PIZZA PIZZA ROYALTY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 unaudited interim condensed 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, per Share amounts, days in period and as noted otherwise)	3 months ended September 30, 2015	3 months ended September 30, 2014	9 months ended September 30, 2015	9 months ended September 30, 2014
Restaurants in Royalty Pool	730	722	730	722
Same store sales growth(1)	6.3%	0.8%	4.9%	0.7%
Days in Period	92	92	273	273
System Sales reported by Pizza Pizza restaurants in the Royalty Pool(5)	$ 111,209	$ 102,485	$ 323,612	$ 304,727
System Sales reported by Pizza 73 restaurants in the Royalty Pool(5)	22,103	21,656	68,817	65,206
Total System Sales	$ 133,312	$ 124,141	$ 392,429	$ 369,933
Royalty – 6% on Pizza Pizza System Sales	$ 6,673	$ 6,149	$ 19,417	$ 18,284
Royalty – 9% on Pizza 73 System Sales	1,989	1,949	6,193	5,868
Royalty income	$ 8,662	$ 8,098	$ 25,610	$ 24,152
Interest paid on borrowings(2)	(329)	(497)	(1,193)	(1,509)
Administrative expenses	(133)	(134)	(400)	(375)
Adjusted earnings available for distribution to the Company and Pizza Pizza Limited(4)	$ 8,200	$ 7,467	$ 24,017	$ 22,268
Distribution on Class B and Class D Exchangeable Shares(3)	(1,556)	(2,123)	(5,187)	(6,319)
Current income tax expense	(1,392)	(1,065)	(3,651)	(3,167)
Adjusted earnings available for shareholder dividends(4)	$ 5,252	$ 4,279	$ 15,179	$ 12,782
Add back:				
Distribution on Class B and Class D Exchangeable Shares(3)	$ 1,556	2,123	5,187	6,319
Adjusted earnings from operations(4)	$ 6,808	$ 6,402	$ 20,366	$ 19,101
Adjusted earnings per share(4)	$ 0.221	$ 0.211	$ 0.662	$ 0.630
Basic earnings per share	$ 0.213	$ 0.201	$ 0.596	$ 0.604
Dividends declared by the Company	$ 5,022	$ 4,366	$ 14,597	$ 13,098
Dividend per share	$ 0.204	$ 0.2001	$ 0.6081	$ 0.6003
Payout ratio(4)	96%	102%	96%	102%

	September 30, 2015	December 31, 2014
Working capital(4)	$ 4,432	$ 3,892
Total assets	$ 341,568	$ 335,112
Total liabilities	$ 68,259	$ 61,139

PIZZA PIZZA ROYALTY CORP.
Management's Discussion & Analysis
For the three and nine months ended September 30, 2015

	Q3 2015	Q2 2015	Q1 2015	Q4 2014
(in thousands of dollars, except number of restaurants, days in the Quarter, per share amounts and as noted otherwise)				
Restaurants in Royalty Pool	730	730	730	722
Same store sales growth(1)	6.3%	6.0%	2.5%	2.0%
Days in quarter	92	91	90	92
System Sales reported by Pizza Pizza restaurants in Royalty Pool(5)	$ 111,209	$ 107,138	$ 105,265	$ 110,991
System Sales reported by Pizza 73 restaurants in Royalty Pool(5)	22,103	23,125	23,588	24,464
	$ 133,312	$ 130,263	$ 128,853	$ 135,455
Royalty – 6% on Pizza Pizza System Sales	$ 6,673	$ 6,428	$ 6,316	$ 6,659
Royalty – 9% on Pizza 73 System Sales	1,989	2,081	2,123	2,202
Royalty income	$ 8,662	$ 8,509	$ 8,439	$ 8,861
Interest paid on borrowings(2)	(329)	(379)	(485)	(497)
Administrative expenses	(133)	(139)	(125)	(210)
Adjusted earnings available for distribution to the Company and to Pizza Pizza Limited(4)	$ 8,200	$ 7,991	$ 7,829	$ 8,154
Distribution on Class B and Class D Exchangeable Shares(3)	(1,556)	(1,557)	(2,074)	(2,122)
Current income tax expense	(1,392)	(1,069)	(1,191)	(1,168)
Adjusted earnings available for shareholder dividends(4)	$ 5,252	$ 5,365	$ 4,564	$ 4,864
Add back:				
Distribution on Class B and Class D Exchangeable Shares(3)	1,556	1,557	2,074	2,122
Adjusted earnings from operations(4)	$ 6,808	$ 6,922	$ 6,638	$ 6,986
Adjusted earnings per share(4)	$ 0.221	$ 0.225	$ 0.216	$ 0.231
Basic earnings per share	$ 0.213	$ 0.173	$ 0.210	$ 0.222
Dividends declared by the Company	$ 5,022	$ 5,022	$ 4,553	$ 4,365
Dividend per share	$ 0.204	$ 0.204	$ 0.2001	$ 0.2001
Payout ratio(4)	96%	94%	100%	90%

	Q3 2014	Q2 2014	Q1 2014	Q4 2013
(in thousands of dollars, except number of restaurants, days in the Quarter, per share amounts and as noted otherwise)				
Restaurants in Royalty Pool	722	722	694	694
Same store sales growth(1)	0.8%	-0.3%	1.6%	1.6%
Days in quarter	92	91	90	92
System Sales reported by Pizza Pizza restaurants in Royalty Pool(5)	$ 102,485	$ 99,831	$ 102,412	$ 107,049
System Sales reported by Pizza 73 restaurants in Royalty Pool(5)	21,656	21,529	22,021	22,950
	$ 124,141	$ 121,360	$ 124,433	$ 129,999
Royalty – 6% on Pizza Pizza System Sales	$ 6,149	$ 5,990	$ 6,145	$ 6,423
Royalty – 9% on Pizza 73 System Sales	1,949	1,937	1,982	2,066
Royalty income	$ 8,098	$ 7,927	$ 8,127	$ 8,489
Interest paid on borrowings(2)	(497)	(498)	(514)	(527)
Administrative expenses	(134)	(117)	(124)	(275)
Adjusted earnings available for distribution to the Company and to Pizza Pizza Limited(4)	$ 7,467	$ 7,312	$ 7,489	$ 7,687
Distribution on Class B and Class D Exchangeable Shares (3)	(2,123)	(2,123)	(2,073)	(1,974)
Current income tax expense	(1,065)	(1,036)	(1,066)	(1,095)
Adjusted earnings available for shareholder dividends(4)	$ 4,279	$ 4,153	$ 4,350	$ 4,618
Add back:				
Distribution on Class B and Class D Exchangeable Shares(3)	2,123	2,123	2,073	$ 1,974
Adjusted earnings from operations(4)	$ 6,402	$ 6,276	$ 6,423	$ 6,592
Adjusted earnings per share(4)	$ 0.211	$ 0.207	$ 0.212	$ 0.220
Basic earnings per share	$ 0.201	$ 0.197	$ 0.206	$ 0.209
Dividends declared by the Company	$ 4,366	$ 4,366	$ 4,366	$ 4,255
Dividend per share	$ 0.2001	$ 0.2001	$ 0.2001	$ 0.1950
Payout ratio(4)	102%	105%	100%	92%

(1) Same store sales growth ("SSSG") means the change in period gross revenue of Pizza Pizza and Pizza 73 restaurants as compared to sales in the previous period, where the restaurants 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. SSSG does not have any standardized meaning under International Financial Reporting Standards ("IFRS"). Therefore, these figures may not be comparable to similar figures presented by other companies. See "Reconciliation of Non-IFRS Measures".

(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 available for distribution to the Company and Pizza Pizza Limited", "Adjusted earnings from operations", "Adjusted earnings available for shareholder dividends", "Adjusted earnings per Share", "Payout Ratio", and "Working Capital" do not have any standardized meaning under IFRS. Therefore, these figures may not 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") and nine months (the "Period") ended September 30, 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 November 2, 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 633 Pizza Pizza restaurants at September 30, 2015, 619 are franchised or licensed and 14 are owned and operated as corporate restaurants. Of the 633 restaurants, 222 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 103 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 73 jointly-owned by PPL and an independent owner/operator; one is 100% owned and operated by PPL as a corporate restaurant. There are 29 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.

System Sales and PPL's Interest

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, applying the 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 September 30, 2015.

Shares outstanding & issuable on September 30, 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")

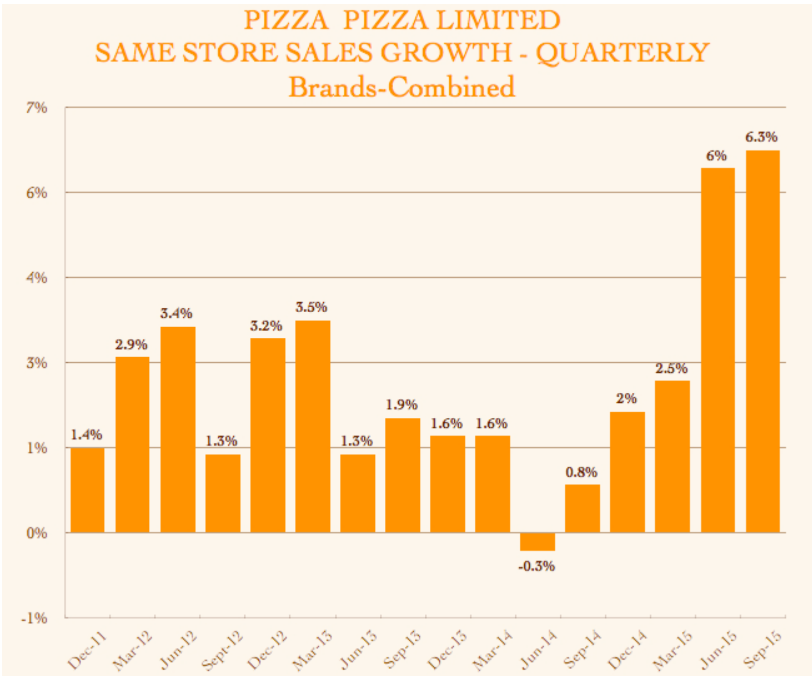
SSSG, the key driver of yield growth for shareholders of the Company, increased by 6.3% (0.8% – 2014) for the Quarter when compared to the same period in 2014. For the Period, SSSG increased by 4.9% when compared to the same nine month period in 2014 (0.7% – 2014). See "Reconciliation of Non-IFRS Measures".

SSSG	**Third Quarter (%)**		**Year-to-Date (%)**	
	2015	**2014**	**2015**	**2014**
Pizza Pizza	7.5	-0.9	5.2	-0.8
Pizza 73	0.8	9.3	3.4	8.4
Combined	6.3	0.8	4.9	0.7

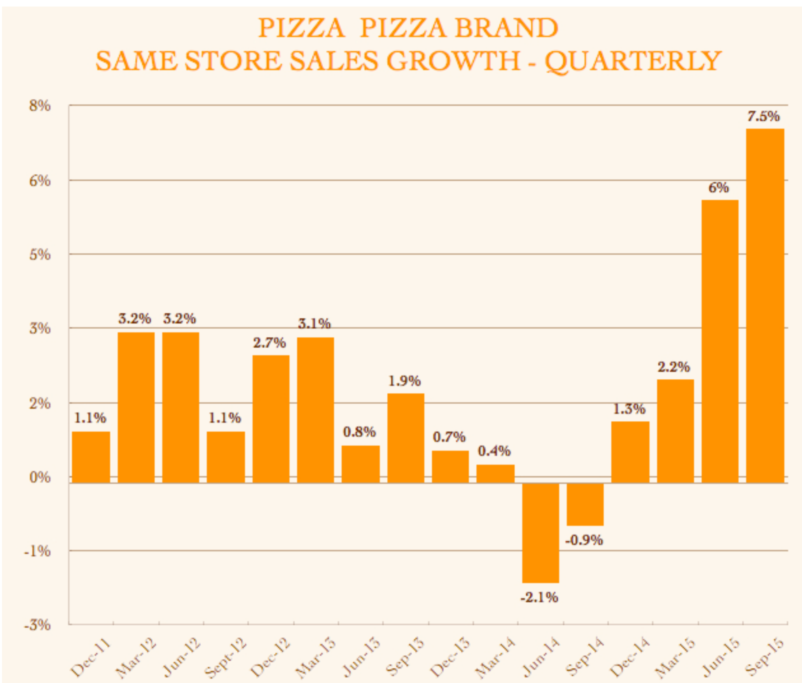
SSSG is driven by the growth in the average customer check and in customer traffic both of which are affected by changes in pricing and sales mix. During the Quarter and Period, both the average check and traffic increased when compared to the same periods last year. Consumers responded well to Pizza Pizza's marketing campaign which encourages consumers to "get to know our new pizza flavour". In addition, the value messages promoting high quality menu offerings in PPL's major markets continued to attract growth in customer traffic. The Pizza 73 brand, operating largely in a weakened Alberta economy, reported modest growth in the Quarter after last year's very strong third quarter growth. PPL's management believes that geographic diversification has proven to be key to consistent, overall Royalty Pool sales growth.

The following charts show historical SSSG performance:

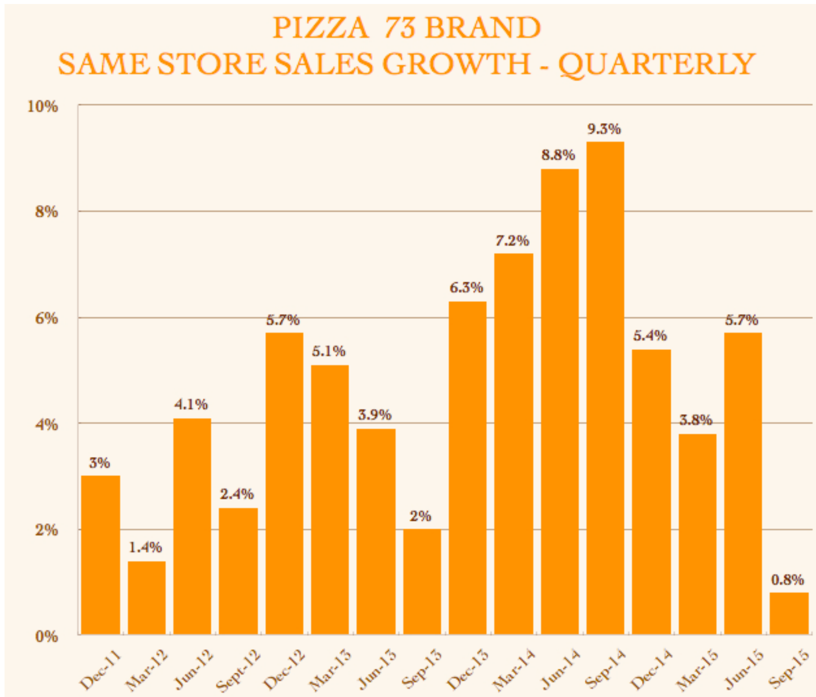
a) **Quarterly SSSG chart, in which both brands are combined:**



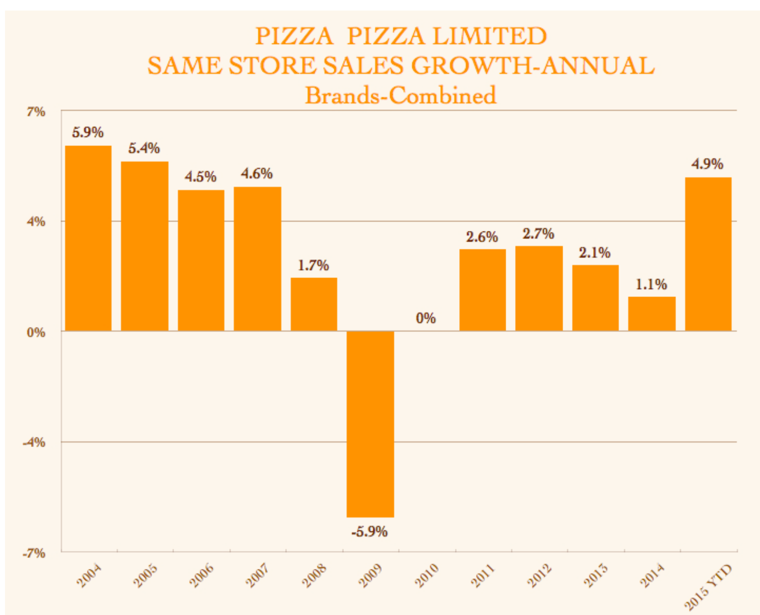
b) **Quarterly SSSG, Pizza Pizza brand only:**



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 for the Quarter increased 7.4% to $133.3 million from $124.1 million in the prior year comparable quarter. System sales for the Period increased 6.1% to $392.4 million from $369.9 million in the prior year's comparative period.

By brand, sales from the 630 Pizza Pizza restaurants in the Royalty Pool increased 8.5% to $111.2 million for the Quarter compared to $102.5 million in the same quarter last year. Sales from the 100 Pizza 73 restaurants increased 2.1% to $22.1 million for the Quarter compared to $21.7 million in the same quarter last year.

For the Period, sales from the Pizza Pizza restaurants in the Royalty Pool increased 6.2% to $323.6 million compared to $304.7 million in the same period last year. Sales from the Pizza 73 restaurants increased 5.5% to $68.8 million compared to $65.2 million in the same period last year.

Royalty pool system sales for the Quarter and Period increased over the comparative periods in 2014 as a result of the reported SSSG achieved at both brands as well as the impact of net new restaurants added to the Royalty Pool on January 1, 2015. See "Same Store Sales Growth ("SSSG")".

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 September 30, 2015 and the operating results of the Company and these subsidiaries for the Quarter and Period ended September 30, 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 7.0% to $8.7 million for the Quarter and 6.0% to $25.6 million for the Period. A 6% royalty was earned on the Royalty Pool of 630 Pizza Pizza restaurants reporting $111.2 million in System Sales for the Quarter and $323.6 million for the Period. A 9% royalty was earned on the Royalty Pool of 100 Pizza 73 restaurants reporting $22.1 million in System Sales for the Quarter and $68.8 million for the Period.

Royalty income for the prior year's comparative Quarter and Period were $8.1 million and $24.2 million, respectively. The 629 Pizza Pizza restaurants in the Royalty Pool reported System Sales of $102.5 million for the Quarter and $304.7 million for the Period, while the 93 Pizza 73 restaurants reported System Sales of $21.7 million and $65.2 million for the Quarter and Period, respectively.

The increase in royalty income is largely due to the increase in SSSG (see "Same Store Sales Growth ("SSSG")") plus net, new restaurants added to the Royalty Pool on January 1, 2015.

Administrative expenses were $133,000 for the Quarter and $400,000 for the Period. For the prior year comparable periods, administrative expenses were $134,000 and $375,000, respectively. Administrative expenses are incurred in the Partnership, are consistent period over period, and consisted of directors fees, audit, legal and public reporting fees as well as directors' & officers' insurance. The modest increase in expenses for the Period relates to an increase in listing fees and printing costs associated with the annual shareholder meeting.

The Company reported a 7.1% increase in **Operating earnings** for the Quarter as operating earnings increased to $8.5 million from $8.0 million for the same quarter last year. For the Period, operating earnings increased 6.0% to $25.2 million compared to $23.7 million in the prior year comparable period. The period over period increase in earnings is due to the increase in royalty income resulting from the positive SSSG and net additions to the Royalty Pool.

Interest expense for the Quarter and Period are outlined in the table below which reconciles interest reported on the unaudited interim consolidated statements of earnings to the actual interest paid on the credit facility.

On April 24, 2015, in conjunction with the early renewal of the credit facility, the Partnership terminated its, then existing, swap agreements and entered into two new interest rate swap agreements that fixed the facility interest rate until April 2020 at the Bankers' Acceptance rate of 1.875% plus a credit spread which is initially set at 0.875%. The new effective interest rate as at September 30, 2015 on the $47 million bank loan is 2.75% compared to 4.12% prior to April 24, 2015.

At the time of the facility renewal the, then existing, swap agreements were out-of-market by $1.25 million, therefore, the Company elected to blend and extend the amount into the new swap rate. However, as a result of hedge accounting under IFRS, by terminating the previous swap agreements, a non-cash adjustment was required. The $1.25 million was transferred from other comprehensive loss to the statement of earnings and is, therefore, a non-cash transaction. The out-of-market amount has created a timing difference for future periods between "interest expense on borrowings" reported in the statement of earnings and the actual interest paid on the credit facility. A similar transaction was recorded in 2011. Reference the table below and also see "Liquidity & Capital Resources".

	3 months ended		9 months ended	
(in thousands of dollars)	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Interest expense	191	426	906	1,298
Loan fee amortization	10	8	28	25
Interest paid to draw down swap termination and out-of-market costs	128	63	259	186
Interest paid on borrowings	329	497	1,193	1,509

Non-cash swap termination costs of $1.25 million were recorded in the Period as a result of terminating two ineffective swap agreements upon the renewal of the credit facility in April 2015. As a result of terminating the swap agreements, the non-cash, out-of-market loss, which was previously expensed in comprehensive earnings, was reclassified to the statement of earnings in order to comply with hedge accounting under IFRS. See "Interest expense" above.

Distributions made by the Partnership on the Class B and D Equivalent Shares increased during the Period. Distributions on a per share basis were $0.2514 for the Quarter compared to $0.2475 in in the same quarter of 2014. For the Period, distributions were $0.7503 per share compared to $0.7425 per share in the prior year comparable period. Additionally, during the first quarter, PPL received $80,000 in additional distributions relating to the 2014 Royalty Pool true-up adjustment; whereas in first quarter of 2014, the 2013 true-up adjustment required PPL to return $41,000 in distributions. The monthly Partnership distribution to PPL and to PPRC was increased in April 2015 to $0.0838 ($1.006 annualized). Prior to the April 2015 increase, the monthly distribution was increased in January 2014, to $0.0825 per share ($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. On March 23, 2015 the Company's ownership increased to 80.1%. See "Sale by PPL of 2,800,000 Equivalent Shares". 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 $8.3 million compared to $7.5 million in the comparable quarter of 2014. Earnings for the Period were $23.0 million to $22.5 million in the prior year comparable period. The increase in earnings is attributable to an increase in royalty income and a decrease in interest expense, offset by the non-cash reclassification of the $1.25 million swap costs from other comprehensive earnings to earnings. See "Reconciliation of Non-IFRS Measures".

Current income tax expense for the Quarter was $1.4 million and $3.7 million for the Period. For the 2014 comparative quarter and period, the current tax was $1.1 million and $3.2 million, respectively. The increase in taxable income and corresponding tax expense is mainly due to an increase in royalty income, a decrease in tax amortization and an increase in the Company's share of taxable income from the Partnership, offset by a tax deduction for the swap termination cost of $1.25 million. 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 20.3% for the Period (2014 – 19.5%) compared to the Company's applicable statutory tax rate of 26.5% (2014 – 26.5%).

Deferred tax expense for the Quarter and Period**,** a non-cash item, was $0.4 million and $1.0 million, respectively. 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 for the period increased to $6.6 million for the Quarter from $6.1 million in the comparable quarter last year. The increase in the quarterly earnings is largely attributed to an increase in royalty income and a decrease in interest expense. For the Period, earnings were unchanged at $18.3 million compared to the same period of 2014. For the Period, earnings increased due to increased royalty income and lower interest expense; however, this was offset by the $1.25 million non-cash swap termination costs.

RECONCILIATION OF NON-IFRS MEASURES

The Company's net earnings as presented under IFRS includes non-cash items, such as deferred tax, that do not affect the Company's business operations or its ability to pay dividends to shareholders. The Company believes that earnings is not the only, or most meaningful measurement of the Company's ability to pay dividends or measure the rate at which the Company is paying out its earnings. Therefore, the Company reports the following non-IFRS measures:

- Adjusted earnings available for distribution to the Company and PPL;
- Adjusted earnings from operations;
- Adjusted earnings available for shareholder dividends;
- Adjusted earnings per share ("EPS"); and
- Payout Ratio.

The Company believes that the above noted measures provide investors with more meaningful information regarding the amount of cash that the Company has generated to pay dividends, and help illustrate the Company's operating performance and highlight trends in the Company's business. These measures are also frequently used by analysts, investors, and other interested parties in the evaluation of issuers in the Company's sector, particularly those with a royalty-based model. The adjustments to net earnings as recorded under IFRS relate to: non-cash items included in earnings and cash payments accounted for on the unaudited interim statement of financial position. Investors are cautioned, however, that this should not be constructed as an alternative to net earnings as a measure of profitability. The method of calculating Adjusted earnings available for distribution to the Company and PPL, Adjusted earnings from operations, Adjusted earnings available for shareholder dividends, Adjusted EPS, and Payout Ratio 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 available for distribution to the Company and Pizza Pizza Limited", "Adjusted earnings from operations", and "Adjusted earnings available for shareholder dividends" to the most directly comparable measure calculated in accordance with IFRS, "Earnings for the period before income taxes".

	3 months ended		9 months ended	
(in thousands of dollars)	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Earnings for the period before income taxes	**8,328**	**7,530**	**23,031**	**22,454**
Non-cash swap termination costs	-	-	1,245	-
Interest payment related to the swap termination costs	(128)	(63)	(259)	(186)
Adjusted earnings available for distribution to the Company and Pizza Pizza Limited	**8,200**	**7,467**	**24,017**	**22,268**
Current income tax expense	(1,392)	(1,065)	(3,651)	(3,167)
Adjusted earnings from operations	**6,808**	**6,402**	**20,366**	**19,101**
Less: Distribution on Class B and Class D Exchangeable Shares	(1,556)	(2,133)	(5,187)	(6,319)
Adjusted earnings available for shareholder dividends	**5,252**	**4,279**	**15,179**	**12,782**
Weighted average Shares – diluted	30,742,525	30,300,735	30,742,525	30,300,735

The **Basic EPS** and the **Adjusted EPS** calculations both include PPL's Class B and Class D Exchangeable Shares since they are exchangeable into and economically equivalent to the Company's common shares. See "Adjusted EPS"

Adjusted EPS is measured on Adjusted earnings from operations as explained above. Adjusted EPS for the Quarter increased 4.7% to $0.221 compared to $0.211 in the same quarter last year. When adjusted for non-cash items, Adjusted EPS for the Period increased 5.1% to $0.662 per share compared to adjusted EPS of $0.630 per share in the comparable period last year. The period over period increases are attributable to an increase in royalty income and a decrease in interest expense. Basic EPS is adjusted as follows:

	3 months ended		9 months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Basic EPS	0.213	0.201	0.596	0.604
Adjustments:				
Non-cash swap termination costs	-	-	0.040	-
Interest rate swap draw down	(0.004)	(0.002)	(0.008)	(0.006)
Deferred tax expense	0.012	0.012	0.034	0.032
Adjusted EPS	**0.221**	**0.211**	**0.662**	**0.630**

Payout Ratio is a non-IFRS financial measure that does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. The Company presents the Payout Ratio to illustrate the earnings being returned to shareholders. The Company's Payout Ratio is calculated by dividing the dividends declared to shareholders by the adjusted earnings from operations, after paying the distribution on Class B and Class D Exchangeable Shares, in that same period.

	3 months ended		9 months ended	
(in thousands of dollars)	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Adjusted earnings available for shareholder dividends	5,252	4,279	15,179	12,782
Dividends declared to shareholders	5,022	4,366	14,597	13,098
Payout Ratio	**96%**	**102%**	**96%**	**102%**

Working Capital is defined as total current assets less total current liabilities. The Company views working capital as a measure for assessing overall liquidity and its ability to stabilize dividends and fund unusual expenditures in the event of short- to medium-term variability in Royalty Pool System Sales.

(in thousands of dollars)	September 30, 2015	December 31, 2014
Total current assets	7,669	7,254
Less: Total current liabilities	3,237	3,362
Working Capital	4,432	3,892

SSSG is a key indicator used by the Company 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 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 the Company as this measure excludes sales fluctuations due to store closings, permanent relocations and chain expansion.

	3 months ended		9 months ended	
(in thousands of dollars)	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Total Royalty Pool System Sales	**133,312**	**124,141**	**392,429**	**369,933**
Adjustments for stores not in both fiscal periods	(1,852)	(460)	(3,907)	490
Same Store Sales	131,460	123,681	388,522	370,423
SSSG	**6.3%**	**0.8%**	**4.9%**	**0.7%**

DIVIDENDS

The Company declared shareholder dividends of $5.0 million, or $0.204 per Share, for the Quarter compared to $4.4 million, or $0.2001 per Share, for the prior year comparable quarter which is a 1.95% increase on a quarter-over-quarter basis. The payout ratio was 96% for the Quarter and was 102% in the prior year comparable quarter.

For the Period, the Company declared shareholder dividends of $14.6 million, or $0.6081 per Share, compared to $13.1 million, or $0.6003 per Share, for the prior year comparable period. Dividends, on a per share basis, were increased in April 2015.

In April 2015, the Company increased the monthly dividend by 1.95% to $0.068 per Share. On an annualized basis, the dividend was increased by $0.016 to $0.816. The previous dividend increase was in January 2014, when the Company increased the monthly dividend by 2.6% to $0.0667 per Share.

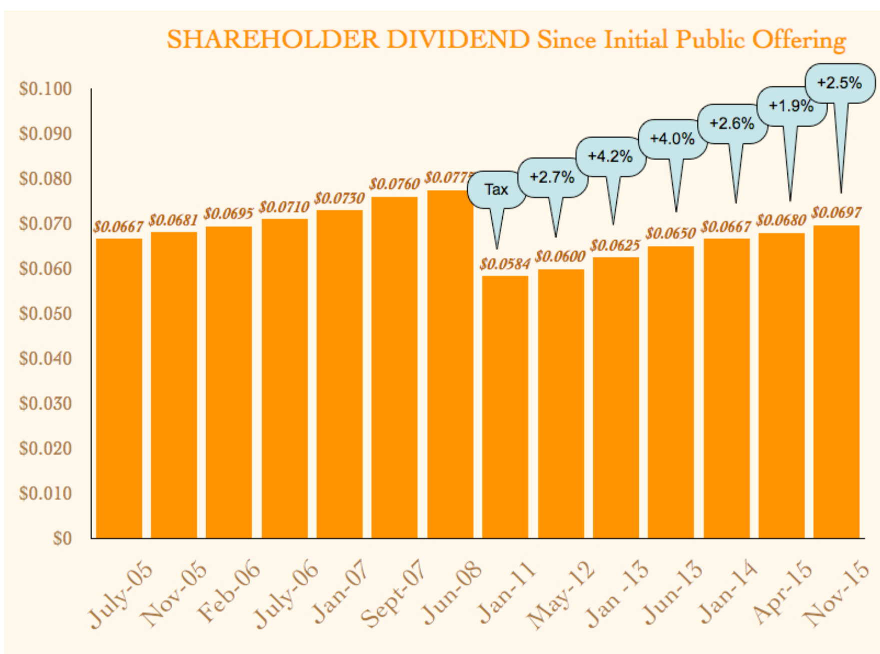
Subsequent to the Quarter, the Company increased the monthly dividend by 2.5% to $0.0697 per Share, beginning with the November 2015 dividend, payable in December 2015. On an annualized basis, the dividend was increased $0.02 to $0.816.

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¢
April 1-30, 2015	May 15, 2015	6.80¢
May 1-31, 2015	June 15, 2015	6.80¢
June 1-30, 2015	July 15, 2015	6.80¢
July 1-31, 2015	August 14, 2015	6.80¢
August 1-31, 2015	September 15, 2015	6.80¢
September 1-30, 2015	October 15, 2015	6.80¢
Total		60.81¢

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 six times, including May 2012, January 2013, June 2013, January 2014, April 2015, and most recently in November 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 increased during the Quarter to $4.4 million at September 30, 2015 ($3.9 million – December 31, 2014). 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 an annual payout ratio at or near 100%. The Company does not have capital expenditure requirements or employees.

Credit Facilities

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 facility bears interest at the Bankers' Acceptance rate plus a credit spread between 0.875% to 1.375%, 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 conjunction with the early renewal of the credit facility, the Partnership also blended and extended its two existing swaps into two new swap arrangements. Beginning April 24, 2015, the interest rate portion, fixed with the swaps, decreased from 2.87% to 1.875% per annum. The Partnership's effective interest rate, beginning April 24, 2015, is 2.75% comprised of a fixed 1.875% plus the credit spread, currently set at 0.875%. Prior to April 24, 2015, the effective interest rate on the facility was 4.12%, comprised of a fixed 2.87% plus the credit spread of 1.25%.

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 September 30, 2015 was $5.3 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 1.39:1 (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 is 0.875%. If, in the future, the ratio increases above 1.5:1, the credit spread will change as follows:

Debt:EBITDA	Credit Spread
< 1.5:1	0.875%
1.5 - 2.0:1	1.125%
> 2.0:1	1.375%

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 6.3% for the third quarter as consumers responded well to the marketing campaign which encourages consumers to "get to know our new pizza flavour". In addition, the value messages promoting high-quality menu offerings in both Eastern and Western Canada continue to provide consistent, stable sales growth.

By brand, Pizza 73, operating largely in Alberta, reported 0.8% SSSG for the Quarter which was its 21st consecutive quarter of positive SSSG. The Pizza Pizza brand reported 7.5% SSSG for the Quarter as consumer traffic in the Ontario and Quebec markets increased significantly over last year.

The 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 six times while also building a $4.4 million working capital reserve. The reserve is available to stabilize dividends and in the event of short- to medium-term variability in System Sales and to fund any unusual expenditures. Having established the working capital reserve, the Company now targets an annual payout ratio at or near 100%. 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 September 30, 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.

TRANSACTIONS WITH RELATED PARTIES

The Company, through its ownership in the Partnership, has entered into related party transactions with PPL. PPL is considered a related party by virtue of holding Class B and Class D Exchangeable Shares that are exchangeable into common shares of PPRC. Transactions with PPL include: the annual vend-in of restaurants into the Royalty Pool, monthly distributions from the Partnership to its partners, and expenses paid by PPL on behalf of the Partnership. These transactions have been entered into in the normal course of business and are measured at the exchange amount. The transactions with PPL are all pursuant to the terms of the Pizza Pizza Royalty Limited Partnership's Partnership Agreement. See note 8 of the unaudited interim condensed consolidated financial statements of the Company for further details of the related party transactions.

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 ("CGU") 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 Pizza Pizza brand and the Pizza 73 brand (the CGU is defined by brand) and a suitable pre-tax discount rate in order to calculate present value. In measuring future cash flows, the Company made assumptions about future sales, vend-in of restaurants to the Royalty Pool, tax rates, and terminal growth rates, by brand, which were based on historical experience and expected future performance. Determining the applicable pre-tax discount rate also involved estimating appropriate adjustments to market risk and to Company-specific risk factors. The two most sensitive assumptions used in the annual impairment tests performed at December 31, 2014 are pre-tax discount rates and terminal growth rates by Pizza Pizza brand and Pizza 73 brand. 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, including discounted cash flow models. 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 nine months ended September 30, 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 ("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. On July 22, 2015, the International Accounting Standards Board (IASB) confirmed 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. For a detailed discussion of risks concerning the Company, see "Risk Factors" in the Company's Annual Information Form.

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.