

A & W Food Services of Canada Inc.

Interim Condensed Consolidated
Financial Statements
Third Quarter of Fiscal 2025

For the 12-week and 36-week periods ended
**September 7, 2025 and September 8,
2024**

A&W Food Services of Canada Inc.

Interim Condensed Consolidated Balance Sheets

(Unaudited, in thousands of Canadian dollars)

	Note	September 7, 2025 \$	December 29, 2024 (Revised – Note 7) \$
Assets			
Cash and cash equivalents		7,305	22,534
Accounts receivable		50,740	41,934
Leases receivable	6	32,548	32,457
Inventories		6,348	12,170
Prepaid expenses		3,283	5,376
Income taxes recoverable		822	-
Total Current Assets		101,046	114,471
Other receivables		3,361	3,374
Deferred tax assets		12,219	10,567
Right-of-use assets	6	20,115	22,490
Leases receivable	6	601,399	600,616
Plant and equipment		8,210	8,953
Intangible assets	7	493,935	494,366
Total assets		1,240,285	1,254,837
Liabilities			
Accounts payable and accrued liabilities		46,775	67,126
Dividends payable		11,519	-
Lease liabilities	6	35,729	35,610
Deposits on franchise and equipment sales		15,480	14,861
Deferred revenue		2,606	2,584
Income taxes payable		-	2,866
Total Current Liabilities		112,109	123,047
Deferred revenue		30,297	29,848
Operating loan facility	8	247,100	257,149
Derivative financial liabilities	8	2,177	-
Lease liabilities	6	620,929	622,602
Supplementary retirement benefit plan		10,389	10,974
Other long-term liabilities		11	11
Total Liabilities		1,023,012	1,043,631
Shareholders' equity			
Share capital	9	417,925	417,925
Contributed surplus	10	1,057	-
Accumulated deficit	7	(203,237)	(207,072)
Total Shareholders' equity		215,745	210,853
Non-controlling interest		1,528	353
Total equity		217,273	211,206
Total liabilities and equity		1,240,285	1,254,837

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

A&W Food Services of Canada Inc.

Interim Condensed Consolidated Statements of Income

(Unaudited, in thousands of Canadian dollars)

	Note	12-week period ended September 7, 2025 \$	12-week period ended September 8, 2024 \$	36-week period ended September 7, 2025 \$	36-week period ended September 8, 2024 \$
Revenue					
Franchising	11	65,301	69,940	184,215	181,986
Corporate restaurants		5,904	6,061	16,900	17,117
		71,205	76,001	201,115	199,103
Expenses (income)					
Operating costs		31,773	45,962	101,740	108,080
General and administrative expenses		10,786	10,762	32,796	33,578
Royalty expense	17	-	13,742	-	38,260
Finance income	13	(6,117)	(5,884)	(18,045)	(17,150)
Finance expense	13	9,732	6,117	29,194	18,217
Loss on interest rate swap	8	1,420	-	2,177	-
Amortization of deferred gain		-	(880)	-	(2,641)
Share of income from associates		-	(2,786)	-	(8,230)
		47,594	67,033	147,862	170,114
Income before income taxes		23,611	8,968	53,253	28,989
Provision for (recovery of) income taxes					
Current		7,209	(195)	14,733	3,920
Deferred		(1,156)	2,677	(821)	2,278
		6,053	2,482	13,912	6,198
Net income for the period		17,558	6,486	39,341	22,791
Net income attributable to					
Shareholders of A&W Food Services of Canada Inc.		17,122	4,009	38,166	14,311
Non-controlling interest		436	2,477	1,175	8,480
		17,558	6,486	39,341	22,791

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

A&W Food Services of Canada Inc.

Interim Condensed Consolidated Statements of Comprehensive Income

(Unaudited, in thousands of Canadian dollars, except for number of shares and per share amounts)

	Note	12-week period ended September 7, 2025 \$	12-week period ended September 8, 2024 \$	36-week period ended September 7, 2025 \$	36-week period ended September 8, 2024 \$
Net income for the period		17,558	6,486	39,341	22,791
Other comprehensive gain					
Actuarial gain (loss) on supplementary retirement benefit plan – net of tax		187	(161)	226	124
Comprehensive income		17,745	6,325	39,567	22,915
Comprehensive income attributable to					
Shareholders of A&W Food Services of Canada Inc.		17,309	3,848	38,392	14,435
Non-controlling interest		436	2,477	1,175	8,480
		17,745	6,325	39,567	22,915
Net income per share					
Basic	15	\$ 0.71	\$ 0.42	\$ 1.59	\$ 1.51
Diluted	15	\$ 0.71	\$ 0.42	\$ 1.59	\$ 1.51
Weighted average number of shares outstanding (thousands)					
Basic	15	23,998	9,495	23,998	9,495
Diluted	15	24,097	9,495	24,065	9,495

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

A&W Food Services of Canada Inc.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Unaudited, in thousands of Canadian dollars)

	Note	Share capital \$	Contributed Surplus \$	Accumulated deficit \$	Total \$	Non- controlling interest \$	Total equity (deficiency) \$
Balance – December 31, 2023		14,043	-	(225,970)	(211,927)	89,475	(122,452)
Net income for the period		-	-	14,311	14,311	8,480	22,791
Dividends on common shares		-	-	(11,923)	(11,923)	(5,777)	(17,700)
Actuarial gain on supplementary retirement benefit plan – net of tax		-	-	124	124	-	124
Balance – September 8, 2024		14,043	-	(223,458)	(209,415)	92,178	(117,237)
Balance – December 29, 2024	7	417,925	-	(207,072)	210,853	353	211,206
Net income for the period		-	-	38,166	38,166	1,175	39,341
Dividends on common shares		-	-	(34,557)	(34,557)	-	(34,557)
Stock-based compensation on equity-settled plans	10	-	1,057	-	1,057	-	1,057
Actuarial gain on supplementary retirement benefit plan – net of tax		-	-	226	226	-	226
Balance – September 7, 2025		417,925	1,057	(203,237)	215,745	1,528	217,273

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

A&W Food Services of Canada Inc.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited, in thousands of Canadian dollars)

	Note	12-week period ended September 7, 2025 \$	12-week period ended September 8, 2024 \$	36-week period ended September 7, 2025 \$	36-week period ended September 8, 2024 \$
Cash provided by (used in)					
Operating activities					
Net income for the period		17,558	6,486	39,341	22,791
Adjustments for					
Depreciation of plant and equipment	12	326	388	1,004	1,205
Amortization of intangibles	12	466	448	1,685	1,138
Depreciation of right-of-use assets	12	650	604	1,935	1,848
Deferred income taxes		(1,156)	2,677	(821)	2,278
Stock-based compensation	10	459	-	1,057	-
Net loss on disposal of plant and equipment		-	636	23	636
Increase in deposits on franchise and equipment sales		1,590	9,508	619	18,959
Decrease (increase) in other receivables		5	(1,419)	13	(1,714)
Supplementary retirement benefit plan		(205)	(203)	(615)	(609)
Increase in deferred revenue		581	1,172	471	1,426
Amortization of deferred gain		-	(880)	-	(2,641)
Use of provision for impairment of leases receivable	6	(2)	-	(30)	-
Share of income from associates		-	(2,786)	-	(8,230)
Current income tax expense (recovery)		7,209	(195)	14,733	3,920
Income tax (paid) recovered		(4,786)	3,668	(19,334)	(448)
Loss on interest rate swap	8	1,420	-	2,177	-
Finance income	13	(6,117)	(5,884)	(18,045)	(17,150)
Finance expense	13	9,732	6,117	29,194	18,217
Finance interest received		20	107	117	214
Finance expense paid		(3,465)	(42)	(12,111)	(381)
Changes in items of non-cash working capital	14	(7,085)	6,574	(18,912)	3,615
		17,200	26,976	22,501	45,074
Investing activities					
Purchase of plant and equipment		(164)	(86)	(362)	(791)
Purchase of intangible assets	7	(30)	(253)	(1,025)	(638)
Transaction costs capitalized	7	-	(1,023)	(151)	(1,023)
Dividends and distributions received from associates		-	2,888	-	6,979
Proceeds from disposal of plant and equipment		-	1,126	-	1,126
		(194)	2,652	(1,538)	5,653
Financing activities					
Repayment of principal on lease liabilities		(866)	(800)	(2,622)	(2,429)
Repayment of the Credit Facility		-	-	(10,509)	-
Repayment of the Former Credit Facility		-	(8,580)	-	(15,726)
Financing fees paid on the Credit Facility		(23)	-	(23)	-
Dividends paid to shareholders		(11,519)	(1,891)	(23,038)	(10,961)
Dividends paid to non-controlling interest		-	(997)	-	(5,777)
		(12,408)	(12,268)	(36,192)	(34,893)
Increase (decrease) in cash and cash equivalents during the period		4,598	17,360	(15,229)	15,834
Cash and cash equivalents – beginning of period		2,707	2,329	22,534	3,855
Cash and cash equivalents – end of period		7,305	19,689	7,305	19,689

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

A&W Food Services of Canada Inc.

Notes to Interim Condensed Consolidated Financial Statements

September 7, 2025

(Unaudited, figures in tables expressed in thousands of Canadian dollars unless otherwise noted)

1 General information

A & W Food Services of Canada Inc. (formerly “A&W of Canada Inc.”) (the “Company” or “Food Services”) is in the business of developing and franchising quick service restaurants in Canada and owns the A&W trademarks used in the A&W quick service restaurant business in Canada. During the 36-week period ended September 7, 2025, the Company opened 14 new A&W locations and permanently closed three A&W locations, bringing the total number of A&W restaurants as at September 7, 2025 to 1,084, of which 1,074 are franchised and ten are owned and operated corporately. Food Services also holds the master franchise rights in Canada for the UK-based restaurant chain Pret A Manger (“Pret”) and owns and operates one stand-alone Pret location as of September 7, 2025. Food Services’ registered offices are located at Suite 300 – 171 West Esplanade, North Vancouver, British Columbia, Canada.

Fiscal 2024 Transaction

Prior to the completion of the Transaction (as defined and disclosed below), A&W of Canada Inc. (“A&W Canada”) held a 65.48% interest in AWFS Holdings Inc. (“AWFS Holdings”) and as a result, controlled AWFS Holdings, and AWFS Holdings controlled a predecessor of the Company, also named A & W Food Services of Canada Inc. (“predecessor A&W Food Services”). An equity interest of 34.52% in AWFS Holdings was owned by outside parties and was recorded as a non-controlling interest in the consolidated financial statements of A&W Canada. Subsequent to the Transaction, the outside parties became direct shareholders of Food Services and as such their respective ownership is presented within share capital and retained earnings on the consolidated balance sheet as at December 29, 2024 and September 7, 2025.

Prior to completion of the Transaction, predecessor A&W Food Services paid A&W Trade Marks Limited Partnership (“the Partnership”), a subsidiary of A&W Revenue Royalties Income Fund (the “Fund”) a royalty for use of the A&W trademarks in Canada. As a result of the Transaction, Food Services indirectly acquired the A&W trademarks by acquiring all of the outstanding units of the Fund (“Trust Units”) and since the Transaction, Food Services ceased recognizing the royalty expense in its consolidated statement of income.

A combination agreement in respect of the Transaction was entered into on July 21, 2024, whereby predecessor A&W Food Services agreed to amalgamate with certain of its direct and indirect holding companies to form a new publicly-traded company and acquire all of the issued and outstanding Trust Units not already owned by predecessor A&W Food Services (the “Transaction”).

Prior to the Transaction, predecessor A&W Food Services owned (i) 9.4% of the outstanding Trust Units on a fully diluted basis through its ownership of limited voting units of the Fund, with the remaining Trust Units being publicly traded, and (ii) 21.9% of the issued and outstanding common shares of A&W Trade Marks Inc. (“Trade Marks”), which were exchangeable for Trust Units, with the remaining common shares being owned by the Fund. Food Services accounted for its investments in the Fund and Trade Marks as investments in associates and recognized its proportionate share of the associate’s income or loss based on the associate’s net income/loss for the reporting period.

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In preparation for the Transaction, a number of reorganization steps, including those set forth below, were undertaken:

- a shareholder of A&W Canada exchanged all of its shares of A&W Canada for (i) Class B Preferred Shares (the “Preferred Shares”) and (ii) Class E Common Shares of A&W Canada. Through a series of steps, the Preferred Shares were, directly or indirectly, later exchanged for non-interest bearing promissory notes of Buddy Holdings Inc., payable on demand with an aggregate principal amount of \$12,522,000; and
- in order to simplify the existing organizational structure of A&W Food Services of Canada Inc and its, direct and indirect, corporate shareholders, Buddy Holdings Inc., A&W Trademarks Holdings Inc. and AWFS Fund Holdings Canada Ltd. were incorporated.

The Transaction closed on October 17, 2024 and on that day, Buddy Holdings Inc., A&W Canada, AWFS Holdings, A&W Holdings I Inc., A&W Holdings II Inc. (collectively, the “Holding Companies”) and predecessor A&W Food Services amalgamated. The amalgamated entity retained the legal name A & W Food Services of Canada Inc.

On October 18, 2024, Food Services acquired all of the Trust Units that it did not already own in exchange for consideration of \$175,623,000 in cash and 9,839,091 common shares of Food Services less \$18,275,000 in cash and intercompany receivables assumed upon Trade Marks and the Fund becoming wholly owned subsidiaries of Food Services. This was accounted for as an asset acquisition in fiscal 2024. Additional information is disclosed in note 7. This was funded by way of a \$265,000,000 drawn down on a revolving credit facility (the “Credit Facility”) with a syndicate of banks that was entered into in conjunction with the completion of the Transaction. Proceeds from the Credit Facility were also used to repay Trade Marks’ outstanding borrowings balance, totaling \$60,167,000. Food Services incurred \$3,523,000 of borrowing costs which were capitalized against the operating loan facility. Additional information is disclosed in note 8.

In connection with the Transaction, the Trust Units were de-listed from the Toronto Stock Exchange (“TSX”) and the common shares of Food Services were listed on the TSX under the symbol AW.TO.

On October 18, 2024, Food Services repaid the non-interest bearing promissory notes payable on demand with an aggregate principal amount of \$12,522,000.

On January 3, 2025, the Fund and Trade Marks were dissolved and Food Services directly acquired the A&W trademarks.

2 Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, - *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with Food Services’ audited annual consolidated financial statements as at December 29, 2024 which were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”).

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Fiscal year

To align its financial reporting with the business cycle of its operations, the Company uses a fiscal year comprising a 52- or 53-week period ending the Sunday nearest December 31. The fiscal 2025 year is 52 weeks and ends December 28, 2025 (fiscal 2024 – 52 weeks ended December 29, 2024). A&W Root Beer Beverages of Canada Inc. (“A&W Beverages”), Food Services’ subsidiary, uses a fiscal year ending December 31.

Consolidation

These interim condensed consolidated financial statements include the accounts of Food Services and its 60% controlling interest in A&W Beverages.

These unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors (the “Board”) on October 16, 2025.

3 Material accounting policy information

These interim condensed consolidated financial statements have been prepared using the accounting policies as outlined in note 3 of the audited consolidated financial statements for the 52-week period ended December 29, 2024.

Equity incentive plan

Food Services adopted an Omnibus Long-Term Incentive Plan (the “Equity Incentive Plan”) in 2024 to allow for a variety of equity-based awards that provide different types of incentives to be granted to certain directors, officers, employees and/or consultants providing ongoing services to Food Services and its subsidiaries, being options (“Options”), performance share units (“PSUs”), restricted share units (“RSUs”) and deferred share units (“DSUs”). Options, PSUs, RSUs and DSUs are collectively referred to herein as “Awards”. Each Award represents the right to receive the Company’s shares or, in the case of PSUs, RSUs and DSUs, shares or cash, or a combination of shares and cash, at the Board’s sole discretion.

The expense related to Options is initially recognized based on the fair value of the option at the grant date using the Black-Scholes option-pricing model, with a corresponding increase in contributed surplus. When Options are exercised, the exercise price proceeds together with the amount initially recorded in contributed surplus are reclassified to share capital.

Compensation expense related to other equity-settled awards is measured based on an estimated fair value at the grant date, with a corresponding increase in contributed surplus. Upon settlement, the amount initially recognized in contributed surplus is reclassified to share capital.

For a share-based payment transaction in which the terms of the arrangement provide the Company with the choice to settle in cash or by issuing equity instruments, the Company determines whether it has a present obligation to settle in cash, including whether the Company has a past practice or stated policy of settling in cash. If the Company concludes that equity settlement is probable, it accounts for the Awards as equity-settled. If the Company concludes there is an obligation to cash-settle the Awards then the Company recognizes compensation expense that is based on the market value of the Company’s shares at grant date and a corresponding liability. The liability is subsequently remeasured at each reporting date based on the market

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value of the Company's shares, with changes in fair value recognized as stock-based compensation expense over the vesting period. There is a cash or equity settlement option on part of the Board for the RSUs. In the Company's judgment it expects to settle the RSU awards through equity and accordingly the awards have been accounted for as equity-settled Awards.

The compensation expense related to the Awards is recognized in general and administration expenses in the consolidated statement of income.

Interest rate swaps

Food Services uses interest rate swap agreements to manage risks from fluctuations in interest rates. All such instruments are used only for risk management purposes. Changes in the fair value of the interest rate swap agreements are recognized in the consolidated statement of income.

4 Accounting policy developments

In April 2024, the International Accounting Standards Board issued IFRS 18 - *Presentation and Disclosure in the Financial Statements* ("IFRS 18") replacing IAS 1 - *Presentation of Financial Statements*. IFRS 18 introduces a specified structure for the income statement by requiring income and expenses to be presented in three main categories, operating, investing and financing, and by specifying certain defined totals and subtotals. Where company-specific measures related to the income statement are provided ("management-defined performance measures") in a note to the financial statements, IFRS 18 requires a reconciliation to the closest IFRS Accounting Standard subtotal and an accompanying explanation related to the use of the management-defined performance measure. IFRS 18 provides additional guidance on principles of aggregation and disaggregation which apply to the primary financial statements and the notes. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements. Management is currently assessing the impact of future adoption of IFRS 18.

In May 2024, the International Accounting Standards Board published amendments to IFRS 9 - *Financial Instruments* ("IFRS 9") and IFRS 7 - *Financial Instruments: Disclosures* ("IFRS 7"). The amendments to IFRS 9 clarify de-recognition and classification of specific financial assets and liabilities respectively while the amendments to IFRS 7 clarify the disclosure requirements for investments in equity instruments designated at fair value through other comprehensive income and contractual terms that could change the timing or amount of contractual cash flows on the occurrence or non-occurrence of a contingent event. The amendments to IFRS 9 and IFRS 7 are effective for annual reporting beginning on or after January 1, 2026. Management is currently assessing the impact of future adoption of these amendments to IFRS 9 and IFRS 7.

5 Critical accounting estimates and judgments

The preparation of interim condensed consolidated financial statements in conformity with IFRS Accounting Standards requires management to make estimates and assumptions that affect the amounts reported in the interim condensed 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.

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The areas of judgment that have the most significant effect on the amounts recognized in these interim condensed consolidated financial statements are disclosed in note 5 of the Company's annual consolidated financial statements for the 52-week period ended December 29, 2024.

6 Leases

Leases receivable

Food Services is considered an intermediate lessor on certain franchise locations. The following table presents the leases receivable for the Company:

	September 7, 2025	December 29, 2024
	\$	\$
Current leases receivable	32,548	32,457
Non-current leases receivable	601,399	600,616
	<u>633,947</u>	<u>633,073</u>

The following table outlines the annual contractual undiscounted payments for leases receivable as at September 7, 2025:

	\$
Year 1	59,046
Year 2	58,449
Year 3	57,179
Year 4	55,803
Year 5	53,090
Thereafter	<u>657,779</u>
Total undiscounted leases receivable	941,346
Unearned interest income	(305,888)
Provision for impairment	<u>(1,511)</u>
	<u>633,947</u>

Interest income on leases receivable for the 12-week and 36-week periods ended September 7, 2025 was \$6,097,000 and \$17,928,000, respectively (12-week and 36-week periods ended September 8, 2024 - \$5,769,000 and \$16,928,000, respectively).

Leases receivable are reviewed for impairment based on expected losses at each consolidated balance sheet date in accordance with IFRS 9. An impairment loss is recorded using the simplified expected credit loss ("ECL") method. Food Services has developed a risk matrix used to assess the credit risk of leases receivable where Food Services are guarantors for head leases and has included the ongoing uncertainty in its credit risk assumptions. Factors taken into consideration include restaurant concept, payment performance and future expectations for the restaurant operations. Food Services recorded an ECL provision on leases receivable of \$1,511,000 as at September 7, 2025 (December 29, 2024 - \$1,541,000). During the 12-week and 36-week periods ended September 7, 2025 no loss or recovery on impairment of leases receivable was recognized (12-week and 36-week periods ended September 8, 2024 - \$nil).

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The movement in the ECL on lease receivables is as follows:

	\$
Balance – December 29, 2024	1,541
Amount written off	(30)
Balance – September 7, 2025	<u>1,511</u>

Right-of-use assets

Right-of-use assets comprise the Company's leases for corporate restaurant premises, head office space, and automobiles. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date, which is the possession date of the asset. The right-of-use asset is initially measured based on the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received, and excludes all sales taxes. Right-of-use assets are depreciated to the earlier of the end of the useful life of the asset or the lease term using the straight-line method. The lease term includes periods associated with options to extend or excludes periods associated with options to terminate the lease when it is reasonably certain that management will exercise these options. Additionally, right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The following table represents right-of-use assets for the Company:

	Real estate \$	Automobiles \$	Total \$
Balance – December 29, 2024	20,665	1,825	22,490
Additions	566	840	1,406
Disposals	(1,471)	(13)	(1,484)
Remeasurement of lease liabilities	(362)	-	(362)
Depreciation	(1,229)	(706)	(1,935)
Balance – September 7, 2025	<u>18,169</u>	<u>1,946</u>	<u>20,115</u>

Lease liabilities

The Company's leases include base rent for restaurant premises and office space and automobiles. The Company is the head lessee for the majority of its franchised locations and enters into agreements whereby the Company licences the premises to the franchisee, for which the Company receives a premises licence fee. Under the licence agreement, the franchisee is responsible for the obligations under the lease. IFRS 16 - *Leases* requires Food Services, where it acts as the intermediate lessor, to recognize a lease receivable. The Company has included renewal options in the measurement of lease liability when it is reasonably certain to exercise the renewal option.

Lease liabilities are initially measured at the present value of the lease payments over the lease term. The lease term includes periods associated with options to extend or excludes periods associated with options to terminate the lease when it is reasonably certain that management will exercise these options. The lease payments are discounted using the interest rate implicit in the leases; if that cannot be readily determined, the Company uses its incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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The lease liabilities are measured at amortized cost using the effective interest method. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The Company has elected not to recognize a right-of-use asset and lease liability for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The following table presents the lease liabilities for the Company:

	September 7, 2025	December 29, 2024
	\$	\$
Current lease liabilities	35,729	35,610
Non-current lease liabilities	620,929	622,602
	<u>656,658</u>	<u>658,212</u>

Costs not included in the measurement of the lease liabilities are as follows:

	12-week period ended September 7, 2025	12-week period ended September 8, 2024	36-week period ended September 7, 2025	36-week period ended September 8, 2024
	\$	\$	\$	\$
Low-value lease costs	1	10	5	33
Variable lease costs	277	268	826	697
	<u>278</u>	<u>278</u>	<u>831</u>	<u>730</u>

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Notes to Interim Condensed Consolidated Financial Statements

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(Unaudited, figures in tables expressed in thousands of Canadian dollars unless otherwise noted)

7 Intangible assets

	Internally generated application software \$	A&W trademarks \$	Total \$
Balance – December 29, 2024			
Cost	9,012	488,067	497,079
Accumulated amortization	(2,713)	-	(2,713)
Net book value	6,299	488,067	494,366
Opening net book value	6,299	488,067	494,366
Additions	1,103	151	1,254
Amortization	(1,685)	-	(1,685)
Net book value	5,717	488,218	493,935
Balance – September 7, 2025			
Cost	10,115	488,218	498,333
Accumulated amortization	(4,398)	-	(4,398)
Net book value	5,717	488,218	493,935

On October 18, 2024, Food Services indirectly reacquired the A&W trademarks by acquiring all of the outstanding Trust Units not already owned by predecessor A&W Food Services.

The Company has revised certain financial information related to intangible assets that was previously included in the consolidated financial statements for the 52-week period ended December 29, 2024. The balance of the A&W trademarks as at December 29, 2024, has been increased from \$440,893,000 to \$488,067,000 to reflect an adjustment relating to the cost of the A&W trademarks acquisition which occurred on October 18, 2024. The impact to the consolidated balance sheet as at December 29, 2024 is noted in the 'Adjustment' column in the following table:

	December 29, 2024 (previously reported) \$	Adjustment \$	December 29, 2024 (revised) \$
Intangible assets	447,192	47,174	494,366
Total assets	1,207,663	47,174	1,254,837
Accumulated deficit	(254,246)	47,174	(207,072)
Total shareholders' equity	163,679	47,174	210,853
Total equity	164,032	47,174	211,206

The adjustment had no impact on the consolidated statements of income, consolidated statements of comprehensive income or consolidated statements of cash flows. Total assets, total shareholders equity and total equity all as at December 29, 2024 have also been updated to reflect the adjustment.

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Costs incurred to complete Food Services' acquisition of the A&W trademarks totaling \$18,784,000 were capitalized in fiscal 2024 and are included in the intangible assets balance as at December 29, 2024. Additional costs related to the acquisition of the A&W trademarks, totaling \$151,000, were capitalized in the 36-week period ended September 7, 2025 and are included in the intangible assets balances at September 7, 2025. See notes 1, 8 and 9 for further details on the Transaction.

Food Services performed its annual impairment test on the indefinite life intangible asset as at December 29, 2024, using a value-in-use model to determine the recoverable amount of the indefinite life intangible asset. The calculations were based on Food Services' internal forecasts and represent management's best estimates at a specific point in time, and, as a result, are subject to estimation uncertainty. In arriving at its estimated future cash flows, Food Services considered past experience, economic trends and forecasted industry trends. Cash flows are projected for a period of five years and then cash flows beyond that are extrapolated using an estimated terminal growth rate of 2%. Food Services assumed a pre-tax discount rate of 12.0% in order to calculate the present value of its projected cash flows. As a result of this test, it was concluded that no impairment was required. There were no indicators of impairment during the 12-week or 36-week periods ended September 7, 2025; therefore, no impairment testing was performed and no impairment was required.

8 Operating loan facility and interest rate swap

Prior to October 17, 2024, predecessor A&W Food Services had a \$40,000,000 demand operating loan facility ("Former Credit Facility") with a Canadian chartered bank (the "Bank"). The facility was used to fund working capital requirements and for general corporate purposes. On May 15, 2024, predecessor A&W Food Services extended the maturity date on the Former Credit Facility by one year to May 31, 2025. Under the Former Credit Facility account overdrafts bear interest at the Bank's prime rate plus 0.75% (at the Bank's prime rate plus 1% prior to the amendment). As part of the amendment, and in response to the cessation of Canadian Dollar Offered Rate which is the benchmark interest rate on bankers acceptances ("BAs"), the Former Credit Facility was also amended to transition from BAs to CORRA (as defined below) loans, in which the interest rate benchmark is Canadian Overnight Repo Rate Average ("CORRA"). The remaining terms and conditions were consistent with those of the Former Credit Facility that was in place prior to the May 15, 2024 amendment.

Amounts under the Former Credit Facility could be advanced in the form of an account overdraft or in the form of CORRA loans and were repayable on demand. The Former Credit Facility contained covenants including 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. Food Services was also required to pledge 5,000,000 Trade Marks common shares.

On October 17, 2024, Food Services replaced the Former Credit Facility with a new credit facility (the "Credit Facility"). The Credit Facility is revolving and allows for Food Services to borrow up to \$325,000,000 Canadian dollar equivalent, with a \$10,000,000 sublimit for letters of credit and letters of guarantee and a \$20,000,000 sublimit for a swingline.

The Credit Facility matures on October 17, 2029 and is available on a revolving basis by way of prime rate loans, term CORRA loans and daily compounded CORRA Loans in Canadian dollars, and U.S. base rate and term Secured Overnight Financing Rate ("SOFR") loans in U.S. dollars, and letters of credit in Canadian and U.S. dollars. The marginal rate payable on the prime rate loans and U.S. base rate loans ranges from 0.75% to 2.0%, based on Food Services' ratio of Total Debt to EBITDA, as defined in the credit agreement. The marginal rate

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payable on the term CORRA loans, daily compounded CORRA loans, term SOFR loans and letters of credit ranges from 1.75% to 3.0%, based on Food Services' ratio of Total Debt to EBITDA. The Credit Facility is secured by a first priority lien over all of the present and future undertakings and property of Food Services.

On October 17, 2024, Food Services drew down \$265,000,000 on the Credit Facility and used the proceeds to repay Trade Marks' \$60,000,000 term loan and the accrued interest, which totaled \$60,167,000, finance the \$175,623,000 purchase of 4,746,582 Trust Units and pay the financing fees associated with the Credit Facility. The Credit Facility will be used to fund working capital requirements and for general corporate purposes on an ongoing basis. Additional information on the Transaction is disclosed in notes 1, 7 and 9.

The Credit Facility contains covenants including the requirement to meet certain debt to EBITDA and interest coverage ratios during each trailing four quarter period. Food Services was in compliance with all of its financial covenants as at September 7, 2025 and December 29, 2024.

Financing fees, with an initial total cost of \$3,523,000, related to the Credit Facility are presented as a reduction to the carrying amount of the operating loan facility and are being amortized over the remainder of the five-year term of the Credit Facility.

Food Services uses interest rate swap agreements to manage risks from fluctuations in interest rates. To manage the interest rate risk associated with the Credit Facility, Food Services entered into an interest rate swap arrangement (the "Swap") on May 20, 2025. The Swap has a notional value of \$210,000,000 and a maturity of October 17, 2029. Under the Swap, as at September 7, 2025, the effective interest rate is 5.33% per annum (December 29, 2024 – n/a), comprising 3.08% per annum which is fixed under the Swap agreement until October 17, 2029 plus a 2.25% per annum marginal rate. The marginal rate ranges from 1.75% to 3.00%, depending on Food Services' ratio of Total Debt to EBITDA. The fair value of the Swap as at September 7, 2025 was \$2,177,000 unfavourable (December 29, 2024 - \$n/a). The \$2,177,000 loss on the Swap recognized in the 36-week period ended September 7, 2025 (2024 – n/a), represents the change in the fair value of the Swap, is recorded in the interim consolidated statements of income. The Company recognized a loss on interest rate swap of \$1,420,000 in the 12-week period ended September 7, 2025 (September 8, 2024 - \$nil).

The following table presents the operating loan facility for the Company:

	September 7, 2025 \$	December 29, 2024 \$
Amount of Credit Facility	325,000	325,000
Amounts drawn on Credit Facility	250,000	260,509
Less: Unamortized balance on financing fees	(2,900)	(3,360)
	<u>247,100</u>	<u>257,149</u>
Letters of guarantee issued under Credit Facility	198	198
Amount available on Credit Facility	<u>74,802</u>	<u>64,293</u>

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9 Share capital

Authorized

Unlimited number of common shares

Issued

	Number of Common Shares	Share Capital \$
Balance as at December 29, 2024	<u>23,997,781</u>	<u>417,925</u>
Balance as at September 7, 2025	<u>23,997,781</u>	<u>417,925</u>

Upon completion of the Transaction Food Services issued 9,839,091 common shares to Unitholders in exchange for their Trust Units and 14,158,701 common shares of Food Services were issued to indirect shareholders of predecessor A&W Food Services as of immediately prior to closing.

Prior to the completion of the Transaction, the preferred shareholders of A&W Canada exchanged their preferred shares for non-interest bearing promissory notes payable on demand with an aggregate principal amount of \$12,522,000. On October 18, 2024, Food Services repaid the non-interest bearing promissory notes in full.

Prior to completion of the Transaction, an equity interest of 34.52% in AWFS Holdings was owned by outside parties and was recorded as a non-controlling interest in the consolidated financial statements of A&W Canada. Subsequent to the Transaction, the outside parties became direct shareholders of Food Services and as such their respective ownership is presented within share capital and retained earnings on the consolidated balance sheet as at September 7, 2025 and December 29, 2024.

Additional information on the Transaction is disclosed in notes 1, 7 and 8.

10 Stock-based compensation

DSUs

During the 36-week period ended September 7, 2025, the Company issued 6,759 (2024-nil) DSUs to certain directors of the Company for services performed during the 36-week period ended September 7, 2025. The DSUs vest immediately at the time of grant and are not redeemable until the director ceases to be a member of the Board. The DSUs can be settled in cash, shares of the Company, or a combination thereof at the sole discretion of the Board. The Company determined that the 6,759 DSUs granted during the 36-week period ended September 7, 2025 are equity-settled transactions as the Company expects they will be fully settled in shares of the Company. Accordingly, an expense was recognized on the grant date equal to the fair value of the DSUs at the grant date and, with a corresponding increase in contributed surplus. During the 36-week period ended September 7, 2025, the Company recognized a stock-based compensation expense of \$218,000 (September 8, 2024 - \$nil) in relation to the DSUs granted. The Company recognized a stock-based compensation expense of \$76,000 in the 12-week period ended September 7, 2025 (September 8, 2024 - \$nil) in relation to the DSUs granted.

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The following table presents the outstanding DSUs for the Company for the 12- and 36-week periods ended on the dates indicated below:

	12-week period ended September 7, 2025 \$	12-week period ended September 8, 2024 \$	36-week period ended September 7, 2025 \$	36-week period ended September 8, 2024 \$
Outstanding – beginning of period	4,174	-	-	-
Granted	2,585	-	6,759	-
Outstanding – end of period	6,759	-	6,759	-
Vested and exercisable – end of period	6,759	-	6,759	-

RSUs

During the 36-week period ended September 7, 2025, the Company issued 94,468 (2024-nil) RSUs to certain employees of the Company. The RSUs vest over a period of one to five years and are settled in shares of the Company. The RSUs are accounted for as equity-settled transactions whereby an expense is recognized equal to the fair value of the RSUs at the grant date over the vesting period, with a corresponding increase in contributed surplus. During the 36-week period ended September 7, 2025, the Company recognized a stock-based compensation expense of \$839,000 (September 8, 2024 - \$nil) in relation to the RSUs issued. The fair value of the 94,468 RSUs issued was \$3,656,000 as at September 7, 2025 (2024-\$nil). The Company recognized a stock-based compensation expense of \$383,000 in the 12-week period ended September 7, 2025 (September 8, 2024 - \$nil) in relation to the RSUs granted.

The following table presents the outstanding RSUs for the Company for the 12- and 36-week periods ended on the dates indicated below:

	12-week period ended September 7, 2025 \$	12-week period ended September 8, 2024 \$	36-week period ended September 7, 2025 \$	36-week period ended September 8, 2024 \$
Outstanding – beginning of period	93,256	-	-	-
Granted	1,212	-	94,468	-
Outstanding – end of period	94,468	-	94,468	-
Vested and exercisable – end of period	-	-	-	-

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11 Franchising revenue

Franchising revenues disaggregated by revenue source are outlined below. The table also shows the basis on which franchising revenues are recognized.

	12-week period ended September 7, 2025 \$	12-week period ended September 8, 2024 \$	36-week period ended September 7, 2025 \$	36-week period ended September 8, 2024 \$
At a point in time				
Advertising fund contributions	15,567	14,749	42,277	40,994
Distribution revenue and service fees	35,733	32,793	97,783	92,345
Equipment and turnkey fees	9,628	19,256	31,809	37,496
Other revenue	3,400	2,992	10,053	8,899
Over time				
Initial franchise fees and renewal fees	973	150	2,293	2,252
	65,301	69,940	184,215	181,986

Equipment and turnkey fees includes revenues related to equipment sales for both new and existing restaurants.

12 Expenses by nature

Included in operating costs and general and administrative expenses are the following expenses by nature:

	12-week period ended September 7, 2025 \$	12-week period ended September 8, 2024 \$	36-week period ended September 7, 2025 \$	36-week period ended September 8, 2024 \$
Depreciation of plant and equipment	326	388	1,004	1,205
Amortization of intangible assets	466	448	1,685	1,138
Depreciation of right-of-use assets	650	604	1,935	1,848
Employee benefit costs				
Wages, salaries, bonuses and other termination benefits	8,916	8,550	26,059	26,172
Pension costs – defined contribution plan	254	253	817	803
Total employee benefit costs	9,170	8,803	26,876	26,975

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13 Finance income and expense

	12-week period ended September 7, 2025 \$	12-week period ended September 8, 2024 \$	36-week period ended September 7, 2025 \$	36-week period ended September 8, 2024 \$
Interest on cash and cash equivalents	20	115	117	222
Interest on leases receivable	6,097	5,769	17,928	16,928
Total finance income	6,117	5,884	18,045	17,150
	12-week period ended September 7, 2025 \$	12-week period ended September 8, 2024 \$	36-week period ended September 7, 2025 \$	36-week period ended September 8, 2024 \$
Interest on operating loan facility	3,083	22	9,581	345
Standby fees	69	26	198	44
Interest on supplementary retirement benefit plan	113	113	339	339
Interest on lease liabilities	6,306	5,956	18,593	17,489
Amortization of deferred financing fees	161	-	483	-
Total finance expense	9,732	6,117	29,194	18,217
	12-week period ended September 7, 2025 \$	12-week period ended September 8, 2024 \$	36-week period ended September 7, 2025 \$	36-week period ended September 8, 2024 \$
Finance income	(6,117)	(5,884)	(18,045)	(17,150)
Finance expense	9,732	6,117	29,194	18,217
Net finance expense	3,615	233	11,149	1,067

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14 Working capital

Changes in items of non-cash working capital are as follows:

	12-week period ended September 7, 2025	12-week period ended September 8, 2024	36-week period ended September 7, 2025	36-week period ended September 8, 2024
	\$	\$	\$	\$
Accounts receivable	(2,261)	3,518	(8,806)	703
Inventories	(195)	(4,737)	5,822	(5,377)
Prepaid expenses	1,054	1,371	2,093	1,098
Accounts payable and accrued liabilities	(5,683)	6,418	(18,021)	6,811
Royalties payable	-	4	-	380
	(7,085)	6,574	(18,912)	3,615

15 Net income per share

Net income per share is calculated by dividing the net income attributable to Food Services shareholders by the weighted average number of common shares outstanding during the period. In order to improve comparability of net income per share, the number of shares used to calculate the net income per share for the comparative 12- and 36-week periods ended September 8, 2024, which is prior to October 17, 2024 (the date of the Transaction), has been adjusted to reflect the equivalent number of common shares of Food Services that were outstanding after the reorganization steps described in notes 1 and 9 were undertaken, excluding the common shares issued to the outside party holding a non-controlling interest in Food Services prior to the completion of the Transaction and those issued to Unitholders as consideration for the Transaction which were incorporated into the weighted average number of shares from the date of the Transaction onwards.

	12-week period ended September 7, 2025	12-week period ended September 8, 2024	36-week period ended September 7, 2025	36-week period ended September 8, 2024
Net income attributable to shareholders of the Company and used to determine net income per share	\$17,122	\$4,009	\$38,166	\$14,311
Weighted average number of shares outstanding (thousands)	23,998	9,495	23,998	9,495
Net income per share	\$0.71	\$0.42	\$1.59	\$1.51

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Diluted net income per share for the periods indicated below were calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares as follows:

	12-week period ended September 7, 2025	12-week period ended September 8, 2024	36-week period ended September 7, 2025	36-week period ended September 8, 2024
Net income attributable to shareholders of the Company and used to determine diluted net income per share	\$17,122	\$4,009	\$38,166	\$14,311
Weighted average number of shares outstanding (thousands)	23,998	9,495	23,998	9,495
Dilutive effect of RSUs and DSUs (note 10)	99	-	67	-
Weighted average number of shares for diluted net income per share (thousands)	24,097	9,495	24,065	9,495
Diluted net income per share	\$0.71	\$0.42	\$1.59	\$1.51

16 Financial instruments and financial risk management

Food Services' financial instruments consist of cash and cash equivalents, accounts receivable, leases receivable, other receivables, accounts payable and accrued liabilities, lease liabilities, the operating loan facility and the interest rate swap.

Fair values

Management estimates that the fair values of cash and cash equivalents, accounts receivable, other receivables, and accounts payable and accrued liabilities and operating loan facility approximate their carrying values given the short term maturity of these instruments. The fair value of leases receivable approximates their carrying value as the implicit interest used to discount the base value is considered to be based on an appropriate credit and risk rate pertaining to Food Services. The Credit Facility is based on the floating CORRA and Prime rates which reprice regularly. There has not been a significant change in the Company's credit standing in the period between October 17, 2024 and September 7, 2025. Accordingly, it is estimated there is not a material change in fair value of the drawn portion of the Credit Facility.

The Swap is measured at fair value as Level 2 financial instruments and is measured using valuation techniques. These valuation techniques utilize significant inputs that are observable market data. The fair value of the Swap as at September 7, 2025 was \$2,177,000 unfavourable (December 29, 2024 – n/a).

17 Related party transactions and balances

During the prior year 36-week period ended September 8, 2024, Food Services recognized a royalty expense of \$38,260,000, of which \$4,474,000 was payable to the Partnership as at September 8, 2024 and paid to the Partnership on October 3, 2024, subsequent to the period end. The royalty expense for the 12-week period

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ended September 8, 2024 was \$13,742,000. The royalty expense ceased upon the completion of the Transaction on October 17, 2024.

During the prior year 36-week period ended September 8, 2024, Trade Marks declared eight dividends payable to Food Services totaling \$5,771,000 as a result of Food Services' ownership of Trade Marks' common shares. The eighth dividend amounted to \$721,000 and was declared on September 6, 2024 but paid to Food Services, subsequent to the period end, on September 27, 2024, subsequent to the period end, and was therefore reported as a current asset as at September 8, 2024. During the 12-week period ended September 8, 2024 Trade Marks declared three dividends payable to Food Services totaling \$2,164,000. Trade Marks did not declare any dividends subsequent to the completion of the Transaction.

During the prior year 36-week period ended September 8, 2024, the Fund declared eight distributions totalling \$1,929,000 payable to Food Services as a result of Food Services' ownership of limited voting units of the Fund. The eighth distribution amounted to \$241,000 and was declared on September 6, 2024 but paid to Food Services on September 27, 2024, subsequent to the period end, and was therefore reported as a current asset. During the 12-week period ended September 8, 2024 the Fund declared three distributions payable to Food Services totaling \$723,000. The Fund did not declare any distributions subsequent to the completion of the Transaction.

During the prior year 36-week period ended September 8, 2024, Food Services recognized \$143,000 as an offset to general and administrative expenses as a result of administrative services provided to Trade Marks and the Fund. During the 12-week period ended September 8, 2024, Food Services recognized \$48,000 as an offset to general and administrative expenses related to administrative services provided to Trade Marks. Following the completion of the Transaction, Food Services did not receive any further payments from Trade Marks for administrative services.

Prior to completion of the Transaction there was an expense sharing agreement (the "Expense Agreement") in place that outlined an arrangement amongst Food Services, the Fund and Trade Marks in respect of the payment of certain costs, fees, expenses and disbursements incurred or to be incurred by the Fund and Trade Marks in connection with their consideration, evaluation and negotiation of the Transaction incurred at or prior to the public announcement of the Transaction. Pursuant to the Expense Agreement, Food Services agreed to (a) reimburse the Fund and Trade Marks for certain expenses paid by the Fund or Trade Marks, (b) advance funds to the Fund and/or Trade Marks to permit the Fund and/or Trade Marks, as applicable, to pay such expenses or (c) pay such expenses directly, in each case, subject to certain caps as set forth therein. During the prior year 36-week period ended September 8, 2024, Food Services paid a total of \$1,340,000 in costs incurred by the Fund related to the Transaction under the terms of the Expense Agreement.

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Key management compensation

Key management includes the Company's directors and executive team. Compensation awarded to key management includes:

	12-week period ended September 7, 2025 \$	12-week period ended September 8, 2024 \$	36-week period ended September 7, 2025 \$	36-week period ended September 8, 2024 \$
Salaries, bonuses and other short-term employee benefits	797	782	2,591	2,265
Pension costs – defined contribution plan	29	36	134	127
Pension costs – supplementary retirement benefit plan	113	113	339	339
Stock-based compensation	459	-	1,057	-
	1,398	931	4,121	2,731

During the 36-week period ended September 7, 2025, the directors of the Company earned director's fees payable in cash totaling \$281,000 (September 8, 2024 - \$nil), of which \$51,000 was in accounts payable and accrued liabilities as at September 7, 2025 (December 29, 2024 - \$165,000). The Company also granted 6,759 DSUs to the directors of the Company and granted 94,468 RSUs to executives and recognized \$1,057,000 in stock-based compensation expense in the 36-week period ended September 7, 2025 (September 8, 2024 - \$nil). The Company recognized \$459,000 in stock-based compensation in the 12-week period ended September 7, 2025 (September 8, 2024 - \$nil) related to the DSUs and RSUs granted. The director fees payable in cash are reflected in salaries, bonuses and other short-term employee benefits in the table above and the stock-based compensation expense related to the RSUs and DSUs granted is included in stock-based compensation in the table above. See note 10 for further details on the RSUs and DSUs granted.

18 Segment information

Operating segments are components of the Company that engages in business activities from which they earn revenues and incur expenses, the operations of which can be clearly distinguished, and the operating results of which are regularly reviewed by the chief operating decision maker ("CODM") for the purposes of resource allocation and assessing its performance. The Company's CODM has been identified as the Chief Executive Officer ("CEO"). Management has determined that the Company operates in a single reportable segment, being the business of developing and franchising quick service restaurants. The Company also has one geographic segment as all assets and operations are in Canada. Accordingly, the results of the segment and assets and liabilities are disclosed in the Consolidated Statements of Income and Consolidated Statement of Balance sheets respectively.