Interim condensed consolidated Financial Statements
(unaudited)
Third quarter of 2025
12 and 36-week periods ended September 6, 2025
(in thousands of Canadian dollars)

Notice of No Auditor Review of Interim Condensed Consolidated Financial Statements
In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors, PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., have not performed a review of the unaudited interim condensed consolidated financial statements for the 12 and 36-week periods ended September 6, 2025.

Interim Condensed Consolidated Statements of (Loss) Earnings
(unaudited)
For the 12 and 36-week periods ended September 6, 2025 and September 7, 2024
(in thousands of Canadian dollars, except per share data)

		12 weeks		36 weeks	
		2025	**2024**	**2025**	**2024**
	Notes	**$**	**$**	**$**	**$**
Sales		**212,470**	162,034	**513,654**	454,512
Cost of goods sold		**178,196**	131,969	**431,003**	369,883
Gross margin		**34,274**	30,065	**82,651**	84,629
Operating expenses	4	**28,491**	20,609	**69,260**	60,625
Depreciation and amortization	5	**5,315**	4,724	**15,158**	13,935
(Income) costs not related to current operations	6	**(1,912)**	154	**(1,165)**	276
Impairment loss on goodwill	9	**75,000**	—	**75,000**	—
Operating (loss) earnings		**(72,620)**	4,578	**(75,602)**	9,793
Financial expenses	7	**4,013**	2,823	**9,630**	8,196
(Loss) earnings before taxes		**(76,633)**	1,755	**(85,232)**	1,597
Income taxes (recovery)		**(2,213)**	591	**(4,513)**	530
Net (loss) earnings from continuing operations		**(74,420)**	1,164	**(80,719)**	1,067
Net loss from discontinued operations		**—**	(51)	**—**	(71)
Net (loss) earnings		**(74,420)**	1,113	**(80,719)**	996
Basic and diluted net (loss) earnings per share from continuing operations	8	**(0.73)**	0.01	**(0.79)**	0.01
Basic and diluted net loss per share from discontinued operations	8	**—**	—	**—**	—
Basic and diluted net (loss) earnings per share	8	**(0.73)**	0.01	**(0.79)**	0.01

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

Interim Condensed Consolidated Statements of Comprehensive (Loss) Income
(unaudited)

For the 12 and 36-week periods ended September 6, 2025 and September 7, 2024

(in thousands of Canadian dollars)

	12 weeks		**36 weeks**	
	2025	**2024**	**2025**	**2024**
	$	**$**	**$**	**$**
Net (loss) earnings from continuing operations	**(74,420)**	1,164	**(80,719)**	1,067
Other comprehensive loss that will be subsequently reclassified to earnings:				
Changes in fair value of interest rate swap designated as cash flow hedge	—	(108)	**(24)**	(287)
Income taxes	—	29	**6**	76
Other comprehensive loss from continuing operations	—	(79)	**(18)**	(211)
Comprehensive (loss) income from continuing operations	**(74,420)**	1,085	**(80,737)**	856
Net loss from discontinued operations	—	(51)	—	(71)
Comprehensive loss from discontinued operations	—	(51)	—	(71)
Comprehensive (loss) income	**(74,420)**	1,034	**(80,737)**	785

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

Interim Condensed Consolidated Statements of Changes in Equity
(unaudited)
For the 36-week periods ended September 6, 2025 and September 7, 2024
(in thousands of Canadian dollars)

	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive income	Total equity
	$	$	$	$	$
Balance as at December 29, 2024	**257,076**	**6,843**	**(154,093)**	**18**	**109,844**
Net loss	**—**	**—**	**(80,719)**	**—**	**(80,719)**
Other comprehensive loss	**—**	**—**	**—**	**(18)**	**(18)**
Comprehensive loss	**—**	**—**	**(80,719)**	**(18)**	**(80,737)**
Stock-based compensation	**—**	**25**	**—**	**—**	**25**
Stock options exercised	**11**	**(11)**	**—**	**—**	**—**
Balance as at September 6, 2025	**257,087**	**6,857**	**(234,812)**	**—**	**29,132**

	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive income	Total equity
	$	$	$	$	$
Balance as at December 31, 2023	257,054	6,753	(155,632)	304	108,479
Net earnings	—	—	996	—	996
Other comprehensive loss	—	—	—	(211)	(211)
Comprehensive income (loss)	—	—	996	(211)	785
Stock-based compensation	—	80	—	—	80
Stock options exercised	22	(22)	—	—	—
Balance as at September 7, 2024	257,076	6,811	(154,636)	93	109,344

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

Interim Condensed Consolidated Statements of Cash Flows
(unaudited)
For the 12 and 36-week periods ended September 6, 2025 and September 7, 2024
(in thousands of Canadian dollars)

		12 weeks		36 weeks	
		2025	**2024**	**2025**	**2024**
	Notes	**$**	**$**	**$**	**$**
Cash flows from operating activities					
Net (loss) earnings from continuing operations		**(74,420)**	1,164	**(80,719)**	1,067
Non-cash items					
Deferred income taxes		**(3,440)**	31	**(6,072)**	(788)
Depreciation and amortization	5	**5,315**	4,724	**15,158**	13,935
Impairment loss on goodwill	9	**75,000**	—	**75,000**	—
Financial expenses	7	**4,013**	2,823	**9,630**	8,196
Other		**(3)**	28	**25**	80
		6,465	8,770	**13,022**	22,490
Net changes in working capital		**(14,211)**	1,134	**(10,069)**	4,137
		(7,746)	9,904	**2,953**	26,627
Cash flows from investing activities					
Acquisitions of property, plant and equipment		**(213)**	(320)	**(1,305)**	(1,849)
Acquisitions of intangible assets		**(24)**	(6)	**(74)**	(2,507)
Business acquisition, net of cash acquired	3	**—**	—	**(48,490)**	—
Other		**212**	23	**196**	(229)
		(25)	(303)	**(49,673)**	(4,585)
Cash flows from financing activities					
Net change in the credit facility	10	**11,217**	(3,750)	**45,467**	(5,500)
Lease liability payments		**(2,683)**	(1,787)	**(7,280)**	(5,644)
Increase in highly subordinated debt	10	**—**	—	**15,000**	—
Financing cost paid		**(28)**	—	**(655)**	(281)
Financial expenses paid		**(3,489)**	(2,670)	**(8,858)**	(5,199)
		5,017	(8,207)	**43,674**	(16,624)
Net change in cash and cash equivalents from continuing operations		**(2,754)**	1,394	**(3,046)**	5,418
Net change in cash and cash equivalents from discontinued operations		**—**	(51)	**—**	(71)
Cash and cash equivalents (bank indebtedness) at the beginning		**3,182**	1,004	**3,474**	(3,000)
Cash and cash equivalents at the end		**428**	2,347	**428**	2,347

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

Interim Condensed Consolidated Statements of Financial Position
(unaudited)
(in thousands of Canadian dollars)

	Notes	As at September 6, 2025 $	As at December 28, 2024 $
Assets			
Current assets			
Cash and cash equivalents		**428**	3,474
Trade and other receivables		**83,464**	50,835
Inventories		**63,667**	50,423
Other		**5,433**	2,344
		152,992	107,076
Non-current assets			
Property, plant and equipment		**22,991**	22,359
Intangible assets		**44,625**	17,011
Right-of-use assets		**108,846**	106,416
Goodwill	9	**11,908**	73,072
Deferred tax assets		**9,162**	3,192
Other		**921**	1,315
		198,453	223,365
Total assets		**351,445**	330,441
Liabilities			
Current liabilities			
Trade and other payables		**86,742**	50,970
Current portion of long-term debt	10	**111,096**	3,000
Current portion of lease liabilities		**10,902**	9,604
Other		**1,358**	605
		210,098	64,179
Non-current liabilities			
Long-term debt	10	**—**	48,130
Lease liabilities		**110,669**	107,338
Contingent consideration		**435**	407
Deferred tax liabilities		**1,111**	543
		112,215	156,418
Total liabilities		**322,313**	220,597
Equity			
Equity attributable to shareholders		**29,132**	109,844
Total liabilities and equity		**351,445**	330,441

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

1 Nature of operations

Colabor Group Inc. (hereinafter the "Company") is a distributor and wholesaler of food and related products serving the hotel, restaurant and institutional markets or "HRI" in Quebec and in the Atlantic provinces, as well as the retail market.

The Company is incorporated under the *Canada Business Corporations Act*. It is a Canadian company headquartered at 1601, Rene-Descartes Street, Suite 103, Saint-Bruno-de-Montarville, Quebec, J3V 0A6. The Company's shares are listed on the Toronto Stock Exchange under the symbol GCL.

Financial uncertainties and basis of preparation

After the third quarter end, management has updated its budget and cash flow forecasts based on available information and consequently, it appears that the Company will require additional funds, notably by adding new equity to meet its obligations under its current banking arrangements over the next 12 months. In addition, the Company will need to reach agreements with its lenders in connection with its existing and future borrowing arrangements, including the conversion of the credit facility to an asset-based loan.

As of the date of these financial statements, the Company is in forbearance period with its lenders and still in negotiations with its financing partners. The Company therefore aims to identify and secure appropriate sources of financing, negotiate the extension or modifications of existing facilities, as well as implement operational measures designed to improve working capital and cash generation.

Although management has previously succeeded in securing financing and favorable arrangements, there is no guarantee of future success. The Company's ability to continue operations and fund its activities depends on the success of the above-mentioned measures. If unsuccessful, the Company may be unable to continue its operations, which could result in a reduction in the value of its assets compared to those presented in these interim condensed consolidated financial statements. Due to this forbearance period, the credit facility, subordinated debt and highly subordinated debt were presented as short-term until a new long-term financing agreement is concluded.

In its assessment, management acknowledges significant uncertainties that may cast doubt on the Company's ability to continue as a going concern, thereby questioning the application of accounting principles based on the going concern assumption. Except for the reclassification of debts, the interim condensed consolidated financial statements do not take into account any other potential adjustments that may be required for the carrying amount of assets and liabilities, as well as for expenses and classifications, if the going concern principle were not to apply. Such adjustments could be significant if the financial partners demanded early repayment of debts or asserted their claims by exercising their guarantees.

2 Material accounting policies

General information

These interim condensed consolidated financial statements of the Company were prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Some information and notes disclosure in the consolidated annual financial statements have not been presented or are summarized when they are not considered essential to understanding the Company's interim financial statements. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 28, 2024.

These interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies that have been adopted by the Company in its consolidated financial statements for the year ended December 28, 2024, except for the accounting policy as described below. The accounting policies have been applied consistently for all the periods presented.

The interim condensed consolidated financial statements have been prepared on a going concern and historical cost basis, except for certain financial instruments and pension plan's assets that are measured at fair value, and for defined pension obligations and provisions that have been recorded at present value. Financial information is presented in Canadian dollars, which is the Company's functional currency.

The net loss for these interim financial statements are not necessarily indicative of the full-year net earnings. The seasonal nature is a significant factor in its quarterly results. Lower earnings are recorded during the first quarter. The second and third quarters are generally recording higher earnings than those recorded during the first quarter. Finally, the fourth quarter is the most important one, since there are 16 weeks of operations in the last quarter compared to 12 weeks in the previous quarters.

These interim condensed consolidated financial statements have been approved by the Company's Board of Directors on October 16, 2025. The Company's auditors have not performed a review of these unaudited interim condensed consolidated financial statements.

Changes to accounting standards adopted during fiscal 2025

On December 29, 2024, the Corporation adopted the following standards amendments, which did not have an impact on these unaudited condensed interim consolidated financial statements:

Classification of Liabilities as Current or Non-current - Amendments to IAS 1

In January 2020, the IASB amended IAS 1, Presentation of financial statements. The classification of liabilities as current or non-current should be based on rights that exist at the end of the reporting period. In October 2022, the IASB issued further amendments clarifying how to address the effects on classification and disclosure of covenants which an entity is required to comply with on or before the reporting date and covenants which an entity must comply with only after the reporting date. The Company adopted the amendments on December 29, 2024, with no impact to the interim condensed consolidated financial statements.

3 Business combinations

Acquisition of Alimplus assets and shares of Tout-Prêt Inc.

On June 3, 2025, the Company acquired assets related to the food distribution activities of Alimplus inc., a Quebec-based company and a major private food distributor for over 40 years operating under the name Mayrand Plus, as well as all of the shares of its subsidiary Tout-Prêt inc., a specialist in the distribution and preparation of fresh-cut fruits and vegetables in Quebec, for a paid amount of $48,490.

(in thousands of Canadian dollars, except number of shares and per share data)

The preliminary purchase price allocation was determined as follows:

	Fair value
	$
Trades and other receivables [(i)]	15,081
Inventories	12,471
Other current assets	874
Property, plant and equipment	1,455
Intangible assets	30,513
Right-of-use assets	9,617
Trade and other payables	(24,043)
Long-term debts	(896)
Lease liabilities	(9,742)
Deferred tax liabilities	(676)
Total identifiable net assets acquired	34,654
Goodwill [(ii)]	13,836
Net assets acquired	48,490
Total consideration transferred	48,490

[(i)] The gross contractual amount of trade and other receivables amounts to $15,251 at the acquisition date. At the acquisition date, the best estimate of contractual cash flows not expected to be recovered was $170.

[(ii)] Goodwill primarily relates to expected cost synergies, forecasted growth, future profitability, expertise and significant employee competencies. Goodwill from this business combination is expected to be deductible for tax purposes, other than the one related to Tout-Prêt amounting to $3,358. As a result of the impairment test conducted on September 6, 2025, the Company recognized an impairment loss on a portion of this goodwill (Note 9).

Purchase price allocation is preliminary and will be finalized in the next fiscal year. Management is currently finalizing its valuation of the assets acquired and liabilities assumed.

Business acquisition-related costs are not included as part of acquisition cost and have been recognized as costs not relating to current operations in the consolidated statements of earnings.

The acquired companies have contributed a total of $62,121 to the Company's sales and $518 to net earnings for the period between the date of acquisition and the end of the quarter. If the acquisition had occurred on December 29, 2024, on a pro forma basis, the acquired companies would have generated sales of $162,737. Considering the size and the nature of these acquisitions, the available financial information does not allow for the accurate disclosure of pro forma net earnings had the Company concluded these acquisitions at the beginning of the fiscal year.

(in thousands of Canadian dollars, except number of shares and per share data)

4 Operating expenses

	12 weeks		36 weeks	
	2025	**2024**	**2025**	**2024**
	$	**$**	**$**	**$**
Employee compensation	**20,549**	13,985	**48,942**	42,017
Service contracts and variable portion related to lease contracts	**1,288**	757	**3,048**	2,429
Repair and maintenance	**1,010**	770	**2,983**	2,546
Utilities	**1,088**	972	**3,004**	2,912
Other expenses	**4,556**	4,125	**11,283**	10,721
	28,491	20,609	**69,260**	60,625

5 Depreciation and amortization

	12 weeks		36 weeks	
	2025	**2024**	**2025**	**2024**
	$	**$**	**$**	**$**
Depreciation of property, plant and equipment	**837**	706	**2,212**	2,126
Amortization of intangible assets	**855**	1,043	**2,974**	3,083
Depreciation of right-of-use assets	**3,623**	2,975	**9,972**	8,726
	5,315	4,724	**15,158**	13,935

6 (Income) costs not related to current operations

Other costs not related to current operations from continuing operations mainly consist of legal and professional fees and other charges related to non-current activities, such as costs related to the cybersecurity incident and professional fees related to business acquisitions.

During the third quarter of 2025, the Company received a compensation in connection with the settlement of a supplier dispute. This income is net of legal fees and other expenses related to non-recurring activities, which are also accounted for in the other non-recurring expenses.

(in thousands of Canadian dollars, except number of shares and per share data)

7 Financial expenses

	12 weeks		36 weeks	
	2025	**2024**	**2025**	**2024**
	$	**$**	**$**	**$**
Interest on credit facility	**1,361**	690	**2,554**	2,095
Interest on subordinated debts	**643**	284	**1,262**	826
Interest on lease obligations	**1,836**	1,707	**5,360**	4,863
Other	**173**	142	**454**	412
Financial expenses	**4,013**	2,823	**9,630**	8,196

8 Net (loss) earnings per share

(Loss) earnings per share

The following table presents the basic and diluted loss per share:

	12 weeks		36 weeks	
	2025	**2024**	**2025**	**2024**
	$	**$**	**$**	**$**
Net (loss) earnings from continuing operations	**(74,420)**	1,164	**(80,719)**	1,067
Net loss from discontinued operations	**—**	(51)	**—**	(71)
Net (loss) earnings	**(74,420)**	1,113	**(80,719)**	996
Weighted average number of basic outstanding shares	**102,017,897**	101,992,245	**102,015,723**	101,988,391
Effect of dilutive stock options	**—**	1,074,014	**—**	933,618
Weighted average number of diluted outstanding shares	**102,017,897**	103,066,259	**102,015,723**	102,922,009
Basic and diluted net (loss) earnings per share from continuing operations	**(0.73)**	0.01	**(0.79)**	0.01
Basic and diluted net loss per share from discontinued operations	**—**	—	**—**	—
Basic and diluted net (loss) earnings per share	**(0.73)**	0.01	**(0.79)**	0.01

As at September 6, 2025, 3,369,352 stock options (264,352 stock options in 2024) were not included in the calculation of diluted (loss) earnings per share for the 12 and 36-week periods because of their anti-dilutive effect.

(in thousands of Canadian dollars, except number of shares and per share data)

9 Impairment

			2025		2024
		Goodwill	Trademarks	Goodwill	Trademarks
	Note	$	$	$	$
Balance, beginning of period		**73,072**	**8,542**	73,072	8,542
Business combinations	3	**13,836**	—	—	—
Impairment loss		**(75,000)**	**—**	—	—
Balance, end of period		**11,908**	**8,542**	73,072	8,542

As of September 6, 2025, goodwill and the trademarks were tested for impairment using the method of fair value less costs to sell. To measure the recoverable amount of the CGU, the Company discounted the cash flows projections to be generated from the continued use of the CGU.

These discounted cash flow projections have been prepared by the management using both historical data and future trends expected by the Company as well as certain key assumptions:

a) The cash flows for 2026 are based on internal forecasts. The Company used sales growth rates varying from 2.0% to 2.8% for the cash flows from 2027 to 2030 as well as for the terminal value.

b) Earnings before taxes, financial expenses, depreciation and amortization margin which is based on the internal forecasts for 2026 and 2027. Earnings before taxes, financial expenses, depreciation and amortization margin has been applied on forecasted revenue from 2028 to 2030, as well as the subsequent years.

c) The Company used discount rate after tax of 14.6% (15.0% in 2024). This discount rate represents the Company's weighted average cost of capital, adjusted for the observable market data of companies operating in the same line of business as the CGU.

As of September 6, 2025, as a result of unfavorable economic factors in certain industry sectors resulting in a decrease in volume of sales, profit margins and the growth prospects, the Company recognized an impairment charge of $75,000, which was allocated to goodwill.

(in thousands of Canadian dollars, except number of shares and per share data)

10 Long-term debt

	As at September 6, 2025 $	As at December 28, 2024 $
Credit facility [a]		
Term loan	**40,967**	19,500
Revolving credit	**41,000**	17,000
Subordinated debt [b]	**15,000**	15,000
Highly subordinated debt [c]	**15,000**	—
Total debt	**111,967**	51,500
Unamortized financing costs	**(871)**	(370)
Total debt, net of unamortized financing costs	**111,096**	51,130
Current portion of long-term debt	**111,096**	3,000
Total long-term debt	**—**	48,130

[a] Credit facility

On June 3, 2025, the Company entered into an amended and restated senior secured credit facility for a total amount of $91,750 including a term loan of $41,750 and a revolving credit of $50,000, of which $5,000 in operating swingline and $3,500 in credit letters. The amended and restated facility matures on June 3, 2029. The facility bears interest at the cost of funds, plus a margin varying between 1.75% to 3.25% depending on the Company's leverage ratios. The credit facility is guaranteed by the assets of the Company and by those of some of its subsidiaries and provides limits on the operations and activities, particularly regarding the authorized investments as well as some ratios essentially related to consolidated adjusted EBITDA, financial expenses and total debt which were not met as at September 6, 2025.

The term loan is repayable quarterly, for an annual amount of $3,131 for the first year of the term ending June 3, 2026, and an annual amount of $4,175 thereafter. By mutual agreement, the credit facility may be increased by $40,000. As at September 6, 2025, the availability under the credit facility is $5,345.

[b] Subordinated debt

On June 3, 2025, the Company entered into an amended and restated agreement for its existing $15,000 subordinated debt. The amended subordinated debt matures in full on December 3, 2029 and bears interest at a rate of 7.75% to 9.25% depending on the Company's leverage ratios, payable quarterly. The subordinated debt is secured by a mortgage on all present and future assets of the Company, which is subordinated to the first-ranking security on the credit facility.

(c) Highly subordinated debt

On June 3, 2025, the Company entered into an agreement for a $15,000 highly subordinated debt. The highly subordinated debt bears interest at a cost of funds plus a margin varying between 4.0% to 6.5% depending on the Company's leverage ratios and matures on June 3, 2030. Interest will be compounded and payable at maturity. Notwithstanding the foregoing, starting on the 2nd anniversary, the Company shall have the right to prepay the capitalized interest. After an initial 12-month period, an annual amount of $1,500 may be repaid quarterly in capital at the Company's discretion, if certain financial ratios are met. The highly subordinated debt is secured by a mortgage on all present and future assets of the Company, which is subordinated to the first-ranking security on the credit facility and the subordinated debt.

Forbearance agreements

On September 5, 2025, the Company entered into forbearance agreements with its lenders whereby lenders temporarily waive, until October 15, 2025, their rights and remedies with respect to defaults under the credit agreements. On October 15, 2025 the Company ad lenders amended and extended the forbearance agreements until January 30, 2026. During this forbearance period, the credit facility bearing interest at a cost of funds plus a margin at 4.75%, the subordinated debt at a rate of 12.0% , and the highly subordinated debt bearing interest at the applicable rate plus 5.0%, are presented as short-term until a new permanent financing agreement is entered into.

Under the amended and extended tolerance agreements, the Company will be subject to liquidity requirements of $1,000 and a minimum of monthly verified trailing twelve-month EBITDA. The Company will also, no later than December 15, 2025, provide lenders with a non-binding letter of intent for the refinancing of the credit facilities and the full repayment of all obligations under an asset-based credit facility, as well as a non-binding letter of intent evidencing a minimum equity raise of $15,000.

Financing costs of $655 were incurred during the 36-week period, in connection with the execution of these credit agreements.

11 Financial instruments

A) Fair value

Fair value of cash and cash equivalents, trade and other receivables as well as trade and other payables is equivalent to the carrying amount due to their short-term maturity. Therefore, the time value of money is non-significant.

(in thousands of Canadian dollars, except number of shares and per share data)

The carrying amount and fair value of the other financial instruments in the consolidated statements of financial position are as follows:

		As at September 6, 2025		**As at December 28, 2024**
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	$	**$**	**$**	**$**
Financial asset				
Current				
Derivative financial instrument	—	—	24	24
Financial liabilities				
Current				
Credit facility	**81,465**	**81,967**	—	—
Subordinated debt	**14,773**	**15,000**	—	—
Highly subordinated debt	**14,859**	**15,000**	—	—
Non-current				
Credit facility	—	—	36,187	36,500
Subordinated debt	—	—	14,943	15,000
Contingent consideration	**435**	**435**	407	407
	111,532	**112,402**	51,537	51,907

The fair value of the interest rate swap is calculated at the present value of the estimated future cash flows using an appropriate interest rate yield curve. Assumptions are based on market conditions prevailing at each reporting date. The fair value of derivative instrument reflects the estimated amounts that the Company would receive or pay to settle the contract at the reporting date. The interest rate swap is expired since January 31, 2025.

The fair value of the credit facility and highly subordinated debt are comparable to their carrying amount as the interest rate fluctuates with the market rate with conditions comparable to those prevailing in the market.

The fair value of subordinated debt was determined by discounting future cash flows at 12.0% (7.25% as at December 28, 2024, the current rate of subordinated debt.

The fair values of the credit facility, the subordinated debt and the highly subordinated debt represent the amount payable on demand.

The fair value of contingent consideration was determined by discounting future cash flows at the Company's marginal borrowing rate.

Fair value measurement

The valuation techniques as well as the significant observable market data used in the measurement of Level 2 and Level 3 fair values are the same as those described in the consolidated financial statements for the year ended December 28, 2024.

There was no transfer between the levels during the 12 and 36-week periods ended September 6, 2025.

B) Financial risks management

The Company is exposed to various financial risks resulting from its operating, investing and financing activities. The Company's management manages financial risks in the purpose of limiting the Company's main financial risk exposure. The Company does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

As mentioned in the Nature of Business (Note 1), the Company will need flexibility in financial ratios in the upcoming quarters as well as additional funds to be able to meet its obligations for the next 12 months. The Company has entered into forbearance agreements with its lenders under its credit facility, subordinated debt and highly subordinated debt, as described above (Note 10), effective until January 30, 2026, and is subject to the Company's continued compliance with specific financial and operational covenants, including the raise of a minimum amount of equity and the conversion of the credit facility into an asset-based loan. As a result, the Company's ability to continue as a going concern depends, among other factors, on its ability to obtain additional funds, including through the addition of new equity, to meet its capital needs and to discharge its obligations as they become due, including the payment of interest and the repayment of its long-term debt when due.

There were no other significant changes in the Company's risk exposure during the 36-week period ended September 6, 2025, compared to the description given in the consolidated financial statements for the year closed on December 28, 2024.