



PIZZA PIZZA LIMITED

Unaudited Interim Condensed Consolidated Financial Statements
For the 13 and 26 weeks ended June 29, 2025

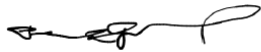
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NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of unaudited interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

The Company's independent auditor has not performed a review of these unaudited interim condensed consolidated financial statements.



Paul Goddard
Chief Executive Officer



Christine D'Sylva
Chief Financial Officer

Pizza Pizza Limited

Unaudited Interim Condensed Consolidated Statements of Financial Position

As at June 29, 2025 and December 29, 2024

(Expressed in thousands of Canadian dollars)

	June 29, 2025 \$	December 29, 2024 \$
Current assets		
Cash and cash equivalents	3,528	4,262
Short-term investment	2,000	6,000
Trade, other receivables and prepayments	18,500	16,114
Inventories	8,542	8,634
Lease receivable (note 5)	14,766	14,620
Receivables from jointly-controlled companies (note 12)	2,649	2,101
Total current assets	49,985	51,731
Non-current assets		
Property, plant and equipment	11,431	11,576
Notes receivable	2,320	2,693
Renovation funds	7,796	8,097
Receivables from jointly-controlled companies (note 12)	2,141	2,091
Advances to related party (note 12)	707	370
Investment in Pizza Pizza Royalty Limited Partnership (note 3)	20,941	21,782
Investment in jointly-controlled companies (note 4)	15,636	15,876
Deferred tax asset	57,331	58,240
Lease receivable (note 5)	22,591	16,591
Right-of-use asset (note 6)	56,826	58,777
Intangible assets	739	877
Total non-current assets	198,459	196,970
Total assets	248,444	248,701
Liabilities and shareholders' deficiency		
Current liabilities		
Trade and other payables	34,019	39,490
Deposits from franchisees	2,474	1,461
Borrowings (note 7)	237	240
Lease liability (note 5)	23,175	24,450
Total current liabilities	59,905	65,641
Non-current liabilities		
Advances from related party (note 12)	8,529	8,808
Borrowings (note 7)	1,015	699
Deferred franchise fees	2,286	2,377
Renovation funds	3,766	4,148
Lease liability (note 5)	80,786	75,492
Deferred gain	184,074	185,239
Total non-current liabilities	280,456	276,763
Shareholders' deficiency		
Common shares and special voting shares	-	-
Accumulated other comprehensive income	383	434
Deficit	(92,300)	(94,137)
Total shareholders' deficiency attributable to the shareholders	(91,917)	(93,703)
Total liabilities and shareholders' deficiency	248,444	248,701

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

Approved by the Directors on August 7, 2025.

Pizza Pizza Limited
Unaudited Interim Condensed Consolidated Statements of Income
For the 13-week and 26-week periods ended June 29, 2025 and June 30, 2024
(Expressed in thousands of Canadian dollars)

	For the 13- week period ended June 29, 2025 \$	For the 13- week period ended June 30, 2024 \$	For the 26- week period ended June 29, 2025 \$	For the 26- week period ended June 30, 2024 \$
Revenue				
Food sales (note 8)	46,451	43,960	88,980	85,075
Royalties, franchise fees and other revenue (note 9)	11,486	12,190	22,909	23,184
Store service contributions (note 10)	22,425	20,707	43,635	40,365
Total revenue	80,362	76,857	155,524	148,624
Cost of food sales	(38,143)	(35,876)	(73,204)	(69,477)
Store service expenditures (note 10)	(21,778)	(21,079)	(45,049)	(42,186)
General and administrative expenses (note 11)	(10,931)	(12,977)	(20,489)	(24,333)
Royalty payments	(10,348)	(9,967)	(20,077)	(19,519)
Gain (loss) on impairment of lease receivable (note 6)	127	(170)	(204)	56
Gain (loss) on lease remeasurement	(973)	250	72	688
Equity income from Pizza Pizza Royalty Limited Partnership (note 3)	2,390	2,292	4,714	4,501
Equity income from jointly-controlled companies (note 4)	578	735	1,079	1,267
Gain (loss) on sale of Company-owned restaurants	32	86	(158)	437
Operating income	1,316	151	2,208	58
Interest and other income	270	112	859	313
Amortization of deferred gain	583	583	1,166	1,166
Interest on borrowings and other liabilities	(706)	(736)	(1,469)	(1,498)
Income for the period before income taxes	1,463	110	2,764	39
Deferred tax recovery (expense)	75	11,771	(927)	11,880
Income for the period attributable to the shareholders of Pizza Pizza Limited	1,538	11,881	1,837	11,919

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

Pizza Pizza Limited**Unaudited Interim Condensed Consolidated Statements of Comprehensive Income****For the 13-week and 26-week periods ended June 29, 2025 and June 30, 2024****(Expressed in thousands of Canadian dollars)**

	For the 13- week period ended June 29, 2025 \$	For the 13- week period ended June 30, 2024 \$	For the 26- week period ended June 29, 2025 \$	For the 26- week period ended June 30, 2024 \$
Income for the period	1,538	11,881	1,837	11,919
Other comprehensive income (loss)				
<i>Items that may be reclassified subsequently to net income:</i>				
Share of other comprehensive income (loss) of the Pizza Pizza Royalty Limited Partnership (note 3)	(18)	(97)	(69)	(112)
Deferred tax impact of share of other comprehensive income of Pizza Pizza Royalty Limited Partnership	5	26	18	31
Total comprehensive income attributable to shareholders	1,525	11,810	1,786	11,838

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

Pizza Pizza Limited

Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Deficiency

For the 26-week period ended June 29, 2025 and June 30, 2024

(Expressed in thousands of Canadian dollars)

	Common shares and special voting shares \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Total \$
As at December 29, 2024	-	434	(94,137)	(93,703)
Comprehensive income (loss)				
Income for the 26-week period ended June 29, 2025	-	-	1,837	1,837
Share of other comprehensive loss on Pizza Pizza Royalty Limited Partnership's cash flow hedge	-	(69)	-	(69)
Tax effect of cash flow hedge	-	18	-	18
Total comprehensive income (loss)	-	(51)	1,837	1,786
As at June 29, 2025	-	383	(92,300)	(91,917)
As at December 31, 2023	-	555	(102,495)	(101,940)
Comprehensive income (loss)				
Income for the 26-week period ended June 30, 2024	-	-	11,919	11,919
Share of other comprehensive loss on Pizza Pizza Royalty Limited Partnership's cash flow hedge	-	(112)	-	(112)
Tax effect of cash flow hedge	-	31	-	31
Total comprehensive income (loss)	-	(81)	11,919	11,838
As at June 30, 2024	-	474	(90,576)	(90,102)

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

Pizza Pizza Limited
Unaudited Interim Condensed Consolidated Statements of Cash Flows
For the 26-week period ended June 29, 2025 and June 30, 2024
(Expressed in thousands of Canadian dollars)

	June 29, 2025 \$	June 30, 2024 \$
Operating activities		
Income for the period	1,837	11,919
Depreciation of property, plant and equipment	1,058	785
Depreciation of right-of-use asset (note 6)	5,210	7,690
Amortization of intangible assets	138	138
Amortization of deferred franchise fees	(90)	(157)
Amortization of deferred gain	(1,166)	(1,166)
(Gain) loss on sale of Company-owned restaurants	158	(437)
(Gain) loss on impairment of lease receivable (note 5)	204	(56)
Gain on remeasurement of lease modification (note 5)	(72)	(688)
Equity income from Pizza Pizza Royalty Limited Partnership (note 3)	(4,714)	(4,501)
Equity income from jointly-controlled companies (note 4)	(1,079)	(1,267)
Interest expense on leases, net (note 5)	1,392	1,426
Deferred income tax (recovery) expense	927	(11,880)
	3,803	1,806
Changes in non-cash operating elements of working capital (note 13)	(7,350)	(8,610)
Cash used in operating activities	(3,547)	(6,804)
Investing activities		
Additions to property, plant and equipment	(1,148)	(2,048)
Proceeds from sale of Company-owned restaurants	558	1,133
Distributions from Pizza Pizza Royalty Limited Partnership (note 3)	5,486	5,456
Dividends from jointly-controlled companies (note 4)	1,319	1,421
Repayment of notes receivable	1,065	453
Issuance of notes receivable	(693)	(700)
Contributions to renovation funds	4,636	5,466
Disbursement from renovation funds	(4,717)	(6,018)
Withdrawals from short-term investments	4,000	6,500
Rent payments collected on lease receivables - principal (note 5)	7,214	6,184
Rent payments collected on lease receivables - interest (note 5)	907	745
Cash provided by investing activities	18,627	18,592
Financing activities		
Repayments of borrowings	(167)	(72)
Lease payments – principal (note 5)	(12,732)	(14,119)
Lease payments – interest, net (note 5)	(2,299)	(2,171)
Repayment of advances from related party (note 12)	(986)	(2,019)
Advances from related party (note 12)	370	2,274
Cash used in financing activities	(15,814)	(16,107)
Decrease in cash and cash equivalents	(734)	(4,319)
Cash and cash equivalents, beginning of period	4,262	11,158
Cash and cash equivalents, end of period	3,528	6,839

See supplementary cash flow information (note 13)

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

Pizza Pizza Limited

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the 13-week and 26-week periods ended June 29, 2025 and June 30, 2024

(In thousands of Canadian dollars except common shares, special voting shares and number of shares)

1. Nature of Business

Pizza Pizza Limited ("PPL" or the "Company"), a privately-held corporation incorporated by Articles of Incorporation under the Business Corporations Act (Canada) on December 27, 1989, operates in the food service industry throughout Canada and primarily franchises and operates quick-service restaurant ("QSR") businesses under the brand names of Pizza Pizza and Pizza 73. The Company derives revenue from franchises through the sale of franchise restaurants, food and beverages, and royalties. The Company also derives revenue from Company-owned and managed restaurants through the sale of food products to retail customers.

The Company is incorporated and domiciled in Canada and the address of its registered office is 500 Kipling Avenue, Toronto, Ontario, Canada. The ultimate parent of the Company is 1373153 Ontario Limited, a private Corporation that does not prepare and make available financial statements for public use.

Below are the number of traditional and non-traditional franchisees and licensees as at:

	June 29, 2025	June 30, 2024
Franchisees and licensees	710	702
Jointly-controlled restaurants	80	80
Company-owned and managed restaurants	10	2
International Restaurants	4	4

2. Material Accounting Policies

The material accounting policies applied in the preparation of these unaudited interim condensed consolidated financial statements are set out below. These policies have been consistently applied to all periods presented unless otherwise stated.

a) Fiscal year-end and interim period

The Company has a floating year-end on the Sunday closest to December 31; accordingly, interim periods consist of four 13-week periods with an additional week added to the last interim period every 5 to 6 years.

b) Statement of compliance

The Company prepares its unaudited interim condensed consolidated financial statements in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and International Accounting Standard ("IAS") 34, *Interim Financial Reporting* ("IAS 34"). Accordingly, these unaudited interim condensed consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the annual consolidated financial statements of the Company as at and for the year ended December 29, 2024.

The Company's preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the unaudited interim condensed consolidated financial statements, were the same as those that applied to the Company's consolidated financial statements as at and for the year ended December 29, 2024.

The policies applied in these unaudited interim condensed consolidated financial statements are based on IFRS standards and are consistent with those followed in the preparation of the Company's annual consolidated financial statements as at and for the year ended December 29, 2024.

Pizza Pizza Limited

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the 13-week and 26-week periods ended June 29, 2025 and June 30, 2024

(In thousands of Canadian dollars except common shares, special voting shares and number of shares)

These unaudited interim condensed consolidated financial statements were issued and effective as of August 7, 2025, the date the Directors approved the unaudited interim condensed consolidated financial statements.

c) Accounting standards and amendments issued but not yet adopted

Enhanced presentation and disclosure of financial statements (IFRS 18)

On April 9, 2024, the IASB issued a new standard IFRS 18 *Presentation and Disclosure in Financial Statements* to improve the usefulness and comparability of financial statement information. The new standard replaces IAS 1 and introduces three sets of new presentation and disclosure requirements: (1) it codifies the reporting structure of the income statement and requires defined subtotals; (2) disclosure of management-defined performance measures that relate to the income statement; and (3) enhanced guidance on how to organize information in the financial statements and whether to provide it in the primary financial statements or in the notes. The new standard is effective for annual periods beginning on or after January 1, 2027. The Company is currently assessing whether the new standard will have a material impact on the consolidated financial statements.

Amendments to IFRS 9 Financial Instruments & IFRS 7 Financial Instruments

On May 30, 2024, the IASB issued targeted amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments*. The amendments include clarifying the date of recognition and derecognition of certain financial assets and liabilities with an optional exception for the derecognition of a financial liability settled through electronic cash transfer. These new amendments are effective for annual periods beginning on or after January 1, 2026. The Company is currently assessing whether the new standard will have a material impact on the consolidated financial statements.

d) Basis of measurement

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of the interest rate swap to fair value through the consolidated statement of comprehensive income.

e) Basis of consolidation

These unaudited interim condensed consolidated financial statements incorporate the assets and liabilities of the Company and its subsidiaries as at June 29, 2025 and December 29, 2024 and the results of these entities for the 13-week and 26-week periods ended June 29, 2025 and June 30, 2024.

The Company consolidates the results of its investments over which it exercises control. Specifically, an investor controls an investee when it has power over the investee, it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and deconsolidated from the date that control ceases. Inter-entity transactions, balances and unrealized gains/losses on transactions between entities are eliminated.

Investment in associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Company accounts for its 26.2% (December 29, 2024 – 25.2%) share interest in the Pizza Pizza Royalty Limited Partnership (the “Partnership”) as an investment in an associate and applies equity accounting whereby the Company’s investment is increased by its 26.2% share of income for the period of the Partnership and reduced for distributions received during the Partnership’s fiscal period. The Partnership’s financial and fiscal periods differ from the Company’s, as the Partnership operates on a calendar year-end.

Pizza Pizza Limited

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the 13-week and 26-week periods ended June 29, 2025 and June 30, 2024

(In thousands of Canadian dollars except common shares, special voting shares and number of shares)

The Company assesses at each period-end whether there is any objective evidence that its interest in the Partnership is impaired. If impaired, the carrying value of the Company's share of the underlying assets of the Partnership is written down to its estimated recoverable amount, being the higher of fair value less cost to sell and value in use, and the write-down is charged to the unaudited interim condensed consolidated statements of income.

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Company accounts for its 50% share interest in the 80 jointly controlled companies as an investment in joint ventures and applies equity accounting whereby the Company's investment is increased by its 50% share of income for the period of the joint ventures and reduced for distributions received during the joint ventures' fiscal period. The jointly controlled companies' financial and fiscal periods differ from the Company's, as the joint ventures have a floating year-end of the Saturday immediately preceding July 31.

The Company assesses at each period-end whether there is any objective evidence that its interest in the joint ventures is impaired. If impaired, the carrying value of the Company's share of the underlying assets of the joint ventures is written down to its estimated recoverable amount, being the higher of fair value less cost to sell and value in use, and the write-down is charged to the unaudited interim condensed consolidated statements of income.

3. Investment in Pizza Pizza Royalty Limited Partnership

The Company directly and indirectly owns Class B and Class D Partnership Units that are exchangeable for Pizza Pizza Royalty Corp. ("PPRC") Shares based on the exchange multiplier applicable at the exchange date and represent an effective 26.2% interest in the Partnership as at June 29, 2025 (December 29, 2024 – 25.2%).

The business of the Partnership is the ownership and licensing of the Pizza Pizza and Pizza 73 Rights and Marks through two separate License and Royalty Agreements with the Company. Additionally, the Partnership will collect the royalty payable by the Company under each License and Royalty Agreement, as well as performing the administration of PPRC pursuant to the Administration Agreement.

The table below reconciles the balance of the Company's investment in the Partnership, which is accounted for using equity accounting.

	For the 26-week period ended June 29, 2025	For the 52-week period ended December 29, 2024
Balance – beginning of period	21,782	23,495
Equity income of the Partnership	4,714	9,241
Distributions received from Partnership	(5,486)	(10,624)
Share of Partnership other comprehensive loss	(69)	(330)
Balance – end of period	20,941	21,782

Pizza Pizza Limited

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the 13-week and 26-week periods ended June 29, 2025 and June 30, 2024

(In thousands of Canadian dollars except common shares, special voting shares and number of shares)

A breakdown of the Partnership's aggregated assets, liabilities, revenue and profits is as follows:

	As at		As at	
	June 29, 2025		December 29, 2024	
Total assets	382,089		377,729	
Total liabilities	50,021		50,067	
	Three months ended	Three months ended	Six months ended	Six months ended
	June 29, 2025	June 30, 2024	June 29, 2025	June 30, 2024
Revenues	10,348	9,967	20,077	19,519
Profit for the period	9,577	9,549	18,900	18,768

a. 2024 Royalty Pool Adjustment

In early January 2025, a second adjustment was made to the royalty payments and PPL's Class B Exchange Multiplier based on the actual performance of the 41 new restaurants added to the Royalty Pool on January 1, 2024. As a result of the adjustments, PPL obtained an additional 98,640 shares, the Class B Exchange Multiplier is 2.449489, and Class B Units can be exchanged for 6,143,904 shares effective January 1, 2024.

In early January 2025, a second adjustment was made to the royalty payments and PPL's Class D Exchange Multiplier based on the actual performance of the four Pizza 73 restaurants added to the Royalty Pool on January 1, 2024. The final 2024 Pizza 73 Royalty Pool adjustment confirmed that \$850 was applied against the Make-Whole Carryover Amount. The Make-Whole Payment will continue to be paid for subsequent years, until on an Adjustment Date, additional system sales of additional restaurants are sufficient to offset the Pizza Pizza system sales attributable to all closed Pizza 73 restaurants. As a result of the adjustments, the Class D Exchange Multiplier is unchanged at 22.44976 and Class D Units can be exchanged for 2,244,975 shares effective January 1, 2024.

b. 2025 Royalty Pool Adjustment – Class B Exchange Multiplier

On January 1, 2025, 22 net Pizza Pizza restaurants were added to the Royalty Pool as a result of 44 new restaurants opening and 22 closing from January 1, 2024 to December 31, 2024. The total number of Pizza Pizza restaurants in the Royalty Pool has increased to 694. The additional system sales from the 44 new restaurants are estimated at \$12,943 annually, less sales of \$3,583 from the 22 permanently closed Pizza Pizza restaurants. As a result, \$9,360 net, estimated Pizza Pizza sales were added to the Royalty Pool, resulting in an Estimated Determined Amount of \$5,695 added to the Royalty Pool.

The yield of the shares was determined to be 7.07% calculated using \$13.16 as a weighted average share price. Weighted average share price is calculated based on the market price of the shares traded on the Toronto Stock Exchange during the period of twenty consecutive days ending on the fifth trading day before January 1, 2025. As a result of the contribution of the additional net sales to the Royalty Pool, the Class B Exchange Multiplier increased fractionally by 80% of the total adjustment or 0.130872 (representing 346,317 equivalent shares); the new Class B Multiplier is 2.587561. This adjustment will also increase the entitlement of the holders of the Class B units to distributions of cash and allocations of income from the Partnership. The second adjustment to the Class B Exchange Multiplier will be adjusted to be effective January 1, 2025, once the actual performance of the new restaurants is determined in early 2026.

Pizza Pizza Limited

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the 13-week and 26-week periods ended June 29, 2025 and June 30, 2024

(In thousands of Canadian dollars except common shares, special voting shares and number of shares)

c. 2025 Royalty Pool Adjustment – Class D Exchange Multiplier

On January 1, 2025, two net Pizza 73 restaurants were removed from the Royalty Pool as a result of one new restaurant opening between September 2, 2023 and September 1, 2024 and three restaurants closing between January 1, 2024 and December 31, 2024. The forecasted additional system sales from the one new restaurant is estimated at \$286 annually, less \$384 in system sales attributable to the three closed Pizza 73 restaurants. As a result, \$98 net, estimated Pizza 73 sales were added to the \$647 Make-Whole Carryover Amount.

The cumulative Make-Whole Carryover Amount of \$745 will be carried over, and continue to be paid for subsequent years, until on an Adjustment Date, additional system sales of additional restaurants are sufficient to offset the Pizza 73 system sales attributable to all closed Pizza 73 restaurants. The total number of Pizza 73 restaurants in the Royalty Pool has decreased to 100.

The yield of the shares was determined to be 7.07% calculated using \$13.16 as a weighted average share price. Weighted average share price is calculated based on the market price of the shares traded on the Toronto Stock Exchange during the period of twenty consecutive days ending on the fifth trading day before January 1, 2025. As per the Pizza Pizza Royalty Limited Partnership agreement, whenever the Estimated Determined Amount is negative it shall be deemed to be zero. Accordingly, the Class D Exchange Multiplier remained unchanged at 22.44976. The second adjustment to the Class D Exchange Multiplier will be adjusted to be effective January 1, 2025, once the actual performance of the new restaurant is determined in early 2026.

d. Pizza Pizza Royalty Corp. Outstanding Shares

In exchange for adding the forecasted Pizza Pizza system sales to the Royalty Pool, PPL has received 346,317 additional equivalent shares (through the change to the Class B Exchange Multiplier). These represent 80% of the forecasted equivalent shares entitlement to be received (432,896 equivalent shares represent 100%), with the final equivalent shares entitlement to be determined when the new restaurants' 2025 actual sales performance is known with certainty in early 2026.

PPL's Class D equivalent share entitlement is unchanged for 2025. In any year that the forecasted system sales (less closed restaurants sales and other adjustments) is negative, as was the case with the Class D equivalent share entitlement calculation for 2025, no increase or decrease in the Exchange Multiplier is made. PPL will only have an increased Class D equivalent share entitlement for 2025 if the actual sales performance of the new restaurants exceeds the Make-Whole Carryover Amount when the actual sales performance is known with certainty in early 2026.

After giving effect to PPL's entitlement to additional equivalent Shares at January 1, 2025, PPL owns equivalent Shares representing 26.2% of PPRC's fully diluted shares.

4. Investment in Jointly Controlled Companies

Jointly-controlled companies are joint ventures, consisting of the Company's 50% interest in 80 Pizza 73 restaurants (December 29, 2024 – 80 Pizza 73 restaurants). Jointly-controlled restaurants are companies, owned and operated as an independent business, equally owned by the Company and an Owner/Operator. Licensing, consulting and other agreements govern the relationship of the Company and the Owner/Operator as shareholders of these jointly-controlled restaurants, and establish a framework under which each restaurant is operated.

The financial statements of all jointly controlled companies have a floating year-end of the Saturday immediately preceding July 31 and all operations are continuing.

The following table reconciles the balance of the Company's investment in the jointly controlled companies, which is accounted for using equity accounting.

Pizza Pizza Limited

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the 13-week and 26-week periods ended June 29, 2025 and June 30, 2024

(In thousands of Canadian dollars except common shares, special voting shares and number of shares)

	For the 26-week period ended June 29, 2025	For the 52-week period ended December 29, 2024
Balance – beginning of period	15,876	16,251
Equity income from jointly-controlled companies	1,079	2,286
Dividends received from jointly-controlled companies	(1,319)	(2,661)
Balance – end of period	15,636	15,876

A breakdown of the Company's share in jointly-controlled companies' comprehensive income is as follows:

	For the 13-week period ended June 29, 2025	For the 13-week period ended June 30, 2024	For the 26-week period ended June 29, 2025	For the 26-week period ended June 30, 2024
Revenues	9,921	9,710	19,678	19,003
Expenses	(9,343)	(8,975)	(18,599)	(17,736)
Income for the period after tax	578	735	1,079	1,267

5. Leases

Lease receivable	As at June 29, 2025	As at December 29, 2024
Opening balance	31,211	24,597
Lease additions and remeasurements	13,564	21,170
Reversal of (loss on) impairment of lease receivable	(204)	403
Rent payments collected	(8,121)	(16,795)
Interest income	907	1,836
Total lease receivable	37,357	31,211
Less: current portion	(14,766)	(14,620)
Total non-current lease receivable	22,591	16,591

Lease receivables are reviewed for impairment based on expected losses at each balance sheet date in accordance with IFRS 9 – Financial Instruments. An impairment loss is recorded when the credit risk is assessed to have increased for the lease receivables. The Company has developed a probability-weighted model that is used to assess the credit risk of lease receivables. The Company recorded a reversal of the expected credit loss provision on lease receivables of \$127 for the 13-week period ended June 29, 2025 and a provision of \$204 for the 26-week period ended June 29, 2025 (13-week and 26-week periods ended June 30, 2024 – loss provision of \$170 and reversal of the loss provision of \$56).

Lease Liability	As at June 29, 2025	As at December 29, 2024
Opening balance	99,942	105,027
Lease additions and remeasurement	16,751	18,720
Lease payments	(15,031)	(28,346)
Accretion of interest expense	2,299	4,541
Total lease liability	103,961	99,942
Less: current portion	(23,175)	(24,450)
Total non-current lease liability	80,786	75,492

Pizza Pizza Limited

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the 13-week and 26-week periods ended June 29, 2025 and June 30, 2024

(In thousands of Canadian dollars except common shares, special voting shares and number of shares)

6. Right-of-Use Asset

	As at June 29, 2025	As at December 29, 2024
Opening balance	58,777	70,697
Lease additions and remeasurements	3,259	(1,602)
Depreciation of right-of-use asset	(5,210)	(10,318)
Total right-of-use asset	56,826	58,777

7. Borrowings

	As at June 29, 2025	As at December 29, 2024
Notes payable, bearing interest from 4.95% to 8.09%, repayable in varying monthly principal amounts, maturing between 2025 and 2032. These notes were secured by specific company-owned restaurant assets. The effective interest rate as at June 29, 2025 was 6.32% (December 29, 2024 – 6.60%).	1,252	939
Less: current portion	(237)	(240)
Total non-current borrowings	1,015	699

8. Food sales

Food sales include the following:

	For the 13-week period ended June 29, 2025	For the 13-week period ended June 30, 2024	For the 26-week period ended June 29, 2025	For the 26-week period ended June 30, 2024
Food sales	45,912	43,567	87,754	83,941
Company-owned restaurant sales	539	393	1,226	1,134
Total food sales	46,451	43,960	88,980	85,075

9. Royalties, franchise fees and other revenue

Royalties, franchise fees and other revenue include the following:

	For the 13-week period ended June 29, 2025	For the 13-week period ended June 30, 2024	For the 26-week period ended June 29, 2025	For the 26-week period ended June 30, 2024
Royalties	8,262	7,517	16,029	14,643
Rental income	1,962	3,108	4,121	5,722
Initial and renewal franchise fees	461	576	883	1,049
Construction fees	168	364	623	587
Administration and accounting	633	625	1,253	1,183
Total royalties, franchise fees and other revenue	11,486	12,190	22,909	23,184

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For the 13-week and 26-week periods ended June 29, 2025 and June 30, 2024

(In thousands of Canadian dollars except common shares, special voting shares and number of shares)

10. Store service contributions and expenditures

Store service contributions include the following:

	For the 13-week period ended June 29, 2025	For the 13-week period ended June 30, 2024	For the 26-week period ended June 29, 2025	For the 26-week period ended June 30, 2024
Advertising services	9,155	8,498	17,683	16,523
Order processing services	3,849	3,279	7,634	6,483
Commissary food services	9,421	8,930	18,318	17,359
Store service contributions	22,425	20,707	43,635	40,365

Store service expenditures include the following:

	For the 13-week period ended June 29, 2025	For the 13-week period ended June 30, 2024	For the 26-week period ended June 29, 2025	For the 26-week period ended June 30, 2024
Advertising services	8,860	9,068	19,714	19,005
Order processing services	3,679	3,123	7,323	6,038
Commissary food services	9,239	8,888	18,012	17,143
Store service expenditures	21,778	21,079	45,049	42,186

11. Expenses by nature

The following table summarizes significant general and administrative expenses:

	For the 13-week period ended June 29, 2025	For the 13-week period ended June 30, 2024	For the 26-week period ended June 29, 2025	For the 26-week period ended June 30, 2024
Depreciation of property, plant and equipment	504	401	975	675
Depreciation of right-of-use asset	3,337	3,879	5,210	7,690
Amortization of intangible assets	69	69	138	138
Company store expenses	953	522	1,917	1,093
Employee benefit expense	5,271	6,249	10,410	11,099

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For the 13-week and 26-week periods ended June 29, 2025 and June 30, 2024

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12. Related party transactions

The following table summarizes the Company's transactions with related parties in the normal course of business:

	For the 13-week period ended June 29, 2025	For the 13-week period ended June 30, 2024	For the 26-week period ended June 29, 2025	For the 26-week period ended June 30, 2024
Lease payments ⁽ⁱ⁾	946	731	1,585	1,486
Recovery of expenses ⁽ⁱ⁾	150	150	300	300
Administration and accounting fee revenue ⁽ⁱⁱ⁾	633	625	1,253	1,183
Store service contributions ⁽ⁱⁱⁱ⁾	11,249	10,660	22,128	20,933
Dividends from jointly-controlled companies ⁽ⁱⁱⁱ⁾	657	770	1,319	1,421
Distributions from Pizza Pizza Royalty Limited Partnership ⁽ⁱⁱⁱ⁾	2,726	2,584	5,486	5,456
Royalty payments ⁽ⁱⁱⁱ⁾	10,348	9,967	20,077	19,519

⁽ⁱ⁾ Transactions with commonly controlled companies

⁽ⁱⁱ⁾ Transactions with jointly-controlled companies

⁽ⁱⁱⁱ⁾ Transactions with an associate

As at June 29, 2025, trade, other receivables and prepayments includes \$1,465 from the Partnership (December 29 2024 - \$1,062), and trade and other payables includes amounts payable of \$3,502 to the Partnership (as at December 29, 2024 - \$3,539), which were settled subsequent to the end of the period.

In addition, the Company has the following advances to and from related parties:

	As at June 29, 2025	As at December 29, 2024
Receivable from jointly-controlled companies	4,790	4,192
Advances to related party	707	370
Advances from related party	8,529	8,808

Advances to and from related party are due to the parent company. Advances to related party and receivables from jointly-controlled companies are non-interest bearing, have no specified terms of repayment and are unsecured.

13. Statements of cash flow information

	For the 26-week period ended June 29, 2025	For the 26-week period ended June 30, 2024
Trade and other receivables	(2,386)	5
Inventories	92	(786)
Receivables from jointly-controlled companies	(598)	(305)
Trade and other payables	(5,471)	(8,645)
Deposits from franchisees	1,013	1,121
Changes in non-cash operating elements of working capital	(7,350)	(8,610)
Interest paid	1,469	1,498

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For the 13-week and 26-week periods ended June 29, 2025 and June 30, 2024

(In thousands of Canadian dollars except common shares, special voting shares and number of shares)

14. Financial risk management

The Company's objective is to minimize risk with respect to financial instruments by monitoring the performance of its franchisees and jointly-controlled companies, maintaining restaurants in different geographic regions and having the ability to assume the operations of franchisees for inadequate financial performance and/or default under the franchise agreement.

Fair Values

The carrying amounts of cash and cash equivalents, short term investments, trade, other receivables and prepayments and trade and other payables approximate fair values given the short-term maturity of these instruments.

A reasonable estimate of fair value could not be made for receivables from jointly-controlled companies, advances from related party, renovation funds and deposits from franchisees as there are no fixed terms of repayment; therefore, they are measured at exchange value.

The fair value of the non-current notes receivable is based on the estimated future discounted cash flows using a comparable market rate of interest as at June 29, 2025 of 5.30% (December 29, 2024 – 5.59%).

The fair value of the borrowings is based on the estimated future discounted cash flows using a comparable market rate of interest as at June 29, 2025 of prime plus a spread varying by loan (December 29, 2024 of prime plus a spread varying by loan). The Company has no plans to prepay these instruments prior to maturity. The fair value of the borrowings was determined using Level 2 inputs, which are observable inputs or inputs that can be corroborated by observable market data for substantially the full term of the asset or liability.

The carrying value and fair value of the Company's financial instruments are as follows:

		As at June 29, 2025		As at December 29, 2024	
	Category	Carrying value	Fair value	Carrying value	Fair value
Notes receivable	AC	2,320	2,324	2,693	2,685
Borrowings	AC	1,252	1,025	939	734

Financial instruments category guide:

AC Amortized cost

FVOCI Fair value through other comprehensive income

The different fair value hierarchy levels are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the financial asset or financial liability, either directly or indirectly; and
- Level 3: Inputs for the financial asset or financial liability that are not based on observable market data.

The Company's financial instruments have been assessed at level 2 in the fair value hierarchy (2024 – Level 2).

Credit Risk

The Company is exposed to credit risk as all of the franchisees and jointly-controlled companies operate within the same segment: commercial food service. The Company is also exposed to credit risk in the event of non-payment by its franchisees and jointly-controlled companies of its trade receivables, notes receivable, receivables from jointly-controlled companies, lease receivables and renovation funds receivable. The Company's credit risk is mitigated by

Pizza Pizza Limited

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the large number of franchisees and jointly-controlled companies operating in different geographical markets and by the Company's ultimate ability to assume operations of the franchisees if there is inadequate financial performance and/or default under the franchisee agreement.

The aging of trade receivable balances that are past due, but not impaired are as follows:

	As at June 29, 2025	As at December 29, 2024
Past due 0-30 days	594	760
Past due 31-120 days	689	936
Total trade receivables past due, but not impaired	1,283	1,696

Liquidity Risk

The Company is subject to liquidity risk with respect to the items outlined in the table below. The risk is mitigated as the majority of the Company's revenue is earned from franchisees and jointly-controlled companies, which have agreements with the Company and whose activities are closely monitored by the Company. In the case of franchisees, the majority of the Company's business, the Company is able to assume operations of the franchises if there is inadequate financial performance and/or default under the franchise agreement. Liquidity requirements are monitored by the Company's head office functions in order to guarantee effective access to financial resources.

Management believes that currently available funds, apart from those that will be generated by operating and financing activities, will allow the Company to satisfy its requirements for investment, working capital management, and borrowing repayment at maturity.

The following are the contractual undiscounted cash flows of financial liabilities as at June 29, 2025:

	Carrying amount	0 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Trade and other payables	34,021	34,021	-	-	-
Deposits from franchisees	2,474	2,474	-	-	-
Borrowings	1,252	237	237	593	185

Interest Rate Risk

The Company is exposed to interest rate risk from its borrowings. All borrowings are based on floating interest rates.