



PREMIUM BRANDS HOLDINGS CORPORATION

Interim Condensed Consolidated Financial Statements

First Quarter 2023

Thirteen Weeks Ended April 1, 2023 and March 26, 2022
(Unaudited)

Premium Brands Holdings Corporation

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102 "Continuous Disclosure Obligations", if an auditor has not performed a review of the interim financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by CPA (Chartered Professional Accountants) Canada for a review of interim financial statements by an entity's auditor.

May 12, 2023

Premium Brands Holdings Corporation

Consolidated Balance Sheets (in millions of Canadian dollars)

	Apr 1, 2023	Dec 31, 2022	Mar 26, 2022
Current assets:			
Cash and cash equivalents	30.6	11.4	28.5
Accounts receivable	538.7	590.8	508.9
Inventories	829.7	786.1	740.5
Prepaid expenses and other assets	33.3	38.0	28.1
	1,432.3	1,426.3	1,306.0
Capital assets	914.1	862.2	653.6
Right of use assets	578.0	576.0	463.4
Intangible assets	554.3	558.5	547.6
Goodwill	1,092.9	1,093.0	1,009.9
Investments in and advances to associates (note 8)	538.2	538.9	568.7
Other assets	23.7	23.7	22.0
	5,133.5	5,078.6	4,571.2
Current liabilities:			
Cheques outstanding	18.8	19.3	25.9
Bank indebtedness	2.3	18.0	12.3
Dividends payable (note 6)	34.4	31.3	31.4
Accounts payable and accrued liabilities	440.8	419.4	420.2
Current portion of puttable interest in subsidiaries	23.1	23.1	27.1
Current portion of long-term debt (note 3)	4.4	6.5	4.3
Current portion of lease obligations	48.4	45.4	34.7
Current portion of provisions	1.9	1.8	12.6
	574.1	564.8	568.5
Long-term debt (note 3)	1,496.5	1,421.4	1,252.5
Lease obligations	592.3	589.3	477.1
Puttable interest in subsidiaries	45.4	43.9	11.0
Deferred revenue	2.8	2.8	2.8
Provisions	43.2	44.2	60.3
Deferred income taxes	115.0	120.6	105.6
	2,869.3	2,787.0	2,477.8
Convertible unsecured subordinated debentures (note 4)	480.0	478.6	331.8
Equity attributable to shareholders:			
Retained earnings	34.6	63.8	26.6
Share capital (note 5)	1,714.0	1,702.6	1,713.3
Reserves	35.6	46.6	21.7
	1,784.2	1,813.0	1,761.6
	5,133.5	5,078.6	4,571.2

Approved by the Board of Directors

(signed) George Paleologou Director

(signed) Johnny Ciampi Director

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Premium Brands Holdings Corporation

Consolidated Statements of Operations

(in millions of Canadian dollars except per share amounts)

	13 weeks ended Apr 1, 2023	13 weeks ended Mar 26, 2022
Revenue	1,430.5	1,251.2
Cost of goods sold	1,160.7	1,024.4
Gross profit before depreciation, amortization and plant start-up and restructuring costs	269.8	226.8
Interest income from investment in associates	15.1	14.8
Selling, general and administrative expenses before depreciation and amortization	174.2	145.8
	110.7	95.8
Plant start-up and restructuring costs	5.8	3.5
Depreciation of capital assets	22.2	17.5
Amortization of intangible assets	4.0	7.5
Amortization of right of use assets	14.8	10.8
Accretion of lease obligations	6.6	5.3
Interest and other financing costs (note 7)	33.4	11.4
Acquisition transaction costs	1.0	1.2
Change in value of puttable interest in subsidiaries	1.6	-
Accretion of provisions	0.5	2.8
Equity loss in investments in associates	12.3	4.9
Earnings before income taxes	8.5	30.9
Provision for income taxes (recovery)		
Current	8.2	8.6
Deferred	(5.6)	(0.1)
	2.6	8.5
Earnings	5.9	22.4
Earnings per share:		
Basic	0.13	0.50
Diluted	0.13	0.50
Weighted average shares outstanding (in millions):		
Basic	44.4	44.6
Diluted	44.5	44.8

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Premium Brands Holdings Corporation

Consolidated Statements of Comprehensive Earnings

(in millions of Canadian dollars)

	13 weeks ended Apr 1, 2023	13 weeks ended Mar 26, 2022
Earnings	5.9	22.4
Items that may be realized to earnings (loss) in future periods:		
Unrealized gain on foreign exchange currency contracts (note 10)	1.0	0.3
Unrealized gain on interest rate swaps	-	1.2
Unrealized foreign exchange gain (loss) on investment in foreign operations	0.7	(7.5)
	<u>1.7</u>	<u>(6.0)</u>
Comprehensive earnings	<u>7.6</u>	<u>16.4</u>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Premium Brands Holdings Corporation

Consolidated Statements of Cash Flows

(in millions of Canadian dollars)

	13 weeks ended Apr 1, 2023	13 weeks ended Mar 26, 2022
Cash flows from (used in) operating activities:		
Earnings	5.9	22.4
Items not involving cash:		
Depreciation of capital assets	22.2	17.5
Amortization of intangible assets	4.0	7.5
Amortization of right of use assets	14.8	10.8
Accretion of lease obligations	6.6	5.3
Change in value of puttable interest in subsidiaries	1.6	-
Equity loss in investments in associates	12.3	4.9
Non-cash financing costs	1.9	1.3
Accretion of provisions	0.5	2.8
Deferred income recovery	(5.6)	(0.1)
	64.2	72.4
Change in non-cash working capital	21.6	(123.4)
	85.8	(51.0)
Cash flows from (used in) financing activities:		
Long-term debt, net	74.2	196.5
Payments for lease obligations	(17.4)	(13.4)
Bank indebtedness and cheques outstanding	(16.2)	3.2
Common shares purchased for cancellation	(1.4)	-
Dividends paid to shareholders	(31.4)	(28.4)
	7.8	157.9
Cash flows from (used in) investing activities:		
Capital asset additions	(74.3)	(43.3)
Business and asset acquisitions	-	(35.7)
Payment of provisions	(1.4)	(2.0)
Net change in share purchase loans and notes receivable	(0.3)	(3.2)
Investment in and advances to associates – net of distributions	1.6	(10.7)
	(74.4)	(94.9)
Change in cash and cash equivalents	19.2	12.0
Cash and cash equivalents – beginning of period	11.4	16.5
Cash and cash equivalents – end of period	30.6	28.5
Interest and other financing costs paid	35.5	6.0
Income taxes paid	16.5	38.0

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Premium Brands Holdings Corporation

Consolidated Statements of Changes in Shareholders' Equity

(in millions of Canadian dollars)

	Retained earnings	Share capital	Reserves	Shareholders' equity
Balance as at December 25, 2021	35.6	1,713.3	25.0	1,773.9
Earnings for the period attributable to shareholders	22.4	-	-	22.4
Dividends declared	(31.4)	-	-	(31.4)
Effect of share based compensation plans	-	-	2.7	2.7
Unrealized gain on interest rate swaps	-	-	1.2	1.2
Unrealized gain on foreign exchange contracts	-	-	0.3	0.3
Foreign currency translation adjustment	-	-	(7.5)	(7.5)
Balance as of March 26, 2022	26.6	1,713.3	21.7	1,761.6
Balance as at December 31, 2022	63.8	1,702.6	46.6	1,813.0
Earnings for the year attributable to shareholders	5.9	-	-	5.9
Common shares purchased for cancellation (note 5)	(0.7)	(0.7)	-	(1.4)
Dividends declared (note 6)	(34.4)	-	-	(34.4)
Effect of share based compensation plans (note 5)	-	12.1	(12.7)	(0.6)
Unrealized gain on foreign exchange contracts (note 10)	-	-	1.0	1.0
Foreign currency translation adjustment	-	-	0.7	0.7
Balance as of April 1, 2023	34.6	1,714.0	35.6	1,784.2

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Premium Brands Holdings Corporation

Notes to the Interim Condensed Consolidated Financial Statements

For the 13-Week Periods Ended April 1, 2023 and March 26, 2022

(Tabular amounts in millions of Canadian dollars except per share amounts and percentages)

1. Corporate information

Premium Brands Holdings Corporation (the Company) is incorporated under the Canada Business Corporations Act. Through its subsidiaries, the Company owns a broad range of specialty food manufacturing and premium food distribution and wholesale businesses with operations across Canada and the United States.

Due to the seasonal nature of the Company's business, the results of operations for any interim period are not necessarily indicative of the results to be expected for other interim periods or the full year. In general, the first quarter is the Company's weakest, and the second and third quarters are its strongest.

The Company's Board of Directors approved these interim condensed consolidated financial statements on May 12, 2023.

2. Significant accounting policies

Basis of presentation

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB). Accordingly, they do not include all of the financial statement disclosures required by International Financial Reporting Standards (IFRS) for annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements and notes for the fiscal year ended December 31, 2022, which were prepared in accordance with IFRS, are filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR) and are available at www.sedar.com. These interim condensed consolidated financial statements follow the same accounting policies and methods of computation as used in the Company's 2022 annual consolidated financial statements, and as updated herein.

3. Long-term debt

	Apr 1, 2023	Dec 31, 2022	Mar 26, 2022
Unsecured revolving term loan maturing in November 2026 with no required principal payments until maturity. The loan bears interest at a rate that is calculated quarterly based on the Company's ratio of senior debt to cash flow and performance relative to certain environmental and social objectives. The interest rate can fluctuate from nil to 1.25 percentage points over the bank prime rate or 1.00 to 2.33 percentage points over the banker's acceptance rate and SOFR	1,489.1	1,414.4	1,240.6
US\$6.1 million secured Industrial Development Revenue Bond (IRB) with no principal payments until maturity in July 2036. The bond bears interest at the weekly variable rate for such bonds, which averaged 2.96% for 2023	8.3	8.3	7.7
Unsecured promissory notes, bearing interest between 1.5% to 6% with maturity dates to December 2029	6.9	9.1	12.9
Other term loans	0.6	0.6	0.6
	<u>1,504.9</u>	<u>1,432.4</u>	<u>1,261.8</u>
Financing costs	(4.0)	(4.5)	(5.0)
Current portion	<u>(4.4)</u>	<u>(6.5)</u>	<u>(4.3)</u>
	<u>1,496.5</u>	<u>1,421.4</u>	<u>1,252.5</u>

Premium Brands Holdings Corporation

Notes to the Interim Condensed Consolidated Financial Statements

For the 13-Week Periods Ended April 1, 2023 and March 26, 2022

(Tabular amounts in millions of Canadian dollars except per share amounts and percentages)

4. Convertible unsecured subordinated debentures

	4.65% Debentures	4.20% Debentures	5.40% Debentures	Total
Maturity date	Apr. 30, 2025	Sep. 30, 2027	Sep. 30, 2029	
Balance as of December 31, 2022	172.0	162.6	144.0	478.6
Accretion	0.5	0.4	0.5	1.4
Balance as of April 1, 2023	172.5	163.0	144.5	480.0

5. Share capital

	Common shares (millions)	Share Capital
Balance as of December 31, 2022	44.4	1,702.6
Effect of share based compensation plan	0.1	12.1
Common shares purchased and cancelled	0.0	(0.7)
Balance as of April 1, 2023	44.5	1,714.0

6. Dividends

During the thirteen weeks ended April 1, 2023 the Company declared dividends to shareholders of \$34.4 million or \$0.77 per share. The record date of these dividends was as follows:

Record date	Amount	Per share
March 31, 2023	34.4	\$0.770
	34.4	\$0.770

7. Interest and other financing costs

	13 weeks ended Apr 1, 2023	13 weeks ended Mar 26, 2022
Interest on convertible debentures	5.6	3.6
Interest on long-term debt	24.0	6.3
Interest on bank indebtedness	1.3	0.2
Accretion of convertible debentures	1.4	0.8
Amortization of deferred financing costs	0.5	0.5
Other	0.6	-
	33.4	11.4

Premium Brands Holdings Corporation

Notes to the Interim Condensed Consolidated Financial Statements

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(Tabular amounts in millions of Canadian dollars except per share amounts and percentages)

8. Investment in Associates

Equity earnings (loss) in investment in associates includes the Company's proportionate share of the earnings and losses of its investments in associates, the majority of which relates to Clearwater Seafoods Inc (Clearwater). The following tables summarize Clearwater's financial information:

	Apr 1, 2023	Dec 31, 2022
Current assets:		
Cash and cash equivalents	74.4	28.2
Accounts receivable	82.5	106.9
Other current assets	113.2	113.1
	<u>270.1</u>	<u>248.2</u>
Non-current assets	<u>854.1</u>	<u>888.8</u>
	<u>1,124.2</u>	<u>1,137.0</u>
Current liabilities:		
Accounts payable and accrued liabilities	142.8	120.6
Current portion of long-term debt and other liabilities	3.7	3.7
Other current liabilities	9.4	10.9
	<u>155.9</u>	<u>135.2</u>
Non-current liabilities	<u>1,005.7</u>	<u>1,016.2</u>
	<u>1,161.6</u>	<u>1,151.4</u>
	13 weeks ended Apr 1, 2023	13 weeks ended Mar 26, 2022
Revenue	124.5	121.0
Depreciation and amortization	10.0	11.4
Interest on senior and shareholders' debt	18.7	13.8
Management and quota license fees paid to shareholders	8.4	8.5
Unrealized foreign exchange loss	(0.4)	(1.5)
Tax expense	0.1	0.5
Loss in Clearwater	(24.1)	(8.6)
Equity loss in investment in Clearwater	(12.0)	(4.3)

9. Segmented information

The Company has two reportable segments, Specialty Foods and Premium Food Distribution, as well as non-segmented investment income and corporate costs (Corporate). The Specialty Foods segment consists of its specialty food manufacturing businesses and the Premium Food Distribution segment consists of its differentiated distribution and wholesale businesses as well as certain seafood processing businesses. Investment income includes interest and management fees generated from the Company's businesses that are accounted for using the equity method. Corporate consists of the Company's head office activities, including strategic leadership, finance, and information systems. The operating businesses within each reportable segment have been aggregated as they have similar economic characteristics.

As part of a realignment of certain businesses and management responsibilities, starting in fiscal 2023 the Company reclassified a business from the Premium Food Distribution segment to the Specialty Foods segment. Segmented information for the comparative period has been retrospectively restated.

Premium Brands Holdings Corporation

Notes to the Interim Condensed Consolidated Financial Statements

For the 13-Week Periods Ended April 1, 2023 and March 26, 2022

(Tabular amounts in millions of Canadian dollars except per share amounts and percentages)

	13 weeks ended Apr 1, 2023	13 weeks ended Mar 26, 2022
Revenue:		
Specialty Foods	948.8	801.8
Premium Food Distribution	481.7	449.4
	<u>1,430.5</u>	<u>1,251.2</u>
Gross profit before depreciation, amortization, and plant start-up and restructuring costs:		
Specialty Foods	199.3	165.7
Premium Food Distribution	70.5	61.1
	<u>269.8</u>	<u>226.8</u>
Selling, general and administrative expenses:		
Specialty Foods	117.8	97.5
Premium Food Distribution	48.1	42.4
Corporate	8.3	5.9
Interest income from investments in associates	(15.1)	(14.8)
	<u>159.1</u>	<u>131.0</u>
Segment earnings (loss) before depreciation, amortization, accretion, and plant start-up and restructuring costs:		
Specialty Foods	81.5	68.2
Premium Food Distribution	22.4	18.7
Corporate	(8.3)	(5.9)
Interest Income from investments in associates	15.1	14.8
	<u>110.7</u>	<u>95.8</u>
Plant start-up and restructuring costs:		
Specialty Foods	5.7	2.0
Premium Food Distribution	0.1	1.5
	<u>5.8</u>	<u>3.5</u>
Depreciation of capital assets and amortization of intangible assets:		
Specialty Foods	21.7	18.6
Premium Food Distribution	4.2	6.0
Corporate	0.3	0.4
	<u>26.2</u>	<u>25.0</u>
Amortization of right of use assets:		
Specialty Foods	8.8	6.4
Premium Food Distribution	5.8	4.2
Corporate	0.2	0.2
	<u>14.8</u>	<u>10.8</u>
Accretion of lease obligations:		
Specialty Foods	3.3	2.2
Premium Food Distribution	3.2	3.0
Corporate	0.1	0.1
	<u>6.6</u>	<u>5.3</u>
Segment operating earnings (loss):		
Specialty Foods	42.0	39.0
Premium Food Distribution	9.1	4.0
Corporate	(8.9)	(6.6)
Interest income from investments in associates	15.1	14.8
	<u>57.3</u>	<u>51.2</u>

Premium Brands Holdings Corporation

Notes to the Interim Condensed Consolidated Financial Statements

For the 13-Week Periods Ended April 1, 2023 and March 26, 2022

(Tabular amounts in millions of Canadian dollars except per share amounts and percentages)

	13 weeks ended Apr 1, 2023	13 weeks ended Mar 26, 2022	
Segment operating earnings	57.3	51.2	
Interest and other financing costs	33.4	11.4	
Acquisition transaction costs	1.0	1.2	
Change in value of puttable interest in subsidiaries	1.6	-	
Accretion of provisions	0.5	2.8	
Equity loss in investments in associates	12.3	4.9	
Provision for income taxes	2.6	8.5	
Earnings	5.9	22.4	
	13 weeks ended Apr 1, 2023	13 weeks ended Mar 26, 2022	
Capital asset additions:			
Specialty Foods	67.4	38.8	
Premium Food Distribution	6.6	4.2	
Corporate	0.3	0.3	
	74.3	43.3	
Assets:			
Canada	3,176.5	3,029.3	
United States	1,957.0	1,541.9	
	5,133.5	4,571.2	
Revenue:			
Canada	828.7	758.1	
United States	601.8	493.1	
	1,430.5	1,251.2	
	Apr 1, 2023	Dec 31, 2022	Mar 26, 2022
Total assets:			
Specialty Foods	3,196.9	3,131.9	2,637.6
Premium Food Distribution	1,342.9	1,446.0	1,317.0
Corporate	593.7	500.7	616.6
	5,133.5	5,078.6	4,571.2

Premium Brands Holdings Corporation

Notes to the Interim Condensed Consolidated Financial Statements

For the 13-Week Periods Ended April 1, 2023 and March 26, 2022

(Tabular amounts in millions of Canadian dollars except per share amounts and percentages)

10. Financial instruments

Foreign currency risk

To reduce the risk associated with purchases denominated in currencies other than the Canadian dollar, the Company, from time to time, enters into foreign currency contracts. The Company does not hold foreign currency contracts for speculative purposes.

As at April 1, 2023, the Company had outstanding foreign currency contracts for: (i) the purchase of US\$13.7 million at rates between C\$1.3008 and C\$1.3800; (ii) the sale of US\$70.9 million at rates between C\$1.2561 and C\$1.3732; and (iii) the purchase of €5.0 million at rates between C\$1.3459 and C\$1.3525. For the thirteen weeks ended April 1, 2023, the Company recorded in respect of these contracts a gain of \$1.0 million in other comprehensive earnings.

Based on the outstanding contracts as at April 1, 2023 for the net sale of U.S. dollars, a change of \$0.01 in the value of the U.S. dollar relative to the Canadian dollar would result in an unrealized loss (if the U.S. dollar strengthens) or an unrealized gain (if the U.S. dollar weakens) of approximately \$0.6 million in other comprehensive earnings.