SELECTED FINANCIAL HIGHLIGHTS

The following tables set out selected financial information and other data of Pizza Pizza Royalty Corp. ("PPRC" or the "Company") and should be read in conjunction with the consolidated financial statements of the Company. Readers should note that the 2015 results are not directly comparable to the 2014 results because there are 730 restaurants in the 2015 Royalty Pool compared to 722 restaurants in the 2014 Royalty Pool.

(in thousands of dollars, except number of restaurants and per Share amounts)		3 months ended March 31, 2015		3 months ended March 31, 2014
Restaurants in Royalty Pool		730		722
Same store sales growth(1)		2.5%		1.6%
Days in Period		90		90
System Sales reported by Pizza Pizza restaurants in the Royalty Pool(5)	$	105,265	$	102,412
System Sales reported by Pizza 73 restaurants in the Royalty Pool(5)		23,588		22,021
Total System Sales	$	128,853	$	124,433
Royalty – 6% on Pizza Pizza System Sales	$	6,316	$	6,145
Royalty – 9% on Pizza 73 System Sales		2,123		1,982
Royalty income	$	8,439	$	8,127
Interest paid on borrowings(2)		(485)		(514)
Administrative expenses		(125)		(124)
Adjusted earnings available for distribution to the Company and Pizza Pizza Limited	$	7,829	$	7,489
Pizza Pizza Limited's distribution(3)		(2,074)		(2,073)
Adjusted earnings available for distribution to the Company	$	5,755	$	5,416
Current income tax expense		(1,191)		(1,066)
	$	4,564	$	4,350
Add back:				
Pizza Pizza Limited's distribution on Class B and Class D Exchangeable Shares		2,074		2,073
Adjusted earnings from operations(4)	$	6,638	$	6,423
Adjusted earnings per share(4)	$	0.216	$	0.212
Basic earnings per share	$	0.210	$	0.206
Dividends/distributions declared by the Company	$	4,553	$	4,366
Dividend/distributions per share	$	0.2001	$	0.2001
Payout ratio		100%		100%

		March 31, 2015		December 31, 2014
Working capital	$	3,873	$	3,892
Total assets	$	340,645	$	335,112
Total liabilities	$	66,744	$	61,139

		Q1 2015		Q4 2014		Q3 2014		Q2 2014
(in thousands of dollars, except number of restaurants, days in the Quarter and per share amounts)								
Restaurants in Royalty Pool		730		722		722		722
Same store sales growth[1]		2.5%		2.0%		0.8%		-0.3%
Days in quarter		90		92		92		91
System Sales reported by Pizza Pizza restaurants in Royalty Pool[5]	$	105,265	$	110,991	$	102,485	$	99,831
System Sales reported by Pizza 73 restaurants in Royalty Pool[5]		23,588		24,464		21,656		21,529
	$	128,853	$	135,455	$	124,141	$	121,360
Royalty – 6% on Pizza Pizza System Sales	$	6,316	$	6,659	$	6,149	$	5,990
Royalty – 9% on Pizza 73 System Sales		2,123		2,202		1,949		1,937
Royalty income	$	8,439	$	8,861	$	8,098	$	7,927
Interest paid on borrowings[2]		(485)		(497)		(497)		(498)
Administrative expenses		(125)		(210)		(134)		(117)
Adjusted earnings available for distribution to the Company and to Pizza Pizza Limited	$	7,829	$	8,154	$	7,467	$	7,312
Pizza Pizza Limited's distribution[3]		(2,074)		(2,122)		(2,123)		(2,123)
Adjusted earnings available for distribution to the Company	$	5,755	$	6,032	$	5,344	$	5,189
Current income tax expense		(1,191)		(1,168)		(1,065)		(1,036)
	$	4,564	$	4,864	$	4,279	$	4,153
Add back:								
Pizza Pizza Limited's distribution on Class B and Class D Exchangeable Shares		2,074		2,122		2,123		2,123
Adjusted earnings from operations[4]	$	6,638	$	6,986	$	6,402	$	6,276
Adjusted earnings per share[4]	$	0.216	$	0.231	$	0.211	$	0.207
Basic earnings per share	$	0.210	$	0.222	$	0.201	$	0.197
Dividends declared by the Company	$	4,553	$	4,365	$	4,366	$	4,366
Dividend per share	$	0.2001	$	0.2001	$	0.2001	$	0.2001
Payout ratio		100%		90%		102%		105%

		Q1 2014		Q4 2013		Q3 2013		Q2 2013
(in thousands of dollars, except number of restaurants, days in the Quarter and per share amounts)								
Restaurants in Royalty Pool		722		694		694		694
Same store sales growth[1]		1.6%		1.6%		1.9%		1.3%
Days in quarter		90		92		92		91
System Sales reported by Pizza Pizza restaurants in Royalty Pool[5]	$	102,412	$	107,049	$	101,271	$	99,502
System Sales reported by Pizza 73 restaurants in Royalty Pool[5]		22,021		22,950		19,700		19,504
	$	124,433	$	129,999	$	120,971	$	119,006
Royalty – 6% on Pizza Pizza System Sales	$	6,145	$	6,423	$	6,076	$	5,970
Royalty – 9% on Pizza 73 System Sales		1,982		2,066		1,773		1,755
Royalty income	$	8,127	$	8,489	$	7,849	$	7,725
Interest paid on borrowings[2]		(514)		(527)		(526)		(520)
Administrative expenses		(124)		(275)		(148)		(115)
Adjusted earnings available for distribution to the Company and to Pizza Pizza Limited	$	7,489	$	7,687	$	7,175	$	7,090
Pizza Pizza Limited's distribution[3]		(2,073)		(1,974)		(1,979)		(1,938)
Adjusted earnings available for distribution to the Company	$	5,416	$	5,713	$	5,196	$	5,152
Current income tax expense		(1,066)		(1,095)		(994)		(978)
	$	4,350	$	4,618	$	4,202	$	4,174
Add back:								
Pizza Pizza Limited's distribution on Class B and Class D Exchangeable Shares		2,073		1,974	$	1,979	$	1,938
Adjusted earnings from operations[4]	$	6,423	$	6,592	$	6,181	$	6,112
Adjusted earnings per share[4]	$	0.212	$	0.220	$	0.207	$	0.204
Basic earnings per share	$	0.206	$	0.209	$	0.195	$	0.193
Dividends declared by the Company	$	4,366	$	4,255	$	4,255	$	4,145
Dividend per share	$	0.2001	$	0.1950	$	0.1950	$	0.1900
Payout ratio		100%		92%		101%		99%

(1) Same store sales growth ("SSSG") means the change in period gross revenue of a particular Pizza Pizza or Pizza 73 restaurant 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, a Step-Out Payment may be added to sales to arrive at SSSG.

(2) The Company, indirectly through the Pizza Pizza Royalty Limited Partnership (the "Partnership"), incurs interest expense on the $47,000 outstanding bank loan. Interest expense also includes amortization of loan fees. See "Interest Expense".

(3) Represents the distribution to Pizza Pizza Limited ("PPL") from the Partnership on Class B and Class D Units of the Partnership. The Class B and D Units are exchangeable into common shares of the Company ("Shares") based on the value of the Class B Exchange Multiplier and the Class D Exchange Multiplier at the time of exchange as defined in the amended and restated Pizza Pizza license and royalty agreement (the "Pizza Pizza License and Royalty Agreement") and the amended and restated Pizza 73 license and royalty agreement (the "Pizza 73 License and Royalty Agreement") (together, the "License and Royalty Agreements"), respectively, and represent 19.9% of the fully diluted Shares at March 31, 2015 (December 31, 2014 – 28.0%). During the quarter ended March 31, 2015, as a result of the final calculation of the equivalent Class B and Class D Share entitlements related to the January 1, 2014 Adjustment to the Royalty Pool, PPL was paid a distribution on additional equivalent Shares as if such Shares were outstanding as of January 1, 2014. Included in the three months ended March 31, 2015, is the receipt of distributions of $80 pursuant to the true-up calculation (March 31, 2014 - PPL returned $41).

(4) "Adjusted earnings from operations" and "Adjusted earnings per Share" do not have any standardized meaning under International Financial Reporting Standards ("IFRS"). Therefore, these figures are unlikely to be comparable to similar figures presented by other companies. See "Reconciliation of Non-IFRS Measures".

(5) System Sales (as defined in the License and Royalty Agreements) 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 the Company but are used to calculate the royalties payable to the Partnership as presented above.

OVERVIEW AND BUSINESS OF THE COMPANY

The following Management's Discussion and Analysis (the "MD&A") is a discussion of the results of operations and financial condition of the Company for the three months (the "Quarter") ended March 31, 2015. The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The MD&A has been prepared as of May 7, 2015.

The Company, indirectly through the Partnership, owns the trademarks and trade names used by PPL in its Pizza Pizza and Pizza 73 restaurants. The Pizza Pizza trademarks and other intellectual property (the "Pizza Pizza Rights") were licensed to PPL in 2005 for 99 years for which PPL pays the Partnership a royalty equal to 6% of the System Sales of its Pizza Pizza restaurants in the Royalty Pool. On July 24, 2007, the Partnership acquired the trademarks and other intellectual property of Pizza 73 (the "Pizza 73 Rights") from Pizza 73 Inc. and licensed them to PPL for 99 years, for which PPL pays a royalty equal to 9% of the System Sales of the Pizza 73 restaurants in the Royalty Pool. For 2015, the Royalty Pool consists of 630 Pizza Pizza restaurants and 100 Pizza 73 restaurants.

Readers should note that the number of restaurants added to the Royalty Pool each year may differ from the number of restaurant openings and closings reported by PPL on an annual basis as the periods for which they are reported differ slightly.

About the Pizza Pizza Brand

Pizza Pizza is a franchise-oriented restaurant business operating primarily in the province of Ontario in which it dominates the pizza quick service restaurant ("QSR") segment. Of the 634 Pizza Pizza restaurants at March 31, 2015, 620 are franchised or licensed and 14 are owned and operated as corporate restaurants. Of the 634 restaurants, 226 are non-traditional locations which have limited operating hours and a limited menu.

PPL, a privately-held company, provides a high level of service and operational support to restaurant operators, 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.

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

About the Pizza 73 Brand

There are 101 Pizza 73 locations operating in the QSR segment, principally in the province of Alberta. The traditional Pizza 73 restaurants are not franchised, but instead are owned and operated as independent businesses. Each restaurant is operated by a corporation, with 72 jointly-owned by PPL and an independent owner/operator; one is 100% owned and operated by PPL as a corporate restaurant. There are 28 non-traditional locations which are sublicenced and have limited operating hours and a limited menu. Pizza 73 currently has five traditional locations outside of Alberta; three in Saskatchewan and two in British Columbia. Sales through its centralized call centre and on-line ordering, together, account for approximately 90% of Pizza 73's system sales. The Pizza 73 business also includes two central food distribution centres.

A key attribute of the Company is that revenues are based on top-line, System Sales of the Royalty Pool restaurants and not on the profitability of either PPL or the restaurants in the Royalty Pool. Moreover, the Company is not subject to the variability of earnings or expenses of either PPL or the restaurants. The Company's only expenses are administration expenses, interest on debt, and income taxes. Thus, its success depends primarily on the ability of PPL to maintain and increase System Sales of the Royalty Pool and to meet its royalty obligations.

Increases in System Sales are derived from both the development of new Pizza Pizza and Pizza 73 restaurants and SSSG. The key metric for yield growth of the Company is SSSG, which is dependent on maintaining operational excellence within each restaurant, general market conditions, pricing, and marketing programs undertaken by PPL. PPL has historically maintained a low closure rate of traditional restaurants throughout its chain.

As of January 1, 2015, PPL indirectly held an effective 29.0% interest in the Company (December 31, 2014 – 28.0%) 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 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". On March 23, 2015, PPL exchanged 1,564,889 Class B Partnership Units, equivalent to 2,800,000 common shares of the Company, when applied against the Class B Exchange Multiplier at that date. PPL immediately sold the 2,800,000 common shares of the Company to a syndicate of underwriters (See "Sale by PPL of 2,800,000 Equivalent Shares"). Subsequent to the sale of shares, PPL continues to hold a 19.9% interest in the Company. 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.

SALE BY PPL OF 2,800,000 EQUIVALENT SHARES

On March 23, 2015, PPL entered into an underwriting agreement for the sale by PPL of 2,800,000 common shares of the Company. In order to provide the 2,800,000 common shares to the underwriters, PPL exchanged 1,564,889 Class B Units of the Partnership, applyingthe Class B Exchange Multiplier of 1.789264.

The chart below shows the Shares that would be outstanding if all of the Class B and Class D Units of the Partnership held by PPL were converted to Shares on March 31, 2015.

Shares outstanding & issuable on March 31, 2015		
Shares outstanding		24,618,392
Class B equivalent Shares held by PPL at December 31, 2014	6,934,272	
PPL additional Class B equivalent Shares - True-up Holdback as at December 31, 2014	175,445	
Additional PPL Class B equivalent Shares as of January 1, 2015	178,183	
Conversion of Class B equivalent Shares to common shares of the Company (See "Sale by PPL of 2,800,000 Equivalent Shares")	(2,800,000)	4,487,900
Class D equivalent Shares held by PPL at December 31, 2014	1,548,071	
PPL additional Class D equivalent Shares - True-up Holdback as at December 31, 2014	-	
Additional PPL Class D equivalent Shares as of January 1, 2015	88,162	1,636,233
Number of fully diluted Shares		30,742,525
PPL's proportion of all Shares outstanding and available for exchange		19.9%

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. 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, 2015, it will be the effective Company tax rate for the year ended December 31, 2014). 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

2014 Royalty Pool Adjustment

In early January 2015, adjustments to royalty payments and PPL's Class B Exchange Multiplier were made based on the actual performance of the 30 new restaurants added to the Royalty Pool on January 1, 2014. As a result of the adjustments, the new Class B Exchange Multiplier is 1.745518 and Class B Units can be exchanged for 7,109,717 shares, which is an increase of 175,445 shares, effective January 1, 2014.

In early January 2015, adjustments to royalty payments and PPL's Class D Exchange Multiplier were made based on the actual performance of the four Pizza 73 restaurants added to the Royalty Pool on January 1, 2014. As a result of the adjustments, the Class D Exchange Multiplier was unchanged and the final cash payment in-lieu of increasing the multiplier was $322,000, of which $284,000 was accrued at December 31, 2014, based on the initial forecasted sales.

2015 Royalty Pool Adjustment – Class B Exchange Multiplier

On January 1, 2015, one net Pizza Pizza restaurant was added to the Royalty Pool as a result of 23 new restaurants opening and 22 closing from January 1, 2014 to December 31, 2014. The additional system sales from the 23 new restaurants are estimated at $8,950,000 annually, less sales of $4,899,000 from 22 permanently closed Pizza Pizza restaurants, resulting in net forecasted Pizza Pizza sales of $4,051,000 added to the Royalty Pool. The total number of Pizza Pizza restaurants in the Royalty Pool has increased to 630. The yield of the shares was determined to be 5.80% calculated using $13.79 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, 2015. 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 0.043746; the new Class B Multiplier is 1.789264. 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, 2015, once the actual performance of the new restaurants is determined in early 2016.

2015 Royalty Pool Adjustment – Class D Exchange Multiplier

On January 1, 2015, seven net Pizza 73 restaurants were added to the Royalty Pool as a result of eight new restaurants opening and one restaurant closing between September 2, 2013 and September 1, 2014. The forecasted additional system sales from the eight new restaurants are estimated at $1,870,000 annually less $534,000 in system sales attributable to the one closed restaurant and the final step-out adjustment for one restaurant added to the Royalty Pool whose territory adjusted a previously existing restaurant. The total number of Pizza 73 restaurants in the Royalty Pool has increased to 100. The yield of and the weighted average share price used in the calculation of the Class D multiplier is determined in the same manner as that of the Class B multiplier calculation at 5.80% and $13.79, respectively. As a result of the contribution of the additional net sales to the Royalty

Pool, the Class D Exchange Multiplier increased fractionally by 80% of the total adjustment or 0.88162; the new Class D Multiplier is 16.36233. This adjustment will also increase the entitlement of the holders of the Class D units to distributions of cash and allocations of income from the Partnership. The second adjustment to the Class D Exchange Multiplier will be adjusted to be effective January 1, 2015, once the actual performance of the new restaurants is determined in early 2016.

PPL's Ownership of the Company

In exchange for adding the forecasted Pizza Pizza system sales to the Royalty Pool, PPL has received 178,183 additional equivalent Shares (through the change to the Class B Exchange Multiplier). These represent 80% of the forecasted equivalent Shares entitlement to be received (222,729 equivalent Shares represent 100%), with the final equivalent Shares entitlement to be determined when the new restaurants' 2015 actual sales performance is known with certainty in early 2016.

In exchange for adding the forecasted Pizza 73 system sales to the Royalty Pool, PPL has received 88,162 additional equivalent Shares (through the change to the Class D Exchange Multiplier). These represent 80% of the forecasted equivalent Shares entitlement to be received (110,202 equivalent Shares represent 100%), with the final equivalent Shares entitlement to be determined when the new restaurants' 2015 actual sales performance is known with certainty in early 2016.

After giving effect to PPL's entitlement to additional equivalent Shares at January 1, 2015, PPL owned equivalent Shares representing 29.0% of the Company's fully diluted shares. The ownership decreased to 19.9% on March 23, 2015 as a result of the sale of 2,800,000 Shares. (See "Sale by PPL of 2,800,000 Equivalent Shares")

SAME STORE SALES GROWTH ("SSSG")

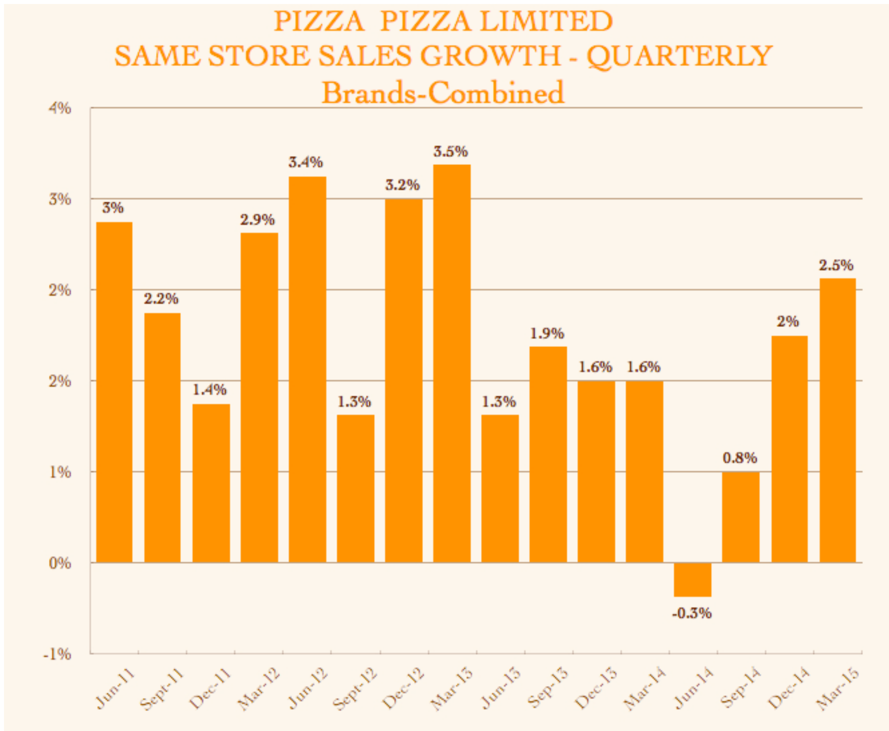
SSSG, the key driver of yield growth for shareholders of the Company, increased by 2.5% (1.6% increase – 2014) for the Quarter when compared to the same period in 2014.

SSSG	**First Quarter (%)**	
	2015	**2014**
Pizza Pizza	2.2	0.4
Pizza 73	3.8	7.2
Combined	2.5	1.6

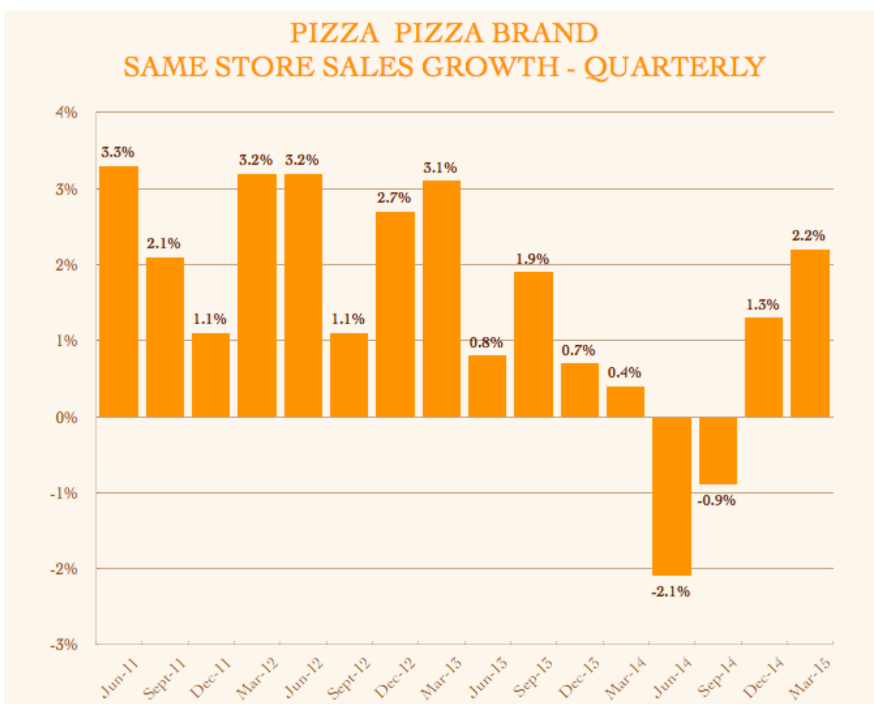
SSSG is driven by the growth in the average customer check and in customer traffic both of which are affected by changes in pricing and sales mix. During the Quarter, the average check decreased slightly while customer traffic increased significantly when compared to the same quarter last year.

The following charts show historical SSSG performance:

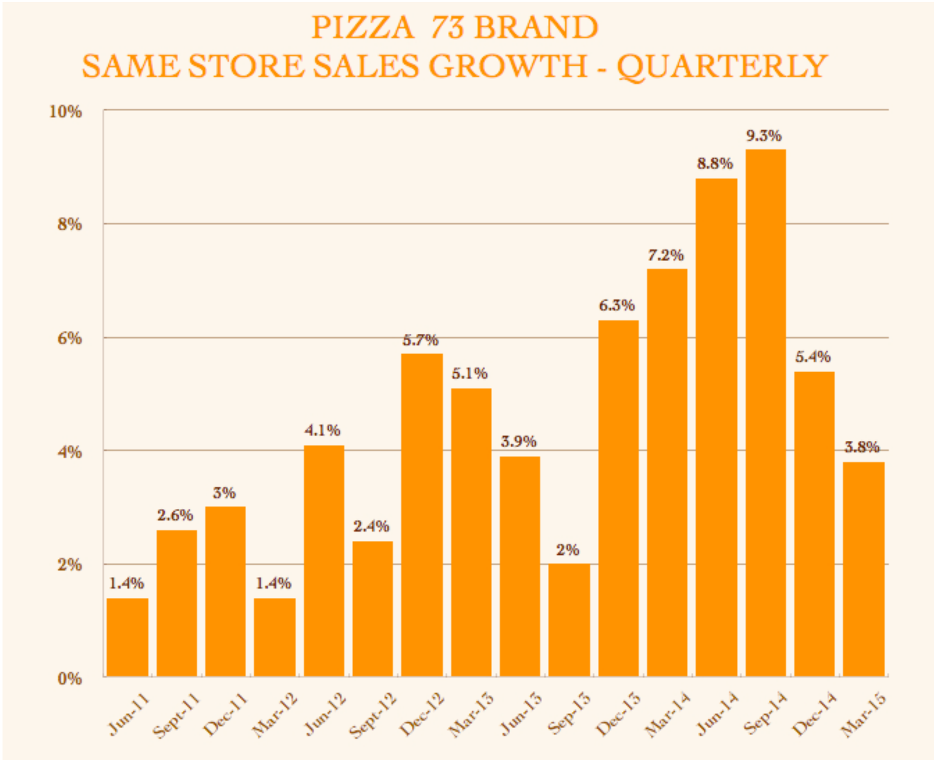
a) Quarterly SSSG chart, in which both brands are combined:



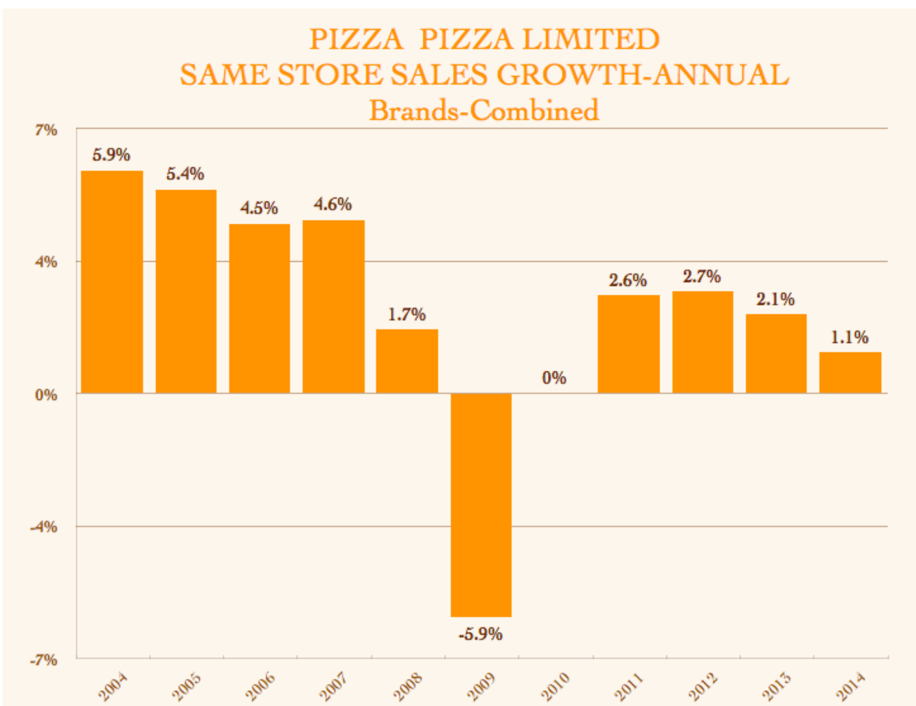
b) Quarterly SSSG, Pizza Pizza brand only:



c) Quarterly SSSG, Pizza 73 brand only:



d) Annual SSSG, in which both brands are combined:



ROYALTY POOL SALES

The restaurants in the Royalty Pool increased to 730 on the 2015 Adjustment Date to include 31 new restaurants less 23 closed restaurants. In the prior year, the Royalty Pool included 722 restaurants.

System sales from the 730 restaurants in the Royalty Pool for the Quarter increased 3.6% to $128.9 million from $124.4 million in the prior year comparable quarter when there were 722 restaurants in the Royalty Pool.

By brand, sales from the 630 Pizza Pizza restaurants in the Royalty Pool increased 2.8% to $105.3 million for the Quarter compared to $102.4 million in the same quarter last year. Sales from the 100 Pizza 73 restaurants increased 7.1% to $23.6 million for the Quarter compared to $22.0 million in the same quarter last year.

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. System sales for the quarter ended December 31 have generally been the strongest.

COMPANY OPERATING RESULTS

The consolidated financial statements incorporate the assets and liabilities of the Company and its subsidiaries as at March 31, 2015 and the operating results of the Company and these subsidiaries for the Quarter ended March 31, 2015. The Company's subsidiaries and its respective holdings are outlined below:

Subsidiary	Holding
Pizza Pizza Royalty Limited Partnership	80.1%
Pizza Pizza GP Inc.	80.1%

Royalty income earned by the Partnership increased 3.8% to $8.4 million for the Quarter. A 6% royalty was earned on the Royalty Pool of 630 Pizza Pizza restaurants reporting $105.3 million in System Sales for the Quarter. A 9% royalty was earned on the Royalty Pool of 100 Pizza 73 restaurants reporting $23.6 million in System Sales for the Quarter.

Royalty income for the prior year's comparative Quarter was $8.1 million. The 629 Pizza Pizza restaurants in the Royalty Pool reported System Sales of $102.4 million for the Quarter, while the 93 Pizza 73 restaurants reported System Sales of $22.0 million for the Quarter.

The increase in royalty income is largely due to the increase in SSSG plus new restaurants added to the Royalty Pool this year.

Administrative expenses were consistent quarter over quarter, totalling approximately $125,000 in 2015 and 2014. Administrative expenses were incurred in the Partnership and consisted of directors fees, audit, legal and public reporting fees as well as directors' & officers' insurance.

The Company reported a 3.8% increase in **Operating earnings** for the Quarter as earnings increased to $8.3 million from $8.0 million for the same quarter last year. The period over period increase is due to the increase in royalty income.

Interest expense for the Quarter is outlined in the table below. During 2014, the interest rate on the credit facility decreased from 4.37% to 4.12%. The 25 basis-point decrease was a reduction in the credit spread, which is tied to the Partnership's financial covenants.

Over the life of the interest rate swap agreements, interest expense on borrowings will be different than the actual interest paid due to accounting for the $1.2 million of non-cash interest swap termination costs incurred in 2011. The $1.2 million of swap termination costs were expensed during the third quarter of 2011 instead of amortized over the five year life of the swaps. With regard to cash flows, the termination costs will be repaid over the five year life of the swaps. Therefore, the interest expense reported in the statement of earnings is lower than the cash interest actually paid. Because of this method of accounting, interest costs reported in future periods will similarly be lower than cash interest actually paid. See "Liquidity & Capital Resources".

	Quarter ended	
(in thousands of dollars)	March 31, 2015	March 31, 2014
Interest expense	416	445
Loan fee amortization	8	8
Interest paid to draw down swap termination costs expensed in 2011	61	61
Interest paid on borrowings	485	514

Distributions made by the Partnership on the Class B and D Equivalent Shares were consistent quarter over quarter, on a per share basis, at $0.2475. During the Quarter, PPL received $80,000 in additional distributions relating to the 2014 royalty pool true-up adjustment; whereas in 2014, the 2013 true up adjustment required PPL to return $41,000 in distributions. The monthly distribution was increased in January 2014 to $0.0825 ($0.99 annualized).

Distributions to the Company by the Partnership on its Class A and Class C LP units are calculated on a pro rata ownership basis; for January and February 2015 the Company owned 71% of the Partnership. OnMarch 23, 2015 the Company's ownership increased to 80.1% and PPL's ownership decreased to 19.9%. (See "Sale by PPL of 2,800,000 Equivalent Shares"). Monthly, available Partnership funds are distributed based on the percentage ownership. The Company reserves a portion of its monthly distribution for taxes and, on occasion, replenishment of the cash reserve, prior to paying the shareholder dividend. See "Dividends".

Earnings for the period before income taxes measures operations after financing costs. For the Quarter, the Company reported earnings of $7.9 million compared to $7.6 million in the comparable quarter of 2014. The increase in earnings is attributable to increased royalty income and a lower interest expense on the borrowings. See "Reconciliation of Non-IFRS Measures".

Current income tax expense for the Quarter was $1.2 million and for the 2014 comparative quarter was $1.1 million. The increase in tax expense is due to increased taxable income related to an increase in royalty income and a decrease in the tax amortization. Of particular note is that the Company's adjusted accounting earnings from operations before income taxes differs significantly from its taxable income due largely to the tax amortization of the Pizza Pizza and Pizza 73 Rights and Marks. The amount of the tax amortization deducted is based on a declining basis and will decrease yearly.

The Company's increase in ownership of the Partnership, a decrease in tax amortization and certain other minor deductions resulted in an effective tax rate of 21.1% for the Quarter (2014 – 19.7%) compared to the Company's applicable statutory tax rate of 26.5% (2014 – 26.5%).

Deferred tax expense for the Quarter**,** a non-cash item, was $254,000 compared to $233,000 for the comparable quarter of 2014. Deferred tax expense arises from a temporary timing difference between the accounting and tax basis of the Pizza Pizza and Pizza 73 Rights and Marks.

Earnings attributable to shareholders for the Quarter were $6.4 million compared to $6.3 million in the comparable quarter last year. The increase is largely attributed to an increase in royalty income. The increase in royalty income was the result of positive same store sales growth and new restaurants added to the Royalty Pool.

RECONCILIATION OF NON-IFRS MEASURES

Adjusted earnings from operations and **Adjusted earnings per share ("EPS")** do not have a standardized meaning under IFRS. The Company believes that, in addition to earnings, Adjusted earnings from operations is a useful supplemental measure in evaluating its performance because Adjusted earnings provides investors with an indication of available distributable cash. Investors are cautioned, however, that this should not be construed as an alternative to earnings as a measure of profitability. The method of calculating Adjusted earnings from operations and Adjusted EPS for the purposes of this MD&A may differ from that used by other issuers and, accordingly, these measures may not be comparable to similar measures used by other issuers.

The following table reconciles "Adjusted earnings from operations" to the most directly comparable measure calculated in accordance with IFRS, "Earnings for the period before income taxes".

	3 months ended	
(in thousands of dollars)	March 31, 2015	March 31, 2014
Earnings for the period before income taxes	**7,890**	**7,550**
Interest payment related to the swap termination costs	(61)	(61)
Adjusted earnings available for distribution for the Company and PPL	7,829	7,489
Current income tax expense	(1,191)	(1,066)
Adjusted earnings from operations	**6,638**	**6,423**
Weighted average Shares – diluted	30,742,525	30,300,735

The **Basic EPS and the Adjusted EPS** calculations assumes the exchange of the Class B and Class D Units into account as Exchangeable Shares are included in shareholders' equity beginning in 2013. See "Adjusted EPS"

Adjusted EPS is measured on Adjusted earnings from operations as explained above. Adjusted EPS for the Quarter increased 1.9% to $0.216 compared to $0.212 in the same quarter last year. The increases are attributable to an increase in royalty income. Basic EPS is adjusted as follows:

	3 months ended	
	March 31, 2015	March 31, 2014
Basic EPS	0.210	0.206
Adjustments:		
Interest rate swap draw down	(0.002)	(0.002)
Deferred tax expense	0.008	0.008
Adjusted EPS	**0.216**	**0.212**

DIVIDENDS

The Company declared shareholder dividends of $4.6 million, or $0.2001 per Share, for the Quarter compared to $4.4 million, or $0.2001 per Share, for the prior year comparable quarter. Dividends on a per share basis are consistent quarter over quarter, however the number of Shares outstanding increased by 2.8 million in March 2015 (See "Sale by PPL of 2,800,000 Equivalent Shares"). The payout ratio was 100% for the Quarter and was 100% in the prior year comparable quarter, which is the targeted payout ratio. (See "Liquidity & Capital Resources")

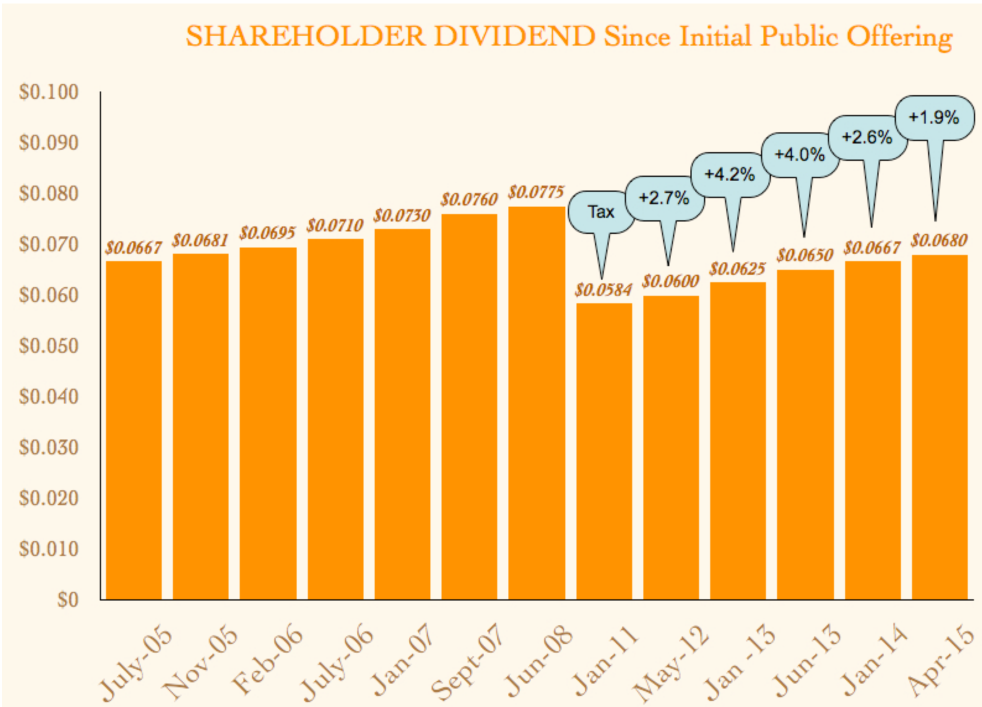
In the prior year, January 2014, the Company increased the monthly dividend by 2.6% to $0.0667 per Share. On an annualized basis, the dividend was increased by $0.02 to $0.80.

Dividends declared for 2015 are as follows:

Period	Payment Date	Amount/share
January 1-31, 2015	February 13, 2015	6.67¢
February 1-28, 2015	March 13, 2015	6.67¢
March 1-31, 2015	April 15, 2015	6.67¢
Total		20.01¢

Dividends were funded entirely by cash flow from operations. No debt was incurred during the year to fund dividends.

From July 2005 to June 2008, the Company increased distributions six times. In January 2011, the Company began paying the new Specified Investment Flow-Through Tax, or SIFT Tax. This corporate income tax required an adjustment to the distribution in January 2011. Subsequent to January 2011, the distribution became an eligible dividend as opposed to its previous treatment as interest income. Since January 2011, the dividend has been increased five times, including May 2012, January 2013, June 2013, January 2014 and most recently in April 2015 as depicted in the chart below.



LIQUIDITY & CAPITAL RESOURCES

The Company's policy is to distribute all available cash in order to maximize returns to shareholders over time, after allowing for reasonable reserves. Despite seasonal variations inherent to the restaurant industry, the Company's policy is to make equal dividend payments to shareholders on a monthly basis in order to smooth out income to shareholders. Any further increase in dividends will be implemented with a view to maintain the continuity of uniform monthly distributions. It is expected that future dividends will continue to be funded entirely by cash flow from operations and the cash reserve.

The Company's working capital reserve is $3.9 million at March 31, 2015, which is relatively unchanged for the quarter. The reserve is available to stabilize dividends and fund other expenditures in the event of short- to medium-term variability in System Sales and, thus, the Company's royalty income. With this reserve now in place, going forward, the Company will target a payout ratio close to 100%. The Company does not have capital expenditure requirements or employees.

Credit Facilities

In December 2011, the Company renewed its $47 million credit facility with a syndicate of Canadian chartered banks for a five year term. The facility bears interest at the Bankers' Acceptance rate plus a credit spread between

1.25% to 2.00%, depending on the level of debt-to-earnings before interest, taxes, depreciation and amortization ("EBITDA"), with EBITDA defined as annualized earnings before interest, taxes, depreciation and amortization. In July 2011, in conjunction with the early renewal of the credit facility, the Partnership terminated its three existing interest rate swaps at a cost of $1.2 million which was blended and extended into two new interest rate swap agreements. The credit facility's interest rate is comprised of a fixed portion using the swap agreements plus a credit spread. Beginning July 25, 2011, the interest rate portion fixed with the swaps has decreased from a blended rate of 4.04% to 2.87%. The two swaps, each at $23.5 million, will obligate the Partnership to pay the swap counterparties an amount based upon a fixed interest rate of 2.87% per annum plus a credit spread, which decreased to 1.25% in April 2014 from the initial spread of 1.5%; the swap counterparties will be obligated to pay the Partnership an amount equal to the Canadian Bankers' Acceptance rate.

The credit facility includes affirmative and negative covenants customary for agreements of this nature. In particular, the Partnership has agreed to a financial covenant in which, on a four quarter rolling basis, Distributions may not exceed Distributable Cash Flow for such period *plus* the aggregate amount of Distributable Cash Flow for prior Distribution Periods not distributed, which as at March 31, 2015 was $4.2 million (December 31, 2014 - $3.8 million). In addition, the Partnership is required to maintain a funded debt-to-EBITDA ratio not to exceed 2.5:1 on a four quarter rolling average. The debt-to-EBITDA ratio for the last four-quarter rolling average is 1.44:1 (December 31, 2014 – 1.45:1). The Partnership is presently making interest-only payments on the non-revolving credit facility. The debt-to-EBITDA ratio for the last four quarters' rolling average continues to be below 1.5:1; therefore the credit spread will remain at the decreased rate of 1.25%. If, in the future, the ratio increases above 1.5:1, the rate will increase by 25 basis points; should the ratio increase above 2.0:1, then the interest rate on the credit facility will be increased accordingly by 50 basis points.

On April 24, 2015 the Partnership renewed its $47 million credit facility with a syndicate of Canadian chartered banks. See "Subsequent Event".

SUBSEQUENT EVENT

On April 24, 2015, the Partnership renewed its $47 million credit facility with a syndicate of Canadian chartered banks. The outstanding balance of the facility remains unchanged, however the maturity of the facility has been extended to April 24, 2020; the previous maturity was December 6, 2016.

The terms of the underlying credit spread were favourably renegotiated. As well, the two existing swap agreements were blended and extended to also mature April 24, 2020. As a result, the credit facility's effective interest rate decreased to 2.75% from 4.12% effective April 24, 2015.

The lower interest rate on the $47 million facility will result in savings of approximately $640,000 annually.
Projected annual savings per share is $0.021 and the new interest rate is effective April 24, 2015.

The credit facility's new interest rate is comprised of a fixed portion using the new swap agreements, which, under the new facility is 1.875%, plus a credit spread, which is 0.875% based on the current Debt-to-EBITDA covenant calculation.

OUTLOOK

The Company's royalty income and shareholder value are driven by PPL's exploitation of the Pizza Pizza and Pizza 73 intellectual property owned by the Partnership.

PPL reported SSSG of 2.5% for the first quarter as consumers responded well to the value messages promoting high-quality menu offerings in both Eastern and Western Canada. Geographic diversification has proven to be key in maintaining consistent,stable sales growth over the past four years.

By brand, Pizza 73, operating largely in Alberta, reported 3.8% SSSG for the Quarter which was its 19th consecutive quarter of positive SSSG. The Pizza Pizza brand reported 2.2% SSSG for the Quarter as consumer traffic in the Ontario and Quebec markets increased significantly over last year.

The recent decline in the price of crude oil continues to work its way through the economy and management is closely monitoring the potential impact, if any, the movement in price may have on Royalty Pool System Sales.

The consistent SSSG over the past four years has allowed the Company to increase dividends five times while also building a working capital reserve of $3.9 million. The reserve is available to stabilize dividends and fund other expenditures in the event of short- to medium-term variability in System Sales and, thus, the Company's royalty income. With this reserve now in place, going forward the Company will target a payout ratio close to 100% on an annual basis. The Company does not have capital expenditure requirements or employees.

PPL continues to focus on its major growth priorities of staying relevant to the consumer, modernizing the customer experience and maintaining brand dominance in its key markets. PPL believes these priorities align with evolving consumer needs and will drive long-term sustainable growth, especially when combined with its competitive advantages of convenience, innovation, high-quality menu offerings and geographic diversification.

PPL believes its leading market share in its major markets presents long-term opportunities for continued sales growth, especially with new product introductions and the further expansion of digital ordering platforms that increase PPL's convenience factor.

CONTROLS AND PROCEDURES

Internal controls and procedures are designed to provide reasonable assurance that relevant information is gathered and reported to senior management, including the Chief Executive Officer and the Chief Financial Officer of Pizza Pizza GP Inc., managing general partner of the Partnership and administrator of the Company, on a timely basis so that the appropriate decisions can be made regarding public disclosure. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with IFRS.

Management carried out an evaluation of the effectiveness of design and operation of the Company's disclosure controls and procedures and internal controls over financial reporting as of March 31, 2015. It was determined that the Company's disclosure controls and procedures and internal controls over financial reporting were effective.

During the Quarter, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

CRITICAL ACCOUNTING ESTIMATES OF THE COMPANY

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period are addressed below:

Impairment of Rights and Marks
Determining whether the rights and marks owned by the Partnership are impaired requires an estimation of the recoverable amount of the cash generating unit in which the assets are included. The value-in-use calculation requires the Company to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. Significant estimates and assumptions were used in the impairment tests performed at December 31, 2014. Pizza Pizza GP Inc. believes that there have been no declines in the carrying value of the intangible assets in the Partnership.

Consolidation
Determining whether the Partnership is consolidated by the Company or PPL requires judgment. The significant judgments that were used to apply IFRS 10 included assessing which party had the power or current ability to direct decisions over the value creation and maintenance of the Pizza Pizza Rights and Marks and Pizza 73 Rights and Marks in the context of the purpose and design of the Partnership. Based on an assessment of the activities of the Partnership it was concluded that the Company controls the Partnership, and therefore consolidates its operations.

Fair value of derivatives
The fair value of the interest rate swaps that are not traded in an active market is determined using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Significant accounting policies
The significant accounting policies used in the preparation of the accompanying 2015 unaudited condensed interim consolidated financial statements are consistent with those used in the Company's 2014 audited annual consolidated financial statements, and described in Note 2 therein, except as noted below.

IAS 19, Employee Benefits

The amendments to IAS 19 – Employee Benefits, simplified the accounting for contributions to defined benefit plans that are independent of the number of years of service. For the three months ended March 31, 2015, there was no impact on the financial performance or disclosures of the Company upon adoption.

RECENT ACCOUNTING PRONOUNCEMENTS

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

IFRS 9, Financial Instruments (IFRS 9)

On July 24, 2014, International Financial Reporting Standard 9, Financial Instruments 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 has not yet begun the process of evaluating the impact of this standard on its consolidated financial statements.

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. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. On April 28, 2015, the International Accounting Standards Board (IASB) agreed to publish an Exposure Draft proposing a one-year deferral of the effective date of the revenue Standard to January 1, 2018. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

RISKS & UNCERTAINTIES OF THE COMPANY

The Company continues to recognize certain risks and uncertainties associated with the ordinary course of business, including those associated with the business and operations of PPL, upon which the Company relies solely for its earnings.

The Restaurant Industry

The performance of the Company is directly dependent upon the royalty and interest payments received from PPL. The amount of royalty received from PPL is dependent on various external factors that may affect the limited service sector of the restaurant industry. The restaurant industry, generally, is intensely competitive with respect to price, service, location and food quality. Competitors include national and regional chains, as well as independently owned restaurants and retailers of frozen pizza. If PPL, Pizza Pizza franchisees and Pizza 73 operators are unable to successfully compete in the limited service sector, System Sales may be adversely affected, the amount of royalty reduced and the ability of PPL to pay the royalty may be impaired. 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 and breeches, smoking bylaws, inflation, publicity from any food borne illnesses, increased food, labour and benefits costs, and the availability of experienced management and hourly employees may adversely affect the restaurant industry in general and therefore, potentially, Pizza Pizza and Pizza 73 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 sales and operating income, which could adversely affect revenue, the royalty and the ability of PPL to pay the royalty to the Company. For additional information concerning the performance of PPL, please refer to the PPL MD&A which is available at www.sedar.com, pizzapizza.ca and www.pizzapizzaroyaltycorp.com.

FORWARD-LOOKING STATEMENTS

Certain statements in this report, 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. The Company does not intend to or assume any obligation to update any such forward looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. 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 read in conjunction with the Company's Annual Information Form. .

ADDITIONAL INFORMATION

Additional information about the Company, including the Company's most recent Annual Information Form, is available on SEDAR at www.sedar.com, www.pizzapizza.ca or at the Company's website www.pizzapizzaroyaltycorp.com.