
Condensed
interim consolidated financial statements of
MTY Food Group Inc.

For the three and six-month periods ended May 31, 2025 and 2024

MTY Food Group Inc.

Condensed interim consolidated statements of income

For the three and six-month periods ended May 31, 2025 and 2024

(In thousands of Canadian dollars, except per share amounts)

(Unaudited)

		Three months ended May 31		Six months ended May 31	
		2025	2024	2025	2024
		\$	\$	\$	\$
Notes					
Revenue	12 & 14	304,874	303,739	589,666	582,383
Expenses					
Operating expenses	13 & 14	235,589	230,541	461,931	449,923
Depreciation – property, plant and equipment and right-of-use assets		14,608	14,982	29,510	29,642
Amortization – intangible assets		8,175	8,088	16,489	15,683
Interest on long-term debt		8,929	11,898	18,058	23,969
Net interest expense on leases	6	2,744	2,815	5,582	5,608
Impairment charge – right-of-use assets	6	205	—	495	114
Impairment charge – property, plant and equipment and intangible assets	7	—	3,176	435	5,396
		270,250	271,500	532,500	530,335
Other income (expenses)					
Unrealized and realized foreign exchange gain (loss)		35,040	(3,366)	13,580	(2,853)
Interest income		95	123	190	272
Loss on de-recognition/lease modification of lease liabilities		(358)	(251)	(492)	(171)
Loss on disposal of property, plant and equipment		168	(34)	(82)	(80)
Revaluation of financial liabilities and derivatives recorded at fair value	11	(31)	611	(330)	659
Restructuring		—	(356)	—	(843)
Gain on extinguishment of debt		—	—	—	131
		34,914	(3,273)	12,866	(2,885)
Income before taxes		69,538	28,966	70,032	49,163
Income tax expense					
Current		12,832	3,654	15,171	4,934
Deferred		(563)	(2,144)	(4,233)	(617)
		12,269	1,510	10,938	4,317
Net income		57,269	27,456	59,094	44,846
Net income attributable to:					
Owners		57,289	27,278	59,032	44,583
Non-controlling interests		(20)	178	62	263
Net income		57,269	27,456	59,094	44,846
Net income per share	10				
Basic		2.49	1.13	2.55	1.84
Diluted		2.49	1.13	2.55	1.84

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

MTY Food Group Inc.

Condensed interim consolidated statements of comprehensive (loss) income

For the three and six-month periods ended ended May 31, 2025 and 2024

(In thousands of Canadian dollars)

(Unaudited)

	Notes	Three months ended May 31		Six months ended May 31	
		2025	2024	2025	2024
		\$	\$	\$	\$
Net income		57,269	27,456	59,094	44,846
Other comprehensive (loss) income					
Items that may be reclassified subsequently to net income					
Translation adjustments					
Unrealized (loss) gain on translation of foreign operations		(65,264)	5,657	(24,748)	2,905
Cash flow hedges					
Change in fair value of financial instruments	11	398	2,254	(930)	3,485
Loss realized on financial instruments transferred to earnings	11	(1,108)	(1,393)	(2,205)	(2,758)
Deferred tax recovery (expense) on foreign currency translation adjustments and cash flow hedges		6,093	—	2,741	(330)
		(59,881)	6,518	(25,142)	3,302
Total comprehensive (loss) income		(2,612)	33,974	33,952	48,148
Total comprehensive (loss) income attributable to:					
Owners		(2,592)	33,796	33,890	47,885
Non-controlling interests		(20)	178	62	263
		(2,612)	33,974	33,952	48,148

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

MTY Food Group Inc.

Condensed interim consolidated statements of changes in shareholders' equity

For the six month periods ended May 31, 2025 and 2024

(In thousands of Canadian dollars)

(Unaudited)

For the six months ended May 31, 2025

Balance, beginning of period

Net income

Other comprehensive loss

Total comprehensive income

Shares repurchased and cancelled (Note 9)

Dividends

Share-based compensation

Balance, end of period

Reserves		Contributed surplus	Accumulated other comprehensive income	Total reserves	Retained earnings	Equity attributable to owners	Equity attributable to non-controlling interests	Total
Capital stock	Other							
\$	\$	\$	\$	\$	\$	\$	\$	\$
290,593	(850)	6,295	59,705	65,150	446,094	801,837	1,613	803,450
—	—	—	—	—	59,032	59,032	62	59,094
—	—	—	(25,142)	(25,142)	—	(25,142)	—	(25,142)
						33,890	62	33,952
(7,310)	—	—	—	—	(19,088)	(26,398)	—	(26,398)
—	—	—	—	—	(15,226)	(15,226)	(96)	(15,322)
—	—	100	—	100	—	100	—	100
283,283	(850)	6,395	34,563	40,108	470,812	794,203	1,579	795,782

For the six months ended May 31, 2024

Balance, beginning of period

Net income

Other comprehensive income

Total comprehensive income

Shares repurchased and cancelled (Note 9)

Dividends

Share-based compensation

Balance, end of period

Reserves		Contributed surplus	Accumulated other comprehensive loss	Total reserves	Retained earnings	Equity attributable to owners	Equity attributable to non-controlling interests	Total
Capital stock	Other							
\$	\$	\$	\$	\$	\$	\$	\$	\$
301,779	(850)	5,649	25,470	30,269	479,364	811,412	1,477	812,889
—	—	—	—	—	44,583	44,583	263	44,846
—	—	—	3,302	3,302	—	3,302	—	3,302
						47,885	263	48,148
(4,186)	—	—	—	—	(12,172)	(16,358)	—	(16,358)
—	—	—	—	—	(13,554)	(13,554)	(328)	(13,882)
—	—	360	—	360	—	360	—	360
297,593	(850)	6,009	28,772	33,931	498,221	829,745	1,412	831,157

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

MTY Food Group Inc.

Condensed interim consolidated statements of financial position

As at May 31, 2025 and November 30, 2024

(In thousands of Canadian dollars)

(Unaudited)

		May 31, 2025	November 30, 2024
	Notes	\$	\$
Assets			
Current assets			
Cash		47,204	50,409
Accounts receivable	5	85,141	81,240
Inventories		16,005	20,002
Assets held for sale		4,286	4,365
Current portion of loans and other receivables		1,587	1,495
Current portion of finance lease receivables	6	74,858	76,152
Income taxes receivable		4,996	6,757
Current portion of derivative assets	11	62	3,674
Other assets		6,519	5,199
Prepaid expenses and deposits		16,011	13,855
		256,669	263,148
Loans and other receivables		2,894	2,499
Finance lease receivables	6	235,713	231,652
Contract cost asset		8,088	7,949
Deferred income taxes		4,715	9,701
Derivative assets	11	16	177
Property, plant and equipment		97,248	103,916
Right-of-use assets	6	165,034	185,168
Intangible assets		1,059,249	1,088,314
Goodwill		685,029	693,835
		2,514,655	2,586,359
Liabilities and Shareholders' equity			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		126,263	134,390
Provisions		4,219	3,866
Gift card and loyalty program liabilities		162,137	157,534
Income taxes payable		8,448	5,083
Current portion of deferred revenue and deposits		15,674	15,827
Current portion of long-term debt	8	1,321	2,464
Current portion of derivative liabilities	11	659	—
Current portion of lease liabilities	6	109,540	110,910
Liabilities held for sale		2,911	2,964
		431,172	433,038
Long-term debt	8	669,417	704,141
Lease liabilities	6	390,038	404,228
Deferred revenue and deposits		58,789	57,660
Deferred income taxes		168,822	183,842
Derivative liabilities	11	635	—
		1,718,873	1,782,909

MTY Food Group Inc.**Condensed interim consolidated statements of financial position (continued)**

As at May 31, 2025 and November 30, 2024

(In thousands of Canadian dollars)

(Unaudited)

		May 31, 2025	November 30, 2024
	Notes	\$	\$
Shareholders' equity			
Equity attributable to owners			
Capital stock	9	283,283	290,593
Reserves		40,108	65,150
Retained earnings		470,812	446,094
		794,203	801,837
Equity attributable to non-controlling interests		1,579	1,613
		795,782	803,450
		2,514,655	2,586,359

Approved by the Board on July 10, 2025

_____, Director

_____, Director

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

MTY Food Group Inc.

Condensed interim consolidated statements of cash flows

For the three and six-month periods ended May 31, 2025 and 2024

(In thousands of Canadian dollars)

(Unaudited)

	Notes	Three months ended May 31		Six months ended May 31	
		2025	2024	2025	2024
		\$	\$	\$	\$
Operating activities					
Net income		57,269	27,456	59,094	44,846
Adjusting items:					
Interest on long-term debt		8,929	11,898	18,058	23,969
Net interest expense on leases	6	2,744	2,815	5,582	5,608
Depreciation – property, plant and equipment and right-of-use assets		14,608	14,982	29,510	29,642
Amortization – intangible assets		8,175	8,088	16,489	15,683
Impairment charge – right-of-use assets	6	205	—	495	114
Impairment charge – property, plant and equipment and intangible assets	7	—	3,176	435	5,396
Unrealized foreign exchange (gain) loss		(35,040)	3,366	(13,580)	2,853
Loss on de-recognition/lease modification of lease liabilities		358	251	492	171
(Gain) loss on disposal of property, plant and equipment		(168)	34	82	80
Revaluation of financial liabilities and derivatives recorded at fair value	11	31	(611)	330	(659)
Gain on extinguishment of debt		—	—	—	(131)
Income tax expense (recovery)		12,269	1,510	10,938	4,317
Share-based compensation		40	179	100	360
		69,420	73,144	128,025	132,249
Income taxes paid		(7,965)	(7,673)	(10,016)	(10,665)
Interest paid		(9,174)	(11,261)	(19,068)	(23,609)
Other		855	(278)	679	(1,133)
Changes in non-cash working capital items	15	(12,976)	(13,374)	(658)	(2,106)
Cash provided by operating activities		40,160	40,558	98,962	94,736
Investing activities					
(Repayment) issuance of loans and other receivables		(713)	215	(463)	251
Additions to property, plant and equipment		(4,382)	(7,265)	(8,047)	(14,276)
Additions to intangible assets		(827)	(356)	(1,716)	(654)
Proceeds on disposal of property, plant and equipment		213	2,320	1,322	2,884
Cash used in investing activities		(5,709)	(5,086)	(8,904)	(11,795)

MTY Food Group Inc.

Condensed interim consolidated statements of cash flows (continued)

For the three and six-month periods ended May 31, 2025 and 2024

(In thousands of Canadian dollars)

(Unaudited)

		Three months ended May 31		Six months ended May 31	
		2025	2024	2025	2024
		\$	\$	\$	\$
Financing activities					
Issuance of long-term debt	15	—	14,785	—	14,785
Repayment of long-term debt		(17,017)	(16,331)	(25,759)	(50,960)
Net lease payments	6	(11,542)	(10,936)	(23,372)	(21,447)
Shares repurchased and cancelled	9	(12,586)	(12,803)	(26,398)	(16,358)
Capitalized financing costs	15	—	(1,052)	—	(1,052)
Proceed on disposal of SOFR fixed interest rate swap	11	(21)	—	—	—
Dividends paid to non-controlling shareholders of subsidiaries		—	—	(96)	(330)
Dividends paid		(7,561)	(6,746)	(15,226)	(13,552)
Cash used in financing activities		(48,727)	(33,083)	(90,851)	(88,914)
Net increase (decrease) in cash		(14,276)	2,389	(793)	(5,973)
Effect of foreign exchange rate loss on cash		(7,301)	(710)	(2,412)	(669)
Cash, beginning of period		68,781	50,574	50,409	58,895
Cash, end of period		47,204	52,253	47,204	52,253

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

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1. Description of the business

MTY Food Group Inc. (the "Company") is a franchisor in the quick service and casual dining food industry. Its activities consist of franchising and operating corporate-owned locations as well as the sale of retail products under a multitude of banners. The Company also operates two distribution centers and two food processing plants, all of which are located in the province of Quebec.

The Company is incorporated under the *Canada Business Corporations Act* and is listed on the Toronto Stock Exchange ("TSX"). The Company's head office is located at 8210 Trans-Canada Highway, Ville Saint-Laurent, Quebec.

2. Basis of preparation*Measurement basis*

The Company's unaudited condensed interim consolidated financial statements ("financial statements") for the six months ended May 31, 2025 have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards"), as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of interim financial statements, specifically International Accounting Standard ("IAS") 34, *Interim Financial Reporting*.

The financial statements were authorized for issue by the Board of Directors on July 10, 2025.

The material accounting policies set out below have been applied consistently to all periods presented in the condensed interim consolidated financial statements, with the exception of:

- IAS 1 as disclosed in Note 3 to these financial statements; and
- IFRS 16 as disclosed in Note 3 to these financial statements.

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for:

- leasing transactions, that are within the scope of IFRS 16, Leases; and
- measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2, Inventories, or value in use in IAS 36, Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The financial statements are presented in Canadian dollars, which is the functional currency of the Company, and tabular amounts are rounded to the nearest thousand (\$000) except when otherwise indicated.

Seasonality

Results of operations for any interim period are not necessarily indicative of the results of operations for the full year. The Company expects that seasonality will continue to be a factor in the quarterly variation of its results. For example, the Frozen treat category, which is a significant category in the United States ("US") market, varies significantly during the winter season as a result of weather conditions. This risk is offset by other brands that have better performance during the winter season such as Papa Murphy's. Sales for shopping mall locations are also higher than average in December during the holiday shopping period.

3. Changes in accounting policies

IAS 1, Presentation of Financial Statements

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments in *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* affect only the presentation of liabilities in the statement of financial position, not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.

In July 2020, the IASB published *Classification of Liabilities as Current or Non-current – Deferral of Effective Date (Amendment to IAS 1)* deferring the effective date of the January 2020 amendments to IAS 1 by one year.

In February 2021, the IASB issued *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. An entity is now required to disclose its material accounting policy information instead of its significant accounting policies and several paragraphs are added to IAS 1 to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material. The amendments also clarify that: accounting policy information may be material because of its nature, even if the related amounts are immaterial; accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

In October 2022, the IASB published *Non-current Liabilities with Covenants (Amendments to IAS 1)* to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments modify the requirements introduced by *Classification of Liabilities as Current or Non-current* on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances: only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments also defer the effective date of the 2020 amendments to January 1, 2024.

The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

The amendments to IAS 1 were adopted effective December 1, 2024 and resulted in no significant adjustment.

IFRS 16, Leases

In September 2022, the IASB issued *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)* with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15, *Revenue from Contracts with Customers*, to be accounted for as a sale. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments to IFRS 16 are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

The amendments to IFRS 16 were adopted effective December 1, 2024 and resulted in no significant adjustment.

3. Changes in accounting policies (continued)**IAS12, Income Taxes**

In May 2023, the IASB issued International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12). These amendments introduced a temporary exception to the accounting for deferred taxes arising from the implementation of the Pillar Two model rules developed by the Organization for Economic Co-operation and Development. Specifically, the amendments require entities to not recognize and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The amendments also require specific disclosures to help users understand the entity's exposure to such taxes. The amendments to IAS 12 are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Corporation adopted these amendments effective December 1, 2024.

As a result, the Corporation has applied the exception to not recognize and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. Income tax expense recognized in the condensed interim consolidated statement of income for the six-month period ended May 31, 2025 includes \$4.6 million (2024 – not applicable) related to Pillar Two income taxes.

4. Future accounting changes

A number of new standards, interpretations and amendments to existing standards were issued by the IASB that are not yet effective for the three and six-month periods ended May 31, 2025 and have not been applied in preparing these financial statements.

The following amendments may have a material impact on the financial statements of the Company:

	Standard	Issue date	Effective date for the Company	Impact
IAS 21	The Effects of Changes in Foreign Exchange Rates	August 2023	December 1, 2025	In assessment
IFRS 9 & IFRS 7	Financial Instruments & Financial Instruments and Disclosures	May 2024	December 1, 2026	In assessment
IFRS 10	Consolidated Financial Statements	July 2024	December 1, 2026	In assessment
IFRS 18	Presentation and Disclosure in Financial Statements	April 2024	December 1, 2027	In assessment

IAS 21, The Effects of Changes in Foreign Exchange Rates

In August 2023, the IASB published *Lack of Exchangeability (Amendments to IAS 21)*. The amendments specify when a currency is exchangeable into another currency and when it is not, specify how an entity determines the exchange rate to apply when a currency is not exchangeable, and require the disclosure of additional information when a currency is not exchangeable. The amendments to IAS 21 are effective for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted. The Company will adopt the amendments on December 1, 2025.

IFRS 9, Financial Instruments and IFRS 7 Financial Instrument Disclosures

In May 2024, the IASB published Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures). 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. Earlier application is permitted. The Company will adopt the amendments on December 1, 2026.

4. Future accounting changes (continued)**IFRS 10, Consolidated Financial Statements**

In July 2024, the IASB issued the Annual Improvements to IFRS Accounting Standards—Volume 11, which included amendments to IFRS 10 Consolidated Financial Statements. These amendments aim to clarify the determination of a 'de facto agent' in the context of control assessment. A 'de facto agent' refers to an entity that, although not formally designated as an agent, acts on behalf of another entity due to its specific circumstances, such as holding a significant portion of voting rights without practical exercise. The amendments to IFRS 10 are effective for annual reporting beginning on or after January 1, 2026. The Company will adopt the amendments on December 1, 2026.

IFRS 18, Presentation and Disclosure in Financial Statements

In April 2024, the IASB published a new standard: IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation of Financial Statements. New requirements have been introduced for presentation in the statement of profit and loss, increased disclosure of management defined performance measures and defining the way information is aggregated and disaggregated in the financial statements. The application of IFRS 18 is effective for annual reporting beginning on or after January 1, 2027. Earlier application is permitted. The Company will adopt the amendments on December 1, 2027.

5. Accounts receivable

The following table provides details on trade accounts receivable not past due, past due and the related credit loss allowance.

	May 31, 2025	November 30, 2024
	\$	\$
Total accounts receivable	92,885	89,297
Less: Allowance for credit losses	7,744	8,057
Total accounts receivable, net	85,141	81,240
Of which:		
Not past due	68,310	64,045
Past due for more than one day but no more than 30 days	4,654	4,439
Past due for more than 31 days but no more than 60 days	1,697	2,097
Past due for more than 61 days	10,480	10,659
Total accounts receivable, net	85,141	81,240

6. Leases

Leases as a lessee relate primarily to leases of premises in relation to the Company's operations and its corporate store locations. For many of the leases related to its franchised locations, the Company is on the head lease of the premises and a corresponding sublease contract was entered into between the Company and its unrelated franchisee. The sublease contract is substantially based on the same terms and conditions as the head lease.

Leases and subleases typically have terms ranging between five and 10 years at inception. The Company has options to purchase the premises on some of its leases.

MTY Food Group Inc.

Notes to the condensed interim consolidated financial statements

For the three and six-month periods ended May 31, 2025 and 2024

(In thousands of Canadian dollars, except per share amounts and stock options)

(Unaudited)

6. Leases (continued)

Right-of-use assets

The following table provides the net carrying amounts of the right-of-use assets by class of underlying asset and the changes in the six-month period ended May 31, 2025:

	Offices, corporate and dark stores	Store locations subject to operating subleases	Other	Total
	\$	\$	\$	\$
Balance as at November 30, 2024	177,962	6,660	546	185,168
Additions	4,792	—	—	4,792
Depreciation expense	(17,655)	(341)	(173)	(18,169)
Impairment charge	(495)	—	—	(495)
De-recognition/lease modification of lease liabilities	(2,243)	(1,742)	1	(3,984)
Foreign exchange	(2,304)	29	(3)	(2,278)
Balance as at May 31, 2025	160,057	4,606	371	165,034

Finance lease receivables

The following table provides the carrying amount of the finance lease receivables and the changes in the six-month period ended May 31, 2025 :

	2025
	\$
Balance as at November 30, 2024	307,804
Additions	21,936
Lease renewals and modifications	29,743
Lease terminations	(5,770)
Other adjustments	161
Interest income ⁽¹⁾	6,745
Receipts	(47,999)
Foreign exchange	(2,049)
Balance as at May 31, 2025	310,571

⁽¹⁾ During the six-month period ended May 31, 2024, the Company recorded interest income on finance lease receivables of \$6,198.

MTY Food Group Inc.**Notes to the condensed interim consolidated financial statements**

For the three and six-month periods ended May 31, 2025 and 2024

(In thousands of Canadian dollars, except per share amounts and stock options)

(Unaudited)

6. Leases (continued)

Recorded in the condensed interim consolidated statements of financial position as follows:

	Finance lease receivables
	\$
Current portion	76,152
Long-term portion	231,652
November 30, 2024	307,804
Current portion	74,858
Long-term portion	235,713
May 31, 2025	310,571

Lease liabilities

The following table provides the carrying amount of the lease liabilities and the changes in the six-month period ended May 31, 2025:

	2025
	\$
Balance as at November 30, 2024	515,138
Additions	19,284
Lease renewals and modifications	34,971
Lease terminations	(7,439)
Other adjustments	1,234
Interest expense ⁽¹⁾	12,327
Payments	(71,371)
Foreign exchange	(4,566)
Balance as at May 31, 2025	499,578

⁽¹⁾ During the six-month period ended May 31, 2024, the Company recorded interest expense on lease liabilities of \$11,806.

Recorded in the condensed interim consolidated statements of financial position as follows:

	Lease liabilities
	\$
Current portion	110,910
Long-term portion	404,228
November 30, 2024	515,138
Current portion	109,540
Long-term portion	390,038
May 31, 2025	499,578

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(Unaudited)

7. Impairment charge

The Company performed its quarterly impairment indicator test to identify if any property, plant and equipment or intangible assets were potentially at risk for impairment. Based on the results obtained, the Company recorded nil (2024 – \$3,176) of impairment losses on its property, plant and equipment (2024 – one brand in the US & International geographical segments). During the three-month period ended May 31, 2025, the Company recorded an impairment loss of nil (2024 – \$1,340) related to its trademark. The Company recorded an impairment charge of nil on its property, plant and equipment and intangible assets for the three-month period and \$435 for the six-month period ended May 31, 2025 (2024 - \$3,176 and \$5,396, respectively). These amounts have been recognized in the condensed interim consolidated statements of income.

Impairment charges were based on the amount by which the carrying values of the assets exceeded the recoverable amounts, determined using expected discounted projected operating cash flows.

8. Long-term debt

	May 31, 2025	November 30, 2024
	\$	\$
Non-interest-bearing contract cancellation fees and holdbacks on acquisitions	52	1,552
Fair value of non-controlling interest buyback obligation in 9974644 Canada Inc. ⁽¹⁾	2,019	2,142
Revolving credit facility payable to a syndicate of lenders ⁽²⁾	669,679	704,578
Credit facility financing costs	(1,012)	(1,667)
	670,738	706,605
Less: Current portion	(1,321)	(2,464)
	669,417	704,141

⁽¹⁾ Payable on demand.

⁽²⁾ Under the revolving credit facility, the Company has the option to draw funds in Canadian or in US dollars, at its discretion. The facility's maturity is March 15, 2027 and must be repaid in full at that time. The revolving credit facility has an authorized amount of \$900,000 (November 30, 2024 – \$900,000). As at May 31, 2025, the Company had drawn CAD\$264,000 and US\$295,000 (November 30, 2024 – CAD\$270,000 and US\$308,000) on the facility and has elected to pay interest based on the Canadian Overnight Repo Rate Average ("CORRA") and the Secured Overnight Financing Rate ("SOFR") plus applicable margins. The credit facility bears interest at Canadian prime rate, US prime rate, CORRA, and SOFR plus an applicable margin that will vary depending on the type of advances. The Company pays a commitment fee on the available unused credit facility.

9. Capital stock

On June 30, 2025, the Company announced the renewal of the normal course issuer bid ("NCIB"). The NCIB began on July 3, 2025 and will end on July 2, 2026 or on such earlier date when the Company completes its purchases or elects to terminate the NCIB. The renewed period allows the Company to purchase 1,142,068 of its common shares. These purchases will be made on the open market plus brokerage fees through the facilities of the TSX and/or alternative trading systems at the prevailing market price at the time of the transaction, in accordance with the TSX's applicable policies. All common shares purchased pursuant to the NCIB will be cancelled.

During the three and six-month periods ended May 31, 2025, the Company repurchased and cancelled a total of 297,000 and 584,400 common shares, respectively (2024 – 266,700 and 337,500, respectively), under the current NCIB, at a weighted average price of \$42.38 and \$44.78, respectively common share (2024 – \$48.01 and \$48.47, respectively), for a total consideration of \$12,585 and \$26,397, respectively (2024 – \$12,804 and \$16,358, respectively). An excess of \$8,841 and \$19,088, respectively (2024 – \$9,496 and \$12,172, respectively) of the shares' repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums.

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(Unaudited)

10. Net income per share

The following table provides the weighted average number of common shares used in the calculation of basic income per share and used for the purpose of diluted income per share:

	Three months ended May 31		Six months ended May 31	
	2025	2024	2025	2024
Weighted daily average number of common shares – basic	22,972,861	24,148,100	23,126,075	24,226,693
Assumed exercise of stock options ⁽¹⁾	262	864	1,614	8,562
Weighted daily average number of common shares – diluted	22,973,123	24,148,964	23,127,689	24,235,255

⁽¹⁾ The calculation of the assumed exercise of stock options includes the effect of the average unrecognized future compensation cost of dilutive options. The number of excluded options for the three and six-month periods ended May 31, 2025 was 425,000 for both periods (2024 – 280,002 and 257,780, respectively).

11. Financial instruments

In the normal course of business, the Company uses various financial instruments, which by their nature involve risk, including market risk and the credit risk of non-performance by counterparties. These financial instruments are subject to normal credit standards, financial controls, risk management and monitoring procedures.

Fair value of recognized financial instruments

Swaps

Cross currency interest rate swaps

On May 30, 2025, the Company entered into one floating to floating 2-month cross currency interest rate swap (November 30, 2024 – one floating to floating 3-month cross currency interest rate swap). A derivative liability at fair value of \$182 was recorded as at May 31, 2025 (November 30, 2024 – derivative asset of \$3,071) in the current portion of derivative assets in the condensed interim consolidated statements of financial position. The Company has classified this as level 2 in the fair value hierarchy.

	May 31, 2025	November 30, 2024
	2-month	3-month
Receive – Notional	US\$187,432	US\$189,200
Receive – Rate	6.12%	6.51%
Pay – Notional	CA\$258,000	CA\$262,000
Pay – Rate	4.40%	5.43%

11. Financial instruments (continued)*Fair value of recognized financial instruments (continued)*Fixed interest rate swaps

On March 24, 2023, the Company entered into a three-year SOFR fixed interest rate swap for a notional amount of US\$200,000. A fair value remeasurement of nil was recorded in the Company's condensed interim consolidated statement of comprehensive income for the three and six-month periods ended May 31, 2025, respectively (2024 – fair value remeasurement gain of \$861 and \$727, respectively). On June 4, 2024, the Company sold the swap, realizing proceeds of \$6,562 from this transaction. The cumulative gain on the hedging instrument, which was previously recognized in other comprehensive income during the effective hedging period, will continue to be recognized in equity and will be amortized to the condensed interim consolidated statement of income until the termination of the hedged item on April 10, 2026. For the three and six-month periods ended May 31, 2025, the Company recorded a gain of \$895 and \$1,790 in the Company's condensed interim consolidated statement of income related to this amortization, respectively (2024 – nil).

On May 30, 2023, the Company entered into a two-year SOFR fixed interest rate swap for a notional amount of US\$100,000. The period of two years ended on May 30, 2025. Under the terms of this swap, the interest rate is fixed at 3.64%, unless the 1-month term SOFR exceeds 5.50%; if the 1-month term SOFR exceeds 5.50%, the Company will pay the 1-month term SOFR. A derivative asset fair value of nil was recorded as at May 31, 2025 (November 30, 2024 – \$499). The Company has classified this as level 2 in the fair value hierarchy. A fair value remeasurement loss of \$238 and \$495 was recorded in the Company's condensed interim consolidated statement of income for the three and six-month periods ended May 31, 2025 (2024 – fair value remeasurement gain of \$139 and \$212, respectively).

On January 22, 2024, the Company entered into a three-year SOFR fixed interest rate swap for a notional amount of US\$50,000. The period of three years ends on January 22, 2027. Under the terms of this swap, the Company will receive 0.25% unless the 1-month term SOFR falls below 2.95% or exceeds 5.50%. If the term SOFR falls below 2.95%, the Company will pay the difference between the current rate and 2.95%. A derivative asset of \$38 was recorded as at May 31, 2025 (November 30, 2024 – \$39). The Company has classified this as level 2 in the fair value hierarchy. A fair value remeasurement gain of \$9 and \$2 was recorded in the Company's condensed interim consolidated statement of income for the three and six-month periods ended May 31, 2025, respectively (2024 – fair value remeasurement gain of \$230 and \$57, respectively).

On September 19, 2024, the Company entered into a three-year CORRA fixed interest rate swap for a notional amount of \$100,000. The period of three years ends on September 17, 2027. Under the terms of this swap, the interest rate is fixed at 2.79%. A derivative liability of \$753 was recorded as at May 31, 2025 (November 30, 2024 – derivative asset of \$143). The Company has classified this as level 2 in the fair value hierarchy. A fair value remeasurement gain of \$118 and loss of \$894 was recorded in the Company's condensed interim consolidated statement of comprehensive income for the three and six-month periods ended May 31, 2025, respectively (2024 – nil).

On September 24, 2024, the Company entered into a three-year CORRA fixed interest rate swap for a notional amount of \$50,000. The period of three years ends on September 24, 2027. Under the terms of this swap, the interest rate is fixed at 2.77%. A derivative liability of \$359 was recorded as at May 31, 2025 (November 30, 2024 – derivative asset of \$99). The Company has classified this as level 2 in the fair value hierarchy. A fair value remeasurement gain of \$68 and loss of \$452 was recorded in the Company's condensed interim consolidated statement of comprehensive income for the three and six-month periods ended May 31, 2025, respectively (2024 – nil).

Range bonus accumulator (RBA)

During the three-month period ended May 31, 2025, the Company entered a one-year range bonus accumulator ("RBA") agreement, which is a written option that provides incremental returns if the foreign exchange rate remains within a predetermined range. The contract involves monthly observations of the USD/CAD exchange rate and may trigger an obligation of a notional amount of US\$1,000 if rates move outside defined limits. A derivative asset of \$40 was recorded as at May 31, 2025. The Company has classified this as level 2 in the fair value hierarchy. A fair value gain of \$40 was recorded in the Company's condensed interim consolidated statement of income for the three and six-month periods ended May 31, 2025.

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(Unaudited)

11. Financial instruments (continued)

Fair value of recognized financial instruments (continued)

The swaps were recorded in the condensed interim consolidated statements of financial position as follows:

	Cross currency interest rate swaps	1-year SOFR fixed interest rate swap (RBA)	3-year SOFR fixed interest rate swap	3-year CORRA fixed interest rate swap	3-year CORRA fixed interest rate swap	Total
	\$	\$	\$	\$	\$	\$
Current portion of derivative assets	—	40	22	—	—	62
Long-term portion of derivative assets	—	—	16	—	—	16
Total derivative assets	—	40	38	—	—	78
Current portion of derivative liabilities	(182)	—	—	(323)	(154)	(659)
Long-term portion of derivative liabilities	—	—	—	(430)	(205)	(635)
Total derivative liabilities	(182)	—	—	(753)	(359)	(1,294)

Fair value hierarchy

The changes in the carrying amount of the financial liabilities classified as level 3 in the fair value hierarchy are as follows:

	2025
	\$
Financial liabilities classified as level 3 as at November 30, 2024	2,142
Revaluation of financial liabilities recorded at fair value	(123)
Financial liabilities classified as level 3 as at May 31, 2025	2,019

As at May 31, 2025 and November 30, 2024, the financial liabilities classified as level 3 in the fair value hierarchy were comprised of the following:

	May 31, 2025	November 30, 2024
	\$	\$
Fair value of non-controlling interest buyback obligation in 9974644 Canada Inc.	2,019	2,142
Financial liabilities classified as level 3	2,019	2,142

The Company has determined that the fair values of its financial assets and financial liabilities with short-term and long-term maturities approximate their carrying value. These financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, deposits and other liabilities.

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11. Financial instruments (continued)

Fair value hierarchy (continued)

Determination of fair value

The following methods and assumptions were used to estimate the fair values of each class of financial instrument:

Loans and other receivables and Finance lease receivables – The carrying amount for these financial instruments approximates fair value due to the short-term maturity of these instruments and/or the use of market interest rates.

Long-term debt – The fair value of long-term debt is determined using the present value of future cash flows under current financing agreements based on the Company's current estimated borrowing rate for similar debt.

12. Revenue

	Three months ended					
	May 31, 2025			May 31, 2024		
	US &			US &		
	Canada	International	TOTAL	Canada	International	TOTAL
	\$	\$	\$	\$	\$	\$
Royalties	22,801	46,280	69,081	22,404	46,502	68,906
Franchise and transfer fees	1,571	1,998	3,569	1,525	1,789	3,314
Retail, food processing and distribution revenues	39,319	714	40,033	37,563	704	38,267
Sale of goods, including construction revenue	13,966	120,804	134,770	13,258	121,039	134,297
Gift card breakage income	106	2,009	2,115	101	1,988	2,089
Promotional funds	11,511	19,407	30,918	11,136	20,276	31,412
Other franchising revenue	9,907	10,982	20,889	9,931	11,597	21,528
Other	193	3,306	3,499	385	3,541	3,926
	99,374	205,500	304,874	96,303	207,436	303,739
	Six months ended					
	May 31, 2025			May 31, 2024		
	US &			US &		
	Canada	International	TOTAL	Canada	International	TOTAL
	\$	\$	\$	\$	\$	\$
Royalties	44,068	87,741	131,809	43,785	87,485	131,270
Franchise and transfer fees	3,120	3,869	6,989	2,986	3,933	6,919
Retail, food processing and distribution revenues	76,630	1,370	78,000	72,383	1,236	73,619
Sale of goods, including construction revenue	24,646	236,911	261,557	22,976	234,177	257,153
Gift card breakage income	295	4,192	4,487	274	4,030	4,304
Promotional funds	21,620	37,547	59,167	21,507	39,088	60,595
Other franchising revenue	19,832	20,723	40,555	19,573	20,443	40,016
Other	744	6,358	7,102	1,469	7,038	8,507
	190,955	398,711	589,666	184,953	397,430	582,383

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13. Operating expenses

	Three months ended					
	May 31, 2025			May 31, 2024		
	Canada	US & International	TOTAL	Canada	US & International	TOTAL
	\$	\$	\$	\$	\$	\$
Cost of goods sold and rent	7,284	38,819	46,103	5,607	36,930	42,537
Retail, food processing and distribution costs	35,225	137	35,362	33,915	237	34,152
Wages and benefits	17,488	61,419	78,907	17,330	60,010	77,340
Other corporate store expenses	1,143	14,889	16,032	752	15,142	15,894
Consulting and professional fees	2,418	2,618	5,036	2,017	2,293	4,310
Insurance and taxes	(540)	2,228	1,688	352	1,972	2,324
Utilities, repairs and maintenance	608	6,093	6,701	480	5,363	5,843
Advertising, travel, meals and entertainment	962	3,897	4,859	1,163	3,407	4,570
Gift cards – related costs	—	3,214	3,214	—	1,674	1,674
Royalties	74	2,574	2,648	34	2,566	2,600
Promotional funds ⁽¹⁾	11,511	19,407	30,918	11,136	20,276	31,412
(Reversal of impairment) impairment for expected credit losses	(177)	153	(24)	333	306	639
Other ⁽²⁾	2,546	1,599	4,145	3,676	3,570	7,246
	78,542	157,047	235,589	76,795	153,746	230,541

	Six months ended					
	May 31, 2025			May 31, 2024		
	Canada	US & International	TOTAL	Canada	US & International	TOTAL
	\$	\$	\$	\$	\$	\$
Cost of goods sold and rent	12,345	76,837	89,182	10,746	72,372	83,118
Retail, food processing and distribution costs	69,173	359	69,532	65,425	334	65,759
Wages and benefits	34,571	121,325	155,896	33,008	118,548	151,556
Other corporate store expenses	2,347	28,855	31,202	1,507	29,807	31,314
Consulting and professional fees	4,649	4,250	8,899	4,163	5,176	9,339
Acquisition-related transaction costs	—	1,411	1,411	—	—	—
Insurance and taxes	(87)	4,425	4,338	824	3,839	4,663
Utilities, repairs and maintenance	1,134	12,277	13,411	897	10,863	11,760
Advertising, travel, meals and entertainment	1,923	7,754	9,677	2,324	6,857	9,181
Gift cards – related costs	—	4,625	4,625	—	5,263	5,263
Royalties	96	4,377	4,473	51	4,345	4,396
Promotional funds ⁽¹⁾	21,620	37,547	59,167	21,507	39,088	60,595
Impairment for expected credit losses (reversal of impairment)	(237)	506	269	1,264	308	1,572
Other ⁽²⁾	4,670	5,179	9,849	5,087	6,320	11,407
	152,204	309,727	461,931	146,803	303,120	449,923

1. Promotional fund expenses include wages and benefits.

2. Other operating expenses are comprised mainly of other office administration expenses.

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(Unaudited)

14. Segmented information

Management monitors and evaluates results of the Company based on geographical segments, these two segments being Canada and US & International. The Company and its chief operating decision maker assess the performance of each operating segment based on its segment profit and loss, which is equal to revenue less operating expenses. Within those geographical segments, the Company's chief operating decision maker also assesses the performance of subdivisions based on the type of product or service provided. These subdivisions include: franchising; corporate stores; processing, distribution and retail; and promotional fund revenues and expenses. This information is disclosed below.

Below is a summary of each geographical and operating segment's performance for the three and six-month periods ended May 31, 2025.

	CANADA						US & INTERNATIONAL						
	Franchising	Corporate	Processing, distribution and retail	Promotional funds	Interco	Total Canada	Franchising	Corporate	Processing, distribution and retail	Promotional funds	Interco	Total US & International	Total consolidated
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Revenue	37,537	11,140	39,549	11,510	(362)	99,374	65,259	120,263	714	19,406	(142)	205,500	304,874
Operating expenses	21,448	10,672	35,368	11,510	(456)	78,542	28,070	109,482	137	19,406	(48)	157,047	235,589
Segment profit (loss)	16,089	468	4,181	—	94	20,832	37,189	10,781	577	—	(94)	48,453	69,285

	CANADA						US & INTERNATIONAL						
	Franchising	Corporate	Processing, distribution and retail	Promotional funds	Interco	Total Canada	Franchising	Corporate	Processing, distribution and retail	Promotional funds	Interco	Total US & International	Total consolidated
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Revenue	72,000	20,973	77,032	21,619	(669)	190,955	123,710	236,354	1,370	37,546	(269)	398,711	589,666
Operating expenses	41,152	20,822	69,462	21,619	(851)	152,204	58,979	212,930	359	37,546	(87)	309,727	461,931
Segment profit (loss)	30,848	151	7,570	—	182	38,751	64,731	23,424	1,011	—	(182)	88,984	127,735

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14. Segment information (continued)

Below is a summary of each geographical and operating segment's performance for the three and six-month periods ended May 31, 2024.

	CANADA						US & INTERNATIONAL						
	Franchising	Corporate	Processing, distribution and retail	Promotional funds	Interco	Total Canada	Franchising	Corporate	Processing, distribution and retail	Promotional funds	Interco	Total US & International	Total consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	35,920	11,761	37,816	11,136	(330)	96,303	65,044	121,519	703	20,276	(106)	207,436	303,739
Operating expenses	20,251	11,786	34,050	11,136	(428)	76,795	28,491	104,750	237	20,276	(8)	153,746	230,541
Segment profit (loss)	15,669	(25)	3,766	—	98	19,508	36,553	16,769	466	—	(98)	53,690	73,198

	CANADA						US & INTERNATIONAL						
	Franchising	Corporate	Processing, distribution and retail	Promotional funds	Interco	Total Canada	Franchising	Corporate	Processing, distribution and retail	Promotional funds	Interco	Total US & International	Total consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	71,070	20,195	72,938	21,507	(757)	184,953	122,466	234,918	1,236	39,088	(278)	397,430	582,383
Operating expenses	39,704	20,723	65,815	21,507	(946)	146,803	58,561	205,226	334	39,088	(89)	303,120	449,923
Segment profit (loss)	31,366	(528)	7,123	—	189	38,150	63,905	29,692	902	—	(189)	94,310	132,460

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15. Condensed interim consolidated statement of cash flows

Changes in non-cash operating activities are as follows:

	Three months ended May 31		Six months ended May 31	
	2025	2024	2025	2024
	\$	\$	\$	\$
Accounts receivable	(6,843)	(3,423)	(4,732)	939
Inventories	1,713	222	3,888	1,433
Other assets	1,157	655	(1,432)	(1,366)
Prepaid expenses and deposits	(855)	664	(2,648)	(2,089)
Accounts payable and accrued liabilities	(9,750)	(8,092)	(5,415)	(7,749)
Provisions	(421)	(530)	353	(917)
Gift card and loyalty program liabilities	85	(2,991)	7,386	5,315
Deferred revenue and deposits	1,938	121	1,942	2,328
	(12,976)	(13,374)	(658)	(2,106)

For the three and six-month periods ended May 31, 2025, non-cash items amounting to \$579 and \$305, respectively (2024 – \$368 and \$5, respectively), are included in proceeds on disposal of property, plant and equipment, primarily related to commitments made as part of the disposal of a portfolio of corporately-owned locations.