



A Colorado Corporation

Address: 5976 W Las Positas Blvd, Suite 200  
Pleasanton, CA 94588

Phone: (510) 441-9300

Website: [www.armaninofoods.com](http://www.armaninofoods.com)

Email: [amnf@armaninofoods.com](mailto:amnf@armaninofoods.com)

SIC Code: 2030

**Quarterly Report**  
**For the Period Ending: June 30, 2025**  
(the "Reporting Period")

**Outstanding Shares**

The number of shares outstanding of our Common Stock is 31,097,507 as of June 30, 2025

The number of shares outstanding of our Common Stock is 31,903,600 as of December 31, 2024

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: ☐

No: ☒ (Double-click and select "Default Value" to check)

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐

No: ☒

Indicate by check mark whether a Change in Control of the company has occurred over this reporting period:

Yes: ☐

No: ☒

ARMANINO FOODS OF DISTINCTION, INC.  
QUARTERLY REPORT  
(UNAUDITED)  
JUNE 30, 2025

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**Item 1            The exact name of the issuer and the address of its principal executive offices.**

- A. Name of Issuer: Armanino Foods of Distinction, Inc. (the Company)  
B. Address: 5976 W Las Positas Blvd, Suite 200, Pleasanton, CA 94588  
C. Telephone: (510) 441-9300  
D. Website: [www.armaninofoods.com](http://www.armaninofoods.com)  
E. Investor Relations:  
Attn: Deanna Jurgens, CEO  
Phone: (510) 441-9300  
Email: [ir@armaninofoods.com](mailto:ir@armaninofoods.com)  
Address: 5976 W Las Positas Blvd, Suite 200, Pleasanton, CA 94588

*Check box if principal executive office and principal place of business are the same address:* ☒

**Item 2            Shares outstanding.**

- A. The number of shares or total amount of the securities outstanding for each class of securities authorized.

COMMON STOCK:

	June 30, 2025	December 31, 2024	December 31, 2023
Number of shares authorized:	40,000,000	40,000,000	40,000,000
Number of shares outstanding:	31,097,507	31,903,600	32,065,645
Freely tradable shares (public float):	30,359,174	31,289,897	31,289,897
Number of beneficial shareholders owning at least 100 shares:	82	82	82
Total number of shareholders of record:	82	83	84

PREFERRED STOCK:

	June 30, 2025	December 31, 2024	December 31, 2023
Number of shares authorized:	10,000,000	10,000,000	10,000,000
Number of shares outstanding:	0	0	0
Freely tradable shares (public float):	0	0	0
Number of beneficial shareholders owning at least 100 shares:	0	0	0
Total number of shareholders of record:	0	0	0

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B. Material Contracts

1. Manufacturing:

No updates to disclosure made on December 31, 2024.

2. Suppliers:

No updates to disclosure made on December 31, 2024. However, Some of the Company's supplies are sourced from Mexico, Canada, and China. Any changes to international trade agreements with these countries could lead to tariffs and higher costs. If this occurred, the Company would manage its profit margins accordingly. The financial impact that these US Domestic tariffs may have on the Company cannot currently be estimated with certainty.

3. Operating Lease Agreements:

No updates to disclosure made on December 31, 2024.

4. 401(K) Profit Sharing Plan:

No updates to disclosure made on December 31, 2024.

**Item 3 Interim Financial Statements.**

Refer to the Company's financial statements included in the following pages in this disclosure report:

A. Condensed consolidated balance sheets.....	Page 9
B. Condensed consolidated statements of operations.....	Page 10
C. Condensed consolidated statements of stockholders' equity.....	Page 11
D. Condensed consolidated statements of cash flows .....	Page 12
E. Notes to the Condensed consolidated financial statements.....	Page 13

**Item 4 Management's discussion and analysis.**

A. Plan of Operation

The Company is confident that it has enough working capital to fund its operations beyond June 2026.

As disclosed in Footnote 1, of its Q2'25 financial statements (see page \_\_), the Company expended \$150,221 and \$240,214 respectively, of research and development costs to develop new products for the six-month periods ended June 30, 2025, and 2024. In the upcoming quarters this year, it anticipates spending similar amounts towards these endeavors.

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Since the Company's Board of Directors approved a plan in June 2024, to spend up to \$7M to buyback shares of its common stock, it recently announced in March 2025, its decision to increase this plan to \$12M. As of June 30, 2025, the Company has expended a total of \$7.4M to repurchase 968k shares of common stock in the open market.

The Company is currently in the process of finalizing plans in 2025 to invest up to \$1.5M in additional plant equipment.

Currently, the Company does not anticipate any significant changes in the number of its employees.

**B. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

**1. Financial Condition**

At June 30, 2025, the Company had working capital of \$25,711,398 compared to \$26,171,734 at December 31, 2024, a decrease of \$460,336 , or 2%. This decrease was largely due to returning more cash to shareholders via higher dividends and stock repurchases under the Company's stock buyback program.

**2. Changes in Financial Condition**

The Company's cash position on December 31, 2024 was \$28,164,307, compared with \$23,007,732 on June 30, 2025. The \$5,156,575 decrease between these two periods was a result of several factors: (1) \$4,382,159 in cash provided by operating activities consistent with the Company's record breaking sales and profits culminating in the Company's highest ever annual sales and profits; (2) offset by \$842,689 used in investing activities mostly stemming from capital spending associated with the Company's plant improvement project, and investment in updating its IT infrastructure; and (3) offset by \$8,696,045 used in financing activities related to the Company's regular dividends, as well as \$6,278,069 used for the Company's stock buyback program approved by the Company's Board of Directors through Q2 2025.

**3. Results of Operations:**

Net sales for the quarter ended June 30, 2025 were \$19,970,475 compared to \$17,481,452 for the same period last year, an increase of 14%. Income before taxes for the quarter ended June 30, 2025 was \$6,563,759 compared to \$5,113,684, an increase of 28%. Net income for the quarter ended June 30, 2025 was \$4,850,815 (or \$0.1544 per share), compared to \$3,804,581

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(or \$0.1186 per share) posted for the same period in 2024, an increase of 30% per share.

Net sales for the six-month period ended June 30, 2025 were \$36,949,340 compared to \$33,201,768 for the same period last year, an increase of 11%. Income before taxes for the six-month period ended June 30, 2025 was \$11,854,370 compared to \$8,230,173, an increase of 44%. Net income for the six-month period ended June 30, 2025 was \$8,787,030, an increase of 43% compared to the six-month period ended June 30, 2024. Earnings per share for the six-month period ended June 30, 2025 was \$0.2788 compared to \$0.1910 per share for the six-month period ended June 30, 2024, an increase of 0.09 per share or 46%.

The Company continues to benefit from its margin improvement efforts as demonstrated in the achievement of year-to-year growth in net income. The Company's margin improvements are the results of its continued efforts to lower its cost structure across multiple areas of its business. These improvements are driven by lower commodity costs and improved manufacturing and process efficiencies, including those associated with the Company's ongoing capital improvement projects.

The Company continues to improve its year-over-year performance due principally to its margin improvement efforts. Specifically, it has maintained discipline in executing its sales strategies including the acquisition of new customers and the expansion of sales of its core products into new markets. The Company has benefited from year-over-year improvements in its operational efficiencies, and better procurement of raw materials.

The Company remains cautious in the near term as it believes there is some indication of a market slowdown, particularly in the restaurant industry. Furthermore, the Company is closely monitoring global trends regarding US and international tariffs to assess their impact so that it can plan and act accordingly. To help mitigate these potential risks, the Company will seek further operational efficiencies in pursuit of improving its low-cost structure, and continue to pursue competitive pricing on its supplies and raw materials.

Management remains confident in the Company's financial position. The Company remains committed to making appropriate investments to grow sales profitably with a focus on new products, new markets, operational efficiencies, and potential acquisitions.

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C. Off-Balance Sheet Arrangements:

The Company has a \$3,500,000 revolving line of credit with a financial institution which expires on November 5, 2025. The Company has decided to maintain this line of credit as a contingency which can be available to fund future strategic initiatives including potential acquisitions. As of June 30, 2025, no amounts have been drawn against this line of credit. Management is confident that it currently has enough cash on hand to fund its operations beyond the next 12 months.

**Item 5      Legal proceedings.**

Current, past, pending or threatened legal proceedings or administrative actions either by or against the issuer that could have a material effect on the issuer's business, financial condition, or operations and any current, past or pending trading suspensions by a securities regulator: None.

**Item 6      Defaults upon senior securities.**

None.

**Item 7      Other Information**

A. Appointment of new President and CEO: On April 23, 2025, the Company announced the appointment of a new President and CEO, Deanna Jurgens, whose appointment became effective May 12, 2025.

1. Full name: Deanna Jurgens
2. Officer Title: President and Chief Executive Officer
3. Business address: 5976 W Las Positas, Suite 200, Pleasanton, CA 94588
4. Employment History:
  - Bonduelle Americas (2022 to 2025): As Chief Sales Officer at Bonduelle Americas, Ms. Jurgens led Bonduelle's \$650 million fresh business. In the last two years, through a strategy of customer acquisition, innovation, expansion, and cost management, she successfully guided Bonduelle Americas branded business to its largest share gains in five years thereby driving greater profitability.
  - Beyond Meat (2021 to 2022): During her tenure as President of North America and Global Chief Growth Officer for Beyond Meat, Ms. Jurgens grew the international business by developing global partnerships with McDonalds and YUM Brands. She worked to expand Beyond Meat's brand in the US through a PepsiCo joint venture in plant-based jerky, achieving a dominant market share in one year.

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5. Board memberships and other affiliations: Ms. Jurgens was a founding member on the board of the Planet Partnership, a Joint-Venture between PepsiCo and Beyond Meat. She served on the board of the Boys Scouts of America in the role as SVP of Development. She was the Board President elect for Mercy Hospital in Rogers, Arkansas. She also served on the board of University of Arkansas for their Center for Retailing Excellence.

6. Compensation by the issuer: Salary and Bonuses: Ms. Jurgens receives an annual base salary of \$475,000, and is eligible to receive an annual cash bonus ranging from 25% to 100% of her base salary dependent on the attainment of annual budgeted sales and other Company and individual performance targets. She is also entitled to a bonus of not less than \$285,000 for 2025.

Stock Options: As part of a long-term incentive plan, Ms. Jurgens has the option to purchase 300,000 shares of Company common stock at an exercise price of \$7.91/share, which was the closing price of the Company's common stock on the OTC Markets on the date of grant. These shares are vested annually and exercisable over a 4 year period. Ms. Jurgens was also granted an option to purchase 100,000 shares of common stock at an exercise price of \$10/share and an additional 100,000 shares at an exercise price of \$11/share. These options vest biannually over a 4 year period.

7. Brief description of the material terms of any employment agreement between the issuer and the officer: In addition to the terms described above, Ms. Jurgens is also eligible for severance pay in the event certain conditions are satisfied

B. Resignation of CFO: Edgar Estonina resigned his position as Chief Financial Officer, effective June 16, 2025. Edgar served as Chief Financial Officer for over 18 years, and during that time played a pivotal role in shaping the Company's financial strategy, contributing to its growth and long-term stability.

Deanna Jurgens, who currently serves as the Chief Executive Officer, will assume, on an interim basis, all of the duties formerly performed by Mr. Estonina. The Company has initiated a search for a successor, and the company expects to fill the role quickly. The company remains committed to maintaining strong financial oversight and continued strategic growth.

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**Item 8       Exhibits.**

**Purchases of Equity Securities by the Issuer and Affiliated Purchasers.**

In June 2024, the Company's board of directors authorized \$7,000,000 for the repurchase and retirement of shares of the Company's common stock (2024 Stock Buyback Program). Under the 2024 Stock Buyback Program, the company repurchased a total of 162,045 (or \$1,072,033) shares of common stock in the open market through December 31, 2024. These shares were transferred into treasury, thereby resulting in 31,903,600 shares outstanding as of December 31, 2024.

Subsequent to December 31, 2024, the Company repurchased an additional 806,093(or \$6,278,069) shares of common stock in the open market through June 30, 2025. Of these purchases, 806,093 shares were settled by June 30, 2025 and transferred into treasury, thereby resulting in 31,097,507 shares outstanding as of June 30, 2025. Further, the Company's board of directors authorized an additional \$5,000,000 in buybacks in March 2025 (2025 Stock Buyback Program), bringing the total amount authorized for the stock repurchase program to \$12,000,000.

COMPANY PURCHASES OF EQUITY SECURITIES				
Period	Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program
September 1 to December 31, 2024	162,045(a)	\$6.62	162,045	\$5,927,967(b)
January 1 to June 30, 2025	806,093(a)	\$7.82	806,093	\$4,649,898(c)

- (a) Shares acquired in the open market.  
(b) In June 2024, the Board of Directors approved \$7,000,000 for the common stock repurchase program.  
(c) In March 2025, the Board of Directors approved an additional \$5,000,000 for the common stock repurchase program.

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**Item 9    Issuer's Certifications.**

I, Deanna Jurgens, certify that:

- (i) I have reviewed this Annual Disclosure Statement of Armanino Foods of Distinction, Inc.;
- (ii) Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
- (iii) Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

August 8, 2025  
/s/ Deanna Jurgens  
CEO

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**FINANCIAL STATEMENTS**

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ARMANINO FOODS OF DISTINCTION, INC.  
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**CONDENSED CONSOLIDATED BALANCE SHEETS**

	As of June 30, 2025	As of December 31, 2024
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 23,007,732	\$ 28,164,307
Accounts receivable, net	10,315,372	8,578,692
Inventories, net	7,620,687	4,366,676
Prepaid expenses	848,563	920,859
Total Current Assets	41,792,354	42,030,534
<b>NON-CURRENT ASSETS:</b>		
Property and equipment, net	8,379,967	7,922,595
Deposits	20,000	20,000
Deferred tax assets	1,063,936	1,063,936
Operating lease right of use asset	1,013,169	1,364,468
Goodwill	375,438	375,438
Trademarks	75,576	75,576
Total Non-Current Assets	10,928,086	10,822,013
<b>Total Assets</b>	\$ 52,720,440	\$ 52,852,547
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 6,694,741	\$ 2,010,649
Contract liabilities	4,064,142	4,404,813
Accrued payroll and payroll taxes	1,158,143	1,828,422
Phantom stock liability	2,073,455	3,664,971
Operating lease liability - current portion	678,962	649,738
Dividends payable	1,252,283	1,158,101
Income taxes payable	159,230	2,142,106
Total Current Liabilities	16,080,956	15,858,800
<b>NON-CURRENT LIABILITIES</b>		
Operating lease liability, net of current portion	419,195	810,583
Total Non-Current Liabilities	419,195	810,583
Total Liabilities	16,500,151	16,669,383
<b>STOCKHOLDERS' EQUITY</b>		
Preferred Stock; no par value, 10,000,000 shares authorized, no shares issued and outstanding	-	-
Common Stock; no par value, 40,000,000 shares authorized, 32,065,645 shares issued at June 30, 2025 and December 31, 2024, respectively, 31,097,507 shares and 31,903,600 shares outstanding at June 30, 2025 and December 31, 2024, respectively	2,774,990	2,774,990
Treasury stock, at cost; 968,138 and 162,045 shares held at June 30, 2025, and December 31, 2024, respectively	(7,350,102)	(1,072,033)
Additional paid-in capital	88,525	48,202
Retained earnings	40,706,876	34,432,005
Total Stockholders' Equity	36,220,289	36,183,164
<b>Total Liabilities and Stockholders' Equity</b>	\$ 52,720,440	\$ 52,852,547

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	<b>FOR THE THREE MONTHS</b>		<b>FOR THE SIX MONTHS</b>	
	<b>JUNE 30,</b>		<b>JUNE 30,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
<b>NET SALES</b>	\$ 19,970,475	\$ 17,481,452	\$ 36,949,340	\$ 33,201,768
<b>COST OF GOODS SOLD</b>	10,863,660	10,208,128	20,262,499	19,898,103
<b>GROSS PROFIT</b>	<u>9,106,815</u>	<u>7,273,324</u>	<u>16,686,841</u>	<u>13,303,665</u>
<b>OPERATING EXPENSES:</b>				
General, administrative and selling expense	1,108,948	1,165,638	2,124,470	2,599,075
Salaries & wages	1,287,003	979,380	2,600,162	2,514,056
Commissions	398,441	292,158	641,012	521,323
Total Operating Expense	<u>2,794,392</u>	<u>2,437,176</u>	<u>5,365,644</u>	<u>5,634,454</u>
<b>INCOME FROM OPERATIONS</b>	<u>6,312,423</u>	<u>4,836,148</u>	<u>11,321,197</u>	<u>7,669,211</u>
<b>OTHER INCOME (EXPENSE)</b>				
Interest and other income	251,336	277,536	533,173	560,962
Total Other Income (Expense)	<u>251,336</u>	<u>277,536</u>	<u>533,173</u>	<u>560,962</u>
<b>INCOME BEFORE INCOME TAXES</b>	<u>6,563,759</u>	<u>5,113,684</u>	<u>11,854,370</u>	<u>8,230,173</u>
<b>TAX EXPENSE - CURRENT</b>	1,712,944	1,309,103	3,067,340	2,106,924
<b>NET INCOME</b>	<u>\$ 4,850,815</u>	<u>\$ 3,804,581</u>	<u>\$ 8,787,030</u>	<u>\$ 6,123,249</u>
<b>NET INCOME PER COMMON AND EQUIVALENT SHARES:</b>				
<b>EARNINGS PER SHARE - BASIC</b>	<u>\$ 0.1544</u>	<u>\$ 0.1186</u>	<u>\$ 0.2788</u>	<u>\$ 0.1910</u>
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC</b>	<u>31,412,697</u>	<u>32,065,645</u>	<u>31,514,740</u>	<u>32,065,645</u>
<b>EARNINGS PER SHARE - DILUTED</b>	<u>\$ 0.1544</u>	<u>\$ 0.1186</u>	<u>\$ 0.2788</u>	<u>\$ 0.1910</u>
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED</b>	<u>31,412,697</u>	<u>32,065,645</u>	<u>31,514,740</u>	<u>32,065,645</u>

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CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional	Treasury	Retained	
	Shares	Amount	Paid-in Capital	Stock	Earnings	Total
<b>BALANCE, December 31, 2024</b>	<u>31,903,600</u>	<u>\$ 2,774,990</u>	<u>\$ 48,202</u>	<u>\$ (1,072,033)</u>	<u>\$ 34,432,005</u>	<u>\$ 36,183,164</u>
Dividends on common shares	-	-	-	-	(1,259,876)	(1,259,876)
Treasury	-	-	-	(3,181,163)	-	(3,181,163)
Net income	-	-	-	-	3,936,215	3,936,215
<b>BALANCE, March 31, 2025</b>	<u>31,903,600</u>	<u>\$ 2,774,990</u>	<u>\$ 48,202</u>	<u>\$ (4,253,196)</u>	<u>\$ 37,108,344</u>	<u>\$ 35,678,340</u>
Dividends on common shares	-	-	-	-	(1,252,283)	(1,252,283)
Treasury	-	-	-	(3,096,906)	-	(3,096,906)
Stock based compensation	-	-	40,323	-	-	40,323
Net income	-	-	-	-	4,850,815	4,850,815
<b>BALANCE, June 30, 2025</b>	<u>\$ 31,903,600</u>	<u>\$ 2,774,990</u>	<u>\$ 88,525</u>	<u>\$ (7,350,102)</u>	<u>\$ 40,706,876</u>	<u>\$ 36,220,289</u>

  

	Common Stock		Additional	Treasury	Retained	
	Shares	Amount	Paid-in Capital	Stock	Earnings	Total
<b>BALANCE, December 31, 2023</b>	<u>32,065,645</u>	<u>\$ 2,774,990</u>	<u>\$ 48,202</u>	<u>\$ -</u>	<u>\$ 27,682,740</u>	<u>\$ 30,505,932</u>
Dividends on common shares	-	-	-	-	(4,370,547)	(4,370,547)
Net income	-	-	-	-	2,318,163	2,318,163
<b>BALANCE, March 31, 2024</b>	<u>32,065,645</u>	<u>\$ 2,774,990</u>	<u>\$ 48,202</u>	<u>\$ -</u>	<u>\$ 25,630,356</u>	<u>\$ 28,453,548</u>
Dividends on common shares	-	-	-	-	(1,163,983)	(1,163,983)
Net income	-	-	-	-	3,804,581	3,804,581
<b>BALANCE, June 30, 2024</b>	<u>32,065,645</u>	<u>\$ 2,774,990</u>	<u>\$ 48,202</u>	<u>\$ -</u>	<u>\$ 28,270,954</u>	<u>\$ 31,094,146</u>

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

	<b>FOR THE SIX MONTHS ENDED</b>	
	<b>JUNE 30,</b>	
	<u><b>2025</b></u>	<u><b>2024</b></u>
<b>Cash Flows from Operating Activities:</b>		
Net Income	\$ 8,787,030	\$ 6,123,249
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	388,817	316,382
Stock-based compensation	40,323	-
Operating lease expense	351,299	315,356
Gain on sale of property and equipment	(3,500)	-
Changes in assets and liabilities:		
Accounts receivable	(1,736,680)	(377,899)
Inventory	(3,254,011)	(940,754)
Prepaid expenses	72,296	(246,857)
Accounts payable	4,684,091	1,178,253
Contract liabilities	(340,671)	203,166
Accrued payroll and payroll taxes	(670,279)	(587,455)
Phantom stock liability	(1,591,516)	646,631
Income taxes payable	(1,982,876)	(228,672)
Operating lease liability	(362,164)	(322,592)
Net Cash Provided by Operating Activities	<u>4,382,159</u>	<u>6,078,808</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(846,189)	(1,434,224)
Proceeds from sale of property and equipment	3,500	-
Net Cash Provided by (Used in) Investing Activities	<u>(842,689)</u>	<u>(1,434,224)</u>
<b>Cash Flows from Financing Activities:</b>		
Purchase of treasury stock	(6,278,069)	-
Dividends paid	(2,417,976)	(5,428,714)
Net Cash Used in Financing Activities	<u>(8,696,045)</u>	<u>(5,428,714)</u>
<b>Net Change in Cash and Cash Equivalents</b>	(5,156,575)	(784,130)
<b>Cash and Cash Equivalents at Beginning of Period</b>	28,164,307	22,177,386
<b>Cash and Cash Equivalents at End of Period</b>	<u>\$ 23,007,732</u>	<u>\$ 21,393,256</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid during the period for:		
Interest	\$ -	\$ -
Income Taxes	\$ 3,704,400	\$ 2,719,831

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Business and Basis of Presentation** – The condensed consolidated financial statements include the accounts of Armanino Foods of Distinction, Inc. (the “Company”), which engages in the production and marketing of upscale and innovative food products, including primarily frozen pesto and other sauces, frozen pasta products, cooked and frozen meat and poultry products and its wholly-owned dormant subsidiary AFDI, Inc. which was incorporated in May 1995.

**Consolidation** - The condensed consolidated financial statements of the Company and the accompanying notes included in this Quarterly Report are unaudited. In the opinion of management, all adjustments necessary for the fair presentation of the condensed consolidated financial statements have been included. Such adjustments are of a normal, recurring nature. The condensed consolidated financial statements, and the accompanying notes, are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and do not contain certain information included in the Company's Annual Report for the year ended December 31, 2024. Therefore, the interim condensed consolidated financial statements should be read in conjunction with that Annual Report

**Accounting Estimates** - The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reportable amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** – As of June 30, 2025 and December 31, 2024, the Company held cash and cash equivalents of \$23,007,732 and \$28,164,307, respectively. The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company had \$22,365,247 and \$27,547,255 in excess of federally insured amounts in its bank accounts on June 30, 2025, and December 31, 2024, respectively. As of June 30, 2025, approximately \$22,408,654 of total cash and cash equivalents is held with a single financial institution.

**Accounts Receivable** - Accounts receivable consist of trade receivables arising in the normal course of business. On June 30, 2025, and December 31, 2024, the Company has established an allowance for doubtful accounts of \$10,000, and \$10,000, respectively, which reflects the Company's best estimate of probable losses inherent in the accounts receivable balance. The Company determines the allowance based on known troubled accounts, historical experience, and other currently available evidence. Amounts written off for the years presented are

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insignificant for disclosure.

**Inventory** - Inventory is carried at the lower of cost or market, as determined on the first-in, first-out method. Inventory costs are determined based on the average cost basis. The Company determines the allowance based on reviewing excess quantities and older product.

**Property and Equipment** - Property and equipment are stated at cost. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized, upon being placed in service. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed for financial statement purposes on a straight-line basis over the estimated useful lives of the assets which range from two to twenty-five years (See Note 3).

**Impairment of Long-Lived Assets** - In accordance with ASC 360, "*Property Plant and Equipment*", the Company tests long-lived assets or asset groups for recoverability when events or changes in circumstances indicate that the recarrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant decreases in the market price of the asset; significant adverse changes in the business climate or legal factors; accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and current expectation that the asset will more likely than not be sold or disposed of significantly before the end of its estimated useful life. Recoverability is assessed based on the carrying amount of the asset and its fair value which is generally determined based on the sum of the undiscounted cash flows expected to result from the use and the eventual disposal of the asset, as well as specific appraisal in certain instances. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value. Impairment losses of \$nil and \$nil were recognized during the periods ended June 30, 2025 and 2024, respectively.

**Intangible Assets** – Intangible assets consist of Goodwill and indefinite life intangible assets which include proprietary formulas and trademarks. Goodwill represents the excess of purchase price paid over the fair market value of identifiable net assets of companies acquired. The Company accounts for goodwill and indefinite life intangible assets in accordance with FASB ASC Topic 350, "Goodwill and Other Intangible Assets" and accordingly tests these assets on December 31 of each year for impairment. No amortization expense was recognized for the periods ended June 30, 2025 and 2024, respectively.

**Leases** – The Company accounts for leases in accordance with FASB ASC Topic 842 Leases wherein the Company (except for short-term leases) recognizes at the commencement date, an operating lease liability equal to the discounted present value of the lease payments excluding non-lease components, and an operating lease right-of-use asset based on the Company incremental borrowing rate. Lease payments are applied against the operating lease liability

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and lease expense. The operating lease right of use asset is amortized to expense on a straight-line basis over the term of the lease.

**Revenue Recognition and Sales Incentives** - The Company's accounts for revenue recognition in accordance with FASB ASC 606. Accordingly, the Company applies a principles-based five step model to recognize revenue upon the transfer of control of promised goods to customers and in an amount that reflects the consideration for which it expects to be entitled to in exchange for those goods. The principles-based five step model includes: 1) identifying the contract(s) with a customer; 2) identifying the performance obligations in the contract; 3) determining the transaction price; 4) allocating the transaction price to the performance obligations in the contract; and 5) recognizing revenue when (or as) the Company satisfies a performance obligation.

Performance Obligations. The Company's revenues primarily result from contracts with customers and distributors and generally have a single performance obligation – the shipment or delivery of products. The Company recognizes revenue when the performance obligation has been satisfied. The company has concluded that this occurs when the rights and risk of ownership have passed to the customer, when there is persuasive evidence of an arrangement, product has been shipped or delivered to the customer, the price and terms are finalized, and collection of resulting receivables is probable. Products are primarily shipped FOB shipping point at which time title passes to the customer. In some instances, the Company uses common carriers for the delivery of products. In these arrangements, sales are recognized upon delivery to the customer.

Transaction Price. The Company's revenue arrangements with its customers often include early payment discounts and such sales incentives as trade allowances, promotions, and co-operative advertising. We record revenues net of variable consideration, including estimated trade promotions.

These sales incentives are recorded at the later of when revenue is recognized or when the incentives are offered.

Contract Assets and Liabilities. The Company has no contract assets to record. Contract liabilities result from unclaimed promotions offered to customers which the Company estimates will be claimed. The resulting promotion expense is recorded as a reduction to revenues. These promotion expenses and related contract liabilities are estimated based principally on historical utilization, redemption rates, and/or current period experience factors. We review and adjust these estimates at least quarterly based on actual experience and other information.

Financing Components. Receivables from customers generally do not bear interest. Payment terms and collection patterns are short-term, and the Company does not have any significant financing components. The Company's allowance for doubtful accounts represents their

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estimate of probable non-payments and credit losses in its existing receivables, as determined based on a review of past due balances and other specific account data. Account balances are written off against the allowance when the Company deems the amount is uncollectible.

For a disaggregation of the Company's revenue into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors, see Note 9 (customer concentration by 3 largest brokers).

Net sales consisted of the following:

	FOR THE THREE MONTHS ENDED, JUNE 30,		FOR THE SIX MONTHS ENDED, JUNE 30,	
	2025	2024	2025	2024
Gross Sales	\$ 22,014,825	\$ 19,978,801	\$ 41,138,361	\$ 38,268,792
Less: Discounts	(494,914)	(339,719)	(605,381)	(614,436)
Promotions	(1,549,436)	(2,157,630)	(3,583,640)	(4,452,588)
Net Sales	\$ 19,970,475	\$ 17,481,452	\$ 36,949,340	\$ 33,201,768

**Shipping and Handling Fees and Costs** – The Company records all amounts billed to customers related to shipping and handling fees as revenue. The Company classifies expenses for shipping and handling costs as cost of goods sold.

**Cost of Sales** – The Company includes product costs (i.e., material, direct labor, and overhead costs), shipping and handling expense, production-related depreciation expense and product packaging expense in cost of sales.

**Advertising Cost** - Cost incurred in connection with advertising of the Company's products are expensed as incurred. Such costs amounted to \$128,783 and \$332,528, as well as \$633,424 and \$696,156 for the three- and six-months ended June 30, 2025, and 2024, respectively.

**Research and Development Cost** - The Company expenses research and development costs for the development of new products as incurred. Included in general and administrative expense for the three- and six-months ended June 30, 2025, and 2024 are \$62,433 and \$150,221, and \$133,598 and \$240,214 respectively, of research and development costs.

**Income Taxes** - The Company accounts for income taxes in accordance with FASB ASC Topic 740 Accounting for Income Taxes. This statement requires an asset and liability approach for accounting for income taxes.

**Earnings Per Share** – The Company calculates earnings per share in accordance with FASB ASC 260 Earnings Per Share. Basic earnings per common share (EPS) are based on the weighted average number of common shares outstanding during each period. Diluted earnings per common share are based on shares outstanding (computed as under basic EPS) and potentially dilutive common shares. Potential common shares included in the diluted earnings per share calculation include in-the-money stock options that have been granted but have not

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been exercised.

**Fair Value of Financial Instruments** - The Company accounts for fair value measurements for financial assets and financial liabilities in accordance with FASB ASC Topic 820. The authoritative guidance, which, among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. Fair value is defined as the exit price, representing the amount that would either be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Cash and cash equivalents are valued using Level 1 fair value inputs. Unless otherwise disclosed, the fair value of the Company's financial instruments including cash, accounts receivable, prepaid expenses, accounts payable and accrued liabilities approximate their recorded values due to their short-term maturities.

**Stock Options** - The Company accounts for the stock option issued in accordance with FASB ASC Topic 718, Compensation – Stock Compensation. Accordingly, the fair value estimated on the date of grant using the Black-Scholes option-pricing model is recognized over the vesting period of the underlying options.

**Treasury stock** - The Board of Directors may authorize share repurchases of the Company's common stock (Share Repurchase Authorizations). Share repurchases under these authorizations may be made through open market transactions, negotiated purchase or otherwise, at times and in such amounts as the Company, and a committee of the Board, deem appropriate. Shares repurchased under Share Repurchase Authorizations are held in treasury for general corporate purposes, including issuances under various employee share-based award plans. Treasury shares are accounted for under the cost method and reported as a reduction of Stockholders' Equity. Share Repurchase Authorizations may be suspended, limited, or terminated at any time without notice.

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**Certain Risks and Concentrations** – The Company’s revenues are primarily generated from a few customers. One individual customer represented approximately 50% of the Company’s revenues for the three-month periods ended June 30, 2025, and 2024, respectively. One customers made greater than 62% of the Company’s accounts receivables on June 30, 2025. See Note 9.

The Company is subject to concentrations of credit risk primarily from cash and cash equivalents and from accounts receivable. It manages its credit risk exposure through timely assessment of its counterparty creditworthiness, credit limits, and use of collateral management.

The Company’s main product ingredient, basil, is obtained from two main US based suppliers. The Company has entered into long-term supply agreements with these suppliers, and believes that they have significant volumes of inventory available to supply the Company’s demand.

The Company is subject to risks associated with materials purchased from international suppliers, including the effects of current wars and other international conflicts, as well as recently imposed tariffs and any potential future changes in tariffs. Currently, the Company believes that the uncertainty from tariffs currently will not have a material impact, is continuing to evaluate the potential impact of these developments as well as our ability to mitigate the impact.

**Recently Enacted Accounting Standards** – Recent accounting pronouncements issued by the FASB did not or are not believed by management to have a material impact on the Company’s present or future financial statements.

## NOTE 2 - INVENTORY

Inventory consisted of the following:

	<u>June 30,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Raw Materials and Supplies	\$ 2,550,078	\$ 2,240,139
Work in Progress	-	-
Finished Goods	5,342,090	2,398,018
Reserve for Obsolescence	(271,481)	(271,481)
	<u>\$ 7,620,687</u>	<u>\$ 4,366,676</u>

## NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment, net consisted of the following:

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		June 30, 2025	December 31, 2024
	Useful Life		
Office equipment & furniture	2 – 10	\$ 2,411,877	\$ 1,010,072
Machinery and equipment	5 – 20	6,233,333	6,120,247
Leasehold improvements	3 – 25	6,935,034	3,731,131
Construction in progress		201,128	4,073,733
		15,781,372	14,935,183
Less Accumulated Depreciation		(7,401,405)	(7,012,588)
Net Property and Equipment		\$ 8,379,967	\$ 7,922,595

Depreciation expense amounted to the following for the three- and six-month periods ended June 30, 2025, and 2024:

	FOR THE THREE MONTHS ENDED JUNE 30, 2025	2024
Depreciation Expense recorded to G&A	\$ 65,462	\$ 44,248
Depreciation Expense recorded to Cost of Goods Sold	136,533	112,959
Total Depreciation Expense	\$ 201,995	\$ 157,207

  

	FOR THE SIX MONTHS ENDED JUNE 30, 2025	2024
Depreciation Expense recorded to G&A	\$ 92,416	\$ 89,481
Depreciation Expense recorded to Cost of Goods Sold	296,401	226,901
Total Depreciation Expense	\$ 388,817	\$ 316,382

#### NOTE 4 –INTANGIBLE ASSETS

**Goodwill - Goodwill** represents the excess of the cost of purchasing Alborough, Inc. over the fair market value of the assets on May 20, 1996 less applicable amortization prior to the adoption of FASB ASC Topic 350. On June 30, 2025, and December 31, 2024, Goodwill amounted to \$375,438.

**Trademarks - Trademarks** represent the current costs seeking trademarks. On June 30, 2025, and December 31, 2024, trademarks amounted to \$75,576.

On December 31 of each year, the Company tests its goodwill and trademarks for impairment in accordance with FASB ASC Topic 350. The Company uses the quoted market price of its stock and projected earnings to test goodwill and trademarks for impairment and determined that the Company's goodwill and trademarks were not impaired.

#### NOTE 5 - LEASES

**Operating Leases –** The Company currently has three operating leases for the manufacturing facility, a warehouse location and the administrative offices.

Supplemental balance sheet information related to leases consisted of the following:

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	<u>June 30,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Operating lease right of use assets	\$ 1,036,164	\$ 1,364,468
Operating lease liabilities	\$ 1,121,458	\$ 1,460,321
Weighted average remaining lease term (yrs)	1.6	2.2
Weighted average discount rate	2.075%	2.075%

Supplemental cash flow information related to leases consisted of the following:

	<u>FOR THE THREE MONTHS ENDED,</u> <u>June 30,</u>		<u>FOR THE SIX MONTHS ENDED,</u> <u>June 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Cash paid for lease liabilities	\$ 176,278	\$ 180,299	\$ 352,555	\$ 354,973

The components of operating lease expenses were recorded as follows:

	<u>FOR THE THREE MONTHS ENDED,</u> <u>June 30,</u>		<u>FOR THE SIX MONTHS ENDED,</u> <u>June 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Operating expenses	\$ 26,293	\$ 29,443	\$ 52,586	\$ 58,758
Costs of goods sold	142,716	141,635	283,431	286,994
Total Lease Expense	\$ 169,009	\$ 171,078	\$ 336,017	\$ 345,752

Maturities of operating lease liabilities were as follows:

<u>Year Ended December 31,</u>	<u>Future Minimum</u> <u>Lease Payments</u>
2025	\$ 353,785
2026	725,680
2027	61,726
<b>Future Minimum Lease Payments</b>	<u>\$ 1,141,191</u>
Less amounts represent imputed interest	<u>(43,034)</u>
<b>Present value of minimum lease payments</b>	1,098,157
Less current portion of operating lease liability	<u>(678,962)</u>
<b>Operating Lease liability, net of current Portion</b>	<u>\$ 419,195</u>

## NOTE 6 - AGREEMENTS AND COMMITMENTS

**Manufacturing** - Certain of the Company's products are manufactured and packaged on a "co-pack" or "toll-pack" basis by third parties at agreed upon prices. The agreements with the co-packers have terms of one year and allow for periodic price adjustments. These agreements generally allow for either party to give a two-month cancellation notice.

**Debt Financing (line of credit)** – In October 2024, the Company secured a \$3,500,000 line

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of credit through a financial institution which expires on November 5, 2025. When the line of credit expires any outstanding balance on the loan must be paid in full. During the loan period, the Company may borrow, repay, and borrow again from time to time under this line of credit up to the credit limit. Interest accrues on any unpaid balance at a floating rate equal to the Daily Simple SOFR plus 2%. This line is collateralized with the Company's inventory, and equipment. No amounts have been drawn against this line of credit as of June 30, 2025.

**401(K) Profit Sharing Plan** - The Company has a 401(K) profit sharing plan and trust (the "Plan") that was effective November 1, 2020 with a Plan year of January 1 through December 31. Under the Plan, any employees who were employed by the Company during 90 consecutive days of employment and reached age 21 were eligible to participate in the Plan. The Company matches 100% of contributions up to 3% of participants' gross compensation, and then matches 50% of up to the next 2% of compensation. Also under the Plan, Participants are also eligible to receive a discretionary contribution of up to 2% of their base compensation depending on the Company's financial performance. During the periods three- and six-months ended June 30, 2025 and 2024, the Company's matching contributions recorded in General, administrative and selling expenses amounted to \$33,093 and \$150,383, as well as \$31,653 and \$113,466, respectively.

**Phantom Stock Bonus Program** - In March 2019, the Company's Board of Directors approved the adoption of a phantom stock bonus program (the "2019 Phantom Stock Plan" or the "Plan"). The Plan provides a means to promote company profitability by awarding cash bonuses upon each participants' exercise that simulate the financial benefits of common stock ownership. The Plan allows for the issuance of up to 1,000,000 shares of phantom stock expiring 10 years from the date of grant with vesting terms and exercise prices to be determined by the Board of Directors from time to time upon the issuance of phantom stock to employees, directors and consultants of the Company.

Under the Plan the Company will pay to the holder of the phantom stock the difference between the current share price and exercise price (intrinsic value) on the date of exercise. Due to the fact that these bonus awards will be settled by payment of cash rather than issuance of equity, the phantom stock has been accounted for as a stock appreciation right and is recorded as a liability.

At the end of each reporting period, the Company will remeasure the current fair value of the award and adjust the liability and cumulative compensation expense to the appropriate portion of the total fair value in relation to the portion of the vesting period that has been completed. After the awards are fully vested, the Company will remeasure the outstanding awards' fair value at the end of each reporting period, recognizing the entire change in fair value immediately in the income statement.

*Phantom Stock Liability*

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The Company has estimated the fair value of phantom stock liability as of June 30, 2025, and December 31, 2024, using the Black-Scholes option pricing model with the following assumptions:

	<u>June 30,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Expected term (in years)	0.68 - 5.93	1.18 - 6.43
Volatility	22.81% - 25.39%	20.73% - 24.45 %
Risk Free Rate	3.65% - 3.92%	4.12 % - 4.38 %
Dividend Yield	0.00%	0.00%
Expected forfeiture rate	7.0%	4.4%

Total compensation expense recorded during the three- and six-month periods ended June 30, 2025 and 2024, amounted to approximately \$114,553 and \$(55,790), as well as \$(201,638) and \$874,363 respectively. The Company has a remaining balance of approximately \$272,974 in unrecognized compensation expense as of June 30, 2025, which is expected to be recognized through June 5, 2034.

A summary of phantom stock activity during the period is presented below:

	<u>Shares</u>	<u>Weighted Average</u> <u>Exercise Price</u>
Outstanding 12/31/2024	820,000	\$ 3.31
Granted	-	-
Exercised	(399,144)	2.74
Expired / Forfeited	(19,697)	-
Outstanding 6/30/2025	401,159	\$ 3.80
Exercisable 6/30/2025	327,730	\$ 3.42
Vested and expected to vest	394,162	\$ 3.77

A summary of the status of the phantom stock outstanding under the Plan at June 30, 2025 is presented below:

<u>Range of Exercise</u> <u>Prices</u>	<u>Number</u> <u>Outstanding</u>	<u>Weighted Average</u> <u>Remaining Life</u>	<u>Number</u> <u>Exercisable</u>	<u>Weighted</u> <u>Average</u> <u>Exercise Price</u>
\$2.38	30,000	4.97	30,000	\$ 2.38
\$3.22	40,000	4.68	40,000	\$ 3.22
\$3.33	200,000	3.33	200,000	\$ 3.33
\$3.48	30,000	5.98	30,000	\$ 3.48
\$4.75	1,159	8.53	1,159	\$ 4.75
\$5.50	100,000	8.94	26,571	\$ 5.50
	401,159		327,730	

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In January 2025, and March 2025 three employees who had a total of 299,144 shares of vested phantom stock elected to exercise their vested shares. The total payout of these shares totaled \$1,554,525, based on a weighted average market price of \$7.74/share, and a weighted average exercise price of \$2.54/share.

In June 2025, one former employee elected to exercise a total of 100,000 vested shares of phantom stock. As of June 30, 2025, \$463,000 was accrued based on the market price of \$7.96/share, and an exercise price of \$3.33/share.

*Phantom Stock Dividends*

In September 2022, the Company's Board of Directors approved the amended and restated phantom stock bonus program (the "2022 Phantom Stock Plan" or the "2022 Plan"). The 2022 Plan grants an additional right to holders of phantom stock, whereby entitling each holder of phantom stock to an amount of cash dividends equal to the holder's vested shares of phantom stock upon the declaration of dividends to common shareholders. On June 24, 2025, the Board declared a \$0.04 dividend per share of common stock. As such, all holders of phantom stock were entitled to a \$0.04 cash dividend at \$0.04 multiplied by the holder's percentage of vested shares of phantom stock. On June 30, 2025, a total of \$16,000 was accrued for the cash phantom stock dividend and recorded to accounts payable and contract liabilities and accrued payroll on the balance sheet.

**NOTE 7 - EARNINGS PER SHARE**

For the periods ended June 30 2025 and 2024, the Company had no options that were included in the computation of diluted earnings per share as they are not in the money. Because phantom stock awards do not result in the potential issuance of common stock, they are not potential common shares and are not included as dilutive securities.

**NOTE 8 - STOCKHOLDERS' EQUITY**

**Preferred Stock** - The Company is authorized to issue 10,000,000 shares of no par value preferred stock with such rights and preferences and in such series as determined by the Board of Directors at the time of issuance. No shares are issued or outstanding as of June 30, 2025, and December 31, 2024.

**Dividends** - During the six- months ended June 30, 2025 and 2024, the Company paid total dividends of \$2,417,976 and \$5,428,714 to common shareholders, respectively, none of which were considered a liquidating dividend.

**Repurchase of Common Shares**

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On June 20, 2024, the Board authorized an increase in the Company's stock buyback program to purchase up to \$7 million of shares of common stock (the "Share Repurchase Authorizations") in the open market, through block trades, and/or private transactions as permitted by applicable legal requirements. The stock buyback program does not obligate the Company to acquire any particular amount of common stock, and it may be modified, extended or terminated by the Board of Directors at any time.

In March 2025, the Company's Board of Directors approved a \$5 million increase to its stock buyback program, bringing the total authorized amount for repurchases to \$12 million.

**Treasury Stock** – Shares repurchased under Share Repurchase Authorizations are held in treasury for general corporate purposes, including issuances under various employee share-based award plans. Treasury shares are accounted for under the cost method and reported as a reduction of Stockholders' Equity. Share Repurchase Authorizations may be suspended, limited or terminated at any time without notice. During the six-month period ended June 30, 2025, the Company repurchased 806,093 shares of common stock for a total of \$6,306,487 (or at a weighted average of \$7.82/share). As of June 30, 2025, the total balance of treasury stock held by the Company purchased under the program was 968,138 leaving the remaining available amount of treasury shares to repurchase of approximately \$4.6 million.

**2025 Equity Incentive Plan** – In April 2025, the Company introduced the 2025 Equity Incentive Plan (the "Plan"). The purposes of the Plan are to enable the Company to attract and retain the types of employees, consultants, and directors who will contribute to the Company's long-range success; provide incentives that align the interests of employees, consultants, and directors with those of the shareholders of the Company and promote the success of the Company's business. The persons eligible to receive Awards are the Employees, Consultants and Directors of the Company and its Affiliates and such other individuals approved by the Board who are reasonably expected to become Employees, Consultants and Directors after the receipt of Awards. Awards that may be granted under the Plan include: (a) Incentive Stock Options, (b) Non-qualified Stock Options, (c) Stock Appreciation Rights, (d) Restricted Awards, (e) Performance Share Awards, (f) Cash Awards, and (g) Other Equity-Based Awards. No more than 2,000,000 shares of common stock shall be available for the grant of awards under the plan (the "Total Share Reserve").

The following table summarizes stock options granted during the period ended June 30, 2025, under the Plan.

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

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	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining
Outstanding 12/31/2024	-	\$ -	-
Granted	600,000	8.79	4.10
Exercised	-	-	-
Expired / Forfeited	-	-	-
Outstanding 6/30/2025	600,000	\$ 8.79	4.10
Exercisable 6/30/2025	-	\$ -	-

A summary of the status of the stock options outstanding under the Plan at June 30, 2025 is presented below:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life	Number Exercisable	Weighted Average Exercise Price
\$ 7.91	300,000	4.10	-	\$ 7.91
\$ 8.00	100,000	4.20	-	\$ 8.00
\$ 10.00	100,000	4.10	-	\$ 10.00
\$ 11.00	100,000	4.10	-	\$ 11.00
	600,000		-	

During the period ended June 30, 2025 the Company granted 600,000 stock options. The Black-Scholes model was used to determine the fair value of the options granted using the following inputs: volatility of 21.9% - 21.34%, term of 4 years and risk free rate of 3.70% - 3.87%. The valuation determined the total fair value of to be \$737,826 that will be recognized over the vesting periods for the underlying option which ranges from 2 – 4 years.

A total of \$40,363 was recorded to compensation expense for options that vested during the period. There was \$697,503 in unrecognized compensation expense for unvested stock options as of June 30, 2025.

#### NOTE 9 - SIGNIFICANT CUSTOMERS / CONCENTRATION

The Company markets its products primarily through a network of independent food brokers and sells to various channels, including retail, food service, club-type stores, and industrial customers. These brokers act as sales representatives on behalf of the Company, negotiating distribution, pricing, and promotional activities with distributors and operators to drive sales growth. Brokers are compensated through commissions based on the sales and agreements they secure on behalf of the Company.

The Company sells its products both directly and through third-party distributors. These distributors purchase products from the Company and subsequently resell them to operators and other end users. As of June 30, 2025, and December 31, 2024, one distributor accounted for approximately 62% and 61% of the Company's outstanding accounts receivable, respectively.

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During the three- and six-month periods ended June 30, 2025, and 2024, 50% and 49%, and 55% and 55% respectively, of the Company's total gross sales were handled by a non-exclusive national distributor. This distributor is a master consolidator who buys various products in large quantities, stores them, and then ships consolidated products, primarily to other distributors from one of their twelve distribution centers located throughout the US.

During the three- and six-month periods ended June 30, 2025, and 2024, sales to the Company's distributor in Asia amounted to 7% and 8%, and 7% and 8%, respectively, of the Company's total gross sales. The Company's distributor in Asia accounted for 9% and 11% of outstanding receivables as of June 30, 2025, and December 31, 2024, respectively.

The Company's food brokers are paid commissions ranging from 1% to 4% of estimated sales depending on products sold and selling price. The following table lists the total gross sales from continuing operations through each of the Company's top three brokers (2024 has been restated for comparative consistency due to industry consolidation of brokers in 2024):

	<u>FOR THE THREE MONTHS ENDED JUNE 30,</u>		<u>FOR THE SIX MONTHS ENDED JUNE 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Broker A \$	11,683,854	\$ 7,442,723	\$ 21,705,719	\$ 14,415,058
Broker B	2,037,912	1,699,974	4,032,149	3,279,519
Broker C	1,532,180	1,283,894	2,864,373	2,532,717

#### NOTE 10 – SUBSEQUENT EVENTS

On July 4, 2025, H.R.1, also referred to as the One Big Beautiful Bill Act (OBBBA), was signed into law in the U.S. The OBBBA includes changes to U.S. federal tax law, including extending and modifying certain key Tax Cuts and Jobs Act of 2017 provision, and provisions allowing accelerated tax deductions for qualified property and research expenditures. As the legislation was signed into law after June 30, 2025, any impact of the OBBA is not reflected in our condensed consolidated financial statements. The Company is currently evaluating the impact on its consolidated financial statements.

#### SUPPLEMENTAL INFORMATION

##### I. SAFE HARBOR

This supplemental information contains forward-looking statements within the meaning of U.S. securities laws, including statements regarding the Company's goals and growth prospects. These forward looking statements are subject to certain risks and uncertainties that could cause the actual results to differ materially from those projected, including general economic conditions, fluctuations in customer demand,

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competitive factors such as pricing pressures on existing products, and the timing and market acceptance of new product introductions, the Company's ability to achieve manufacturing efficiencies necessary for profitable sales at current pricing, and the risk factors listed from time-to-time in the Company's annual and quarterly reports. The Company assumes no obligation to update the information included in this supplemental information, except as required by law.

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