pizza Pizza Rights and Marks and the Pizza 73 Rights and Marks. (See "Pizza Pizza Limited and Pizza Pizza Royalty Corp.")

About the Pizza Pizza Brand
Pizza Pizza restaurants operate primarily in the province of Ontario, where it dominates the pizza Quick Service Restaurant ("QSR") segment and is a franchise-oriented restaurant business. Of the 648 Pizza Pizza restaurants at October 1, 2017, 639 are franchised or licensed and nine are owned and operated as corporate restaurants. Of the 648 restaurants, 228 are non-traditional locations which have limited operating hours and a limited menu.

PPL provides a high level of service and operational support to its partners, including turn-key restaurants, a central food distribution centre which supplies all food and non-food items used in Pizza Pizza restaurant operations, and monitoring systems intended to ensure product and service quality and operational consistency across the chain.

PPL has a modern restaurant system. The centrally managed renovation or re-imaging program, funded by its franchisees, allows for the continuous renewal of the Pizza Pizza concept.

About the Pizza 73 Brand
There are 106 Pizza 73 locations operating in the QSR segment, principally in the province of Alberta. Of the 83 traditional restaurants at October 1, 2017, five are franchised or licensed and 78 are operated by corporations jointly-owned by PPL and an independent owner/operator. There are 23 non-traditional locations which have limited operating hours and a limited menu. Pizza 73 has seven traditional locations outside of Alberta; four in Saskatchewan, two in British Columbia, and one in the Yukon. Sales through its centralized call centre and on-line ordering account for approximately 90% of Pizza 73's system sales. The Pizza 73 business also includes two central food distribution centres

Background
PPL's three distinct revenue sources, food and beverage sales, receipt of royalty payments and profits from the 50% ownership in the Pizza 73 restaurants, are driven by changes in retail system sales at franchised, jointly controlled and company restaurants. Changes in retail system sales are driven by economic conditions, marketing initiatives and store counts. PPL monitors these metrics closely, as they directly impact its revenues and profits, and PPL strives to consistently increase the related amounts.

PPL devotes significant attention to its innovative marketing programs which are funded by the restaurant operators' contribution to a marketing fund that is administered by PPL. In accordance with their franchise or operating agreements, each traditional Pizza Pizza restaurant contributes approximately 6% of system sales (in addition to the base royalty and other franchise fees) and each traditional Pizza 73 restaurant contributes approximately 8% of system sales.

SELECTED FINANCIAL DATA

The selected financial data set forth below should be read in conjunction with the October 1, 2017 Financial Statements and related notes thereto. PPL has a floating year-end of the Sunday closest to December 31, accordingly, quarters consist of four 13-week periods with an additional week added to the last quarter every five to six years.

Consolidated Financial Data and Adjusted EBITDA(1) Calculation

	For the 13-week period ended October 1, 2017	For the 13-week period ended October 2, 2016	For the 39-week period ended October 1, 2017	For the 39-week period ended October 2, 2016
(all dollars in thousands, except number of restaurants)				
System Sales(2),(3)	137,865	136,500	410,122	402,932
Same Store Sales Growth (SSSG) (4)	(0.5)%	2.2%	0.1%	1.9%
Number of Restaurants:				
Traditional	503	494	503	494
Non-traditional	251	255	251	255
New restaurants opened	5	7	18	18
Restaurants closed	9	4	16	8
Revenues	54,394	54,270	162,504	162,408
Cost of food sales and general & administrative expenses	(48,511)	(47,034)	(144,268)	(142,390)
Equity income from the Partnership	1,714	1,640	5,038	4,813
Royalty payments	(8,956)	(8,854)	(26,319)	(26,076)
Operating income (loss)	(175)	1,392	735	3,021
Income tax expense	125	(215)	125	(570)
Income for the period attributable to the shareholders of Pizza Pizza Limited	873	2,102	3,463	5,265
Add (deduct):				
Equity income from Partnership	(1,714)	(1,640)	(5,038)	(4,813)
Royalty payments	8,956	8,854	26,319	26,076
Amortization of deferred gain	(583)	(583)	(1,748)	(1,748)
Amortization	851	619	2,510	1,688
Interest (income) / expense, net	(211)	(144)	(517)	(464)
(Gain)/loss on sale of Company-owned restaurants	29	-	(77)	(331)
Provision for (recovery of) income taxes:				-
Current	(154)	(365)	(485)	(423)
Deferred	29	580	360	993
Adjusted EBITDA (1)	**$ 8,076**	**$ 9,423**	**$ 24,787**	**$ 26,243**

Notes:

1) "EBITDA" is not a recognized measure under IFRS. References to EBITDA are to earnings determined in accordance with IFRS applicable to the financial statements before amounts for interest, taxes and depreciation and amortization. In addition, PPL has adjusted EBITDA for unusual charges in an attempt to demonstrate PPL operations as if a recombination of PPL and Pizza Pizza Royalty Corp. ("PPRC") occurred. Adjusted EBITDA excludes gains and losses on sales of assets and other items

resulting from its relationship with the Partnership. PPL believes that, in addition to net earnings, adjusted EBITDA is a useful supplemental measure in evaluating its performance as it provides investors with an indication of cash available for debt service, working capital needs and capital expenditures. Investors are cautioned, however, that adjusted EBITDA should not be construed as an alternative to the statement of cash flows as a measure of liquidity and cash flows. The method of calculating adjusted EBITDA for the purposes of this MD&A may differ from that used by other issuers and, accordingly, adjusted EBITDA in this MD&A may not be comparable to adjusted EBITDA used by other issuers.

(2) PPL has a floating year-end of the Sunday closest to December 31, accordingly, interim periods consist of four 13-week periods with an additional week added to the last interim period every 5 to 6 years.

(3) System Sales reported by Pizza Pizza and Pizza 73 restaurants include the gross sales of Pizza Pizza company-owned, jointly-controlled and franchised restaurants, excluding sales and goods and service tax or similar amounts levied by any governmental or administrative authority. System Sales do not represent the consolidated operating results of PPL.

(4) Same store sales growth ("SSSG") is not a recognized measure under IFRS. References to SSSG are to the changes in period gross revenue of Pizza Pizza and Pizza 73 restaurants as compared to sales in the previous period, where the restaurant has been open at least 13 months. Additionally, for a Pizza 73 restaurant whose restaurant territory was adjusted due to an additional restaurant, the sales used to derive the Step-Out Payment may be added to sales to arrive at SSSG. SSSG does not have any standardized meaning under IFRS. Therefore, these figures may not be comparable to similar figures presented by other companies. (See "Same Store Sales Growth").

RESULTS OF OPERATIONS

The following should be read in conjunction with the Selected Financial Data provided herein and in conjunction with the Financial Statements of PPL for the 13-week and 39-week periods ended October 1, 2017. See "Critical Accounting Policies and Estimates".

System Sales

(in thousands of dollars)	For the 13-week period ended October 1, 2017	For the 13-week period ended October 2, 2016	For the 39-week period ended October 1, 2017	For the 39-week period ended October 2, 2016
Pizza Pizza	116,706	115,674	345,855	339,337
Pizza 73	21,159	20,826	64,267	63,595
Total	137,865	136,500	410,122	402,932

System sales were affected by net new store additions and SSSG reported during the Quarter and Period. See "Same Store Sales Growth" and "New Restaurant Development".

Same Store Sales Growth

SSSG decreased by 0.5% for the Quarter, compared to an increase of 2.2% for the same quarter of 2016. For the Period, SSSG increased by 0.1%, compared to an increase of 1.9% for the same period of 2016. SSSG for the comparative period is not affected by the additional day during the leap year in 2016, as SSSG is calculated using a 39-week comparative basis.

SSSG	**Third Quarter (%)**		**Year to Date (%)**	
	2017	**2016**	**2017**	**2016**
Pizza Pizza	(0.2)	3.5	0.5	3.7
Pizza 73	(2.2)	(4.2)	(1.7)	(6.8)
Combined	(0.5)	2.2	0.1	1.9

SSSG is driven by the growth in the average customer check and in customer traffic, both of which are affected by changes in pricing and sales mix. During the Quarter and for the Period, PPL continued to execute on its strategy of growing customer traffic through compelling promotional offerings at both brands. The promotions, which were designed to drive traffic at attractive price points, successfully grew both delivery and walk-in traffic when compared to the same periods last year, however the average customer check decreased slightly. Management believes this near-term strategy will stabilize and grow same store sales, especially at the Pizza 73 brand which operates largely in the weakened Alberta economy.

SSSG is a key indicator used by PPL to measure performance against internal targets and prior period results. SSSG is commonly used by financial analysts and investors to compare PPL to other QSR brands. SSSG is defined as the change in period gross revenue of Pizza Pizza and Pizza 73 restaurants as compared to sales in the previous comparative period, where the restaurant has been open at least 13 months. Additionally, for a Pizza 73 restaurant whose restaurant territory was adjusted due to an additional restaurant, a Step-Out Payment may be added to sales to arrive at SSSG. It is a key performance indicator for PPL as this measure excludes sales fluctuations due to store closings, permanent relocations and chain expansion.

(in thousands of dollars)	**For the 13-week period ended October 1, 2017**	**For the 13-week period ended October 2, 2016**	**For the 39-week period ended October 1, 2017**	**For the 39-week period ended October 2, 2016**
Total System Sales	137,865	136,500	410,122	402,932
Adjustments for stores not in both fiscal years, and step-outs	(3,404)	(1,239)	(8,742)	(2,053)
Same Store Sales	134,461	135,161	401,380	400,879
SSSG	**(0.5)%**	**2.2%**	**0.1%**	**1.9%**

New Restaurant Development

For the 13-week period ended October 1, 2017

	Pizza Pizza			Pizza 73			PPL
(Number of Restaurants)	Traditional	Non-traditional	Total	Traditional	Non-traditional	Total	Grand Total
As at July 2, 2017	426	227	653	81	24	105	758
Openings	0	3	3	2	-	2	5
Closings	(6)	(2)	(8)	-	(1)	(1)	(9)
As at October 1, 2017	420	228	648	83	23	106	754

For the 13-week period ended October 2, 2016

	Pizza Pizza			Pizza 73			PPL
(Number of Restaurants)	Traditional	Non-traditional	Total	Traditional	Non-traditional	Total	Grand Total
As at July 3, 2016	416	228	644	75	27	102	746
Openings	3	4	7	-	-	-	7
Closings	-	(3)	(3)	-	(1)	(1)	(4)
As at October 2, 2016	419	229	648	75	26	101	749

For the 39-week period ended October 1, 2017

	Pizza Pizza			Pizza 73			PPL
(Number of Restaurants)	Traditional	Non-traditional	Total	Traditional	Non-traditional	Total	Grand Total
As at January 2, 2017	423	228	651	76	25	101	752
Openings	5	6	11	7	-	7	18
Closings	(8)	(6)	(14)	(0)	(2)	(2)	(16)
As at October 1, 2017	420	228	648	83	23	106	754

For the 39-week period ended October 2, 2016

	Pizza Pizza			Pizza 73			PPL
(Number of Restaurants)	Traditional	Non-traditional	Total	Traditional	Non-traditional	Total	Grand Total
As at January 3, 2016	411	225	636	75	28	103	739
Openings	8	9	17	-	1	1	18
Closings	-	(5)	(5)	-	(3)	(3)	(8)
As of October 2, 2016	419	229	648	75	26	101	749

During the Quarter, PPL closed six underperforming traditional stores; two in Ontario, three in Manitoba and one in Quebec. Additionally PPL opened two traditional Pizza 73 stores; one in the Yukon and one in Alberta.

For the Period, PPL opened five traditional Pizza Pizza restaurants; three in Quebec one in Ontario and one in Manitoba, and opened seven traditional Pizza 73 restaurants; five in Alberta, one in Saskatchewan and its first location in Yukon.

Additionally, PPL closed eight traditional locations during the period.

Of the 420 traditional Pizza Pizza restaurants, nine are operated as company stores (2016 – nine). Of the 83 Pizza 73 traditional restaurants, 78 are operated as independent businesses, equally owned by PPL and an owner/operator and three are operated as franchised or licensed restaurants (2016 – 75 jointly-controlled).

Segmented Reporting

As previously discussed, PPL operates two brands. While each brand operates in a similar market segment, the pizza QSR segment, they are in different geographic markets of Canada. Pizza Pizza operates mainly in the Ontario and Quebec ("Eastern Canada") pizza QSR segment, whereas Pizza 73 operates mainly in the Alberta ("Western Canada") pizza QSR segment.

The following discussion offers further details regarding PPL's segmented results, prior to eliminations, which represent adjustments required to reconcile PPL's segmented reporting to the Financial Statements.

Revenues

Food Sales

(in thousands of dollars)	For the 13-week period ended October 1, 2017	For the 13-week period ended October 2, 2016	% change	For the 39-week period ended October 1, 2017	For the 39-week period ended October 2, 2016	% change
Pizza Pizza	46,821	46,876	-0.1%	139,517	140,114	-0.4%
Pizza 73	9,830	10,023	-1.9%	29,984	30,560	-1.9%
Eliminations[1]	(9,830)	(10,023)	-1.9%	(29,984)	(30,401)	-1.4%
Total	46,821	46,876	-0.1%	139,517	140,273	-0.5%

Royalties, franchise fees and other revenue

(in thousands of dollars)	For the 13-week period ended October 1, 2017	For the 13-week period ended October 2, 2016	% change	For the 39-week period ended October 1, 2017	For the 39-week period ended October 2, 2106	% change
Pizza Pizza	6,788	6,722	1.0%	20,573	20,092	2.4%
Pizza 73	785	672	16.8%	2,414	2,043	18.2%
Total	7,573	7,394	2.4%	22,987	22,135	3.8%

Food sales, royalties, franchisee fees and other revenue for both geographic markets are driven by SSSG and movement in the number of stores.

Food sales were consistent quarter over quarter. For Western Canada the decrease in food sales is attributable to negative SSSG of 2.2% which is partially offset by the opening of two new traditional stores in the quarter when compared to the same period in prior year.

Royalties, franchisee fees and other revenue in Eastern Canada for the Quarter increased slightly when compared to the same period in 2016. The increase is the result of an increase in franchise renewal fees. For Western Canada royalties, franchisee fees and other revenue increased as a result of initial administration fees earned on the opening of two new Pizza 73 traditional restaurants, plus royalty income earned on the five franchised Pizza 73 restaurants. In prior year comparative quarter, there were no new traditional restaurants, nor any franchised locations to generate royalty income. See "Same Store Sales Growth" and "New Restaurant Development".

For the Period, food sales in Eastern Canada decreased slightly when compared to the same period of 2016 as a result of closing net three stores. Royalties, franchise fees, and other revenue for Eastern Canada increased during the Period as a result of higher initial franchise fees earned on store openings, plus higher construction fees. For Western Canada, food sales decreased for the Period when compared to the same period in 2016, as a result of negative SSSG of 1.7%, offset by the opening of seven Pizza 73 jointly controlled restaurants during the Period. Royalties, franchise fees and other revenue for Western Canada increased for the Period when compared to the same period in 2016, as negative SSSG of 1.7% was offset by initial administration fees earned on the seven new Pizza 73 traditional restaurants, and the royalty income earned on the five franchised Pizza 73 restaurant. In prior year comparative period, there were no new traditional restaurants, nor any franchised locations to generate royalty income. See "Same Store Sales Growth" and "New Restaurant Development".

[1] The elimination row represents adjustments to the Pizza 73 joint ventures as required under IFRS 11.

Cost of Food Sales

(in thousands of dollars)	For the 13-week period ended October 1, 2017	For the 13-week period ended October 2, 2016	% change	For the 39-week period ended October 1, 2017	For the 39-week period ended October 2, 2016	% change
Pizza Pizza	37,695	37,681	-0.4%	112,660	112,812	-0.1%
Pizza 73	3,923	4,068	-3.6%	12,075	12,473	-3.2%
Eliminations[1]	(3,923)	(4,068)	-3.6%	(12,075)	(12,406)	-2.7%
Total	37,695	37,681	-0.4%	112,660	112,879	-0.1%

Cost of food sales is dependent on the movement in food sales for the Quarter and Period. Furthermore, PPL continued to leverage its buying power and manage food costs through its centralized purchasing system. By brand, a slight decrease in cost of food sales in Eastern Canada is directly attributable to improved margins for the Quarter and Period, respectively. For Western Canada, a decrease in cost of food sales is directly attributable to a decline in food sales, together with improved margins for the Quarter and Period, respectively.

General and Administrative ("G&A") Expenses

(in thousands of dollars)	For the 13-week period ended October 1, 2017	For the 13-week period ended October 2, 2016	% change	For the 39-week period ended October 1, 2017	For the 39-week period ended October 2, 2016	% change
Pizza Pizza	10,135	8,828	14.8%	29,794	27,840	7.0%
Pizza 73	5,167	4,867	6.1%	15,386	14,407	6.8%
Eliminations[1]	(4,486)	(4,342)	3.3%	(13,572)	(12,736)	6.6%
Total	10,816	9,353	15.6%	31,608	29,511	7.1%

G&A expenses in Eastern Canada include corporate expenses and company store expenses incurred at the company owned and managed stores. For the Quarter and Period, the increase in G&A expenses in Eastern Canada is mainly attributed to an additional provision made for onerous leases associated with the six Pizza Pizza traditional restaurants closed this Quarter, and higher employee headcount when compared to the same periods of 2016. G&A expenses in Western Canada before the eliminations, reflect the operations of the stores and corporate office. The increase for the Quarter and Period is due an increase in minimum wage in October 2016 and the addition of new P73 traditional restaurants that were not operating as of October 2, 2016.

Royalty Payments

(in thousands of dollars)	For the 13-week period ended October 1, 2017	For the 13-week period ended October 2, 2016	% change	For the 39-week period ended October 1, 2017	For the 39-week period ended October 2, 2016	% change
Pizza Pizza	7,111	6,925	2.7%	20,702	20,244	2.3%
Pizza 73	1,845	1,929	-4.3%	5,617	5,832	-3.7%
Total	8,956	8,854	1.2%	26,319	26,076	0.9%

As per the Licence & Royalty Agreements, PPL pays the Partnership a monthly royalty based on the system sales of the Pizza Pizza and Pizza 73 restaurants in the Royalty Pool. The restaurants in the Royalty Pool increased to 751 on January 1, 2017 to include 27 new restaurants less 12 closed restaurants. In the prior year, the Royalty Pool included 736 restaurants. By Brand a net, 15 Pizza Pizza restaurants were added to the Royalty Pool, while Pizza 73 restaurants in the Royalty Pool remained

[1] The elimination row represents adjustments to the Pizza 73 joint ventures as required under IFRS 11.

unchanged. See "Pizza Pizza Limited and Pizza Pizza Royalty Corp.", "Royalty Pool Adjustments", and "Restaurants Added to the Royalty Pool".

For the Quarter and Period, an increase in royalty payments for Eastern Canada resulted from net, 15 new restaurants added to the Royalty Pool on January 1, 2017, together with negative 0.2% and positive 0.5% SSSG for the Quarter and Period, respectively. For Western Canada, a decrease in royalty payments is due to the negative SSSG, and the unchanged Royalty Pool (see "Same Store Sales Growth").

Equity income from Pizza Pizza Royalty Limited Partnership
PPL accounts for its investment in the Partnership using the equity method of accounting. As at October 1, 2017, PPL owned an effective 21.1% interest in the Partnership, compared to 20.4% in the same quarter of 2016. PPL's 21.1% interest in the earnings of the Partnership is through its ownership of Class B and Class D Units. (See "Pizza Pizza Limited and Pizza Pizza Royalty Corp.").

For the Quarter, as a result of an increase in effective interest in the Partnership, equity income increased to $1.7 million compared to $1.6 million in the comparative quarter of 2016. For the Period equity income increased to $5.0 million from $4.8 million in the comparative period of 2016.

Equity income from Jointly-controlled companies
PPL accounts for its 50% share interest in 78 jointly-controlled Pizza 73 restaurants (October 2, 2016 – 75) as an investment in joint ventures, and applies the equity method of accounting.

For the Quarter, equity income earned decreased slightly to $1.2 million from $1.4 million in the prior year's comparative quarter. An increase in the number of joint ventures for the Quarter and resulting equity income, was offset with lower, overall, net income resulting from a negative SSSG of 2.2% and the effect of the increase in minimum wage in Alberta.

For the Period, equity income earned decreased, slightly, to $3.7 million compared to $3.9 million in the prior year's comparative period. An increase in the number of joint ventures for the Period and resulting equity income, was offset with lower, overall, net income resulting from a negative SSSG of 1.7% and the effect of the increase in minimum wage in Alberta.

Gain on Sale of Company Restaurants and Jointly-Controlled Restaurants
For the Quarter, one Pizza Pizza company restaurant was sold for a net loss of $29,000, compared to the prior year comparable quarter, during which no company restaurants were sold.

During the Period, three Pizza Pizza company owned restaurants were sold for a gain of $77,000, compared to the prior year period, during which five Pizza Pizza company restaurants and a 50% interest in a corporate Pizza 73 restaurant were sold for a gain of $331,000.

Interest and Other Income
Interest and other income includes interest income derived from notes receivable with franchisees and investments in cash equivalents.

Interest and other income earned by PPL remained consistent for the Quarter at $342,000 compared to $356,000. For the Period, interest and other income decreased to $888,000 from $1.1 million for the comparable period in 2016. The decrease can be attributed to lower policy violation fees from the restaurants.

Current income tax recovery
Current income tax recovery for the Quarter was $154,000 compared to $365,000 for the comparative quarter of 2016. For the Period, current income tax recovery was $485,000 compared to $423,000 for the comparative period of 2016. The increase in current tax recovery is mainly attributed to higher Capital Cost Deduction (CCA) as compared to the same periods in 2016.

Deferred tax expense
Deferred tax expense for the Quarter was $29,000 compared to $580,000 for the comparable quarter in 2016. For the Period, deferred tax expense was $360,000 compared to $1.0 million for the same period in 2016. The variance in the expense, for the Quarter and Period, is due to the acquisition of property plant and equipment, resulting in a higher un-depreciated capital cost which was largely offset by an increase in the onerous lease provision in the comparable Quarter and Period.

Net Income
PPL reported earnings for the Quarter of $873,000 compared to earnings of $2.1 million in the 2016 comparable quarter. For the Period, PPL reported earnings of $3.5 million, compared to $5.2 million for the comparable period of 2016. The decrease in earnings for the Quarter and Period is mainly attributed to higher G&A expenses which include company store expenses and the onerous lease provision.

Shareholders' Deficiency
The $92.9 million shareholders' deficiency shown in the Financial Statements is largely a result of PPL having paid $107.5 million in capital dividends to shareholders in 2005, $16.8 million in capital dividends in 2007, $7.2 million in capital dividends in 2012, and $39.0 million in capital dividends in 2016. The source of dividends to shareholders was the proceeds received from the Partnership in payment for the PPL Rights & Marks in 2005, funds from operations since 2005, and proceeds from the sale of Class B Partnership Units in 2015. The balance of the deferred gain from the 2005 sale of the PPL Rights & Marks is $202.1 million as at October 1, 2017 and is being amortized into earnings over a term of 99 years.

SUMMARY OF QUARTERLY RESULTS

The Pizza Pizza and Pizza 73 restaurants are subject to seasonal variations in their business; system sales for the quarter ended March 31 have generally been the softest and the December 31 quarter system sales have been the strongest.

	13 weeks ended October 1, 2017	13 weeks ended July 2, 2017	13 weeks ended April 2, 2017	13 weeks ended January 1, 2017	13 weeks ended October 2, 2016	13 weeks ended July 3, 2016	13 weeks ended April 3, 2016	14 weeks ended January 3, 2016
				(in thousands of dollars)				
Revenues	$ 54,394	$ 54,314	$ 53,796	$ 57,278	$ 54,270	$ 54,041	$ 54,134	$ 60,851
Net income (loss)	873	$ 563	$ 2,026	$ (2,009)	$ 2,102	$ 1,673	$ 1,490	$ 20
Adjusted EBITDA	$ 8,076	$ 7,478	$ 9,233	$ 809	$ 9,423	$ 8,239	$ 8,581	$ 4,647

LIQUIDITY & CAPITAL RESOURCES

The following table provides an overview of the cash flows for the periods:

	For the 39-weeks ended October 1, 2017	For the 39-weeks ended October 2, 2016
Cash provided by (cash used):		
Operating activities	(10,632)	(20,446)
Investing activities	7,943	22,374
Financing activities	(1,156)	(926)
Increase/ (Decrease) in cash	(3,845)	1,002

As of October 1, 2017, PPL had working capital of $10.1 million and its cash, cash equivalents and short-term investment were $15.2 million. PPL collects most of its receivables within seven days from the date of the related sale, and pays its payables within 30 days; PPL generally experiences over 100 turns of inventory per year. These factors, coupled with significant and ongoing cash flows from operations, which are used primarily to pay the Partnership the royalty on the Royalty Pool system sales, may reduce its working capital amounts. PPL's primary sources of liquidity are cash flows from operations and distributions received on PPL's interest in PPRC. PPL has historically funded capital expenditures and debt repayments from cash flows from operations and proceeds from the disposal of company-owned restaurants.

Cash used in operating activities for the Period was $10.6 million compared with $20.5 million used in 2016. When compared to the prior year comparative period, the $9.9 million decrease of cash used in operating activities is largely attributable to working capital changes, including the 2016 income tax payment of $7.7 million and collection of income tax receivables of $4.3 million, partially offset in the Period with higher repayment of deposits from franchisees of $1.8 million.

Cash provided by investing activities for the Period was $7.9 million compared to $22.4 million in 2016. The decrease, when compared to the prior year comparative period, is mainly due to redemption of short-term investments of $16.0 million during the prior year comparative period.

Cash used in financing activities for the Period was $1.1 million compared to $926,000 in 2016 which is consistent with the comparable period

Certain bank covenants must be maintained by PPL and are related to the Partnership's credit facility, all of which were met as of October 1, 2017 and January 1, 2017.

Based upon its current level of operations and anticipated growth, PPL believes that the cash generated from its operations will be adequate to pay the Partnership a 6% royalty on the Pizza Pizza Royalty Pool System Sales and a 9% royalty on the Pizza 73 Royalty Pool System Sales, plus meet its anticipated debt service requirements, its capital expenditure and working capital needs. PPL's ability to continue to fund these items could be adversely affected by the occurrence of any of the events described in the Risks and Uncertainties section that follows herein and the matters described in PPRC's Annual Information Form under the heading "Risk Factors". PPL's future operating performance and its ability to pay the Partnership a 6% royalty on the Pizza Pizza Royalty Pool System Sales, a 9% royalty on the Pizza 73 Royalty Pool System Sales and meet its anticipated debt service requirements will be subject to future economic conditions and to financial, business and other factors, many of which may be beyond its control. However, to offset the factors that are beyond its control, PPL has the ability to convert its current Class B and Class D Units into shares of PPRC and sell them to the public to generate cash proceeds.

OFF-BALANCE SHEET ARRANGEMENTS

PPL is a sublessor under the head lease for all restaurant locations, other than locations operated by certain licensees. Should franchisees fail to meet their obligations under the terms of their sublease, PPL would become liable for the obligations under the related head leases. The gross lease obligations are summarized in the following table:

	2017	2018	2019	2020	2021	Thereafter
				(in thousands of dollars)		
Minimum lease obligation	34,395	37,596	32,621	25,573	20,195	130,573
Less: Sublease to franchisees	29,915	30,828	27,823	23,700	18,449	35,632
Net lease obligation	4,480	6,768	4,798	1,873	1,746	94,941

PPL has provided certain guarantees as disclosed in note 7 of the Financial Statements with respect to certain franchisee loans. PPL believes that guarantees of franchisee loans are a low risk since PPL has, historically, been able to replace a defaulting franchisee with a new franchisee who has assumed the obligations of the defaulting franchisee.

PIZZA PIZZA LIMITED AND PIZZA PIZZA ROYALTY CORP.

Pizza Pizza Royalty Corp., ("PPRC" or the "Company"), has licensed the Pizza Pizza Rights and Marks to PPL, for which PPL pays a 6% royalty on the system sales of those Pizza Pizza restaurants included in the specific listing of restaurants referred to as the "Royalty Pool" (as described under "Royalty Pool Adjustments"). There are 651 Pizza Pizza restaurants in the Royalty Pool for 2017.

In July 2007, the Partnership acquired the Pizza 73 trademarks and other intellectual property associated with Pizza 73 (together, "Pizza 73 Rights"). The Partnership licensed the Pizza 73 Rights to PPL for a 9% royalty on system sales of the Pizza 73 restaurants included in the Royalty Pool (as described under "Royalty Pool Adjustments"). For 2017, there are 100 Pizza 73 restaurants in the Royalty Pool.

As of October 1, 2017, PPL indirectly held an effective 21.1% interest in the Partnership (January 1, 2017 – 21.1%) by holding all Class B and Class D Units of the Partnership. PPL has the right to exchange one Class B or Class D Unit indirectly for that number of common shares of PPRC ("Shares") equal to the Class B Exchange Multiplier or Class D Exchange Multiplier, respectively, applicable at the date of such exchange, as described under "Royalty Pool Adjustments". The Class B and Class D Units are entitled to receive monthly distributions established by PPRC's board of directors. A monthly distribution is paid to both PPL and PPRC on a pro rata ownership basis, with PPRC's ownership held through its Class A and Class C limited partnership Units of the Partnership.

ROYALTY POOL ADJUSTMENTS

Annually, on January 1 (the "Adjustment Date"), an adjustment is made to the Royalty Pool to include the forecasted System Sales from new Pizza Pizza restaurants opened on or before December 31 of the prior year, less System Sales from any Pizza Pizza restaurants that have been permanently closed during the year. Once adjusted, the Royalty Pool remains fixed for the year, consequently, the number of stores in the Royalty Pool may vary from the number of stores actually open at any given time during the year. As the Royalty Pool does not reflect current year changes until the next Adjustment Date. The change in the amount of the Royalty due to the Partnership as a result of changes in the System Sales of the Royalty Pool will affect PPL's retained interest through an adjustment to the rate at which the Class B units of the Partnership may ultimately be exchanged for Shares. On the Adjustment Date, the adjustment to the Class B Exchange Multiplier (as defined in the Pizza Pizza License and Royalty Agreement) involves first calculating the "Determined Amount", which is defined as 92.5% of the royalty revenue added to the Royalty Pool, divided by the prevailing yield of the Shares. Beginning January 1, 2012, the Determined Amounts are multiplied by a number equal to (1-Tax%) where "Tax%" is an estimate of the Company's effective tax rate for the year (determined using the total income taxes paid by the Company during the fiscal year divided by the total cash received by the Company during that fiscal year) (i.e., for the Adjustment Date of January 1, 2017, it will be the effective Company tax rate for the year ended December 31, 2016). This estimate of the effective tax rate will be subject to an adjustment when the actual effective entity level tax rate of the Company for the year is known. The Determined Amount is multiplied by 80%, then divided by the current market price of the Shares, and then further divided by the number of Class B units outstanding. This fraction is added to the Class B Exchange Multiplier from the preceding year, which was "one" on the closing of the Fund's initial public offering. On the following Adjustment Date, a second adjustment to the Class B Exchange Multiplier will be made in the same manner once the System Sales for new restaurants are known with certainty. The adjustment for new restaurants rolled into the Royalty Pool is designed to be accretive for current shareholders.

If, during a year, a Pizza Pizza restaurant is closed, the sales of the restaurant from the closing date would no longer be included in the calculation of the royalty payable to the Partnership by PPL. To compensate for this, in certain circumstances, the Pizza Pizza License and Royalty Agreement and the Partnership's Amended and Restated Limited Partnership Agreement (the "Partnership Agreement") provide that an amount (the "Make-Whole Payment") reflecting the reduction in the royalty resulting from the restaurant closure will be paid by PPL to the Partnership for the balance of the year in which the restaurant was closed, commencing from the closing date. The Make-Whole Payment will be the sales of the closed restaurant for the first 52-week period in which it was included in the Royalty Pool multiplied by the royalty rate, one twelfth of which is payable each month until the Adjustment Date.

Similarly, on the Adjustment Date, a separate adjustment is made to the Royalty Pool for the Pizza 73 restaurants. The Royalty Pool is increased to include the forecasted System Sales from new Pizza 73 restaurants opened on or before September 1 of the prior year, less System Sales from any Pizza 73 restaurants that have been permanently closed during the year. On the Adjustment Date, the adjustment to the Class D Exchange Multiplier is calculated in a similar manner as the Class B Exchange Multiplier described above.

RESTAURANTS ADDED TO THE ROYALTY POOL

2016 Royalty Pool Adjustment

In early January 2017, adjustments to royalty payments and PPL's Class B Exchange Multiplier were made based on the actual performance of the 24 new restaurants added to the Royalty Pool on January 1, 2016. As a result of the adjustments, the new Class B Exchange Multiplier is 1.819988 and Class B Units can be exchanged for 4,564,964 shares, which is an increase of 5,422 shares, effective January 1, 2016.

In early January 2017, adjustments to royalty payments and PPL's Class D Exchange Multiplier were made based on the actual performance of the two Pizza 73 restaurants added to the Royalty Pool on January 1, 2016. As a result of the adjustments, the new Class D Exchange Multiplier is 17.52620 and Class D Units can be exchanged for 1,752,620 shares, which is an increase of 9,313 shares, effective January 1, 2016.

2017 Royalty Pool Adjustment – Class B Exchange Multiplier

On January 1, 2017, 15 net Pizza Pizza restaurants were added to the Royalty Pool as a result of 23 new restaurants opening and eight closing from January 1, 2016 to December 31, 2016. The additional system sales from the 23 new restaurants are estimated at $7.7 million annually less sales of $0.9 million from eight permanently closed Pizza Pizza restaurants resulting in net estimated Pizza Pizza sales of $6.8 million added to the Royalty Pool. The total number of Pizza Pizza restaurants in the Royalty Pool has increased to 651. The yield of the shares was determined to be 5.16% calculated using $16.43 as a weighted average share price. Weighted average share price is calculated based on the market price of the shares traded on the Toronto Stock Exchange during the period of twenty consecutive days ending on the fifth trading day before January 1, 2017. As a result of the contribution of the additional net sales to the Royalty Pool, the Class B Exchange Multiplier increased fractionally by 80% of the total adjustment or 0.110643; the new Class B Multiplier is 1.930631. This adjustment will also increase the entitlement of the holders of the Class B units to distributions of cash and allocations of income from the Partnership. The second adjustment to the Class B Exchange Multiplier will be adjusted to be effective January 1, 2017, once the actual performance of the new restaurants is determined in early 2018.

2017 Royalty Pool Adjustment – Class D Exchange Multiplier
On January 1, 2017, the Pizza 73 Royalty Pool remained unchanged as a result of four new restaurants opening between September 2, 2015 and September 1, 2016 and four restaurants closing between January 1, 2016 and December 31, 2016. The forecasted additional system sales from the four new restaurants are estimated at $1.2 million annually less $0.2 million in system sales attributable to the four closed Pizza 73 restaurants resulting in net estimated Pizza 73 sales of $1.0 million added to the Royalty Pool. The net estimated sales were further reduced by $2.1 million in system sales attributable to certain restaurants previously added to the Royalty Pool whose territory adjusted a previously existing restaurant, resulting in a negative Pizza 73 Estimated Determined Amount. As per the Pizza Pizza Royalty Limited Partnership agreement, whenever the Estimated Determined Amount is negative it shall be deemed to be zero. Accordingly, the Class D Exchange Multiplier remained unchanged at 17.52620. Once the actual performance of the new restaurants is determined in early 2018, the Class D Exchange Multiplier may be adjusted to be effective January 1, 2017. The total number of Pizza 73 restaurants in the Royalty Pool remains at 100 for 2017.

PPL's Ownership of the Company
In exchange for adding the forecasted Pizza Pizza system sales to the Royalty Pool, PPL has received 277,519 additional equivalent Shares (through the change to the Class B Exchange Multiplier). These represent 80% of the forecasted equivalent Shares entitlement to be received (346,899 equivalent Shares represent 100%), with the final equivalent Shares entitlement to be determined when the new restaurants' 2017 actual sales performance is known with certainty in early 2018.

PPL's Class D equivalent Share entitlement is unchanged for 2017. In any year that the forecasted system sales (less closed restaurants sales and other adjustments) is negative, as was the case with the Class D equivalent Share entitlement calculation for 2017, no increase or decrease in the Exchange Multiplier is made. PPL will only have a Class D equivalent Share entitlement for 2017 if the actual sales performance of the four new Pizza 73 restaurants, less the sales of adjustment restaurants, significantly exceeds forecasted system sales and yields net, positive sales when the actual sales performance is known with certainty in early 2018.

After giving effect to PPL's entitlement to additional equivalent Shares at January 1, 2017, PPL owns equivalent Shares representing 21.1% of the Company's fully diluted shares.

The chart below shows the Company shares that would be outstanding if all of the Class B and Class D Units held by PPL were converted to Company shares after accounting for their respective multipliers.

Shares outstanding & issuable on January 1, 2017		
Shares outstanding		24,618,392
Class B equivalent Shares held by PPL at December 31, 2016	4,559,542	
PPL additional Class B equivalent Shares - True-up Holdback as at December 31, 2016	5,422	
Additional PPL Class B equivalent Shares as of January 1, 2017	277,519	4,842,483
Class D equivalent Shares held by PPL at December 31, 2016	1,743,307	
PPL additional Class D equivalent Shares - True-up Holdback as at December 31, 2016	9,313	
Additional PPL Class D equivalent Shares as of January 1, 2017	-	1,752,620
Number of fully diluted shares		31,213,495
PPL's proportion of all shares outstanding and available for exchange		21.1%

OUTLOOK

During the Quarter, marketing messages placed on TV, on multiple digital channels and in traditional formats like print and billboards, continued drawing attention to Pizza Pizza Limited's 50th anniversary celebrations. Compelling value messages, featuring roll-back pricing, have been a major factor in increasing customer visits over the prior year.

Earlier in the year, PPL kicked off a system-wide restaurant reimaging program to modernize dining areas and signage in our restaurants. The refreshed environments will provide an enjoyable dining atmosphere to encourage loyalty and sales growth. The reimaging program is expected to be completed in three to five years.

In the third quarter, PPL reported a 0.5% decrease in SSSG compared to an increase of 2.2% in the same quarter last year; for the nine months, SSSG was 0.1% compared to 1.9% in the prior year comparative period. By brand, for the Quarter, Pizza Pizza reported a 0.2% decrease in SSSG and Pizza 73 reported a 2.2% decrease. For the year, Pizza Pizza reported a 0.5% increase in SSSG and Pizza 73 reported a decrease of 1.7%.

During the Quarter and for the Period, PPL continued to execute on its strategy of growing customer traffic through compelling promotional offerings at both brands. The promotions, which were designed to drive traffic at attractive price points, successfully grew both delivery and walk-in traffic when compared to the same periods last year, however the average customer check decreased slightly. Management believes this near-term strategy will stabilize and grow same store sales, especially at the Pizza 73 brand which operates largely in the weakened Alberta economy.
PPL believes its high-quality menu offerings, new product introductions, its geographic diversification, plus its continued investment in technological innovation, present long-term opportunities for sales growth and increasing its leading market share.

TRANSACTIONS WITH RELATED PARTIES

PPL has entered into related party transactions with companies under common control. These transactions are entered into in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Significant related party transactions include rent expense, distributions on Class B and Class D Partnership Units, management fees and food purchases as disclosed in note 13 of the Financial Statements of PPL. PPL does not have any outstanding commitments related to transactions with related parties, other than those disclosed in note 7 of the Financial Statements of PPL.

Distributions payable and advances to or from related parties and receipt of or repayments of advances from related parties are summarized in note 13 of the Financial Statements of PPL. Advances from related party are due to the parent company. Advances from related party and receivables from jointly-controlled companies are non-interest bearing, have no specified terms of repayment and are unsecured. The related party has waived the right to demand repayment prior to October 2, 2018; accordingly, the advances from related party have been classified as long-term.

CRITICAL ACCOUNTING POLICIES

The preparation of the Financial Statements of Pizza Pizza requires management to make judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities, such as revenue recognition, long-lived and intangible assets and income taxes. PPL believes that its most critical accounting policies are:

Consolidation - Determining which entities are to be consolidated by PPL requires judgment on the definition of control. The definition of control under IFRS 10, Consolidated Financial Statements ("IFRS 10"), states that an investor controls an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Based on an assessment of the activities of the Partnership and the franchisees, it was concluded that PPL does not control these entities, and therefore shall not consolidate their operations. The Partnership is consolidated by PPRC, formerly Pizza Pizza Royalty Income Fund.

Investment in associate - An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

PPL owns Class B and Class D Partnership Units that are exchangeable for PPRC Common Shares based on the exchange multiplier applicable at the exchange date and represent an effective 21.1% interest in the Partnership as at January 1, 2017. PPL has the ability to exercise significant influence through both its shareholding and its nominated director's active participation on the Partnership Board of Directors and therefore applies equity accounting on its investment in the Partnership.

PPL accounts for its 21.1% (January 1, 2017 – 21.1%) share interest in the Partnership as an investment in an associate and applies equity accounting whereby PPL's investment is increased by its 21.1% share of the Partnership's profit for the period and reduced for distributions received during the Partnership's fiscal period. The Partnership's financial and fiscal periods differ from PPL's, as the Partnership operates on a calendar year end.

Investments in joint ventures - A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

PPL accounts for its 50% (January 1, 2017 – 50%) share interest in the 78 jointly-controlled companies as an investment in a joint ventures and applies equity accounting whereby PPL's investment is increased by its 50% share of profit for the period of the joint ventures and reduced for distributions received during the joint ventures fiscal period. The jointly-controlled companies' financial and fiscal periods differ from PPL's, as the joint ventures have a floating year-end of the Saturday immediately preceding July 31.

Identification of CGUs - For the purposes of identifying CGUs, assets are grouped at the lowest levels for which there are separately identifiable cash flows. PPL concludes there are interdependencies of cash flows between Pizza 73 restaurants and PPL and therefore, the investment in jointly-controlled Pizza 73 restaurants is considered a single CGU. PPL's assets pertaining to Pizza Pizza operations are classified as a separate CGU.

Sale of rights and marks and annual vend-ins - PPL has applied judgment in assessing the application of the revenue recognition accounting policy for the initial sale of Rights and Marks, and the annual vend-ins of restaurants in the Royalty Pool. In making their assessment, management considered the substance of these transactions and whether the risks and rewards of ownership have been transferred. Based on this assessment, management has determined that revenue relating to the sale will be deferred and amortized as earned and that the subsequent vend-ins will have no impact on PPL. Cash in lieu of vend-ins is considered as proceeds of disposition of the contractual right to an increase in the Exchange Multiplier and is taken to income when due.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Financial Statements of Pizza Pizza requires management to make judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates, including those related to basis of consolidation, revenue recognition, long-lived and intangible assets and income taxes. PPL bases its estimates on historical experience and on various other assumptions that PPL believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. Changes in its estimates could materially impact PPL's results of operations and financial condition for any particular period. PPL believes that its most critical accounting estimates are:

Impairment of investment in Pizza Pizza Royalty Limited Partnership
PPL, at each period-end, identifies impairment indicators and assesses whether there is any objective evidence that its interest in the Partnership is impaired. If impaired, the carrying value of PPL's share of the underlying assets of the Partnership is written down to its estimated recoverable amount, being the higher of fair value less cost to sell and value in use, and the write-down is charged to the consolidated statements of income.

The value-in-use calculation requires the Company to estimate the future cash flows expected to arise from the Partnership and a suitable discount rate in order to calculate present value. In measuring future cash flows, PPL makes assumptions about future sales and terminal growth rates which are based on historical experience and expected future performance. Determining the applicable discount rate also involves estimating appropriate adjustments to market risk and PPL specific risk factors. The two most sensitive assumptions are pre-tax discount rates and terminal growth rates.

Impairment of investment in jointly-controlled companies
PPL, at each period-end, identifies impairment indicators and assesses whether there is any objective evidence that its interest in the joint ventures is impaired. If impaired, the carrying value of PPL's share of the underlying assets of the joint ventures is written down to its estimated recoverable amount, being the higher of fair value less cost to sell and value in use, and charged to the consolidated statements of income.

The value-in-use calculation requires the Company to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. In measuring future cash flows, PPL makes assumptions about future sales, tax rates, and terminal growth rates that were based on historical experience and expected future performance. Determining the applicable discount rate also involves estimating appropriate adjustments to market risk and PPL specific risk factors. The two most sensitive assumptions used are pre-tax discount rates and terminal growth rates.

Impairment of non-trade assets
PPL, at each period-end, identifies impairment indicators and assesses whether there is any objective evidence that its non-trade assets are impaired. If impaired, the carrying value of these assets is written down to its estimated recoverable amount, and charged to the consolidated statements of income.

RECENT ACCOUNTING PRONOUNCEMENTS

Standards, amendments and interpretations to existing standards that are not yet effective and have not yet been early adopted by PPL:

IFRS 9, Financial Instruments ("IFRS 9")
IFRS 9, Financial Instruments, as issued in 2014, introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity's own credit risk for liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is currently in process of evaluating the impact of this standard on its consolidated financial statements. The Company has formed a project team to evaluate and implement the standard

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")
In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018. The new revenue standards may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Company is in the process of executing its implementation plan and intends to adopt the standard on January 1, 2018 on a modified retrospective basis subject to permitted and elected practical expedients. The Company has not fully completed its assessment of the anticipated impact of the amended standard on its consolidated financial statements; however, it expects the accounting for ongoing royalty revenues will not materially change. Additionally, the Company expects certain recoverable franchisee contributions and expenses that are currently being recorded within recoverable franchisee expenses, will be presented on a gross basis in the consolidated statements of income.

IFRS 16, Leases ("IFRS 16")
In January 2016, the IASB issued IFRS 16, Leases, its new leases standard that requires lessees to recognize assets and liabilities for most leases on their balance sheets. Lessees applying IFRS 16 will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The new standard will be effective from January 1, 2019 with limited early application permitted. PPL has not yet begun the process of evaluating the impact of this standard on its consolidated financial statements.

RISKS & UNCERTAINTIES

The performance of PPL is primarily dependent upon its ability to maintain and increase system sales at the Pizza Pizza and Pizza 73 restaurants, add new profitable restaurants to the network and attract qualified restaurant operators. Sales are subject to a number of factors that affect the restaurant industry generally and the quick service segment of this industry, in particular, which is highly competitive with respect to price, service, location and food quality. In addition, factors such as the availability of experienced management and hourly employees may also adversely affect the system sales. Competitors include national and regional chains, as well as independently-owned restaurants and retailers of frozen pizza. If PPL and the Pizza Pizza and Pizza 73 restaurants are unable to successfully compete in the quick service sector, system sales may be adversely affected. Changes in demographic trends, traffic patterns and the type, number and location of competing restaurants also affect the restaurant industry. In addition, factors such as government regulations, risk of technology failures, inflation, publicity from any food-borne illnesses and increased food, labour and benefits costs may adversely affect the restaurant industry in general and therefore, potentially, system sales. PPL's success also depends on numerous factors affecting discretionary spending, including economic conditions, disposable consumer income and consumer confidence. 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 could adversely affect system sales and the ability of PPL to pay the royalty to the Partnership.

For a more detailed list of risks and uncertainties please refer to the PPRC's Annual Information Form which is available on the investor relations section of the website www.pizzapizza.ca or on the SEDAR website for Canadian regulatory filings at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements in this report, including those concerning PPL's plans and strategies described under "Outlook", may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this report, such statements include such words as "may", "will", "expect", "believe", "plan", and other similar terminology in conjunction with a discussion of future operating or financial performance. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this report. These forward-looking statements involve a number of risks and uncertainties. The following are some factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking statements: competition, changes in demographic trends, changing consumer preferences and discretionary spending patterns, changes in national and local business and economic conditions, legislation and governmental regulation, accounting policies and practices, and the results of operations and financial condition of PPL. The foregoing list of factors is not exhaustive and should be considered in conjunction with the other risks and uncertainties described in PPRC's Annual Information Form. PPL assumes no obligation to update these forward looking statements, except as required by applicable securities laws.

ADDITIONAL INFORMATION

Other information about PPL and PPRC, including the Annual Information Form, can be accessed on the investor relations section of the website www.pizzapizza.ca or on the SEDAR website for Canadian regulatory filings at www.sedar.com.