CARA OPERATIONS LIMITED
Management's Discussion and Analysis
For the 13 weeks ended March 27, 2016

The following Management's Discussion and Analysis ("MD&A") for Cara Operations Limited ("Cara" or the "Company") provides information concerning the Company's financial condition and results of operations for the 13 weeks ended March 27, 2016 ("first quarter", "the quarter" or "the period"). This MD&A should be read in conjunction with the Company's unaudited Condensed Consolidated Interim Financial Statements ("interim financial statements") and accompanying notes as at March 27, 2016, and with the Company's annual Consolidated Financial Statements for the 52 week period ended December 27, 2015. The consolidated results from operations for the 13 weeks ended March 27, 2016 are compared to the 13 weeks ended March 29, 2015. Cara's fiscal year ends on the last Sunday in December. As a result, the Company's fiscal year is usually 52 weeks in duration but includes a 53rd week every five to six years.

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

This MD&A was prepared as at May 5, 2016. Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Basis of Presentation

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

Highlights for the 13 weeks ended March 27, 2016:

- System Sales[(1)] grew $21.2 million to $450.2 million for the 13 weeks ended March 27, 2016 as compared to the 13 weeks ended March 29, 2015, representing an increase of 4.9%;
- Same Restaurant Sales ("SRS") Growth[(1)] was +0.5%, representing 12 weeks compared to 12 weeks of sales instead of 13 weeks to provide comparable quarter over quarter results as Easter weekend occurred in the last week of the first quarter compared to the first week of the second quarter in 2015. The Company will include the 13th week from the first quarter in the second quarter of 2016 and 2015 and compare 14 weeks to keep the impact of Easter weekend comparable in the second quarter for both 2016 and 2015;
- Operating EBITDA[(1)] increased to $27.5 million for the 13 weeks ended March 27, 2016 from $24.9 million in 2015, an improvement of $2.6 million or 10.4%;
- Operating EBITDA Margin on System Sales[(1)] improved to 6.1% in 2016 from 5.8% during the same period in 2015;
- Achieved Earnings from continuing operations before income taxes increase to $20.1 million for the 13 weeks ended March 27, 2016 from $7.7 million in 2015, an improvement of $12.4 million or 161%;
- Increased Net earnings to $14.3 million after deducting $1.1 million in one-time transaction costs primarily related to the St-Hubert transaction (see "Subsequent Events" on page 2) in the quarter compared to $6.2 million in 2015, an increase of $8.1 million or 131%, primarily related to operating improvements, the addition of New York Fries, and reduction of interest on long-term debt.

(1) See "Non-IFRS Measures" on page 21 for definitions of System Sales, SRS Growth, Operating EBITDA, Operating EBITDA Margin and Operating EBITDA on System Sales. See "Reconciliation of net earnings from continuing operations to EBITDA" for a reconciliation of Operating EBITDA.

Subsequent events

On March 31, 2016, the Company announced that it entered into a definitive agreement to acquire 100% of Groupe St-Hubert Inc. ("St-Hubert"), Québec's leading full-service restaurant operator as well as fully integrated food manufacturer for $537 million. As of St-Hubert’s financial year ended September 30, 2015, it had 117 restaurants consisting of 11 corporately-owned restaurants and 106 franchised restaurants. The transaction will be funded by a combination of approximately $230 million through its private placement (announced on April 15, 2016, see details below), $50 million vendor take-back to be settled in Cara subordinate voting shares and an increased lending commitment from Cara’s syndicate upsized from $150 million up to $700 million.

On April 15, 2016, the Company announced that it had completed an offering of 7,863,280 subscription receipts (the "Subscription Receipts"), on a private placement basis at a price of $29.25 per Subscription Receipt (the “Offering”) for gross proceeds of approximately $230 million. Each Subscription Receipt represents the right of the holder to receive, upon closing of the St-Hubert transaction and without payment of additional consideration, one subordinate voting share of Cara (a "Subordinate Voting Share") plus an amount per Subordinate Voting Share equal to the amount per Subordinate Voting Share of any dividends for which record dates have occurred during the period from the closing date of the Offering to the date immediately preceding the closing of the St-Hubert transaction, less applicable withholding taxes. The Offering proceeds, less a 50% portion of the agents' fees, are being held in escrow pending the closing of the St-Hubert transaction.

As part of the Offering, Fairfax purchased 3,487,180 Subscription Receipts, accounting for approximately $102 million of the total $230 million gross proceeds, resulting in Fairfax maintaining their approximately 40% equity interest and approximately 57% voting interest in the Company.

Subject to customary conditions, including the receipt of relevant regulatory approvals, the transaction is targeted to close in the summer of 2016.

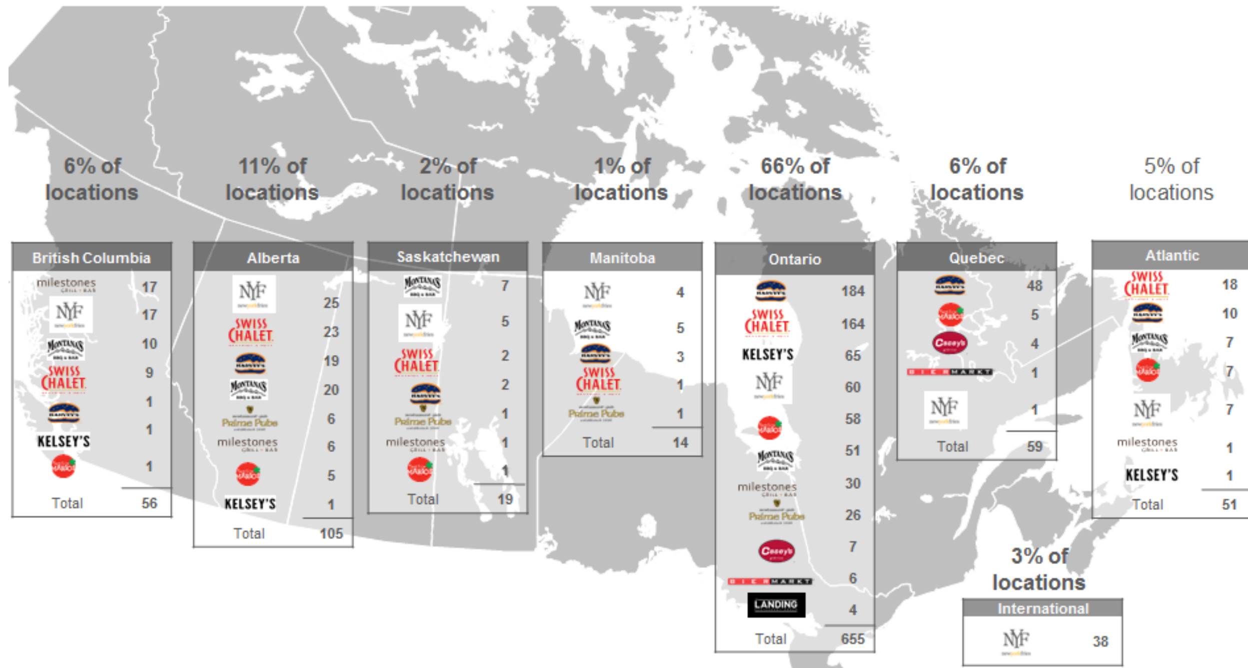
The Company expects that after the financing of the St-Hubert acquisition is completed, the Company’s debt to EBITDA ratio will be approximately 2.0x which will leave the Company with financing capacity to pursue further opportunities for growth.

On May 5, 2016, the Company’s Board of Directors declared a dividend of $0.1017 per share of subordinate voting shares, multiple voting shares, and subscription receipts outstanding. Payment of the dividend will be made on June 15, 2016 to shareholders of record at the close of business on May 31, 2016.

On May 5, 2016, the Company’s Board of Directors suspended the Dividend Reinvestment Plan (the “DRIP”or the “Plan’) which provided holders of Subordinate Voting Shares of Cara and Multiple Voting Shares of Cara, to acquire additional Subordinate Voting Shares by reinvesting all of their cash dividends at a purchase price discount of 3%.

Overview

Cara is a full-service restaurant company that franchises and operates iconic restaurant brands. As at March 27, 2016, Cara had 11 brands and 997 restaurants across Canada, 88% of which are operated by franchisees. Cara's restaurant network includes Harvey's, Swiss Chalet, Kelsey's, East Side Mario's, Montana's, Milestones, Prime Pubs, Casey's, Bier Markt, Landing and New York Fries restaurants. Cara's iconic brands have established Cara as a nationally recognized franchisor of choice. Cara's restaurants are located across Canada with 66% of Cara's locations based in Ontario.



Unit count (unaudited)	As at March 27, 2016 Corporate	Franchise	Total	As at December 27, 2015 Corporate	Franchise	Total
Swiss Chalet ……………………..	8	209	217	7	210	217
Harvey's ………………………..	16	251	267	17	251	268
Montana's ……………………..	14	86	100	13	86	99
East Side Mario's [(1)]…………….	3	74	77	4	74	78
Kelsey's………………………….	13	55	68	16	55	71
Casey's………………………….	1	10	11	1	18	19
Prime Pubs………………………	6	28	34	5	28	33
Bier Markt………………………	7	0	7	7	0	7
Milestones………………………	30	25	55	29	26	55
Landing………………………….	4	0	4	4	0	4
New York Fries …………………	16	141	157	16	143	159
Total restaurants…………………	118	879	997	119	891	1010
	12%	88%	100%	12%	88%	100%

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

Selected Financial Information

The following table summarizes the results of Cara's operations for the 13 weeks ended March 27, 2016 and March 29, 2015:

(C$ millions unless otherwise stated)		March 27, 2016		March 29, 2015
		(unaudited)		(unaudited)
Sales	$	65.6	$	55.8
Franchise revenues		18.6		18.2
Development revenues		-		1.7
Total gross revenue from continuing operations [1]	**$**	**84.2**	**$**	**75.7**
Cost of inventories sold		(18.8)		(16.0)
Selling, general and administrative expenses		(44.7)		(40.5)
Development expenses		-		(1.7)
Restructuring		0.1		0.2
Operating Income [1]	**$**	**20.8**	**$**	**17.7**
Finance costs:				
Net interest expense and other financing charges		(0.6)		(9.9)
Earnings from continuing operations before income taxes [1]	**$**	**20.1**	**$**	**7.7**
Income taxes - current		(0.1)		(1.1)
Income taxes - deferred		(5.7)		(0.4)
Net earnings from continuing operations [1]	**$**	**14.3**	**$**	**6.2**
Total assets	$	462.2	$	372.9
Non-current financial liabilities	$	132.2	$	486.3
Earnings per share from continuing operations attributable to common shareholders (in dollars) [2]				
Basic EPS	$	0.29	$	0.35
Diluted EPS	$	0.27	$	0.17
Adjusted Basic EPS[3]	$	0.41	$	0.37
Adjusted Diluted EPS[3]	$	0.38	$	0.18

[1] Figures may not total due to rounding.

[2] After giving effect on a retrospective basis the 2.79 to 1 share consolidation for common shares outstanding as at April 10, 2015, resulting from the Offering.

[3] Adjusted EPS excludes the impact related to non-cash deferred income tax expense. See "Non-IFRS Measures" on page 21 for definitions of Adjusted Basic EPS and Adjusted Diluted EPS.

(C$ millions unless otherwise stated)	For the 13 weeks ended March 27, 2016 (unaudited)	March 29, 2015 (unaudited)
Dividends Declared (in dollars) [1]		
Subordinate and Multiple Voting Shares	$ 0.10	$ -
Common shares	$ -	$ 0.06
Cash Dividend on Class A Preferred Share Liabilities	$ -	$ 0.06
Cash Dividend on Class B Preferred Share Liabilities	$ -	$ 0.10
Reconciliation of net earnings from continuing operations to EBITDA:		
Net earnings from continuing operations	$ 14.3	$ 6.2
Net interest expense and other financing charges	0.6	9.9
Income taxes	5.8	1.5
Depreciation of property, plant and equipment	4.9	4.7
Amortization of other assets	1.2	1.1
EBITDA [2]	**$ 26.8**	**$ 23.4**
Reconciliation of EBITDA to Operating EBITDA:		
Losses on early buyout/cancellation of equipment rental contracts	-	1.1
Restructuring	(0.1)	(0.2)
Transaction costs	1.1	-
Conversion fees	(0.4)	(0.5)
Net (gain) loss on disposal of property, plant and equipment	(0.9)	(0.6)
Stock based compensation	1.1	1.7
Change in onerous contract provision	(0.1)	-
Operating EBITDA [2]	**$ 27.5**	**$ 24.9**
% change	10.4%	39.9%

[1] Amounts based on shares outstanding prior to share consolidation resulting from the Offering.

[2] Figures may not total due to rounding.

System Sales, SRS Growth, Unit Count and Operating EBITDA

The following table summarizes Cara's System Sales Growth, SRS Growth, number of restaurants, Operating EBITDA and Operating EBITDA Margin for the 13 weeks ended March 27, 2016 and March 29, 2015:

(C$ millions unless otherwise stated) [1]	**For the 13 weeks ended**	
	March 27, 2016	**March 29, 2015**
	(unaudited)	(unaudited)
System Sales from continuing operations [1] (unaudited)	$ 450.2	$ 429.0
Total System Sales Growth [1]	4.9%	5.0%
SRS Growth [2]	0.5%	3.3%
Number of corporate restaurants (at period end)	118	92
Number of franchised restaurants (at period end)	879	742
Total number of restaurants [1] (at period end)	**997**	**834**
Operating EBITDA	$ 27.5	$ 24.9
Operating EBITDA Margin	32.7%	32.9%
Operating EBITDA Margin on System Sales	6.1%	5.8%

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

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

See "Non-IFRS Measures" on page 21 for definitions of System Sales, SRS Growth across all brands, Operating EBITDA, Operating EBITDA Margin and Operating EBITDA Margin on System Sales.

Factors Affecting Our Results of Operations

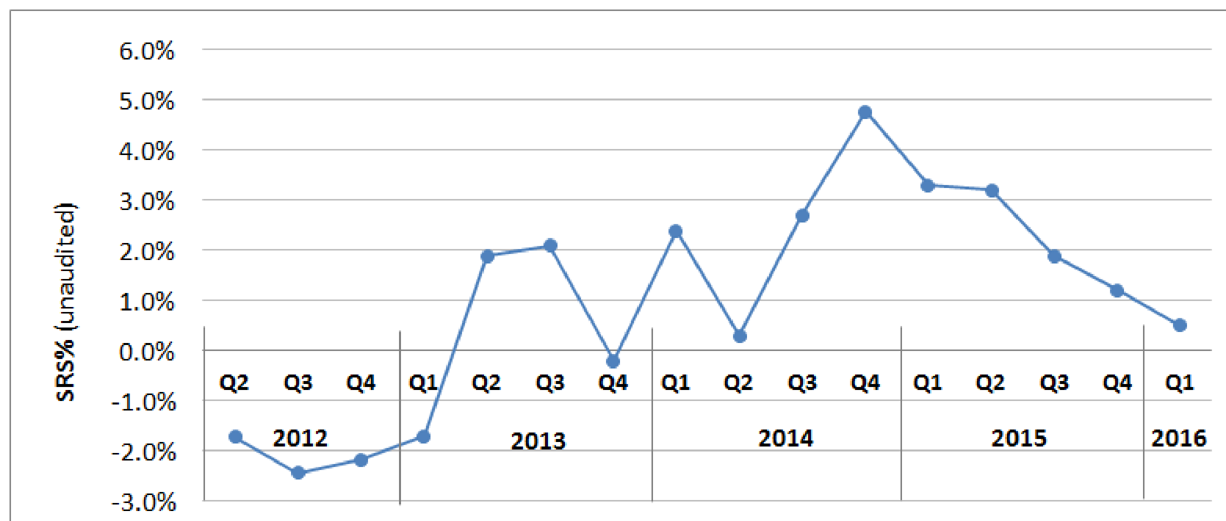
SRS Growth

SRS Growth is a metric used in the restaurant industry to compare sales earned in established locations over a certain period of time, such as a fiscal quarter, for the current period and the same period in the previous year. SRS Growth helps explain what portion of sales growth can be attributed to growth in established locations and what portion can be attributed to the opening of net new restaurants. Cara calculates SRS Growth as the percentage increase or decrease in sales of restaurants open for at least 24 complete months. Cara's SRS Growth results exclude Casey's restaurants as the Company is in the process of winding down its operations and will either convert certain locations to other Cara brands, will license the restaurant for continuing Casey's operation, or close the location. SRS Growth also excludes sales from international operations from 38 New York Fries and 3 East Side Marios. For the first quarter of 2016, SRS excludes the timing impact resulting from Easter weekend occurring in the last week of the first quarter as compared to being in the first week of the second quarter in 2015. For comparative purposes, the last week of the first quarter has been excluded to provide comparable quarter over quarter results. The Company will include the 13th week from the first quarter in the second quarter and compare 14 weeks in 2016 to 14 weeks in 2015 to include the impact of Easter weekend in the same quarter.

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

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

The following chart summarizes Cara's quarterly SRS Growth from April 2, 2012 to March 27, 2016:



See "Non-IFRS Measures" on page 21 for a description of how Cara calculates SRS growth. SRS Growth for individual brands may be higher or lower than SRS Growth for all restaurants combined, and in some cases, SRS Growth, for individual brands, may be negative.

Competition

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

New Restaurant Openings

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

Financial results

System Sales from continuing operations

System Sales from continuing operations for the 13 weeks ended March 27, 2016 were $450.2 million compared to $429.0 million for the 13 weeks ended March 29, 2015, representing an increase of $21.2 million or 4.9%. This increase was primarily the result of new restaurants opened and the addition of the New York Fries restaurants which together generated higher sales as compared to net restaurant closures during the period.

Total gross revenue from continuing operations

Total gross revenue from continuing operations represents sales from corporate restaurants, franchise revenues (including royalty fees net of agreed subsidies, new franchise fees, equipment rental income and corporate to franchise conversion fees), fees generated from Cara's off-premise call centre business, and development revenue.

Total gross revenue from continuing operations was $84.2 million for the 13 weeks ended March 27, 2016 compared to $75.7 million in 2015, representing an increase of $8.5 million or 11.2%. The increase in gross revenues from continuing operations was primarily the result of new openings in 2015, the addition of corporate restaurants during 2015, and the New York Fries acquisition.

Selling, general and administrative expenses

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

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

SG&A expenses for the 13 weeks ended March 27, 2016 were $44.7 million compared to $40.5 million in 2015, representing an increase of $4.2 million or 10.4%. The increase was primarily related to the 26 additional corporate restaurants operated by the Company in the first quarter of 2016 compared to the first quarter of 2015 which resulted in

increased direct restaurant labour and other direct restaurant costs. These increases were partially offset by a reduction in net overhead costs. For the 13 weeks ended March 27, 2016, SG&A expenses as a percentage of revenue decreased from 53.5% in 2015 to 53.1%, a decrease of 0.4 percentage points.

Net interest expense and other financing charges

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

Net interest expense and other financing charges were $0.6 million for the 13 weeks ended March 27, 2016, compared to $9.9 million in 2015, representing a decrease of $9.3 million or 93.9%. The significant decrease in net interest expense is primarily related to the reduction of total debt from the net proceeds of the IPO, the conversion of the preferred shares and warrants into multiple voting shares and the amendment of the existing term credit facility at reduced interest rates.

Earnings from continuing operations before income taxes

Earnings from continuing operations before income taxes were $20.1 million for the 13 weeks ended March 27, 2016 compared to $7.7 million in 2015, representing an improvement of $12.4 million, or an increase of 161.0%. The increase was mainly attributed to improved restaurant performance resulting in increased contribution from corporate and franchised restaurants, the addition of corporate restaurants, the addition of New York Fries, and reduced interest expense related to the reduction of debt.

Income taxes

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

The Company recorded an income tax expense of $5.8 million for the 13 weeks ended March 27, 2016, compared to an expense of $1.5 million for the 13 weeks ended March 29, 2015, representing an income tax expense increase of $4.3 million. The income tax expense is primarily a non-cash expense because of income tax losses available from prior years.

During the 13 weeks ended December 27, 2015 the Company recognized a deferred tax asset of $37.5 million in respect of non-capital losses and other timing differences available to offset future income tax payable on operating profits. Management determined it was appropriate to record a deferred tax asset based on the Company's financial performance, financial projections and the likelihood that future taxable profits would be available against which the asset (ie. tax losses) will be utilized.

As at December 27, 2015 the Company had $111.9 million in income tax losses available to offset future taxable earnings. These losses expire between the years 2017 and 2035. The Company had only recognized deferred tax assets in respect of $95.9 million of losses as at December 27, 2015.

Net earnings

Net earnings from continuing operations were $14.3 million for the 13 weeks ended March 27, 2016 compared to $6.2 million for the 13 weeks ended March 29, 2015, representing an improvement of $8.1 million (or an increase of 130.6%). The increase in net earnings was mainly attributed to improved restaurant performance resulting in increased contribution from corporate and franchised restaurants, the addition of New York Fries and reduced interest expense.

Operating EBITDA

Operating EBITDA was $27.5 million for the 13 weeks ended March 27, 2016 compared to $24.9 million for the 13 weeks ended March 29, 2015, representing an increase of $2.6 million or 10.4%. The increase was primarily the result of improved performance at Cara's corporate restaurants, the addition of New York Fries, and improved central contribution from decreases in central costs and other overhead costs.

See "Non-IFRS Measures" on page 21 for definition of Operating EBITDA and page 5 for a reconciliation of net earnings from continuing operations to Operating EBITDA.

Restaurant Count

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

	For the 13 weeks ended March 27, 2016			For the 13 weeks ended March 29, 2015		
Unit count (unaudited)	**Corporate**	**Franchised**	**Total**	**Corporate**	**Franchised**	**Total**
Beginning of period[1] ………………………	119	891	1,010	91	746	837
Acquisitions [2] ……………………………	-	-	-	-	-	-
New openings ……………………………	1	4	5	1	3	4
Closings……………………………………	(5)	(13)	(18)	(1)	(6)	(7)
Corporate buy backs [3]…………………	3	(3)	-	3	(3)	-
Restaurants re-franchised [4] ……………	-	-	-	(2)	2	-
End of period……………………………	118	879	997	92	742	834

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

[2] New York Fries was acquired on October 31, 2015.

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

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

Segment Performance

Cara divides its operations into three business segments: corporate restaurants, franchise restaurants, and central operations. The Corporate restaurant segment includes the operations of the company-owned restaurants which generate revenues from the direct sale of prepared food and beverages to customers. Franchised restaurants represent the operations of its franchised restaurant network operating under the Company's several brand names from which the Company earns royalties calculated at an agreed upon percentage of franchise restaurant sales. Cara provides financial assistance to certain franchisees and the franchise royalty income reported is net of any assistance being provided. Central operations includes call centre services which earn fees from off-premise phone, mobile and web orders processed for corporate and franchised restaurants and rental income generated from the lease of certain equipment to franchisees as well as the collection of new franchise and franchise renewal fees. Central operations also include corporate (non-restaurant) expenses comprised of head office people and non-personnel overhead expenses, IT costs, occupancy expenses, and general and administrative support costs offset by vendor purchase allowances.

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

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

(C$ thousands unless otherwise stated)	For the 13 weeks ended March 27, 2016				For the 13 weeks ended March 29, 2015			
	Corporate	**Franchised**	**Central**	**Total**	**Corporate**	**Franchised**	**Central**	**Total**
System Sales	**$63,205**	**$ 386,999**	**$ -**	**$ 450,204**	**$ 53,146**	**$ 375,893**	**$ -**	**$ 429,039**
Corporate Results								
Sales	$ 63,205	$ -	$ 2,374	$ 65,579	$ 53,146	$ -	$ 2,638	$ 55,784
Cost of inventories sold and cost of labour	(40,570)	-	-	(40,570)	(34,182)	-	-	(34,182)
Restaurant contribution before other costs	22,635	-	2,374	25,009	18,964		2,638	21,602
Restaurant contribution before other costs %	35.8%				35.7%			
Other operating costs	(17,543)	-	-	(17,543)	(15,390)	-	-	(15,390)
Total Contribution	**5,092**	**-**	**2,374**	**7,466**	**3,574**	**-**	**2,638**	**6,212**
Franchise Results								
Franchise royalty income	-	17,577	-	17,577	-	16,763	-	16,763
Franchise royalty income as a % of franchise sales	-	4.5%	-	-	-	4.5%	-	-
New franchise fees and equipment rent	-	-	660	660	-	-	958	958
Franchise rent assistance and bad debt	-	(1,861)	-	(1,861)	-	(1,847)	-	(1,847)
Contribution from franchise restaurants	**-**	**15,716**	**660**	**16,376**	**-**	**14,916**	**958**	**15,874**
Central								
Net central contribution	**-**	**-**	**3,695**	**3,695**	**-**	**-**	**2,859**	**2,859**
Operating EBITDA	**$ 5,092**	**$ 15,716**	**$ 6,729**	**$ 27,537**	**$ 3,574**	**$ 14,916**	**$ 6,455**	**$ 24,945**
Contribution as a % of corporate sales	8.1%	-	-	-	6.7%	-	-	-
Contribution as a % of franchise sales	-	4.1%	-	-	-	4.0%	-	-
Contribution as a % of total System sales	-	-	1.5%	6.1%	-	-	1.5%	5.8%

Corporate

As at March 27, 2016, the corporate segment restaurant count consisted of 118 restaurants compared to 92 at March 29, 2015, an increase of 26 locations. In addition to the restaurants added in 2015 related to new restaurant openings, buybacks and the acquisition of New York Fries, during the first quarter of 2016, the Company opened 1 new location, closed 5 locations, and bought back 3 locations.

Sales

Sales represent food and beverage sales from Cara's corporate restaurants. Corporate restaurant sales are impacted by SRS Growth and the change in number of corporate restaurants. Sales were $63.2 million for the 13 weeks ended March 27, 2016 compared to $53.1 million in 2015, an increase of $10.1 million or 19.0%. The increase was primarily related to the increase in number of corporate restaurants.

Cost of inventories sold and cost of labour

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

Cost of inventories sold and cost of labour was $40.6 million for the 13 weeks ended March 27, 2016 compared to $34.2 million in 2015, an increase of $6.4 million or 18.7%. The increase was primarily due to the addition of 26 corporate restaurants, including the impact from the New York Fries acquisition. The increase was offset by overall cost reductions relating to improved food and beverage cost control as well as better management of variable labour costs at the restaurant level. Cost of inventories sold and cost of labour as a percentage of sales have decreased from 64.3% to 64.2% in the 13 weeks ended March 27, 2016 compared to 2015, an improvement of 0.1 percentage points.

Contribution from corporate segment

Total contribution from corporate restaurants was $5.1 million for the 13 weeks ended March 27, 2016 compared to $3.6 million in 2015, an improvement of $1.5 million. The increase is primarily driven by the increase in number of corporate restaurants coupled with the improvement of food and labour costs as a percentage of corporate restaurant sales described above.

For the 13 weeks ended March 27, 2016, total contribution from corporate restaurants as a percentage of corporate sales was 8.1% compared to 6.7% for the 13 weeks ended March 29, 2015, an increase of 1.4 percentage points. The increase was driven by the acquisition of New York Fries (which included 16 corporate stores), better labour management and higher sales in premium corporate brands such as Bier Markt, Landing and Milestones.

Franchise

As at March 27, 2016, the franchise restaurant segment consisted of 879 restaurants compared to 742 at March 29, 2015, an increase of 137 locations.

Franchise segment System Sales were $387.0 million during the 13 weeks ended March 27, 2016 compared to $375.9 million in 2015, an increase of $11.1 million or 3.0%. The increase was primarily attributed to the new restaurant openings in 2015, the acquisition of New York Fries partially offset by restaurant closures and franchise restaurant buybacks.

Franchise revenues

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

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

Franchise revenues were $17.6 million for the 13 weeks ended March 27, 2016 compared to $16.8 million in 2015, an increase of $0.8 million or 4.8%. The increase was primarily attributed to the New York Fries acquisition, reductions in contractual subsidies and temporary assistance to franchisees, partially offset by restaurant closures and franchise restaurant buybacks.

Contribution from franchise segment

Total contribution from franchise restaurants was $15.7 million for the 13 weeks ended March 27, 2016 compared to $14.9 million in 2015, an increase of $0.8 million or 5.4%. The increase was related to increased royalty income as a result of the franchise sales increase and a reduction in franchisee subsidies and bad debts for the 13 weeks ended March 27, 2016.

The effective net royalty rate for the 13 weeks ended March 27, 2016 was 4.1% compared to 4.0% in 2015. As at March 27, 2016, a total of 163 restaurants were paying Cara a royalty of less than 5.0% as compared to 172 restaurants at December 27, 2015, a decrease of 9 restaurants in the quarter. 92 out of the 163 restaurants paying less than 5% royalty were related to previously agreed upon conversion agreements, an improvement of 8 restaurants compared to 100 as at December 27, 2015. 71 out of the 163 restaurants paying less than 5% royalty were related to temporary assistance provided to certain other restaurants, a decrease of 1 restaurant compared to 72 as at December 27, 2015.

Central

Sales

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

Total central segment sales were $2.4 million for the 13 weeks ended March 27, 2016 compared to $2.6 million in 2015, a decrease of $0.2 million or 7.7%. The decrease was primarily attributed to reduced rates Cara charges to franchisees for web and mobile orders starting in 2016 compared to 2015 and prior years.

New franchise fees and equipment rent

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

Franchise fees and equipment rent were $0.7 million for the 13 weeks ended March 27, 2016 compared to $1.0 million in 2015 a decrease of $0.3 million or 31.1%. The decrease was the result of buyouts and terminations of equipment rental agreements.

Contribution from central segment

Central segment contribution margin for the 13 weeks ended March 27, 2016 was $6.7 million (1.5% of total System Sales) compared to $6.5 million (1.5% of total System Sales) in 2015. For the 13 weeks ended March 27, 2016, the increase of $0.2 million or 3.1% is primarily a result from a reduction in central costs from overhead cost reductions and recoveries.

Selected Quarterly Information

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

(C$ millions unless otherwise stated) [1]	Q1 – 2016 Mar 27, 2016 (unaudited)	Q4 – 2015 Dec 27, 2015 (unaudited)	Q3 – 2015 Sept 27, 2015 (unaudited)	Q2 – 2015 June 28, 2015 (unaudited)	Q1 – 2015 Mar 29, 2015 (unaudited)	Q4 – 2014 Dec 30, 2014 (unaudited)	Q3 – 2014 Sept 30, 2014 (unaudited)	Q2 – 2014 July 1, 2014 (unaudited)
System Sales from continuing operations	$ 450.2	$ 461.1	$ 438.6	$ 437.0	$ 429.0	$ 436.9	$ 427.3	$ 417.8
Total System Sales Growth	4.9%	5.5%	2.6%	4.6%	5.0%	12.8%	29.5%	25.5%
SRS Growth	0.5%	1.2%	1.9%	3.3%	3.5%	4.9%	2.9%	0.7%
Number of restaurants (at period end)	997	1,010	828	827	834	837	834	835
Operating EBITDA	**$ 27.5**	**$ 29.2**	**$ 28.9**	**$ 28.4**	**$ 24.9**	**$ 22.1**	**$ 21.7**	**$ 22.0**
Operating EBITDA Margin on System Sales	**6.1%**	**6.3%**	**6.6%**	**6.5%**	**5.8%**	**5.1%**	**5.1%**	**5.3%**
Corporate restaurant sales	$ 63.2	$ 60.6	$ 63.4	$ 60.6	$ 53.1	$ 48.5	$ 52.3	$ 49.9
Number of corporate restaurants	118	119	96	92	92	91	86	83
Contribution from Corporate segment	$ 5.1	$ 6.1	$ 7.5	$ 7.7	$ 3.6	$ 2.7	$ 3.6	$ 2.6
Contribution as a % of corporate sales	8.1%	10.0%	11.9%	12.7%	6.7%	5.5%	6.9%	5.2%
Franchise restaurant sales	$ 387.0	$ 400.5	$ 376.3	$ 376.4	$ 375.9	$ 388.4	$ 376.2	$ 367.8
Number of franchised restaurants	879	891	732	735	742	746	748	752
Contribution from Franchise segment	$ 15.7	$ 16.1	$ 14.6	$ 14.7	$ 14.9	$ 15.3	$ 14.3	$ 12.9
Contribution as a % of Franchise sales	4.1%	4.0%	3.9%	3.9%	4.0%	3.9%	3.8%	3.5%
Contribution from Central segment	$ 6.7	$ 7.0	$ 6.7	$ 5.9	$ 6.4	$ 3.8	$ 3.8	$ 6.5
Contribution as a % of total System Sales	1.5%	1.5%	1.5%	1.4%	1.5%	0.9%	0.9%	1.6%
Total gross revenue from continuing operations	$ 84.2	$ 84.0	$ 85.7	$ 80.9	$ 75.7	$ 75.4	$ 72.3	$ 69.4
Operating EBITDA Margin	32.7%	34.8%	33.7%	35.1%	32.9%	29.3%	30.0%	31.7%
Earnings from continuing operations before income taxes	**$ 20.1**	**$ 21.7**	**$ 19.7**	**$ 17.1**	**$ 7.7**	**$ (3.5)**	**$ 4.2**	**$ 5.9**
Net earnings (loss)	$ 14.3	$ 58.3	$ 19.2	$ 15.9	$ 6.2	$ (4.5)	$ 2.2	$ 4.3
Earnings per share attributable to common shareholders of the Company (in dollars) [2]								
Basic EPS	$ 0.29	$ 1.19	$ 0.39	$ 0.34	$ 0.35	$ (0.24)	$ 0.12	$ 0.24
Diluted EPS	$ 0.27	$ 1.11	$ 0.36	$ 0.31	$ 0.17	$ (0.13)	$ 0.08	$ 0.23
Adjusted Basic EPS	**$ 0.41**	**$ 0.45**	**$ 0.41**	**$ 0.36**	**$ 0.37**	**$ (0.32)**	**$ 0.16**	**$ 0.27**
Adjusted Diluted EPS	**$ 0.38**	**$ 0.42**	**$ 0.38**	**$ 0.32**	**$ 0.18**	**$ (0.18)**	**$ 0.11**	**$ 0.25**
Net earnings from continuing operations attributable to common shareholders of the Company	$ 14.5	$ 58.3	$ 19.1	$ 15.5	$ 6.3	$ (4.4)	$ 2.1	$ 4.3
Earnings per share from continuing operations attributable to common shareholders of the Company (in dollars) [2]								
Basic EPS	$ 0.29	$ 1.19	$ 0.39	$ 0.34	$ 0.35	$ (0.25)	$ 0.12	$ 0.24
Diluted EPS	$ 0.27	$ 1.11	$ 0.36	$ 0.31	$ 0.17	$ (0.14)	$ 0.08	$ 0.23
Adjusted Basic EPS	**$ 0.41**	$ 0.45	$ 0.41	$ 0.36	$ 0.37	$ (0.32)	$ 0.16	$ 0.27
Adjusted Diluted EPS	**$ 0.38**	$ 0.42	$ 0.38	$ 0.32	$ 0.19	$ (0.18)	$ 0.11	$ 0.26

(1) See "Non-IFRS Measures" on page 21 for definitions of System Sales, SRS Growth, Operating EBITDA, Operating EBITDA Margin on System Sales, Adjusted Basic EPS, and Adjusted Diluted EPS.

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

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

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

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

The System Sales increases quarter over quarter are primarily related to SRS Growth, the addition of new restaurants and acquisitions of Landing Restaurants in December 2014 and New York Fries in November 2015. Growth in 2014 was primarily related to full year impact of the Prime acquisition in October 2013.

Operating EBITDA margin has consistently remained between 32% and 35% quarter over quarter since 2015 from a range of 29% to 32% in 2014. The increases have been driven by improved performance in all three of the Company's operating segments, being Corporate restaurants, Franchise restaurants and Central.

Contribution from the corporate restaurant segment as a percentage of sales improved from a range of 5.2% to 6.7% in 2014 to a range of 8.1% to 12.7% throughout 2015 and the first quarter of 2016. The improvement is related to better cost management of food and labour costs, and the addition of higher volume, higher margin restaurant concepts such as the Bier Markts and Landing restaurants.

The franchise restaurant segment has improved steadily each quarter and is primarily attributed to the reduction of franchise assistance provided to restaurants. Contribution from the franchise segment has improved from 3.5% in the second quarter of 2014 to 4.1% in the first quarter of 2016, representing a $2.2 million improvement in franchise royalty recovery.

Improvements in central contribution have resulted from head office cost reductions and the growth of the Company's off premise business.

Net earnings in 2016 and 2015 have increased significantly as a result of improvements in all business segments as described above. The loss in the fourth quarter of 2014 was related to higher impairment charges and higher expense accruals than in previous quarters. Net earnings improved in the first quarter of 2016 as a result of significant reductions in financing costs resulting from the reduction in debt with proceeds of the April 2015 IPO.

Liquidity and Capital Resources

Cara's principal uses of funds are for operating expenses, capital expenditures, finance costs, debt service and dividends. Management believes that cash generated from operations, together with amounts available under its credit facility (refer to page 18), will be sufficient to meet its future operating expenses, capital expenditures, future debt service costs and discretionary dividends. However, Cara's ability to fund future debt service costs, operating expenses, capital expenditures and dividends will depend on its future operating performance which will be affected by general economic, financial and other factors including factors beyond its control. See "Risk and Uncertainties". Cara's management reviews acquisition and investment opportunities in the normal course of its business and if suitable opportunities arise, may make selected acquisitions and investments to implement Cara's business strategy. Historically, the funding for any such acquisitions or investments have come from cash flow from operating activities and/or additional debt. Similarly, from time to time, Cara's management reviews opportunities to dispose of non-core assets and may, if suitable opportunities arise, sell certain non-core assets.

Working Capital

A working capital deficit is typical of restaurant operations, where the majority of sales are for cash and there are rapid turnover of inventories. In general, the turnover of accounts receivable and inventories is faster than accounts payable, resulting in negative working capital. Cara's Ultimate Gift Card sales significantly improve the Company's liquidity in the fourth quarter as cash is received within one to two weeks from time of sale. Gift card sales are highest in November and December followed by high redemptions in the January to March period. Cara's gift card liability at March 27, 2016 was $29.1 million compared to $51.9 million at December 27, 2015, a reduction of $22.8 million due to higher redemptions in the first quarter.

At March 27, 2016, Cara had a working capital deficit of ($46.4) million compared to ($51.6) million at December 27, 2015. The change of $5.2 million was related to (i) reduction in cash of $16.4 million primarily related to the repayment of the credit facility in the amount of $12.0 million and capital asset additions of $3.6 million; (ii) reduction in accounts receivable of $17.4 million related to the collection of gift card sales during the December holiday period and collection of tenant inducements receivable from landlords related to restaurants built during the fourth quarter; (iii) reduction in accounts payable of $15.4 million mainly related to the payout of cash bonus and other year end related costs; and (iv) reduction in gift card liability of $22.8 million related to higher gift card redemptions following the December holiday period.

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

Cash Flows

The following table presents Cara's cash flows for the 13 weeks ended March 27, 2016 compared to March 29, 2015:

	For the 13 weeks ended			
(C$ millions unless otherwise stated)	**March 27, 2016**		**March 29, 2015**	
		(unaudited)		(unaudited)
Cash flows used in operating activities of continuing operations…………………	$	(0.3)	$	(11.5)
Cash flows used in investing activities……………………………………..…….....	$	(3.2)	$	(2.4)
Cash flows from (used in) financing activities………………………………………..	$	(12.9)	$	10.8
Change in cash during the period [(1)]…………………………………………………..…..	$	(16.4)	$	(3.1)

[(1)] Figures may not total due to rounding.

Cash flows (used in) from operating activities of continuing operations

Cash flows used in operating activities of continuing operations were ($0.3) million for 13 weeks ended March 27, 2016 compared to ($11.5) million for the 13 weeks ended March 29, 2015, an improvement of $11.2 million. The increase was primarily the result of improved earnings from continuing operations, cash received from the reduction of accounts receivable, offset by decreases in accounts payable and accrued liabilities related to the cash bonus paid in the first quarter.

Cash flows used in investing activities of continuing operations

The following table presents Cara's capital expenditures for 13 weeks ended March 27, 2016 as compared to the 13 weeks ended March 29, 2015:

	For the 13 weeks ended	
(C$ millions unless otherwise stated)	**March 27, 2016**	**March 29, 2015**
	(unaudited)	(unaudited)
Cash from (used in):		
Purchase of property, plant and equipment:		
Maintenance:		
Corporate restaurants	(0.8)	(0.8)
Central / IT expenditures / Other	(1.3)	(1.2)
Total maintenance	$ (2.1)	$ (2.0)
Growth initiatives:		
Major renovations	(0.2)	-
New builds	(1.3)	(0.2)
Total growth	$ (1.5)	$ (0.2)
Total purchase of property, plant and equipment	**$ (3.6)**	**$ (2.2)**
Business acquisitions, net of cash assumed:		
Buy backs [(1)]	(0.2)	(3.3)
Buyout of non-controlling interests	-	(0.3)
Total business acquisitions, net of cash assumed	**$ (0.2)**	**$ (3.6)**
Total purchase of property, plant and equipment	$ (3.6)	$ (2.2)
Total business acquisitions, net of cash assumed	(0.2)	(3.6)
Proceeds on disposal of property, plant and equipment	-	0.4
Additions to other assets	-	-
Change in long term receivables	0.7	3.0
Total cash flows used in investing activities [(2)]	**$ (3.2)**	**$ (2.4)**

[(1)] 2016 buy backs are comprised of 3 locations (2015 – 3 locations)

[(2)] Figures may not total due to rounding.

Cash flows used in investing activities were ($3.2) million during the 13 weeks ended March 27, 2016 compared to ($2.4) million in 2015, an increase in use of $0.8 million. The increase is primarily due to restaurant new builds related to Bier Markt and Landing restaurants in progress.

Commitments for Capital Expenditures

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

Cash flows (used in) from financing activities

The following table presents Cara's cash used in financing activities for the 13 weeks ended March 27, 2016 compared to March 29, 2015:

	For the 13 weeks ended	
(C$ millions unless otherwise stated)	**March 27, 2016**	**March 29, 2015**
	(unaudited)	(unaudited)
Changes in bank indebtness……	$ -	$ 5.3
Increases in debt……	6.0	44.0
Debt repayments ……	(18.0)	(24.0)
Change in finance leases ……	(0.6)	(0.4)
Interest paid ……	(0.3)	(3.1)
Dividends paid ……	-	(11.0)
Cash flows used in financing activities [1]	$ (12.9)	$ 10.8

[1] Figures may not total due to rounding.

Cash flows used in financing activities were ($12.9) million for the 13 weeks ended March 27, 2016. Cash used in financing activities primarily consist of a net reduction of the Company's credit facility of $12.0 million, less interest paid of $0.6 million and change in finance leases of $0.3 million.

Cash flows from financing activities for the 13 weeks ended March 29, 2015 were $10.8 million, primarily consisting of a net increase in its credit facility and bank indebtedness of $25.3 million, less change in finance leases of $0.4 million, less $3.1 million of cash interest expense, and less cash dividends paid of $11.0 million.

Debt

On April 10, 2015, as part of the IPO, the Company amended and extended the terms of its Existing Credit Facility. The amended and extended term credit facility is comprised of revolving credit in the amount of $150.0 million and an accordion feature up to $50.0 million, maturing on June 30, 2019. The interest rate applied on amounts drawn by the Company under its term credit facility is the effective bankers acceptance rate or prime rate plus a spread based on the Company's total funded net debt to EBITDA ratio, as defined in the agreement, measured using EBITDA for the four most recently completed fiscal quarters.

As at March 27, 2016, $53.0 million was drawn under the amended and extended term credit facility with an effective interest rate of 2.37% (December 27, 2015 - 2.5%), representing bankers acceptance rate of 0.87% plus 1.25% and the amortization of deferred financing fees of 0.25%.

Please refer to "Subsequent Events" on page 2 for transactions subsequent to March 27, 2016.

Off Balance Sheet Arrangements

Letters of credit

Cara has outstanding letters of credit amounting to $0.3 million as at March 27, 2016 (December 27, 2015 - $0.9 million), primarily for various utility companies that provide services to the corporate owned locations and support for certain franchisees' external financing used to fund their initial conversion fee payable to Cara.

Outstanding Share Capital

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of non-voting common shares. As at May 5, 2016, there were 49,169,950 subordinate and multiple voting shares (December 27, 2015 – 49,162,591) issued and outstanding.

The Company has a common share stock option plan for its directors, CEO and employees. The total number of options granted and outstanding as at May 5, 2016 is 4,951,841.

Please refer to "Subsequent Events" on page 2 for transactions subsequent to March 27, 2016.

Related Parties

Shareholders

Prior to the IPO, Cara Holdings Limited held 96.7% of the voting common shares. As part of the IPO, these voting common shares were exchanged to Multiple Voting Shares. Subsequent to the IPO and subsequent disposition of a portion of their ownership, Cara Holdings held 29.5% of the total issued and outstanding shares, representing 41.4% voting control.

On April 10, 2015, as part of the IPO, subsidiaries of Fairfax exchanged non-voting preferred shares in conjunction with a cashless warrant exercise into Multiple Voting Shares of the Company. As a result of the conversion and subsequent purchases of Subordinate Voting Shares, Fairfax holds 40.5% of the total issued and outstanding shares, representing 56.9% voting control.

Fairfax and Cara Holdings together hold 70.0% of the total issued and outstanding shares and have 98.3% of the voting control attached to all the shares.

Prior to the IPO, subsidiaries of Fairfax owned subordinated debentures and warrants bearing interest at 9.0% per annum. During the 13 weeks ended March 27, 2016, the Company incurred interest of $nil (March 29, 2015 - $0.6 million) which has been included in interest expense. Additionally, subsidiaries of Fairfax owned Class A and Class B preferred shares. For the 13 weeks ended March 27, 2016, the Company approved a payment of interest on the preferred shares in the amount of $nil (March 29, 2015 - $3.3 million), which has been included in interest expense.

During the 13 weeks ended March 27, 2016, the Company declared a dividend of $0.102 per share of Subordinate and Multiple Voting Shares of which Fairfax and Cara Holdings received $2.0 million and $1.5 million, respectively on April 15, 2016.

In connection with the Acquisition and the Offering (see "Subsequent Events" on page 2), on March 30, 2015, the Company entered into an Equity Commitment Agreement with Fairfax, where Fairfax provided a commitment that Fairfax will either exercise its pre-emptive right in full to purchase its pro-rata share of any Subordinate Voting Shares the Company offers to the public provided that the offering price does not exceed $30.00 per share or, alternatively, will purchase $200 million of Subordinate Voting Shares at a price of $26.20. Fairfax shall also maintain its pre-emptive right to purchase its pro rata share of any Subordinate Voting Shares the Company offers to the public at a price above $30.00. In consideration for Fairfax's commitment, the Company will pay Fairfax a fee of $4.0 million.

Fairfax and the Company are parties to a Shared Services and Purchasing Agreement. Under this agreement, Fairfax is authorized to enter into negotiations on behalf of the Company (and Fairfax associated restaurants) to source shared services and purchasing arrangements for any aspect of Cara's operations, including food and beverages, information technology, payment processing, marketing and advertising or other logistics. There were no transactions during the 13 weeks ended March 27, 2016 and March 29, 2015.

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

Insurance Provider

Some of Cara's insurance policies are held by a company that is a subsidiary of Fairfax. Fairfax also holds multiple voting common shares. The insurance transactions are on market terms and conditions.

Please refer to "Subsequent Events" on page 2 for transactions subsequent to March 27, 2016.

Outlook

Management is satisfied with the net earnings and operating EBITDA improvements achieved in the first quarter, despite challenging economic conditions in many markets. The continued System Sales increases and cost reductions have resulted in increases in Operating EBITDA and improved contribution margins in all segments. Cara has also greatly reduced its risk profile and its ability to weather challenges by reducing debt, increasing profits and free cash flow. Despite year to date progress, management remains cautious on the Canadian economy and its potential impact on restaurant sales stemming from challenges in western Canada, and foreign exchange fluctuations in the Canadian dollar. With respect to 2016, Management provides the following comments regarding its strategies and initiatives:

- *System Sales and SRS Growth* — While Management is satisfied with total System Sales growth of 4.9%, SRS Growth of +0.5% in the quarter fell below Management's expectations. The weakness in SRS Growth was primarily related to the continued challenges in the western provinces and uneven performance in certain restaurant banners. As Cara is a multi-branded company, not all brands will have strong results at the same time which can result in overall variable sales and SRS results. Management will continue to focus on building momentum and long-term sales growth through its various initiatives across all of its brands. Overall SRS Growth is dependent on the Company's ability to have positive momentum with most brands at the same time.

- *Restaurant Count* — Management is targeting to open a minimum of 30 net new restaurants in 2016 before the impact of Casey's closures and any acquisitions. The 2016 plan includes one new Bier Markt and two new Landings. Management is also pursuing the sale of certain Kelsey's, Montana's and East Side Mario's corporate restaurants to franchisees to continue to improve the corporate-franchise portfolio mix.

- *Corporate restaurant profitability* — Management is pleased with the increase in corporate restaurant profitability from 6.7% to 8.1% as a percent of corporate sales in the first quarter of 2016. The improvement of 1.4 percentage points is primarily related to strong Landing and Bier Markt restaurant contribution and the reduction in food costs and labour costs across the corporate store portfolio.

- *Franchise segment* —Franchise contribution as a percentage of franchise sales improved to 4.1% in the first quarter of 2016 from 4.0% in 2015 reflecting improved franchise sales and profit performance resulting in less assistance provided to its franchise network. Cara reduced the number of restaurants receiving assistance by 9 restaurants to 163 restaurants from a total of 172 restaurants at December 27, 2015 and from 189 restaurants at the end of the first quarter of 2015. The continued sales challenges experienced in the western provinces may require the Company to provide financial assistance to certain franchised locations which will result in slower improvements in franchise contribution rate over the short term. In 2016 and beyond, we expect to increase the franchise contribution rate by (1) adding new franchisees at the full 5% standard royalty rate and (2) by continuing to reduce the number of franchisees on assistance over the long term.

- *Central segment* — Going forward as the run rate for central expenses normalizes, the improvements in the central contribution rate will be driven by growing sales faster than head office expenses and by expanding our off premise business.

- *Total Operating EBITDA* — The combined contributions from Corporate, Franchise and Central segments resulted in Total Operating EBITDA margin of 6.1% as a percentage of total System Sales compared to 5.8% in 2015. The Company will continue to work on all three segments to increase both segmented EBITDA Contribution and Total Operating EBITDA in relation to Total System Sales.

- *Improved net income and cash available* — The improvements in operations and reduction in interest and finance costs from the debt reduction will improve net income, EPS and cash available for growth in future periods.

- *Growth and acquisitions* — Following the closing of the St-Hubert acquisition and the related increased lending commitments from Cara's lending syndicate from $150 million up to $700 million, and the Company's expectation is to have a debt to EBITDA ratio of approximately 2.0x. Consequently, Cara will be well positioned to pursue further acquisitions for growth.

  With Cara's strong financial performance in 2015 plus the anticipated addition of St-Hubert on a pro-forma basis including $10 million of synergies, Cara is now close to achieving the beginning of its 5 to 7 year growth targets set out during Cara's IPO in April of 2015, well before 2019. As originally communicated in 2015, the 5 to 7 year target range for System Sales was between $2.5 billion and $3.0 billion and Operating EBITDA was targeted to be 7% to 8% of System Sales or $175 million to $240 million but these ranges did not contemplate the early addition of St. Hubert which now puts the target range into reach. For example, if SRS is held at 0.0%, and only 20 net new stores are added over the next 4 years (5 per year), Cara should achieve $2.5 billion of System sales and over $180 million of Operating EBITDA by 2019. Still holding SRS at 0.0% and adding 240 net new stores over the next 6 years (40 per year), Cara should achieve $3 billion of System Sales and $245 million of Operating EBITDA by 2021. Alternatively, if SRS is 1.0% and 180 net new stores are added over the next 6 years (30 per year), Cara should achieve $3 billion in System Sales and $245 million in Operating EBITDA by 2021.

  Management is expecting to over-achieve these illustrative SRS and new store levels in addition to completing further acquisitions over the next 4 to 6 years. Consequently, management believes the top end of the 4-6 year range (2019 to 2021) will now be System Sales of $3.7 billion and Operating EBITDA of $296 million (i.e. 8.0% of System Sales).

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

Future Accounting Changes

New standards and amendments to existing standards have been issued and may be applicable to the company for its annual periods beginning on or after December 28, 2015. See note 3 of the Company's condensed consolidated interim financial statements for the 13 weeks ended March 27, 2016 for a summary of new accounting standards adopted during 2016 and note 4 for a summary of future accounting standards not yet adopted.

Controls and Procedures

There were no changes in the Company's internal controls over financial reporting during the 13 weeks ended March 27, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Critical Accounting Judgments and Estimates

The preparation of the condensed consolidated interim financial statements requires significant judgements made by management in applying the Company's accounting policies except those adopted using the judgements from the first quarter of 2016 and the key sources of estimation of uncertainty were the same as those that applied to the Company's audited annual consolidated financial statements as at and for the year ended December 27, 2015.

Non-IFRS Measures

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those

IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. The Company uses non-IFRS measures including "System Sales", "SRS Growth", "Operating EBITDA", "Operating EBITDA Margin", "Operating EBITDA Margin on System Sales", "Adjusted Basic EPS", and "Adjusted Diluted EPS", to provide investors with supplemental measures of its operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. The Company's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets, and to determine components of management compensation.

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

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

"SRS Growth" is a metric used in the restaurant industry to compare sales earned in established locations over a certain period of time, such as a fiscal quarter, for the current period against sales in the same period in the previous year. SRS Growth helps explain what portion of sales growth can be attributed to growth in established locations and what portion can be attributed to the opening of net new restaurants. Cara defines SRS Growth as the percentage increase or decrease in sales during a period of restaurants open for at least 24 complete fiscal months relative to the sales of those restaurants during the same period in the prior year. Cara's SRS Growth results exclude Casey's restaurants as the Company is in the process of winding down its operations and will either convert certain locations to other Cara brands or close. SRS Growth also excludes sales from international operations from 38 New York Fries and 4 East Side Marios. For the first quarter of 2016, SRS excludes the timing impact resulting from Easter weekend occurring in the last week of the first quarter as compared to being in the first week of the second quarter in 2015. For comparative purposes, the last week of the first quarter has been excluded to provide comparable quarter over quarter results. The Company will include the 13th week from the first quarter in the second quarter and compare 14 weeks in 2016 to 14 weeks in 2015 to include the impact of Easter weekend in the same quarter.

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

"Operating EBITDA" is defined as net earnings (loss) from continuing operations before: (i) net interest expense and other financing charges; (ii) gain (loss) on derivative; (iii) write-off of financing fees; (iv) income taxes; (v) depreciation of property, plant and equipment; (vi) amortization of other assets; (vii) impairment of assets, net of reversals; (viii) losses on early buyout / cancellation of equipment rental contracts; (ix) restructuring; (x) conversion fees; (xi) net (gain) / loss on disposal of property, plant and equipment; (xii) stock based compensation; (xiii) change in onerous contract provision; (xiv) lease costs and tenant inducement amortization; and transaction costs.

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

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

"Adjusted Basic EPS" is defined as net earnings plus deferred income tax expense (reversal) divided by the weighted average number of shares outstanding.

"Adjusted Diluted EPS" is defined as net earnings plus deferred income tax expense (reversal) divided by the weighted average number of shares outstanding plus the dilutive effect of stock options and warrants issued.

The following table provides reconciliations of EBITDA and Operating EBITDA:

(C$ millions unless otherwise stated)	Q1 – 2016 Mar 27, 2016 (unaudited)	Q4 – 2015 Dec 27, 2015 (unaudited)	Q3 – 2015 Sept 27, 2015 (unaudited)	Q2 – 2015 June 28, 2015 (unaudited)
Reconciliation of net earnings from continuing operations to EBITDA:				
Net earnings from continuing operations	$ 14.3	$ 58.3	$ 19.2	$ 15.9
Net interest expense and other financing charges	0.6	1.0	1.0	2.0
Write-off of deferred financing fees	-	-	-	1.8
Income taxes	5.8	(36.7)	0.5	1.1
Depreciation of property, plant and equipment	4.9	5.1	4.9	4.7
Amortization of other assets	1.2	1.5	1.3	1.1
Impairment of assets, net of reversals	-	(1.1)	-	-
EBITDA[1]	**$ 26.8**	**$ 28.1**	**$ 26.9**	**$ 26.6**
Reconciliation of EBITDA to Operating EBITDA:				
Losses on early buyout/cancellation of equipment rental contracts	-	1.0	1.4	-
Restructuring	(0.1)	0.3	(0.1)	0.4
Transaction costs	1.1	-	-	-
Conversion fees	(0.4)	(0.4)	(0.5)	(0.4)
Net (gain) loss on disposal of property, plant and equipment	(0.9)	(0.4)	(0.6)	0.3
Stock based compensation	1.1	1.2	2.0	1.5
Change in onerous contract provision	(0.1)	(0.6)	(0.2)	(0.2)
Operating EBITDA [1]	**$ 27.5**	**$ 29.2**	**$ 28.9**	**$ 28.4**

(C$ millions unless otherwise stated)	Q1 – 2015 Mar 29, 2015 (unaudited)	Q4 – 2014 Dec 30, 2014 (unaudited)	Q3 – 2014 Sept 30, 2014 (unaudited)	Q2 – 2014 July 1, 2014 (unaudited)
Reconciliation of net earnings from continuing operations to EBITDA:				
Net earnings from continuing operations	$ 6.2	$ (4.5)	$ 2.2	$ 4.3
Net interest expense and other financing charges	8.3	7.8	8.7	8.2
Loss (gain) on derivative	1.6	-	(0.1)	0.6
Income taxes	1.5	(0.3)	1.9	1.5
Depreciation of property, plant and equipment	4.7	4.5	4.3	4.2
Amortization of other assets	1.1	1.0	0.7	0.9
Impairment of assets, net of reversals	-	4.9	-	-
EBITDA[1]	**$ 23.4**	**$ 13.4**	**$ 17.8**	**$ 19.7**
Reconciliation of EBITDA to Operating EBITDA:				
Losses on early buyout/cancellation of equipment rental contracts	1.1	1.8	1.3	1.3
Restructuring	(0.2)	3.0	2.1	1.3
Conversion fees	(0.5)	(0.5)	(0.5)	(0.3)
Net (gain) loss on disposal of property, plant and equipment	(0.6)	(0.3)	0.6	(0.3)
Stock based compensation	1.7	5.2	0.4	0.4
Change in onerous contract provision	-	(0.5)	0.1	(0.2)
Operating EBITDA [1]	**$ 24.9**	**$ 22.1**	**$ 21.7**	**$ 22.0**

[1] Figures may not total due to rounding.

Forward-Looking Information

Certain statements in this MD&A may constitute "forward-looking" statements within the meaning of applicable Canadian securities legislation which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this MD&A, such statements use words such as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks and uncertainties, including those related to: (a) the Company's ability to maintain profitability and manage its growth including SRS Growth, System Sales Growth, increases in net income, Operating EBITDA and Operating EBITDA Margin on System Sales (b) competition in the industry in which the Company operates; (c) the general state of the economy; (d) integration of acquisitions by the Company; (e) risk of future legal proceedings against the Company. These risk factors and others are discussed in detail under the heading "Risk Factors" in the Company's Annual Information Form dated March 3, 2016. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A.

Risks and Uncertainties

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

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

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