



**A&W Food Services of Canada Inc.
Report to Unitholders of A&W Revenue Royalties Income Fund
January 2, 2022 to January 1, 2023**

This report and the annual consolidated financial statements of A&W Food Services of Canada Inc. (“A&W” or “Food Services”) for the 52 weeks ended January 1, 2023 are provided as a supplement to the audited annual consolidated financial statements and Management Discussion and Analysis of the A&W Revenue Royalties Income Fund (the “Fund”) for the year ended December 31, 2022. This report is dated February 28, 2023 and should be read in conjunction with the audited annual consolidated financial statements of Food Services for the 52 weeks ended January 1, 2023. Such financial statements and additional information about the Fund and Food Services are available at www.sedar.com or www.awincomefund.ca.

Glossary

A&W	Financial and operating results of Food Services and Beverages
Beverages	A&W Root Beer Beverages of Canada Inc.
Consolidated Financial Statements	Consolidated financial statements which include the accounts of Food Services and its 60% ownership interest in Beverages
Food Services	A&W Food Services of Canada Inc.
The Fund	A&W Revenue Royalties Income Fund
The Partnership or LP	A&W Trade Marks Limited Partnership
Trade Marks	A&W Trade Marks Inc. and A&W Trade Marks Limited Partnership

To align its financial reporting with the business cycle of its operations, Food Services uses a fiscal year comprising a 52 or 53 week period ending on the Sunday nearest December 31. The fiscal 2022 year was 52 weeks and ended January 1, 2023 (2021 – 52 weeks ended January 2, 2022). System Sales, System Sales Growth and Same Store Sales Growth – Franchised Restaurants for the 16 weeks and 52 weeks ended December 31, 2022 are compared to the 16 weeks and 52 weeks ended December 31, 2021 so that the two years are comparable.

The financial results reported in this report are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and IFRS Interpretations Committee. The accounting policies applied in the audited annual consolidated financial statements and this report have been consistently applied to all years presented unless otherwise stated.

Selected Information

The following selected information, other than “System Sales”, “System Sales Growth”, “Same Store Sales Growth – Franchised Restaurants”, “Gross sales reported by A&W restaurants in the Royalty Pool”, “Royalty Pool Same Store Sales Growth”, “Operating Earnings” and information with respect to numbers of restaurants has been derived from financial statements prepared in accordance with IFRS and all dollar amounts are reported in Canadian currency. See “Non-IFRS Measures”.

(dollars in thousands)	52-week period ended Jan 1, 2023	52-week period ended Jan 2, 2022
System Sales ⁽ⁱ⁾	\$1,776,205	\$1,609,107
System Sales Growth ⁽ⁱⁱ⁾	10.4%	16.9%
Same Store Sales Growth - Franchised Restaurants ⁽ⁱⁱⁱ⁾	7.4%	14.0%
New restaurants opened	23	34
Restaurants permanently closed	6	11
Number of restaurants	1,046	1,029
Gross sales reported by A&W restaurants in the Royalty Pool ⁽ⁱⁱⁱ⁾	\$1,739,377	\$1,569,377
Royalty Pool Same Store Sales Growth ⁽ⁱⁱⁱ⁾	7.4%	14.0%
Number of restaurants in the Royalty Pool	1,015	994
Revenue from franchising	\$277,895	\$226,574
Revenue from corporate restaurants	21,467	18,409
Total revenue	299,362	244,983
Operating costs and general and administrative expenses	(215,545)	(168,902)
Depreciation of plant, equipment and right-of-use assets	4,461	4,246
Operating Earnings ⁽ⁱ⁾	88,278	80,327
Royalty expense	(52,100)	(47,022)
Income before taxes	45,308	45,368
Net income	\$36,402	\$36,770

⁽ⁱ⁾ “System Sales” and “Operating Earnings” are a non-IFRS financial measures. Refer to the tables below for reconciliations of these measures to the most comparable IFRS measures and the “Non-IFRS Measures” section of this report for further details on how these measures are used to assess Food Services’ performance.

⁽ⁱⁱ⁾ “System Sales Growth” is a non-IFRS ratio and is calculated as the change in “System Sales”, a non-IFRS financial measure. Refer to the table below for a reconciliation of “System Sales” to the most comparable IFRS measure and the “Non-IFRS Measures” section of this report for further details on how “System Sales Growth” is calculated and used to assess Food Services’ performance.

⁽ⁱⁱⁱ⁾ “Same Store Sales Growth – Franchised Restaurants”, “Gross sales reported by A&W restaurants in the Royalty Pool”, “Royalty Pool Same Store Sales Growth”, are non-IFRS supplementary financial measures. Refer to the “Non-IFRS Measures” section of this report for further details on how these measures are calculated and used to assess Food Services’ performance.

The following table provides a reconciliation of “System Sales” to “Revenue from Corporate Restaurants”, the most comparable IFRS measure, for the periods indicated.

(dollars in thousands)	52-week period ended Jan 1, 2023	52-week period ended Jan 2, 2022
Revenue from corporate restaurants	\$21,467	\$18,409
Sales reported by franchised restaurants	1,754,738	1,590,698
System Sales	\$1,776,205	\$1,609,107

The following table provides a reconciliation of “Operating Earnings” to “Income before income taxes”, the most comparable IFRS measure, for the periods indicated.

(dollars in thousands)	52-week period ended Jan 1, 2023	53-week period ended Jan 2, 2022
Income before taxes	\$45,308	\$45,368
Depreciation of plant, equipment and right-of-use assets	4,461	4,246
Royalty expense	52,100	47,022
Recovery of impairment of leases receivable	(521)	(2,024)
Finance expense - net	1,190	1,243
Amortization of deferred gain	(3,495)	(3,136)
Gain on sale of Units of A&W Revenue Royalties Income Fund	-	(2,670)
Share of income from associates	(10,765)	(9,722)
Operating Earnings	\$88,278	\$80,327

Non-IFRS Measures

Food Services believes that disclosing certain non-IFRS financial measures provides readers of this report with important information regarding Food Services’ financial performance and its ability to pay the royalty to the Partnership. By considering these measures in combination with IFRS measures, Food Services believes that readers are provided with additional and more useful information about Food Services than readers would have if they simply considered IFRS measures alone. These measures do not have a standardized meaning prescribed by IFRS and Food Services’ method of calculating these measures may differ from those of other issuers or companies and may not be comparable to similar measures used by other companies.

Non-IFRS financial measures

The following non-IFRS financial measures are disclosed in this report:

System Sales. System Sales is a non-IFRS financial measure and is calculated in respect of all A&W restaurants in Canada as the sum of (1) gross sales reported to Food Services by franchisees of such A&W restaurants without audit, verification or other form of independent assurance and (2) revenue from corporate restaurants. System Sales reflect sales after deducting amounts for discounts for coupons and other promotional offerings and applicable sales taxes. Food Services believes System Sales is a key performance indicator as it is the main driver of Food Services’ revenues and provides an indication of the

growth of the overall A&W restaurant chain. See “System Sales”. Refer to the “Selected Information” section for a reconciliation of System Sales to revenue from corporate restaurants, the most comparable IFRS measure, for the current and comparable reporting period.

Operating Earnings. Operating Earnings is a non-IFRS financial measure and is calculated by taking income before taxes and adding back the depreciation on plant, equipment and right-of-use assets, royalty expense, recovery of impairment of leases receivable and finance expense (net) and deducting the amortization of deferred gain, gains on the sale of Units of the Fund (“Units”) and share of income from associates. Food Services believes that Operating Earnings is a useful measure of operating performance as it provides a more relevant picture of operating results in that it excludes the effects of financing and investing activities and other non-recurring income and expenses that are not reflective of Food Services’ underlying business performance. Food Services uses Operating Earnings to facilitate a comparison of its operating performance on a consistent basis. Refer to the “Selected Information” section for a reconciliation of Operating Earnings to income before taxes, the most comparable IFRS measure, for the current and comparable reporting periods.

Non-IFRS ratios

The following non-IFRS ratio is disclosed in this report:

System Sales Growth. System Sales Growth is a non-IFRS ratio and calculated as the percentage change in System Sales for the current reporting period as compared to the comparable reporting period in the prior year. Food Services believes that System Sales Growth is a key performance indicator as it provides an indication of the growth of the overall A&W restaurant chain. See “System Sales”.

Non-IFRS supplementary financial measures:

The following non-IFRS supplementary financial measures are disclosed in this report:

Same Store Sales Growth – Franchised Restaurants. Same Store Sales Growth – Franchised Restaurants in 2022 versus 2021 reflects the change in gross sales of franchised A&W restaurants that operated, or were temporarily closed at any point due to COVID-19, during the entire 52-week periods ended January 1, 2023 and January 2, 2022 and is based on an equal number of days in each period. This measure is a key performance indicator for Food Services as it highlights the performance of existing franchised restaurants. Same Store Sales Growth – Franchised Restaurants in 2022 versus 2019 (the most recent pre-COVID year) reflects the change in gross sales of franchised A&W restaurants that operated during the 52-week periods ending January 1, 2023 and December 29, 2019. This measure is important as it highlights the performance of the A&W franchised restaurants in 2022 versus their performance in 2019 which is the most recently completed year that was not impacted by COVID-19.

Gross sales reported by A&W restaurants in the Royalty Pool. Gross sales reported by A&W restaurants in the Royalty Pool (the “Royalty Pool”) reflects the sum of (1) the gross sales reported to Food Services by franchisees of A&W restaurants that are in the Royalty Pool without audit, verification or other form of independent assurance and (2) the gross sales of A&W restaurants owned and operated by Food Services that are in the Royalty Pool. The Gross sales reported by A&W restaurants in the Royalty Pool reflect sales after deducting amounts for discounts for coupons and other promotional offerings and applicable sales taxes. Gross sales reported by A&W restaurants in the Royalty Pool is the basis for which the royalty is payable by Food Services to the Partnership therefore is a key driver of the royalty expense.

Royalty Pool Same Store Sales Growth. Royalty Pool Same Store Sales Growth reflects the change in gross sales of A&W restaurants in the Royalty Pool that operated, or were temporarily closed at any point due to COVID-19, during the entire 52-week periods ended January 1, 2023 and January 2, 2022 and is based on an equal number of days in each period. This measure is a key performance indicator for Trade Marks Inc. (“Trade Marks”) and the Fund, both of which Food Services has investments in, and is also a key driver of the royalty expense as it highlights the performance of the existing A&W restaurants in the Royalty Pool.

Same Store Sales Growth – Franchised Restaurants

Same Store Sales Growth – Franchised Restaurants⁽ⁱⁱⁱ⁾ for the fourth quarter of 2022 was +4.3% as compared to the fourth quarter of 2021. Same Store Sales Growth – Franchised Restaurants⁽ⁱⁱⁱ⁾ for the 52-week period ended January 1, 2023 was +7.4% as compared to the 52-week period ended January 2, 2022. Same Store Sales Growth – Franchised Restaurants is a function of changes in guest counts and check size, both of which are impacted by sales mix and menu price changes.

The Q4 2022 Same Store Sales Growth – Franchised Restaurants⁽ⁱⁱⁱ⁾ of +4.3% was a product of an increase in both guest counts and average check. The growth in average check size was partly attributable to menu prices which have modestly increased in response to industry-wide inflation on goods, services, and labour. The year to date Same Store Sales Growth – Franchised Restaurants⁽ⁱⁱⁱ⁾ of +7.4% was primarily driven by an increase in guest counts, due to there being fewer public health restrictions related to COVID-19 in place across Canada in 2022 as compared to 2021. During 2021, there were a number of A&W restaurants that were temporarily closed and many of the restaurants that were open were negatively impacted by COVID-19 restrictions. There were no temporary closures of A&W restaurants due to COVID-19 restrictions in 2022 and by end of Q2 2022 most restrictions, such as capacity limits on dine-in guests, reduced hours of operation and requirements for dine-in guests to show proof of vaccination, had been lifted. See “Impact of COVID-19”.

Since March 2020, COVID-19 adversely impacted A&W restaurant operations across Canada, particularly for those restaurants located on urban street fronts and in shopping centres. However, since the second quarter of 2020 when COVID-19 impacts on A&W were at their peak, the impact of COVID-19 on Royalty Pool Same Store Sales Growth has steadily declined.

⁽ⁱⁱⁱ⁾ “Same Store Sales Growth – Franchised Restaurants” is a non-IFRS supplementary financial measure. Refer to the “Non-IFRS Measures” section of this report for further details on how this measure is calculated and used to assess Food Services’ performance.

System Sales

System Sales⁽ⁱ⁾ for the fourth quarter of 2022 were \$558,742,000, an increase of 7.1% or \$37,032,000 from the fourth quarter of 2021. System Sales⁽ⁱ⁾ for the 52-week period ended January 1, 2023 were \$1,776,205,000, an increase of 10.4% or \$167,098,000 from the 52-week period ended January 2, 2022. The increase in System Sales was driven by the increase in Same Store Sales Growth – Franchised Restaurants discussed above as well as the net addition of new restaurants. See “Impact of COVID-19”, “New Restaurant Openings and Permanent Restaurant Closures” and “Financial Highlights” for further information.

⁽ⁱ⁾ “System Sales” is a non-IFRS financial measure. Refer to the table in the “Selected Information” section for a reconciliation of this measure to the most comparable IFRS measure and the “Non-IFRS Measures” section of this report for further details on how this measure is used to assess Food Services’ performance.

New Restaurant Openings and Permanent Restaurant Closures

Food Services opened 23 new A&W restaurants, nine of which were opened during the fourth quarter. This compares to 34 restaurants opened during the year ended January 2, 2022 and 14 openings in the fourth quarter of 2021. Six restaurants were permanently closed in the 2022 year, one of which closed during the fourth quarter, versus 11 permanent closures in the 2021 year, two of which were in the fourth quarter of 2021. As at January 1, 2023, there were 1,046 A&W restaurants in Canada, of which 1,036 were operated by franchisees and 10 were corporately owned and operated.

Overview

Food Services is the franchisor of the A&W restaurant chain in Canada. Food Services' revenue consists of service fees from franchised restaurants, revenue from the sale of food and supplies to franchisees and distributors, revenue from the opening of new franchised restaurants, revenue from company-owned restaurants, and revenue from sales of A&W Root Beer concentrate to licenced bottlers who produce and distribute A&W Root Beer for sale in retail grocery stores and other retail.

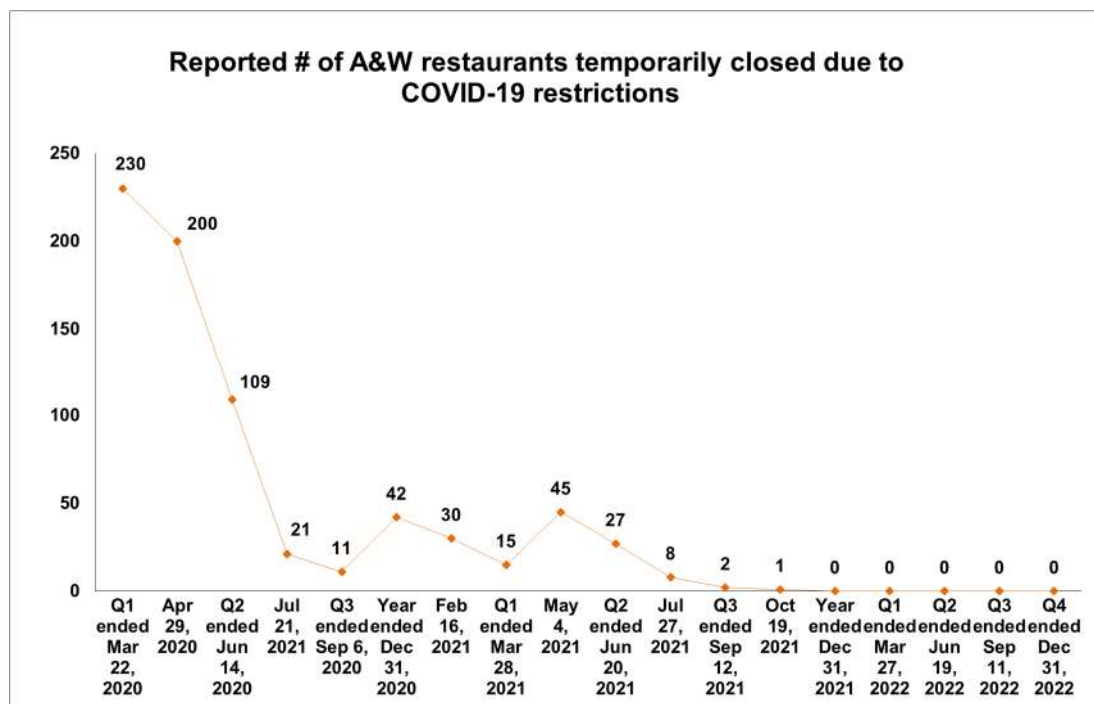
Food Services' operating costs include the cost of materials, supplies and equipment sold either directly to franchisees or to distributors that service the restaurants or that are sold to the licenced bottlers, and costs of sales and other expenses of the restaurants operated corporately by Food Services. General and administrative expenses are expenses associated with providing services to the franchised A&W restaurants and establishing new A&W restaurants.

The A&W trade-marks used in the A&W quick service restaurant business in Canada are owned by the Partnership. The Partnership has granted Food Services a licence (the "Amended and Restated Licence and Royalty Agreement") to use the A&W trade-marks in Canada for a term expiring December 30, 2100, for which Food Services is required to pay a royalty of 3% of the gross sales reported by those A&W restaurants in the Royalty Pool which are identified in the Amended and Restated Licence and Royalty Agreement, as amended from time to time.

Impact of COVID-19

COVID-19 and the resulting changes in the market place have had significant impacts on many businesses across Canada, especially restaurants, and the future effect of COVID-19 continues to be uncertain.

Actions required in response to the COVID-19 pandemic have had a significant adverse impact on A&W restaurant operations in Canada, particularly in 2020 and 2021, including the temporary closure of A&W restaurants in that timeframe. The COVID-19 related public health restrictions began to ease in Q3 2021, and by the end of 2021 all of the A&W restaurants that were temporarily closed due to restrictions had reopened. While certain restrictions remained for some A&W locations in early 2022, these restrictions continued to ease and by Q2 2022 most restrictions, such as capacity limits on dine-in guests, reduced hours of operation and requirements for dine-in guests to show proof of vaccination, had been lifted. The chart below shows the reported number of A&W restaurants that were temporarily closed due to COVID-19 restrictions at specified dates since the pandemic began.



Throughout the pandemic, Food Services and its franchisees worked together on initiatives to help accelerate sales recovery and enhance employee experience. These initiatives include, but are not limited to promotional activity, strengthening and expanding partnerships with third party delivery service providers, increasing the speed of service for drive-thru and serving guests on the A&W mobile app. Throughout the pandemic, Food Services and its franchisees were careful to take and maintain measures in their restaurants and broader operations to protect public health including complying with mandates of relevant public health authorities.

During the pandemic to date, various levels of government have offered a number of important financial programs which have helped support individual restaurant businesses, including A&W franchisees; however, all of those programs have now ceased. Some of the assistance provided to restaurant businesses was in the form of government loans which will require repayment by December 31, 2023.

After the temporary suspension of monthly distributions at the onset of the COVID-19 pandemic, regular distributions resumed in Q3 2020. In 2021, the monthly distribution rate was increased three times, with the last increase in November 2021 bringing the monthly distribution rate to 15.5¢ per Unit. The Fund also paid a special distribution of 5.0¢ per Unit on December 31, 2021.

From January to September 2022, the monthly distribution rate was 15.5¢ per Unit and was increased to the current rate of 16.0¢ per Unit beginning with the October distribution that was paid on November 30, 2022.

When comparing 2022 same store sales for franchised restaurants in the 52-week period ended January 1, 2023 to 2019 same store sales for franchised restaurants in the 52-week period ended December 29, 2019 (the most recent pre-COVID year), Same Store Sales Growth – Franchised Restaurants⁽ⁱⁱⁱ⁾ was +6.5%. The 6.5% Same Store Sales Growth – Franchised Restaurants⁽ⁱⁱⁱ⁾ over 2019 has been achieved due to strong sales growth from 2019 to 2022 primarily in A&W restaurants with drive-thru.

(iii) “Same Store Sales Growth – Franchised Restaurants” is a non-IFRS supplementary financial measure. Refer to the “Non-IFRS Measures” section of this report for further details on how this measure is calculated and used to assess Food Services’ performance.

Annual Adjustment to the Royalty Pool

The Royalty Pool is adjusted annually to reflect sales from new A&W restaurants added to the Royalty Pool, net of the sales of any A&W restaurants that have permanently closed. Food Services is paid for the additional royalty stream related to the sales of the net new restaurants, based on a formula set out in the Amended and Restated Licence and Royalty Agreement. The formula provides for a payment to Food Services based on 92.5% of the amount of estimated sales from the net new restaurants and the current yield on the Units, adjusted for income taxes payable by Trade Marks. The consideration is paid to Food Services in the form of additional limited partnership units (“LP units”). The additional LP units are, at the option of Food Services, exchangeable for additional common shares of Trade Marks which are in turn exchangeable for Units or limited voting units of the Fund (“Limited Voting Units” and together with the Units, “Trust Units”) on the basis of two common shares for one Trust Unit. The consideration paid for the annual adjustment to the Royalty Pool is recorded by Food Services as an increase in its investment in Trade Marks, and an increase in the deferred gain. These additions to the deferred gain are amortized over the remaining term of the Amended and Restated Licence and Royalty Agreement from the date of addition.

The 2022 annual adjustment to the Royalty Pool took place on January 5, 2022. The number of A&W restaurants in the Royalty Pool was increased by 34 new restaurants less 13 restaurants that permanently closed during 2021. The Partnership paid Food Services \$17,178,000 by issuance of 444,327 LP units to Food Services, representing 80% of the initial consideration based on the estimated annual sales of the net new restaurants. The LP units were subsequently exchanged for 888,654 non-voting common shares of Trade Marks.

The final adjustment to the number of LP units issued was made on December 8, 2022, based on the actual annual sales reported by the new restaurants. The actual annual sales of the 34 new A&W restaurants were \$55,287,000, compared to the original estimate of \$50,688,000, resulting in total consideration of \$24,558,000 payable to Food Services. The remaining consideration of \$7,380,000 was paid to Food Services by issuance of 190,903 additional LP units, which were exchanged for 381,806 non-voting common shares of Trade Marks.

On January 5, 2023, the number of A&W restaurants in the Royalty Pool was increased by 29 new restaurants, less 7 restaurants that permanently closed. The initial consideration for the estimated royalty revenue from the net 22 restaurants added to the Royalty Pool is \$16,118,000. The Partnership paid Food Services \$12,894,000 by issuance of 380,368 LP units, representing 80% of the initial consideration. The LP units were exchanged for 760,736 non-voting common shares of Trade Marks. The remaining 20% or \$3,224,000 and a final adjustment to the consideration based on the actual annual sales reported by the new restaurants will be paid in December 2023 by issuance of additional LP units, which may be exchanged for non voting common shares of Trade Marks.

After the initial consideration for the January 5, 2023 adjustment to the Royalty Pool but before the issuance of the excess exchangeable LP units that represent the remaining 20% of the initial consideration for the January 5, 2023 adjustment to the Royalty Pool that are payable in December 2023, Food Services’ indirect interest in the Fund increased to 28.1% on a fully diluted basis (26.0% as of January 2, 2022).

Common Shares of A&W Trade Marks Inc.

The common shares of Trade Marks are owned by the Fund and Food Services, with their respective ownership as at the end of the three most recently completed financial years:

(dollars in thousands)	Fund			Food Services			Total	
	Number of shares	Trade Marks' book value \$	%	Number of shares	Trade Marks' book value \$	%	Number of shares	Trade Marks' book value \$
Balance as at January 3, 2021	28,129,271	164,605	75.8	8,973,023	124,220	24.2	37,102,294	288,825
January 5, 2021 adjustment to the Royalty Pool ⁽¹⁾	-	-	(2.9)	1,413,998	20,164	2.9	1,413,998	20,164
April 16, 2021 exchange of common shares for Trust Units ⁽²⁾	4,056,040	63,193	10.6	(4,056,040)	(63,193)	(10.6)	-	-
Balance as at January 2, 2022	32,185,311	227,798	83.5	6,330,981	81,191	16.5	38,516,292	308,989
January 5, 2022 adjustment to the Royalty Pool ⁽³⁾	-	-	(2.6)	1,270,460	24,558	2.6	1,270,460	24,558
Balance as at January 1, 2023	32,185,311	227,798	80.9	7,601,441	105,749	19.1	39,786,752	333,547

⁽¹⁾ The number of common shares includes the 241,683 LP units exchanged for 483,366 common shares of Trade Marks representing the remaining consideration paid in December 2021 for the January 5, 2021 adjustment to the Royalty Pool.

⁽²⁾ On April 16, 2021, A&W of Canada Inc., an indirect shareholder of Food Services, completed a reorganization to provide liquidity for some of its shareholders and to simplify the indirect ownership of Food Services (the "Reorganization"). Further details regarding the Reorganization can be found in the Fund's MD&A for the fourth quarter ended December 31, 2021, available at www.sedar.com or www.awincomefund.ca.

⁽³⁾ The number of common shares includes the 190,903 LP units exchanged for 381,806 common shares of Trade Marks representing the remaining consideration paid in December 2022 for the January 5, 2022 adjustment to the Royalty Pool.

Ownership of the Fund

The table below shows the ownership of the Fund as of January 1, 2023 and January 2, 2022 on a fully-diluted basis, where the ownership of the Fund as at January 1, 2023 includes the issuance of the excess exchangeable LP units that represent the remaining 20% of the initial consideration for the January 5, 2022 adjustment to the Royalty Pool that are payable to Food Services in December 2022.

	January 1, 2023		January 2, 2022	
	Number of units	%	Number of units	%
Units held by public unitholders	14,585,673	73.3	14,585,673	75.7
Limited Voting Units held by Food Services ⁽¹⁾	1,507,020	7.6	1,507,020	7.8
Number of Trust Units issuable upon exchange of securities of Trade Marks held by Food Services ⁽²⁾	3,800,721	19.1	3,165,491	16.5
Total equivalent units	19,893,414	100.0	19,258,184	100.0

⁽¹⁾ Limited Voting Units in the Fund held by Food Services may be exchanged for Units on the basis of one Limited Voting Unit for one Unit.

- (2) Common shares of Trade Marks held by Food Services may be exchanged for Trust Units on the basis of two common shares for one Trust Unit.

The chart below shows the ownership of the Fund, on a fully-diluted basis, after the initial consideration for the January 5, 2023 adjustment to the Royalty Pool but before the issuance of the excess exchangeable LP units that represent the remaining 20% of the initial consideration for the January 5, 2023 adjustment to the Royalty Pool that are payable in December 2023.

	Number of units	%
Units held by public unitholders	14,585,673	71.9
Limited Voting Units held by Food Services ⁽¹⁾	1,507,020	7.5
Number of Trust Units issuable upon exchange of securities of Trade Marks held by Food Services ⁽²⁾	4,181,089	20.6
Total equivalent units	20,273,782	100.0

- (3) Limited Voting Units in the Fund held by Food Services may be exchanged for Units on the basis of one Limited Voting Unit for one Unit.
- (4) Common shares of Trade Marks held by Food Services may be exchanged for Trust Units on the basis of two common shares for one Trust Unit.

2022 Operating Results

Revenue

Food Services' franchising and corporate restaurants revenue for 2022 was \$299,362,000 compared to \$244,983,000 for 2021, an increase of \$54,379,000. The increase in franchising revenue is attributable to higher service fees, contributions to the National Advertising Fund and revenue related to the distribution of food and supplies as a result of the increase in Same Store Sales Growth – Franchised Restaurants, as well as an increase in revenue for equipment sales to existing restaurants. The increase in revenue related to equipment sales is largely attributable to the ongoing roll out of the A&W Brew BarTM. See the "Overview" section of this report for a discussion on the A&W Brew Bar program and its roll out. There was a slight decrease in revenue related to the sale of equipment for new restaurants due to Food Services opening fewer restaurants in 2022 as compared to 2021. The reduction in the number of new restaurants opened in 2022 as compared to the 2021 is primarily a result of a post COVID-19 slowdown in the permitting process and general construction industry.

TM trademark of the Partnership, used under licence.

Corporate restaurant System Sales were \$21,467,000 for 2022 compared to \$18,409,000 for 2021. The increase of \$3,058,000 was primarily due to there being fewer COVID-19 related restrictions in Ontario, where all of the corporate restaurants are located, in 2022 as compared to 2021 as well as there being additional sales in 2022 from a corporate restaurant that opened mid-way through Q1 2021.

Operating costs and general and administrative expenses

Operating costs for 2022 were \$167,840,000 compared to \$128,451,000 for 2021, an increase of \$39,389,000. In line with the increases in revenue noted above, operating costs increased due to increases in the cost and volume of equipment that was sold to existing restaurants as well as an increase in the cost of sales of food and supplies and advertising expenses incurred by the National Advertising Fund.

General and administrative expenses represent costs of providing services to franchised restaurants and establishing new restaurants, and were \$47,705,000 for 2022 compared to \$40,451,000 for 2021, an increase of \$7,254,000. The increase in expenses is partly attributable to wage and rent subsidies, which were received in 2021 under federal government subsidy programs in connection with COVID-19. No subsidies were received or are receivable in 2022. Operating costs and general and administrative expenses in 2021 are net of wage subsidies totaling \$239,000 and rent subsidies totaling \$267,000. The remaining increase is largely attributable to increased travel, employee training, meetings and other business activities that did not occur in 2021 due to COVID-19 and increased spend on software.

Operating Earnings

(dollars in thousands)	52-week period ended Jan 1, 2023	52 -week period ended Jan 2, 2022
Operating Earnings ⁽ⁱ⁾	\$88,278	\$80,327

Operating Earnings⁽ⁱ⁾ increased by \$7,951,000 to \$88,278,000 in 2022 as compared to \$80,327,000 for 2021. The increase in Operating Earnings is due to the increase in revenues, partially offset by the increase in operating costs and general and administrative expenses.

⁽ⁱ⁾ "Operating Earnings" is a non-IFRS financial measure. Refer to the tables in the "Selected Information" section for a reconciliation of this measure to the most comparable IFRS measure and the "Non-IFRS Measures" section of this report for further details on how this measure is used to assess Food Services' performance.

Royalty expense

Royalty expense for 2022 was \$52,100,000 compared to \$47,022,000 for 2021. The increase in royalty expense is attributable to the increase in Gross sales reported by A&W restaurants in the Royalty Pool which was driven by the increase in Royalty Pool Same Store Sales Growth and the gross sales from the additional net 21 new restaurants added to the Royalty Pool on January 5, 2022. See "Annual Adjustment to the Royalty Pool". It is important to note that the royalty expense for 2022 and 2021 reported by Food Services differ in the amounts of the royalty income reported by the Fund as the Fund's royalty income is based on Gross sales reported by A&W restaurants in the Royalty Pool from January 1, 2022 to December 31, 2022 (2021 – January 1, 2021 to December 31, 2021) whereas the royalty expense reported by Food Services is based on Gross sales reported by A&W restaurants in the Royalty Pool from January 3, 2022 to January 1, 2023 (2021 – January 4, 2021 to January 2, 2022).

Impairment of lease receivables

Food Services is the head lessee for the majority of its franchised locations and enters into agreements whereby Food Services licences the premises to the franchisee, for which Food Services receives a premises licence fee. Under the licence agreement, the franchisee is responsible for the obligations under the lease. IFRS 16 requires Food Services, where it acts as the intermediate lessor, to recognize a lease receivable. Lease receivables are reviewed for impairment based on expected losses at each balance sheet date in accordance with IFRS 9 – Financial Instruments. An impairment loss is recorded when the credit risk is assessed to have increased for the lease receivables. Food Services has developed a risk matrix used to assess the credit risk of all head leases. Food Services recorded an expected credit loss provision on leases receivable of \$1,736,000 as at January 1, 2023 (January 2, 2022 – \$2,257,000). A \$521,000 decrease

in the provision has been recognized as a recovery of impairment of leases receivable in 2022 (2021 – recovery of \$2,024,000).

Finance expense - net

(dollars in thousands)	52-week period ended Jan 1, 2023	52-week period ended Jan 2, 2022
Net interest (income) expense	\$(76)	\$10
Standby fees	98	87
Interest cost on supplementary retirement benefit plan	406	365
Interest on lease receivables	(22,816)	(21,901)
Interest on lease liabilities	23,522	22,633
Amortization of deferred financing fees	56	49
	\$1,190	\$1,243

Net interest (income) expense in 2022 was down slightly from 2021. The positive variance in net interest (income) expense was driven by the increase to interest rates applied to cash balances. The increase in standby fees and amortization of deferred financing fees is attributable to the increase in Food Services credit facility in April 2021 see “Liquidity and Capital Resources”. The increase in interest income on leases receivable and in interest expense on lease liabilities is a result of the rising interest rates on new leases recognized in the year.

Food Services’ share of income from associates

As a result of the annual adjustment to the Royalty Pool and the exchange rights granted under the Amended and Restated Declaration of Trust and the Amended and Restated Exchange Agreement, Food Services owns common shares of Trade Marks and as a result of Food Services exchanging common shares of Trade Marks for Limited Voting Units, Food Services also has direct ownership in the Fund. These investments are accounted for as investments in associates and are recorded using the equity method. As at January 1, 2023 Food Services had a 19.1% investment in Trade Marks (January 2, 2022 – 16.4%) and a 9.4% investment in the Fund (January 2, 2022 – 9.4%). Taken together, Food Services’ ownership of exchangeable common shares of Trade Marks and Limited Voting Units equated to Food Services owning 26.7% of the total equivalent units of the Fund on a fully diluted basis as at January 1, 2023 (24.3% as at January 2, 2022). Subsequent to year end, with the adjustment to the Royalty Pool on January 5, 2023, as previously discussed, Food Services’ indirect interest in the Fund increased to 28.1% on a fully diluted basis.

Food Services’ share of income from associates for 2022 totaled \$10,765,000 compared to \$9,722,000 for 2021. The increase is attributable to an increase in the earnings of Trade Marks and the Fund which was largely driven by higher royalty income due to the increase in Gross sales reported by A&W restaurants in the Royalty Pool.

Net income

(dollars in thousands)	52-week period ended Jan 1, 2023	52-week period ended Jan 2, 2022
Operating Earnings ⁽ⁱ⁾	\$88,278	\$80,327
Royalty expense	(52,100)	(47,022)
Recovery of impairment of lease receivables	521	2,024
Finance expense – net	(1,190)	(1,243)
Depreciation of plant, equipment and right-of-use assets	(4,461)	(4,246)
Amortization of deferred gain	3,495	3,136
Gain on sale of Units of A&W Revenue Royalties Income Fund	-	2,670
Share of income from associates	10,765	9,722
Income before income taxes	45,308	45,368
Provision for income taxes	8,906	8,598
Net income for the period	\$36,402	\$36,770

Income before income taxes for 2022 is consistent with 2021. The \$7,951,000 increase in Operating Earnings⁽ⁱ⁾ and \$1,043,000 increase in income from associates is offset by a reduction in the recovery of impairment of lease receivables and the gain resulting from the April 16, 2021 Reorganization. The increase in the provision for income taxes is attributable to an increase in non-deductible items mainly as a result of an increase in meal and entertainment costs resulting from the resumption to normal levels of business activities and travel in 2022 and non-deductible accrued expenses relating to the National Advertising Fund.

⁽ⁱ⁾ “Operating Earnings” is a non-IFRS financial measure. Refer to the tables in the “Selected Information” section for a reconciliation of this measure to the most comparable IFRS measure and the “Non-IFRS Measures” section of this report for further details on how this measure is used to assess Food Services’ performance.

Net income attributable to non-controlling interests

The non-controlling interest in Beverages represents the 40% interest of Beverages owned by Unilever Canada Inc.

Other comprehensive income

Other comprehensive income consists of actuarial gains and losses, net of tax, on the supplementary retirement benefit plan. Actuarial gains result from an increase in the discount rate used to determine the accrued benefit obligation and actuarial losses result from a decrease in the discount rate. There was an actuarial gain, net of tax, of \$1,662,000 recognized in 2022 (2021 – gain, net of tax, of \$542,000).

Liquidity and Capital Resources

Food Services is primarily a franchise business with 1,036 of its 1,046 (as at January 1, 2023) restaurants franchised. Food Services’ capital requirements are related to its corporate restaurants and head office and investments in technology and information systems. Future restaurant growth is expected to continue to be funded by franchisees although from time to time, Food Services expects to incur capital expenditures to

open new corporate restaurants in the Ottawa market. Food Services expects to have sufficient capital resources to fund these capital requirements and has sufficient cash on hand to meet its obligations.

On April 23, 2021, Food Services increased its credit facility from \$25,000,000 to \$40,000,000 to fund working capital and for general corporate purposes. The operating loan facility is set to mature on May 31, 2023.

Consistent with the terms under the \$25,000,000 credit facility, amounts advanced under the \$40,000,000 facility bear interest at the bank prime rate plus 1.0% and are repayable on demand. The covenants, which remain unchanged from those of the \$25,000,000 credit facility, include the requirement to meet certain debt to earnings before interest, taxes, depreciation, amortization and non-cash charges/income (EBITDA) ratios and debt to Food Services' investment in Trade Marks ratios during each trailing four quarter period. The amendment included a reduction to the number of common shares of Trade Marks that Food Services is required to pledge from 7,000,000 shares to 5,000,000 shares.

As at January 1, 2023, Food Services had drawn \$8,149,000 on the credit facility (\$nil – January 2, 2022) and had issued \$198,000 in letters of guarantee (January 2, 2022 – \$198,000), leaving \$31,653,000 of the facility available (January 2, 2022 – \$39,802,000). Food Services was in compliance with all of its financial covenants as at February 28, 2023, January 1, 2023, and January 2, 2022.

In 2020, Food Services' shareholder invested \$10,000,000 of common equity in the Company to ensure sufficient liquidity during the period of uncertainty caused by COVID-19. During the second quarter of 2022, Food Services returned the \$10,000,000 of capital to its shareholder. \$5,000,000 was paid in cash in the second quarter of 2022 and the remaining \$5,000,000 was paid in cash in the fourth quarter of 2022.

Off-Balance Sheet Arrangements

Food Services has no off-balance sheet arrangements.

Related Party Transactions and Balances

Royalty expense for 2022 was \$52,100,000 (2021 - \$47,022,000), of which \$3,891,000 (January 2, 2022 - \$3,513,000) is payable to the Partnership at January 1, 2023.

In 2022, Trade Marks declared and paid dividends of \$7,126,000 (2021 - \$6,258,000) to Food Services as a result of Food Services' ownership of Trade Marks' common shares.

In 2022, the Fund declared distributions of \$2,826,000 (2021 – \$2,065,000) payable to Food Services as a result of Food Services' ownership of Limited Voting Units. The \$241,000 distribution declared on December 8, 2022 was paid to Food Services subsequent to the period end on January 31, 2023 and is reported as a current asset as at January 1, 2023 (January 2, 2022 – n/a).

On April 8, 2022, Trade Marks and Food Services entered into an agreement for Food Services to provide administrative services to Trade Marks (the "Services Agreement"). Under the terms of the Services Agreement, Food Services is entitled to be paid an annual fee, on a quarterly basis, for the services provided in each fiscal year in an amount approved by the board of directors of Trade Marks that is based on a prescribed time and effort computation. The Services Agreement will remain in effect for the duration of the Administration Agreement dated February 15, 2002 between Trade Marks and the Fund, unless terminated by either party by giving 5 years advance written notice to the other party. During 2022, Food

Services recognized \$175,000 (2021 - \$40,000) as an offset to general and administrative expenses related to administrative services provided to Trade Marks, all of which was paid as at January 1, 2023 (January 2, 2022 - \$40,000).

In 2022, Food Services paid \$nil (2021 – \$115,000) to a professional baseball club, of which a director of Food Services is a part owner, in exchange for advertising the A&W brand at the ballpark and tickets to the baseball games. At January 1, 2023, \$nil (January 3, 2021 – \$nil) is payable to the baseball club by Food Services.

Other related party transactions and balances are referred to elsewhere in this report, including, without limitation, under the headings “Annual Adjustment to the Royalty Pool”, “Common Shares of A&W Trade Marks Inc.”, “Ownership of the Fund” and “Liquidity and Capital Resources”.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. It is reasonably possible that circumstances may arise that would cause actual results to differ from management estimates; however, management does not believe it is likely that such differences will materially affect Food Services’ financial position. Significant areas requiring the use of management estimates and judgements are investments in associates, supplementary retirement benefit plan, deferred income taxes and leases receivable. The supplementary retirement benefit plan and deferred income taxes are not “critical accounting estimates” as (i) they do not require Food Services to make assumptions about matters that are highly uncertain at the time the estimate is made, and (ii) different estimates that could have been used, or changes in the accounting estimates that are reasonably likely to occur from period to period, would not have had a material impact on Food Services’ financial condition, changes in financial condition or financial performance.

Risks and Uncertainties

Economic Conditions

Food Services’ profitability and correspondingly, the funds available to be paid as dividends by Trade Marks to Food Services and the Fund and available to distribute to unitholders of the Fund, are indirectly impacted by consumer discretionary spending which is influenced by general economic conditions. These economic conditions could include economic recession or changes in the rate of inflation or deflation, unemployment rates and household debt, political uncertainty, interest rates currency exchange rates or derivative or commodity prices, such as fuel and energy costs. A number of these conditions could impact consumer spending and, as a result, payment patterns could deteriorate or remain unpredictable due to global, national, regional or local economic volatility. Uncertain economic conditions may adversely impact demand for A&W’s products and services which could adversely affect the Fund’s financial performance.

International Conflict

International conflict and other geopolitical tensions and events, including war, military action, terrorism, trade disputes, and international responses thereto have historically led to, and may in the future lead to, uncertainty or volatility in the global supply chain and financial markets. On February 24, 2022, Russia commenced a military invasion of Ukraine. In response, many jurisdictions have imposed strict economic sanctions against Russia and its interests, including Canada, the United States, the European Union, the United Kingdom, and others, which may have a destabilizing effect on commodity prices, supply chain and

global economies more broadly. Supply chain disruptions may adversely affect the business, financial condition, and results of operations for Food Services, its franchisees and the Fund. The extent and duration of the current Russian-Ukrainian conflict and related international action cannot be accurately predicted at this time and the effects of such conflict may magnify the impact of the other risks identified herein and in the Fund's most recent Annual Information Form available under the Fund's issuer profile on SEDAR at www.sedar.com.

COVID-19

Since March 2020, the COVID-19 pandemic has had significant impacts on the Canadian economy, the QSR industry, and the willingness of the general public to dine outside their homes and travel. The pandemic abruptly and negatively impacted Food Services, its franchisees and the Fund (including Trade Marks and the Partnership), most particularly in 2020 and 2021. Restrictions on the operations of A&W restaurants in response to COVID-19, continued to impact system sales at A&W restaurants in early 2022, particularly in the first quarter; however, by the end of the year, through the efforts of our franchisees, all concepts and regions had demonstrated recovery and growth over 2021. System sales drive the fees payable to Food Services by its franchisees and the amount of royalties payable to the Fund (through the Partnership), and correspondingly, the funds available to be paid as dividends by Trade Marks to Food Services and the Fund and available to distribute to unitholders of the Fund. Food Services' projections may be inaccurate, and not represent a financial forecast and actual results may differ materially from those anticipated by the projections. Monthly distributions on Units are not guaranteed and may be reduced, suspended or terminated at any time. Sales improvements for restaurants in the Royalty Pool may not continue and may slow or regress. Government restrictions related to COVID-19 may be reinstated, which may restrict the ability of A&W restaurants to operate, or result in forced closures, reduced guest traffic, supply interruptions or staff shortages. All of the government programs that have been helpful to A&W franchisees have ceased and loans which were provided by the government are due and payable by December 31, 2023.

In addition, it is unknown if and to what extent the COVID-19 pandemic will alter consumer behaviour and demand for QSR services. Health epidemics or pandemics can adversely affect consumer spending and confidence levels and supply availability and costs, as well as the local operations in impacted markets, all of which can adversely affect the financial results, condition and outlook of Food Services and A&W franchisees. Importantly, the global pandemic resulting from COVID-19 has disrupted global health, economic and market conditions, consumer behavior and A&W restaurant operations beginning in early 2020. Local and national governmental mandates or recommendations and public perceptions of the risks associated with the COVID-19 pandemic have caused, and may continue to cause, consumer behavior to change, which could continue to adversely affect Food Services' and A&W franchisees' business. Food Services and A&W franchisees could also be adversely impacted by the worsening or increased volatility of economic conditions.

The COVID-19 pandemic may also heighten other risks disclosed herein, such as, but not limited to, those related to consumer behavior, consumer perceptions of the A&W brand, supply chain interruptions, inflation, interest rates, commodity costs and labour availability and cost. See "Impact of COVID-19".

Information regarding the other risks and uncertainties applicable to the business operations of Food Services and the Fund is contained elsewhere in this report, including under the heading "Forward-Looking Information", and in the Fund's most recent Annual Information Form under the heading "Risk Factors".

Additional risks and uncertainties not currently known to the Directors of Food Services and the Trustees, or that are currently not considered to be material may also impair the Food Service's and the Fund's business operations. If any of the risks actually occur, Food Services' and the Fund's business, results of operations and financial condition, could be adversely affected.

Outlook

Based on recent results in the food services industry, Food Services believes that the quick service restaurant (QSR) segment of the industry, is recovering from the impact of COVID-19. The success of the A&W brand and individual franchised A&W restaurants is paramount to the long-term success of the overall A&W system and, in turn, to the Fund. Both Food Services and its franchisees have worked diligently to develop and implement plans and programs to mitigate the effects of the COVID-19 pandemic. Food Services' objective is to ensure that A&W's 1,046 restaurants (as at January 1, 2023) are able to safely operate (as permitted by health authorities and government regulations mandated from time to time) and have the ability to emerge from this period of uncertainty in a financial condition that enables them to compete effectively and grow their businesses.

Food Services believes that its mission "To become #1 with millennial burger lovers, chosen and trusted for truly good food and the convenience they crave" will help it to continue to rebound from the impact of COVID-19 and better position it to withstand the risks associated with economic conditions and other risks disclosed under the "Risks and Uncertainties" section of this report. Strategic initiatives, including repositioning and differentiating the A&W brand through the use of delicious natural ingredients; continued new restaurant growth, and delivering an industry leading guest experience, have all contributed to A&W's strong appeal and the trust it has built with Canadian consumers over many years. These strengths will be key to delivering strong results and improved market share as the QSR industry and the QSR burger market resume growth.

A&W is proud to be a Canadian company, 100% Canadian owned and operated, and a leader in sourcing simple, great-tasting ingredients, farmed with care. In 2013, Food Services launched an initiative to focus on natural ingredients and became the first and only national burger chain in Canada to serve beef raised without artificial hormones or steroids. This was then followed by a continued effort to source other proteins from animals that were raised without the use artificial hormones and antibiotics. A&W also serves organic Fairtrade coffee and A&W Root Beer made from natural cane sugar and all-natural flavours in its restaurants.

In 2018, A&W further strengthened its positioning as a leader in food and innovation with the introduction of the Beyond Meat⁽¹⁾ branded plant-based burger. Food Services was very excited to be the first national burger chain in Canada to offer this plant-based burger patty and A&W continues to enhance its position as a leader in great tasting plant-based options with regular introductions of new recipes and products to its plant-based line-up.

⁽¹⁾ Trademark of Beyond Meat, Inc., used under licence.

In 2020, A&W announced that all of its beef is grass-fed and grass-finished, from cattle that graze on grass and other forage, like hay.

In 2021, Food Services announced that it is expanding the beverage offerings at A&W restaurants with the phased rollout of the A&W Brew Bar. The A&W Brew Bar offers a variety of frozen beverages as well as

hot and cold espresso-based beverages. The A&W Brew Bar is now available in over 400 A&W restaurants across the country.

A&W is committed to reducing its environmental impact through conscious use of packaging, waste, energy and water, and high-efficiency equipment is being introduced into A&W restaurants to use less energy. In October 2021, A&W launched the “A&W Cup Crew”, an exchangeable cup pilot at A&W restaurants in Vancouver and in March 2022, A&W launched a pilot program in Toronto for its “Zero Cup” which is a fully compostable, plastic-free cup that requires no lid or straw.

A&W also continues to innovate to serve the increasing number of guests that are mobile app users.

Food Services has continued to grow new A&W restaurants, particularly in the key Ontario and Quebec markets. Twenty three new A&W restaurants opened in 2022, nine of which were opened during the fourth quarter of 2022, and an additional nine restaurants were under construction as at January 1, 2023.

A&W’s brand positioning is strong. Growth of new locations, industry leading innovation, a safe and stable supply chain, and continued efforts to consistently deliver great food and a better guest experience are all expected to contribute to building loyalty and enhancing performance over the long term. Food Services remains committed to the long-term health and success of its franchise network and the Fund.

On June 2, 2022 Food Services announced that it had signed a Country Agreement (the "Country Agreement") with UK-based Pret A Manger (Europe) Limited ("Pret"), which sets forth the general terms and conditions granting Food Services master franchisor rights to Canada for Pret A Manger.

Pursuant to the Country Agreement, Food Services has the exclusive right to use the Pret brand in Canada for a two-year pilot (the “Trial Phase”) during which Food Services will introduce the Pret brand within A&W restaurants in select markets in Canada. If the Trial Phase is successful, Food Services will have the exclusive right to expand the Pret brand across Canada pursuant to an agreed development plan. As at January 1, 2023, five A&W locations (three in Vancouver and two in Toronto) were offering Pret products in their restaurants.

The royalty payable to the Fund applies to Pret products sold within A&W restaurants during the Trial Phase to the extent that such restaurants are in the Royalty Pool. Should the Trial Phase prove successful, the Royalty will also be earned by the Fund on the sales of any Pret products made within A&W restaurants thereafter.

FORWARD LOOKING INFORMATION

Certain statements in this report contain forward-looking information within the meaning of applicable securities laws in Canada (forward-looking information). The words “anticipates”, “believes”, “budgets”, “could”, “estimates”, “expects”, “forecasts”, “intends”, “may”, “might”, “plans”, “projects”, “schedule”, “should”, “will”, “would” and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words.

The forward-looking information in this report includes, but is not limited to; the expectation that the Trustees will continue to review distribution levels on a regular basis and that any change in monthly distributions will be implemented with a view to maintain the continuity of uniform monthly distributions; expectations regarding Canada being on the road to recovery from COVID-19; the impact of COVID-19,

including its impact on the global economy in general and on the businesses of Food Services and A&W franchisees in particular; statements with respect to government restrictions on business operations, and in particular restaurants; statements regarding the extent to which the COVID-19 pandemic will alter consumer behaviour and demand for QSR services; timing for repayment of the government loans; expectations regarding improvements in sales trends at A&W restaurants; statements regarding the duration of various government support programs; Food Services' expectation that the food service industry, and more particularly the QSR segment, will recover; the success of the A&W brand and individual franchised restaurants being paramount to the long-term success of the overall A&W system and, in turn, to the unitholders of the Fund; statements regarding future adjustments to the Royalty Pool; statements regarding the potential impact of international conflicts; Food Services' objectives with respect to the A&W restaurants and its planned strategies to achieve those objectives; statements regarding future restrictions on the operations of A&W restaurants as well as temporary restaurant closures and the corresponding reductions to the amounts of royalties payable to and earned by the Fund, as well as funds available to distribute to unitholders of the Fund; the expectation that Trade Marks will remain in compliance with all covenants related to its term debt based on current projections; the expectation that Food Services will remain in compliance with all covenants related to its operating loan facility based on current projections; timing for the maturity of the operating loan facility; Food Services' expectation that future restaurant growth will be funded by franchisees; Food Services' expectation that it will incur capital expenditures to open new corporate restaurants in the Ottawa market and that it will have sufficient capital resources to fund these capital requirements; Food Services' belief that its mission "to become #1 with millennial burger lovers, chosen and trusted for truly good food and the convenience they crave" will help it to continue to rebound from the impact of COVID-19 and better position it to withstand the risks associated with the current economic conditions and international conflicts; Food Services' belief that strategic initiatives will be key to delivering strong results and improved market share as the QSR industry and the QSR burger market resume growth; growth of new locations, industry leading innovation, a safe and stable supply chain, and continued efforts to consistently deliver great food and a better guest experience are all expected to contribute to building loyalty and enhancing performance over the long term; the expectation that Food Services will open additional Pret locations and that the Fund will earn royalty income from the sale of Pret products; the expectation that the Trial Phase will be successful and that Food Services will expand the Pret brand across Canada; and Food Services remaining committed to the long-term health and success of its franchise network and the Fund.

The forward-looking information is based on various assumptions that include, but are not limited to:

- there are no changes in availability of experienced management and hourly employees;
- there are no material changes in government regulations concerning menu labelling and disclosure and drive-thru restrictions;
- no publicity from any food borne illness;
- no material changes in competition;
- no material increases in food and labour costs;
- the continued availability of quality raw materials;
- continued additional franchise sales and maintenance of franchise operations;
- Food Services is able to maintain and grow the current system of franchises;
- Food Services is able to locate new retail sites in desirable locations;
- Food Services is able to obtain qualified operators to become A&W franchisees;
- existing franchisees are able to successfully operate and grow their businesses and maintain profitability;

- no material impact from new or increased sales taxes upon gross sales;
- continued availability of key personnel;
- continued ability to preserve intellectual property;
- no material litigation from guests at A&W restaurants;
- Food Services continues to pay the royalty;
- Food Services can continue to comply with its obligations under its credit arrangements;
- Trade Marks can continue to comply with its obligations and covenants under its credit arrangements;
- the Fund will receive sufficient revenue in the future (in the form of royalty payments from Food Services) to maintain the payment of monthly distributions;
- the projections for the A&W business provided by Food Services are accurate;
- the impacts of the COVID-19 pandemic on the A&W system will not significantly worsen; and
- Food Services will be successful in executing on its business strategies and such strategies will achieve their intended results.

The forward-looking information is subject to risks, uncertainties and other factors related to the quick service restaurant industry that include, but are not limited to:

- the general risks that affect the restaurant industry in general and the quick service segment in particular, including competition with other well-capitalized franchisors and operators of quick service restaurants;
- changes in consumer preferences that adversely affect the consumption of quick service restaurant hamburgers, chicken, fries, breakfast items or soft drinks;
- negative publicity, litigation or complaints from perceived or actual food safety events or other events involving the foodservice industry in general or A&W restaurants in particular;
- changes in the availability and quality of raw materials, including A&W's natural ingredients;
- the possible lack of success of new products and advertising campaigns;
- changes in climate or increases in environmental regulation;
- changes in Food Services' ability to continue to grow same store sales, locate new retail sites in desirable locations and obtain qualified operators to become A&W franchisees;
- increases in closures of A&W restaurants adversely affecting the royalty;
- decreases in traffic at shopping centres and other retail modes;
- changes in Food Services' ability to pay the royalty due to changes in A&W franchisees' ability to generate sales and pay franchise fees and other amounts to Food Services;
- changes in government regulation that affect the restaurant industry in general or the quick service restaurant industry in particular, including franchise legislation and sales tax legislation;
- changes in the availability of key personnel, including qualified franchise operators;
- changes in the ability to enforce or maintain intellectual property;
- technological breakdowns, cybersecurity breaches and the security of consumer and personal information;
- the amplificatory effects of media and social media;
- risks related to global health crises, disease outbreaks (including COVID-19), and other unexpected events which could affect Food Services' and A&W franchisees' supply chains, business continuity, and financial results;
- risks related to international conflicts;
- risks related to inflation;

- the availability and adequacy of insurance coverage;
- occurrence of catastrophic events;
- risks related to COVID-19 set forth in this report, including under the headings “Risks and Uncertainties – COVID-19” and “Impact of COVID-19”; and
- changes in economic conditions, including economic recession or changes in the rate of inflation or deflation, employment rates and household debt, political uncertainty, interest rates, currency exchange rates or derivative and commodity prices.

The forward-looking information is subject to risks, uncertainties and other factors related to the structure of the Fund that include, but are not limited to:

- dependence of the Fund on Trade Marks, Partnership and Food Services;
- dependence of the Partnership on Food Services;
- risks related to leverage and restrictive covenants;
- the risk that cash distributions are not guaranteed and will fluctuate with the Partnership’s performance and could be reduced or suspended at any time;
- risks related to the unpredictability and volatility of Unit prices;
- risks related to the nature of Units;
- risks related to the distribution of securities on redemption or termination of the Fund;
- risks related to the Fund issuing additional Units diluting existing unitholders’ interests;
- risks related to income tax matters and investment eligibility;
- risks related to the limitations of internal controls over financial reporting;
- risks related to COVID-19 set forth in this report, including under the headings “Risks and Uncertainties – COVID-19” and “Impact of COVID-19”;
- risks related to international conflicts set forth in this report under the heading “Risks and Uncertainties – International Conflicts”; and
- risks related to economic conditions set forth in this MD&A under the heading “Risks and Uncertainties – Economic Conditions”; and
- risks related to Food Services not meeting its objectives, and the possibility that its strategies to meet its objectives may not be successful.

These risks, uncertainties and other factors are more particularly described in the Fund’s most recent Annual Information Form under the heading “Risk Factors”.

All forward-looking information in this report is qualified in its entirety by this cautionary statement and, except as required by law, Food Services undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.