



PREMIUM BRANDS HOLDINGS CORPORATION

Interim Condensed Consolidated Financial Statements

Second Quarter 2024

Thirteen and Twenty-Six Weeks Ended June 29, 2024 and July 1, 2023
(Unaudited)

Premium Brands Holdings Corporation

Consolidated Balance Sheets

(in millions of Canadian dollars)

	Jun 29, 2024	Dec 30, 2023	Jul 1, 2023
Current assets:			
Cash and cash equivalents	12.1	27.6	27.4
Accounts receivable (note 17)	468.3	509.9	623.2
Inventories	820.4	746.7	760.9
Prepaid expenses and other assets	40.3	43.8	32.6
	1,341.1	1,328.0	1,444.1
Capital assets (note 3)	1,337.5	1,163.9	985.2
Right of use assets	568.6	565.3	561.2
Intangible assets	539.3	540.6	544.2
Goodwill	1,099.7	1,084.1	1,083.2
Investments in and advances to associates (note 4)	451.4	453.5	544.6
Other assets	18.8	22.7	23.3
	5,356.4	5,158.1	5,185.8
Current liabilities:			
Cheques outstanding	20.2	16.4	18.6
Bank indebtedness (note 5)	17.7	-	14.4
Dividends payable (note 12)	37.9	34.4	34.3
Accounts payable and accrued liabilities	520.4	470.9	424.6
Current portion of puttable interest in subsidiaries (note 8)	30.2	30.4	22.6
Current portion of long-term debt (note 6)	2.5	2.0	0.8
Current portion of lease obligations	57.7	53.9	48.7
Current portion of provisions (note 7)	4.0	29.9	28.3
Current portion of convertible unsecured subordinated debentures (note 9)	170.4	-	-
	861.0	637.9	592.3
Long-term debt (note 6)	1,686.2	1,510.4	1,586.2
Lease obligations	590.8	583.4	578.0
Puttable interest in subsidiaries (note 8)	43.0	42.4	46.0
Deferred revenue	2.7	2.8	2.8
Provisions (note 7)	13.9	14.5	16.0
Deferred income taxes (note 15)	111.5	115.7	111.6
	3,309.1	2,907.1	2,932.9
Convertible unsecured subordinated debentures (note 9)	297.2	484.5	481.4
Equity attributable to shareholders:			
Retained earnings	1.8	18.8	34.2
Share capital (note 10)	1,707.4	1,703.9	1,703.9
Reserves (note 11)	40.9	43.8	33.4
	1,750.1	1,766.5	1,771.5
	5,356.4	5,158.1	5,185.8

Subsequent events (note 19)

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 Jun 29, 2024	13 weeks ended Jul 1, 2023	26 weeks ended Jun 29, 2024	26 weeks ended Jul 1, 2023
Revenue	1,702.7	1,630.9	3,164.5	3,061.4
Cost of goods sold	1,352.9	1,307.5	2,517.0	2,468.2
Gross profit before depreciation, amortization, and plant start-up and restructuring costs	349.8	323.4	647.5	593.2
Interest income from investments in associates	13.1	15.1	26.0	30.2
Selling, general and administrative expenses before depreciation and amortization	198.3	186.1	387.9	360.3
Operating profit before depreciation, amortization, and plant start-up and restructuring costs	164.6	152.4	285.6	263.1
Depreciation of capital assets (note 3)	23.5	19.1	47.9	41.3
Amortization of intangible assets	5.2	4.0	10.7	8.0
Amortization of right of use assets	15.9	14.9	32.7	29.7
Accretion of lease obligations	6.8	6.6	14.2	13.2
Plant start-up and restructuring costs	7.6	9.8	18.4	15.6
Interest and other financing costs (note 14)	43.4	37.6	83.8	71.0
Acquisition transaction costs	1.2	1.2	2.3	2.2
Change in value of puttable interest in subsidiaries (note 8)	1.6	4.6	4.2	6.2
Change in value and accretion of provisions (note 7)	0.5	0.4	3.8	0.9
Provision released (note 7)	(20.5)	-	(20.5)	-
Equity losses from investments in associates (note 4)	8.6	5.9	21.9	18.2
Change in fair value of option liabilities (note 9)	-	-	(20.0)	-
Others	4.8	-	4.8	-
Earnings before income taxes	66.0	48.3	81.4	56.8
Provision for income taxes (recovery) (note 15)				
Current	18.2	16.7	28.4	24.9
Deferred	(4.7)	(2.3)	(5.8)	(7.9)
	13.5	14.4	22.6	17.0
Earnings	52.5	33.9	58.8	39.8
Earnings per share (note 13):				
Basic	1.18	0.76	1.32	0.90
Diluted	1.18	0.76	1.32	0.89
Weighted average shares outstanding (in millions) (note 10):				
Basic	44.4	44.4	44.4	44.4
Diluted	44.6	44.6	44.6	44.6

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Premium Brands Holdings Corporation

Consolidated Statements of Comprehensive Earnings

(in millions of Canadian dollars)

	13 weeks ended Jun 29, 2024	13 weeks ended Jul 1, 2023	26 weeks ended Jun 29, 2024	26 weeks ended Jul 1, 2023
Earnings	52.5	33.9	58.8	39.8
Items that may be realized to earnings (losses) in future periods:				
Unrealized gain (loss) on foreign exchange currency contracts (note 17)	(0.8)	0.6	(1.5)	1.6
Unrealized foreign exchange gain (loss) on investments in foreign operations (note 11)	2.8	(8.0)	6.3	(7.3)
Other comprehensive earnings (losses)	2.0	(7.4)	4.8	(5.7)
Comprehensive earnings	54.5	26.5	63.6	34.1

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Premium Brands Holdings Corporation

Consolidated Statements of Cash Flows

(in millions of Canadian dollars)

	13 weeks ended Jun 29, 2024	13 weeks ended Jul 1, 2023	26 weeks ended Jun 29, 2024	26 weeks ended Jul 1, 2023
Cash flows from (used in) operating activities:				
Earnings	52.5	33.9	58.8	39.8
Items not involving cash:				
Depreciation of capital assets (note 3)	23.5	19.1	47.9	41.3
Amortization of intangible assets	5.2	4.0	10.7	8.0
Amortization of right of use assets	15.9	14.9	32.7	29.7
Accretion of lease obligations	6.8	6.6	14.2	13.2
Change in value of puttable interest in subsidiaries (note 8)	1.6	4.6	4.2	6.2
Equity losses from investments in associates (note 4)	8.6	5.9	21.9	18.2
Non-cash financing costs	1.9	2.0	3.8	3.9
Change in value and accretion of provisions (note 7)	0.5	0.4	3.8	0.9
Provision released (note 7)	(20.5)	-	(20.5)	-
Change in fair value of option liabilities (note 9)	-	-	(20.0)	-
Deferred income taxes recovery (note 15)	(4.7)	(2.3)	(5.8)	(7.9)
Others	4.8	-	4.8	-
	96.1	89.1	156.5	153.3
Change in non-cash working capital (note 18)	30.4	(54.9)	(1.9)	(33.3)
	126.5	34.2	154.6	120.0
Cash flows from (used in) financing activities:				
Long-term debt, net	41.4	108.1	132.3	182.3
Payments for lease obligations	(20.0)	(18.4)	(39.6)	(35.8)
Bank indebtedness and cheques outstanding	4.1	11.9	21.5	(4.3)
Common shares purchased for cancellation (note 10)	-	-	-	(1.4)
Dividends paid to shareholders (note 12)	(37.9)	(34.4)	(72.3)	(65.8)
	(12.4)	67.2	41.9	75.0
Cash flows from (used in) investing activities:				
Capital asset additions (note 3 and 16)	(104.4)	(100.9)	(202.4)	(175.2)
Payment of provisions (note 7)	(9.3)	(0.7)	(10.7)	(2.1)
Payment to shareholders of non-wholly owned subsidiaries (note 8)	(0.6)	(1.2)	(3.6)	(1.2)
Payments for settlement of puttable interest of non-wholly owned subsidiary	-	(2.3)	-	(2.3)
Net change in share purchase loans and notes receivable	0.4	0.1	1.2	(0.2)
Investments in and advances to associates – net of distributions	1.7	0.4	3.5	2.0
	(112.2)	(104.6)	(212.0)	(179.0)
Change in cash and cash equivalents	1.9	(3.2)	(15.5)	16.0
Cash and cash equivalents – beginning of period	10.2	30.6	27.6	11.4
Cash and cash equivalents – end of period	12.1	27.4	12.1	27.4
Supplemental cash flow information (note 18)				
Interest and other financing costs paid (note 18)	38.7	34.2	78.9	69.7
Income taxes paid (note 18)	13.8	13.5	28.2	30.0

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 31, 2022	63.8	1,702.6	46.6	1,813.0
Earnings for the period attributable to shareholders	39.8	-	-	39.8
Common shares purchased for cancellation (note 10)	(0.7)	(0.7)	-	(1.4)
Dividends declared (note 12)	(68.7)	-	-	(68.7)
Effect of share based compensation plans (note 10 and 11)	-	2.0	(7.5)	(5.5)
Unrealized gain on foreign exchange contracts (note 17)	-	-	1.6	1.6
Foreign currency translation adjustment	-	-	(7.3)	(7.3)
Balance as at July 1, 2023	34.2	1,703.9	33.4	1,771.5
Balance as at December 30, 2023	18.8	1,703.9	43.8	1,766.5
Earnings for the period attributable to shareholders	58.8	-	-	58.8
Dividends declared (note 12)	(75.8)	-	-	(75.8)
Effect of share based compensation plans (note 10 and 11)	-	3.5	(7.7)	(4.2)
Unrealized loss on foreign exchange contracts (note 17)	-	-	(1.5)	(1.5)
Foreign currency translation adjustment	-	-	6.3	6.3
Balance as at June 29, 2024	1.8	1,707.4	40.9	1,750.1

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Premium Brands Holdings Corporation

Notes to the Interim Condensed Consolidated Financial Statements

For the 13 and 26-Week Periods Ended June 29, 2024 and July 1, 2023

(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 and located at 100-10991 Shellbridge Way, Richmond B.C. Through its subsidiaries, the Company owns a broad range of specialty food manufacturing and premium food distribution and wholesale businesses with operations in 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 August 7, 2024.

2. Material accounting policies

Basis of presentation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards 34 (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 30, 2023, 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.sedarplus.ca. These interim condensed consolidated financial statements follow the same accounting policies and methods of computation as used in the Company's 2023 annual consolidated financial statements, and as updated herein.

Accounting pronouncements

In October 2022, the IASB issued amendments to International Accounting Standards 1 (IAS 1), Presentation of Financial Statements, that are effective for annual periods beginning on or after January 1, 2024. These amendments required a Company to assess its right to defer settlement of a liability subject to compliance with debt covenants within 12 months after the reporting period. Furthermore, the amendments required liabilities to be classified as either current or non-current depending on the rights that exist at the end of the reporting period.

When adopted in the fiscal year 2025, the amendments will require the Company to classify all its convertible debentures as current on the basis that they contain an option for the holder to convert at any time in exchange for the Company's common shares, regardless of the relationship between the conversion price of the convertible debenture and the current trading price of the Company's common shares. As at June 29, 2024, the carrying value of the Company's non-current convertible debentures was \$297.2 million.

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure of Financial Statements for reporting of financial performance and presentation of assets, liabilities equity, income and expenses. IFRS 18 replaces IAS 1 and applies for annual reporting periods beginning on or after January 1, 2027 requiring retrospective application. The Company is currently assessing the impact of the new standard.

Premium Brands Holdings Corporation

Notes to the Interim Condensed Consolidated Financial Statements

For the 13 and 26-Week Periods Ended June 29, 2024 and July 1, 2023

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

3. Capital assets

	Land, buildings and leaseholds	Machinery and equipment	Total
July 1, 2023			
Cost	652.3	1,119.9	1,772.2
Accumulated depreciation	(195.3)	(591.7)	(787.0)
Net book value	457.0	528.2	985.2
June 29, 2024			
Cost	923.0	1,270.0	2,193.0
Accumulated depreciation	(216.3)	(639.2)	(855.5)
Net book value	706.7	630.8	1,337.5
	Land, buildings and leaseholds	Machinery and equipment	Total
Net book value as at December 31, 2022	394.8	467.4	862.2
Additions	73.8	101.4	175.2
Disposals	-	(0.2)	(0.2)
Depreciation	(7.1)	(34.2)	(41.3)
Foreign currency exchange adjustment	(4.5)	(6.2)	(10.7)
Net book value as at July 1, 2023	457.0	528.2	985.2
Net book value as at December 30, 2023	594.2	569.7	1,163.9
Additions	115.6	86.8	202.4
Disposals	(1.9)	(1.0)	(2.9)
Depreciation	(12.3)	(35.6)	(47.9)
Foreign currency exchange adjustment	11.1	10.9	22.0
Net book value as at June 29, 2024	706.7	630.8	1,337.5

4. Investments in associates

	Jun 29, 2024	Dec 30, 2023	Jul 1, 2023
Balance – beginning of period	453.5	538.9	538.9
Other investments in and interest-bearing advances and receipts to/from associates	18.8	(59.6)	24.6
Equity losses from investments in associates	(21.9)	(22.5)	(18.2)
Changes in value of investments in associates	-	(2.5)	-
Foreign currency exchange adjustment	1.0	(0.8)	(0.7)
Balance – end of period	451.4	453.5	544.6

Investments in associates consists of the Company's investments in businesses which it does not control, including 35% to 40% interests in real estate investment limited partnerships (REILPs) which, on a combined basis, own and lease seven industrial real estate properties to the Company. Equity earnings (losses) from investments 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).

As at June 29, 2024, the associates had assets of \$1,383.2 million and liabilities of \$1,460.3 million (2023 – assets of \$1,464.8 million and liabilities of \$1,458.7 million).

During the thirteen weeks ended June 29, 2024, the associates had total revenues of \$164.8 million and losses of \$19.4 million (2023 – revenues of \$165.5 million and losses of \$12.0 million). During the twenty-six weeks ended June 29, 2024, the associates had total revenues of \$309.0 million and losses of \$46.5 million (2023 – revenues of \$312.1 million and losses of \$38.0 million).

Premium Brands Holdings Corporation

Notes to the Interim Condensed Consolidated Financial Statements

For the 13 and 26-Week Periods Ended June 29, 2024 and July 1, 2023

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

During the thirteen weeks ended June 29, 2024, the Company purchased inventory of \$17.5 million (2023 – \$14.9 million), incurred lease expenses of \$4.1 million (2023 – \$4.0 million), and earned interest and management fees of \$13.1 million (2023 – \$15.1 million) from its associates. During the twenty-six weeks ended June 29, 2024, the Company purchased inventory of \$43.0 million (2023 – \$33.3 million), incurred lease expenses of \$8.1 million (2023 – \$8.0 million), and earned interest and management fees of \$26.0 million (2023 – \$30.2 million) from its associates.

The following tables summarize Clearwater's financial information:

	Jun 29, 2024	Dec 30, 2023	Jul 1, 2023
Current assets:			
Cash and cash equivalents	16.0	21.9	67.9
Accounts receivable	74.6	72.0	86.8
Other current assets	139.0	114.0	143.0
	229.6	207.9	297.7
Non-current assets	920.0	922.2	930.3
	1,149.6	1,130.1	1,228.0

	Jun 29, 2024	Dec 30, 2023	Jul 1, 2023
Current liabilities:			
Accounts payable and accrued liabilities	85.6	67.0	211.3
Current portion of long-term debt and other liabilities	4.6	4.4	3.9
Other current liabilities	2.7	1.6	3.1
	92.9	73.0	218.3
Non-current liabilities	1,142.0	1,099.4	1,035.8
	1,234.9	1,172.4	1,254.1

	13 weeks ended Jun 29, 2024	13 weeks ended Jul 1, 2023	26 weeks ended Jun 29, 2024	26 weeks ended Jul 1, 2023
Revenue	146.3	137.9	269.8	262.4
Depreciation and amortization	14.1	12.1	26.0	22.1
Interest on senior debt and shareholders' debt	20.6	19.2	40.7	37.9
Management and quota license fees paid to shareholders	10.9	8.4	16.8	16.8
Tax recovery	(4.7)	(2.9)	(5.0)	(2.8)
Loss in Clearwater	(17.4)	(12.3)	(43.3)	(36.4)
Equity loss in investment in Clearwater	(8.7)	(6.2)	(21.7)	(18.2)

5. Bank indebtedness

Bank indebtedness consists of amounts drawn on operating lines of credit. As at June 29, 2024, the Company had total operating line limits of \$194.4 million (2023 – \$196.2 million) of which \$176.8 million (2023 – \$181.8 million) was unutilized.

All of the Company's operating lines bear interest at floating rates based on bank prime rates, Canadian Overnight Repo Rate Average (CORRA), or secured overnight financing rates (SOFR).

Premium Brands Holdings Corporation

Notes to the Interim Condensed Consolidated Financial Statements

For the 13 and 26-Week Periods Ended June 29, 2024 and July 1, 2023

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

6. Long-term debt

	Jun 29, 2024	Dec 30, 2023	Jul 1, 2023
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 -0.05 to 1.30 percentage points over the bank prime rate or 1.04 to 2.60 percentage points over CORRA and SOFR.	1,679.3	1,504.6	1,578.7
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 5.50% (2023 – 3.15%)	8.4	8.1	8.1
Unsecured promissory notes, bearing interest between nil to 6.00% with maturity dates to December 2029	4.2	2.9	3.2
Other term loans	0.3	0.4	0.5
	<u>1,692.2</u>	<u>1,516.0</u>	<u>1,590.5</u>
Financing costs	(3.5)	(3.6)	(3.5)
Current portion	<u>(2.5)</u>	<u>(2.0)</u>	<u>(0.8)</u>
	<u>1,686.2</u>	<u>1,510.4</u>	<u>1,586.2</u>

The Company's unutilized debt capacity as at June 29, 2024 was \$558.9 million (2023 – \$660.9 million) less approximately \$10.7 million (2023 – \$10.5 million) in outstanding letters of credit.

Financial covenants associated with the Company's unsecured revolving term loans require the maintenance of certain ratios regarding fixed charge coverage and debt to cash flow. As at June 29, 2024, the Company was in compliance with all such covenants.

Scheduled principal repayments on long-term debt are as follows:

1 year out	2.5
2 years out	0.7
3 years out	1,679.8
4 years out	0.6
5 years out and thereafter	8.6
	<u>1,692.2</u>

Subsequent to June 29, 2024, the Company extended its repayment date to July 30, 2028 (see note 19). The principal repayment schedule below reflects this change:

1 year out	2.5
2 years out	0.7
3 years out	0.6
4 years out	0.6
5 years out and thereafter	1,687.8
	<u>1,692.2</u>

Premium Brands Holdings Corporation

Notes to the Interim Condensed Consolidated Financial Statements

For the 13 and 26-Week Periods Ended June 29, 2024 and July 1, 2023

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

7. Provisions

	Jun 29, 2024	Dec 30, 2023	Jul 1, 2023
Balance – beginning of period	44.4	46.0	46.0
Provisions arising from business and asset acquisitions	-	1.2	-
Change in value and accretion of provisions	3.8	2.2	0.9
Provision released	(20.5)	-	-
Cash payments	(10.7)	(4.3)	(2.1)
Foreign currency exchange adjustment	0.9	(0.7)	(0.5)
Balance – end of period	17.9	44.4	44.3

	Jun 29, 2024	Dec 30, 2023	Jul 1, 2023
Current portion	4.0	29.9	28.3
Non-current	13.9	14.5	16.0
	17.9	44.4	44.3

8. Puttable interest in subsidiaries

	Jun 29, 2024	Dec 30, 2023	Jul 1, 2023
Balance – beginning of period	72.8	67.0	67.0
Change in value of puttable interest in subsidiaries	4.2	10.2	6.2
Purchase of remaining interest of non-wholly owned subsidiary pursuant to put option	(1.6)	(2.3)	(2.3)
Payments to shareholders of non-wholly owned subsidiaries	(3.6)	(1.2)	(1.2)
Foreign currency exchange adjustment	1.4	(0.9)	(1.1)
Balance – end of period	73.2	72.8	68.6

	Jun 29, 2024	Dec 30, 2023	Jul 1, 2023
Current portion	30.2	30.4	22.6
Non-current	43.0	42.4	46.0
	73.2	72.8	68.6

9. 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 at December 31, 2022	172.0	162.6	144.0	478.6
Accretion (note 14)	1.1	0.7	1.0	2.8
Balance as at July 1, 2023	173.1	163.3	145.0	481.4

Premium Brands Holdings Corporation

Notes to the Interim Condensed Consolidated Financial Statements

For the 13 and 26-Week Periods Ended June 29, 2024 and July 1, 2023

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

	4.65% Debentures	4.20% Debentures	5.40% Debentures	Total
Maturity date	Apr 30, 2025	Sep 30, 2027	Sep 30, 2029	
Balance as at December 30, 2023	174.3	164.2	146.0	484.5
Change in fair value of options liabilities	(5.1)	(10.9)	(4.0)	(20.0)
Accretion (note 14)	1.2	0.8	1.1	3.1
Balance as at June 29, 2024	170.4	154.1	143.1	467.6

Cash Conversion Option

All of the Company's convertible unsecured subordinated debentures outstanding as at June 29, 2024 have a cash conversion option. If the Company elects to utilize this option, then instead of issuing common shares in conjunction with a conversion, it will pay the holder an amount based on the common shares that would otherwise have been issued multiplied by the daily volume weighted average price of its common shares on the Toronto Stock Exchange (TSX) as measured over a period of ten consecutive trading days commencing on the third day following the conversion date.

10. Share capital

	Common shares (millions)	Share Capital
Balance as at December 31, 2022	44.4	1,702.6
Effect of share based compensation plan	0.0	2.0
Common shares purchased and cancelled	0.0	(0.7)
Balance as at July 1, 2023	44.4	1,703.9
Balance as at December 30, 2023	44.4	1,703.9
Effect of share based compensation plan	0.0	3.5
Balance as at June 29, 2024	44.4	1,707.4

The Company is authorized to issue an unlimited number of common shares. The holders of common shares are entitled to: (i) dividends, in proportion to the number of common shares held by them, if, as and when declared by the Company's Board of Directors, (ii) one vote per common share at meetings of the holders of common shares of the Company; and (iii) upon liquidation, dissolution or winding-up of the Company, to participate in the distribution of the remaining property and assets of the Company.

After taking into account the 0.2 million common shares held in the Company's employee benefit plan that had not yet vested with the beneficiaries, the Company had 44.6 million common shares outstanding as at June 29, 2024.

Normal Course Issuer Bid (NCIB)

In January 2023, the Company purchased and cancelled 17,500 common shares under the NCIB for \$1.4 million, which resulted in share capital being reduced by \$0.7 million and retained earnings being reduced by \$0.7 million.

On July 27, 2023, the Company renewed its NCIB under which it is authorized to purchase for cancellation up to 2,231,469 common shares, representing 5% of its issued and outstanding common shares at that time. The renewed NCIB commenced on July 31, 2023, and terminated on July 30, 2024. No common shares were purchased under this NCIB.

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

11. Reserves

	Non-controlling interest reserve	Foreign currency translation adjustment	Foreign exchange contracts and interest rate swaps	Share based compensation reserve	Total
Balance as at December 31, 2022	(3.5)	40.4	(3.0)	12.7	46.6
Effect of share based compensation plans	-	-	-	(7.5)	(7.5)
Unrealized gain on foreign exchange contracts	-	-	1.6	-	1.6
Unrealized foreign exchange translation loss on foreign operations	-	(7.3)	-	-	(7.3)
Balance as at July 1, 2023	(3.5)	33.1	(1.4)	5.2	33.4
Balance as at December 30, 2023	(3.5)	34.6	(1.5)	14.2	43.8
Effect of share based compensation plans	-	-	-	(7.7)	(7.7)
Unrealized loss on foreign exchange contracts	-	-	(1.5)	-	(1.5)
Unrealized foreign exchange translation gain on foreign operations	-	6.3	-	-	6.3
Balance as at June 29, 2024	(3.5)	40.9	(3.0)	6.5	40.9

12. Dividends

During the twenty-six weeks ended July 1, 2023, the Company declared dividends to shareholders of \$68.7 million or \$1.54 per share. The record dates of the Company's dividends were as follows:

Record date	Amount	Per share
Accumulated dividends declared – beginning of period	807.4	
March 31, 2023	34.3	\$0.77
June 30, 2023	34.4	\$0.77
2023 dividends declared	68.7	\$1.54
Accumulated dividends declared – end of period	876.1	

During the twenty-six weeks ended June 29, 2024, the Company declared dividends to shareholders of \$75.8 million or \$1.70 per share. The record dates of the Company's dividends were as follows:

Record date	Amount	Per share
Accumulated dividends declared – beginning of period	944.9	
March 28, 2024	37.9	\$0.85
June 28, 2024	37.9	\$0.85
2024 dividends declared	75.8	\$1.70
Accumulated dividends declared – end of period	1,020.7	

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13. Earnings per share

<i>(in millions of shares and dollars, except per share amounts)</i>	13 weeks ended Jun 29, 2024	13 weeks ended Jul 1, 2023	26 weeks ended Jun 29, 2024	26 weeks ended Jul 1, 2023
Weighted average number of shares outstanding	44.4	44.4	44.4	44.4
Adjustment for shares held pursuant to the employee benefit plan	0.2	0.2	0.2	0.2
Diluted weighted average number of shares outstanding	44.6	44.6	44.6	44.6
Net earnings attributable to shareholders	52.5	33.9	58.8	39.8
Basic earnings per share	\$1.18	\$0.76	\$1.32	\$0.90
Diluted earnings per share	\$1.18	\$0.76	\$1.32	\$0.89

The Company has two sources of potential dilution to its earnings per share: (i) convertible debentures, which are convertible into common shares; and (ii) the vesting of common shares acquired pursuant to the Company's EBP. The convertible debentures were determined to be anti-dilutive and are therefore excluded from the calculation of the diluted weighted average number of common shares outstanding.

14. Interest and other financing costs

	13 weeks ended Jun 29, 2024	13 weeks ended Jul 1, 2023	26 weeks ended Jun 29, 2024	26 weeks ended Jul 1, 2023
Interest on convertible debentures	5.6	5.6	11.2	11.2
Interest on long-term debt	34.8	27.5	67.1	51.5
Interest on bank indebtedness	1.1	2.5	1.7	4.4
Accretion of convertible debentures	1.5	1.4	3.1	2.8
Amortization of deferred financing costs	0.4	0.6	0.7	1.1
	43.4	37.6	83.8	71.0

15. Income taxes

	Jun 29, 2024	Dec 30, 2023	Jul 1, 2023
Deferred tax assets:			
Deferred tax asset to be recovered after more than 12 months	219.2	209.2	197.5
Deferred tax asset to be recovered within 12 months	42.5	39.6	26.6
Deferred tax liabilities:			
Deferred tax liability to be paid after more than 12 months	(349.4)	(342.4)	(316.0)
Deferred tax liability to be paid within 12 months	(23.8)	(22.1)	(19.7)
Net deferred tax liabilities	(111.5)	(115.7)	(111.6)
	Jun 29, 2024	Dec 30, 2023	Jul 1, 2023
Net deferred tax liabilities – beginning of period	(115.7)	(120.6)	(120.6)
Charged to earnings	5.8	4.1	7.9
Deferred tax resulting from business acquisitions and prior year adjustment	-	(0.8)	-
Foreign currency exchange adjustment	(1.6)	1.6	1.1
Net deferred tax liabilities – end of period	(111.5)	(115.7)	(111.6)

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In June 2024, the Government of Canada enacted the Pillar Two rules (the Rules) as released by the Organization for Economic Cooperation and Development. The Rules are designed to ensure large multinational enterprises pay a global minimum tax of 15% within the jurisdictions they operate.

The Company has performed an assessment of the Rules on its business and concluded that it does not expect them to have a material effect on its provision for income taxes. The assessment is based on: (i) the most recent financial information and country-by-country reporting available for the Company and its constituent entities; and (ii) a review of the transitional safe harbor relief for the jurisdictions in which the Company operates. The Company has also applied the mandatory exception under International Accounting Standards 12 (IAS 12) relating to recognizing and disclosing information about deferred taxes related to the Rules.

16. 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 a result of similar economic characteristics.

	13 weeks ended Jun 29, 2024	13 weeks ended Jul 1, 2023	26 weeks ended Jun 29, 2024	26 weeks ended Jul 1, 2023
Revenue:				
Specialty Foods	1,151.8	1,085.0	2,139.2	2,033.7
Premium Food Distribution	550.9	545.9	1,025.3	1,027.7
	<u>1,702.7</u>	<u>1,630.9</u>	<u>3,164.5</u>	<u>3,061.4</u>
Gross profit before depreciation, amortization, and plant start-up and restructuring costs:				
Specialty Foods	255.1	236.3	478.1	435.6
Premium Food Distribution	94.7	87.1	169.4	157.6
	<u>349.8</u>	<u>323.4</u>	<u>647.5</u>	<u>593.2</u>
Selling, general and administrative expenses:				
Specialty Foods	134.2	126.8	263.6	244.6
Premium Food Distribution	53.9	51.5	104.6	99.6
Corporate	10.2	7.8	19.7	16.1
Interest income from investments in associates	(13.1)	(15.1)	(26.0)	(30.2)
	<u>185.2</u>	<u>171.0</u>	<u>361.9</u>	<u>330.1</u>
Segment earnings (losses) before depreciation, amortization, accretion, and plant start-up and restructuring costs:				
Specialty Foods	120.9	109.5	214.5	191.0
Premium Food Distribution	40.8	35.6	64.8	58.0
Corporate	(10.2)	(7.8)	(19.7)	(16.1)
Interest income from investments in associates	13.1	15.1	26.0	30.2
	<u>164.6</u>	<u>152.4</u>	<u>285.6</u>	<u>263.1</u>
Depreciation of capital assets and amortization of intangible assets:				
Specialty Foods	23.2	18.6	47.5	40.4
Premium Food Distribution	5.2	4.2	10.5	8.3
Corporate	0.3	0.3	0.6	0.6
	<u>28.7</u>	<u>23.1</u>	<u>58.6</u>	<u>49.3</u>
Amortization of right of use assets:				
Specialty Foods	9.0	8.9	18.9	17.7
Premium Food Distribution	6.7	5.8	13.4	11.6
Corporate	0.2	0.2	0.4	0.4
	<u>15.9</u>	<u>14.9</u>	<u>32.7</u>	<u>29.7</u>

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	Jun 29, 2024	Dec 30, 2023	Jul 1, 2023
Total assets:			
Specialty Foods	3,412.0	3,263.2	3,230.9
Premium Food Distribution	1,443.8	1,477.5	1,352.3
Corporate	500.6	417.4	602.6
	<u>5,356.4</u>	<u>5,158.1</u>	<u>5,185.8</u>
Total assets:			
Canada	3,193.5	3,173.3	3,256.1
United States	2,162.9	1,984.8	1,929.7
	<u>5,356.4</u>	<u>5,158.1</u>	<u>5,185.8</u>

17. Financial instruments

Financial risk management

The Company's activities result in exposure to a variety of financial risks from time to time, including those relating to foreign currency, interest rates, credit, and liquidity.

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 June 29, 2024, the Company had outstanding foreign currency contracts for: (i) the purchase of US\$21.8 million at rates between C\$1.3344 and C\$1.3868; and (ii) the sale of US\$98.2 million at rates between C\$1.3209 and C\$1.3779. For the twenty-six weeks ended June 29, 2024, the Company recorded in respect of these contracts a loss of \$1.5 million (2023 – gain of \$1.6 million) in other pre-tax comprehensive earnings.

Based on the outstanding contracts as at June 29, 2024 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 \$0.8 million in other pre-tax comprehensive earnings.

As at June 29, 2024, \$990.4 million of the Company's long-term debt was in U.S. dollars. A 1% change in the value of the U.S. dollar relative to the Canadian dollar would result in a change in other pre-tax comprehensive earnings of \$9.9 million.

Interest rate risk

As at June 29, 2024, all of the Company's bank indebtedness and approximately 99% (2023 – 99%) of its long-term debt bear interest at floating rates. The Company manages some of its exposure to floating interest rates by entering into, from time to time, interest rate swap contracts.

Based on the Company's long-term debt as at June 29, 2024, a 1% change in interest rates would result in a change in pre-tax earnings of \$4.2 million for the quarter.

As at June 29, 2024, the Company did not hold any interest rate swap contracts.

Credit risk

The Company is subject to credit risk primarily through its accounts receivable. This risk is mitigated by the Company's diversified customer base, its customer credit evaluation procedures and the ongoing monitoring of the collectability of its trade accounts receivable and advances to associates. For trade receivables, the simplified approach is applied for determining expected credit losses, which is based on historical counterparty default rates adjusted for relevant forward-looking information.

The majority of the Company's customers are considered to have low default risk and its historical default rate and frequency of losses are low. The table below shows the lifetime expected credit loss allowance for trade receivables as at June 29, 2024. The credit loss for the Company's advances to associates as at June 29, 2024 is nominal.

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The aging of the Company's account receivables is as follows:

	Jun 29, 2024	Dec 30, 2023	Jul 1, 2023
Trade accounts receivable			
Outstanding 1-30 days	417.3	422.7	501.6
Outstanding 31-60 days	12.1	30.6	50.9
Outstanding 60+ days	16.2	11.1	17.9
	<u>445.6</u>	<u>464.4</u>	<u>570.4</u>
Credit loss allowance	(5.2)	(4.3)	(4.3)
Other receivables	27.9	49.8	57.1
	<u>468.3</u>	<u>509.9</u>	<u>623.2</u>

The change in the Company's credit loss allowance for provision is as follows:

	Jun 29, 2024	Dec 30, 2023	Jul 1, 2023
Balance – beginning of period	4.3	4.0	4.0
Credit loss expense	0.9	0.3	0.3
Balance – end of period	<u>5.2</u>	<u>4.3</u>	<u>4.3</u>

The Company has a trade receivables purchase agreement with a Canadian chartered bank whereby the Company can sell its trade receivables to the bank at the Company's discretion. The facility has a limit of US\$150.0 million (2023 – US\$50.0 million) for total allowable trade receivables to be sold at any time. As at June 29, 2024, the Company had total trade receivables sold of approximately US\$150.0 million (2023 – US\$40.5 million). During the twenty-six weeks ended June 29, 2024, US\$434.7 million (2023 – US\$187.7 million) cumulative trade receivables were sold under the program.

Liquidity risk

As part of its strategy to manage liquidity risk, the Company regularly monitors and reviews its actual and forecasted cash flows and maintains unutilized credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements. The Company's forecasting takes into consideration its debt and other financing plans as well as the debt covenant ratio requirements of its lenders.

18. Supplemental cash flow information

The Company paid interest of \$38.7 million (2023 – \$34.2 million) and income taxes of \$13.8 million (2023 – \$13.5 million) during the second quarter of 2024. The Company paid interest of \$78.9 million (2023 – \$69.7 million) and income taxes of \$28.2 million (2023 – \$30.0 million) during the first two quarters of 2024.

The change in non-cash working capital is made up of the following components:

	13 weeks ended Jun 29, 2024	13 weeks ended Jul 1, 2023	26 weeks ended Jun 29, 2024	26 weeks ended Jul 1, 2023
Accounts receivable	22.0	(88.8)	45.4	(37.8)
Interest on advances to investments in associates	(11.7)	(13.3)	(23.1)	(26.6)
Inventories	(17.5)	63.7	(65.9)	20.4
Prepaid expenses	2.5	1.2	5.3	7.2
Accounts payable and accrued liabilities	35.1	(17.7)	36.4	3.5
	<u>30.4</u>	<u>(54.9)</u>	<u>(1.9)</u>	<u>(33.3)</u>

19. Subsequent events

Subsequent to June 29, 2024, the Company increased its revolving senior credit facility by US\$150.0 million to approximately \$2.35 billion and extended its repayment date to July 30, 2028.