Sobeys inc.

Management's Discussion & Analysis

For the First Quarter Ended August 2, 2025

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Management's Discussion & Analysis

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial results of Sobeys Inc. ("Sobeys" or the "Company") for the quarter ended August 2, 2025 compared to the quarter ended August 3, 2024. The MD&A should be read in conjunction with the Company's unaudited Interim Condensed Consolidated Financial Statements and notes thereto for the quarter ended August 2, 2025 and the audited annual Consolidated Financial Statements and the related MD&A for the fiscal year ended May 3, 2025. Additional information about the Company can be found on SEDAR+ at www.sedarplus.ca.

The unaudited Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim financial reporting" as issued by the International Accounting Standards Board ("IASB") and are reported in Canadian dollars. The unaudited Interim Condensed Consolidated Financial Statements should be read in conjunction with the Company's Annual Consolidated Financial Statements for the year ended May 3, 2025, which have been prepared in accordance with International Financial Reporting Standards as issued by the IASB ("IFRS Accounting Standards"). The unaudited Interim Condensed Consolidated Financial Statements include the accounts of Sobeys and its subsidiaries and structured entities which the Company is required to consolidate. Comparative amounts have been rounded to the nearest million to conform with current year presentation.

The information contained in this MD&A is current to September 10, 2025 unless otherwise noted. There have been no material changes to disclosures as contained in the "Critical Accounting Estimates", "Contingencies" or "Risk Management" sections of the Company's MD&A for the fiscal year ended May 3, 2025 other than as noted in this MD&A.

1 Forward-Looking Information

This document contains forward-looking statements which are presented for the purpose of assisting the reader to contextualize the Company's financial position and understand management's expectations regarding the Company's strategic priorities, objectives and plans. These forward-looking statements may not be appropriate for other purposes. Forward-looking statements are identified by words or phrases such as "anticipates", "expects", "believes", "estimates", "intends", "could", "may", "plans", "predicts", "projects", "will", "would", "foresees" and other similar expressions or the negative of these terms.

These forward-looking statements include, but are not limited to, the following items:

- The Company's aim to increase total adjusted net earnings as well as its intention to continue improving sales, gross margin (excluding fuel) and adjusted earnings before interest, taxes, depreciation, and amortization ("EBITDA") margin, all of which could be impacted by several factors including a prolonged unfavourable macro-economic environment and unforeseen business challenges, as well as the factors identified in the "Risk Management" section of the fiscal 2025 annual MD&A;

- The Company's plans to further grow and enhance the Own Brands portfolio, which may be impacted by future operating costs and customer response;

- The Company's plan to invest $850 million capital in its network in fiscal 2026, including new store expansions and renovations and renovate approximately 20% to 25% of the network, which started in fiscal 2024 and continues through fiscal 2026 which may be impacted by cost of materials, availability of contractors, operating results, and other macro-economic impacts;

- The Company's expectation that it will successfully implement the national SAP S/4HANA Enterprise Resource Planning ("ERP") platform, which may be impacted by risks relating to implementation resources and timelines, complexity of integration and data conversion and evolving technology requirements;

- The Company's expectation that it will meet targeted store growth of FreshCo, which may be impacted by customer response, availability of contractors, operating results, and other macro-economic impacts;

- The Company's expectation that it will continue its e-commerce expansion with Voilà and that actions are expected to have a positive impact on Voilà's financial performance in fiscal 2026 and its ability to gain access to a larger segment of the grocery e-commerce market, which may be impacted by future operating and capital costs, customer response and the performance of its technology provider, Ocado Group plc ("Ocado");

- The Company's expectation that the *Scene+* program will accelerate engagement by focusing on scaling personalization, which may be impacted by customer response, *Scene+* app usage and the pace at which personalized offers are rolled out;

- The Company’s expectation that it will continue to focus on driving efficiency and cost effectiveness initiatives including the ability to successfully pursue other e-commerce cost saving initiatives which could be impacted by supplier relationships, labour relations, successfully implementing operational efficiencies and other macro-economic impacts;

- The Company’s expectations regarding the amount and timing of costs relating to the completion of the future Customer Fulfilment Center (“CFC”), which may be impacted by supply of materials and equipment, construction schedules and capacity of construction contractors;

- The Company’s expectation regarding its ability to ensure competitive pricing for customers and pursue long-term growth, which may be impacted by supplier relationships and negotiations and the macro-economic environment;

- The Company’s expectation and uncertainty that future imposition of tariffs by the United States and the risk of potential retaliatory tariffs by the Canadian government could create volatility in the Canadian economy, including higher future costs for importing goods potentially contributing to higher inflation if increased costs are passed to Canadian consumers, which may be impacted by the length of time tariffs are imposed, the extent of counter measures imposed by other countries, the changes in consumer behaviour, and the extent of the impacts on the supply chain;

- The Company’s expectation of contributions to its registered defined benefit plans, which could be impacted by fluctuations in capital markets; and

- The Company’s expectation that its cash and cash equivalents on hand, together with unutilized aggregate credit facilities and cash generated from operating activities will enable the Company to fund future capital investments, pension plan contributions, working capital, current funded debt obligations and ongoing business requirements, and its belief that it has sufficient funding in place to meet these requirements and other short and long-term obligations, all of which could be impacted by changes in the macro-economic environment and operating results.

By its nature, forward-looking information requires the Company to make assumptions and is subject to inherent risks, uncertainties and other factors which may cause actual results to differ materially from forward-looking statements made. For more information on risks, uncertainties and assumptions that may impact the Company’s forward-looking statements, please refer to the Company’s materials filed with the Canadian securities regulatory authorities, including the “Risk Management” section of the fiscal 2025 annual MD&A.

Although the Company believes the predictions, forecasts, expectations or conclusions reflected in the forward-looking information are reasonable, it can provide no assurance that such matters will prove correct. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information. The forward-looking information in this document reflects the Company’s current expectations and is subject to change. The Company does not undertake to update any forward-looking statements that may be made by or on behalf of the Company other than as required by applicable securities laws.

2 Overview of the Business

Proudly Canadian, with headquarters in Stellarton, Nova Scotia, Sobeys has been serving the food shopping needs of Canadians since 1907. Sobeys Inc., a wholly-owned subsidiary of Empire Company Limited (“Empire”) (TSX: EMP.A), owns, affiliates or franchises more than 1,600 stores in all 10 provinces under retail banners that include Sobeys, Safeway, IGA, Foodland, FreshCo, Thrifty Foods, Farm Boy, Longo’s and Lawtons Drugs, operates grocery e-commerce under the banners Voilà, Voilà par IGA and ThriftyFoods.com, and operates and/or supplies more than 350 retail fuel locations.

2.1 Company Priorities

The Company is continuing to enhance data capabilities and deepen its understanding of its customers, allowing the Company to effectively capture emerging trends. The Company aims to grow total adjusted net earnings over the long-term and intends to continue improving sales, gross margin (excluding fuel) and adjusted EBITDA margin by focusing on priorities such as:

Continued Focus on Stores:

Over recent years, the Company has accelerated investments in renovations, conversions, and new stores along with store processes, communications, training, technology and tools. Investing in the store network will remain a key priority, demonstrated by a sustained emphasis on renovations and continued new store expansion. The Own Brands program enhancement will remain a priority through increased distribution, product innovation and supporting Canadian suppliers.

The Company intends to invest capital in its store network and is on track with its plan to renovate approximately 20% to 25% of the network, which started in fiscal 2024 and continues through fiscal 2026. This capital investment includes important sustainability initiatives such as refrigeration system upgrades and other energy efficiency initiatives.

Enhanced Focus on Digital and Data:

The focus on digital and data will include continued e-commerce expansion, personalization and loyalty through *Scene+* (see “Business Updates - E-Commerce” and “Business Updates - *Scene+*” for more information), improved space productivity and the continued improvement of promotional optimization. Space productivity will further enhance the customer experience by improving store layouts, optimizing category and product adjacencies and tailoring product assortment for each store. The advanced analytics tools built for promotional optimization will continue to be refined through the partnership between the advanced analytics team and category merchants. Enhancing digital and data capabilities will allow the Company to deliver personalized experiences to elevate its in-store and e-commerce experience for its customers. To further enhance our internal systems, the Company is currently transforming its legacy ERP environment by migrating to a national SAP S/4HANA ERP platform (see "Business Updates - Technology Platform" for more information).

Efficiency and Cost Control:

The Company has significantly improved its efficiency and cost effectiveness through sourcing efficiencies, optimizing supply chain productivity and improving systems and processes. The Company will continue to focus on driving efficiency and cost effectiveness through initiatives related to sourcing of goods not for resale, supply chain productivity and the organizational structure. The Company has implemented several cost savings initiatives in the Voilà business, including pausing the opening of its fourth CFC and ending its mutual exclusivity with Ocado and continues to pursue other cost saving initiatives.

2.2 Business Updates

E-Commerce

Voilà, the Company’s online delivery business, has three active CFCs located in Toronto, Montreal and Calgary. In the fourth quarter of fiscal 2024, the Company decided to pause the opening of its fourth CFC in Vancouver to focus efforts on driving volume and performance in its three active CFCs. Construction of the external building for the fourth CFC has been substantially completed with the internal work related to the grid build and robot commissioning not yet started. Once e-commerce penetration rates in Canada increase, the Company will be in a position to make a decision quickly on when it will proceed with the opening of its fourth CFC.

The Company has also taken actions to decrease costs and increase its flexibility to serve customers, including ending its mutual exclusivity agreement with Ocado before it was originally estimated to end. This resulted in a non-cash pre-tax charge related to ending the exclusivity of $12 million during the first quarter of fiscal 2025. In fiscal 2025, the Company announced partnerships with Instacart and Uber Eats, providing customers with new ways to shop its stores online. The Company expanded these partnerships to Ontario, Western Canada, Quebec and Atlantic Canada, completing the national grocery rollout based on serviceable locations. These new partnerships complement Voilà by providing a full suite of delivery options for our customers across the marketplace platforms at many of the Company's banners such as Sobeys, Farm Boy, Longo's, FreshCo, Safeway, IGA, Foodland and Lawtons Drugs.

The actions that the Company has taken as outlined above had a positive impact on the e-commerce financial performance in fiscal 2025 and is expected to have an even greater benefit in fiscal 2026 and beyond. Voilà's future earnings will primarily be impacted by sales volume, with strong margins, operational efficiencies and cost discipline also serving as important drivers to manage financial performance. While the market penetration of Voilà continues to be strong, the size and growth of the Canadian grocery e-commerce market is smaller than anticipated, resulting in higher net earnings dilution.

In the quarter ended August 2, 2025, the Company's e-commerce platforms Voilà (including curbside pickup), IGA.net, ThriftyFoods.com and the partnerships with Instacart and Uber Eats, generated a combined sales increase of 80.9% compared to the same quarter in the prior year. The increase is primarily driven by contribution from the rollouts of the new partnerships in fiscal 2025 and continued strong double-digit sales growth of Voilà.

Technology Platform

The Company is currently implementing a significant transformation of its core business systems by migrating the legacy ERP system to a modern national SAP S/4HANA platform. This implementation is a strategic investment aimed at centralizing the Company's ERP system to streamline financial reporting, procurement, and supply chain operations. The upgraded system will provide improved real-time data visibility, improved automation, and enhanced analytics capabilities, supporting more agile decision-making across the organization. The project is progressing according to plan, with full deployment expected to be phased across the Company over the next two fiscal years.

Scene+

Along with Scotiabank and Cineplex, Empire is a co-owner of *Scene+*, one of Canada's leading loyalty programs. *Scene+* has been rewarding customers in almost all of the Company's banners since launching in fiscal 2023. In that time, *Scene+* has grown from 10 million to over 15 million members, while offering a breadth of rewards categories to its members, providing a strategic marketing and promotional tool for the Company.

The Company's key priority with *Scene+* is to accelerate program engagement by focusing on personalization. By using machine learning and artificial intelligence algorithms, personalization recommendations will be improved, delivering the right message to the right customer at the right time, through the right channels.

FreshCo

Since fiscal 2018, the Company has been expanding its FreshCo discount banner to Western Canada and its significant growth has been driven by store conversions and regional expansion. The value proposition and strong multicultural assortment, along with the addition of the *Scene+* loyalty program, has supported the growth and expansion of the Discount banner.

The Company opened two new FreshCo stores in Western Canada during the quarter and one subsequent to the end of the quarter. As at September 10, 2025, FreshCo has 51 stores operating in Western Canada and expects to open an additional four stores in fiscal 2026. The Company expects to have opened 65 FreshCo stores in Western Canada over the next several years.

Sustainable Business Reporting

Environmental, Social and Governance (“ESG”) has deep roots in the Company’s history, and the principles of ESG have been a part of the organization since the Company started over 118 years ago.

The Company published its 2025 Sustainable Business Report in July 2025, highlighting significant advancements in achieving its ESG objectives. This year's report demonstrates continued progress across the three pillars of its ESG framework: People, Planet, and Products. Notable achievements include; reducing greenhouse gas emissions in Scope 1 and 2 by 31% as part of the Company's science-based climate targets, donating approximately 30 million pounds of surplus food to local charities through partnerships with Second Harvest, raising and donating nearly $25 million to support health and wellness, and further embedding Diversity, Equity and Inclusion (“DE&I”) initiatives with 92% of Directors and above setting DE&I performance and accountability goals.

The Sustainable Business Council ("SBC") plays a critical role in overseeing the Company’s sustainability initiatives. The SBC is a functional group of senior business leaders with sustainability mandates whose purpose is to foster collaboration on sustainability commitments, key initiatives, and reporting disclosures.

The Company remains focused on several key initiatives as part of its ongoing ESG journey, including expanding carbon reduction projects to meet Scope 1 and 2 climate targets, eliminating avoidable and hard-to-recycle plastics, fostering a fair, equitable, and inclusive environment, and integrating sustainable business mandates within performance management goals. These efforts underscore the Company's commitment to sustainability and its role in driving positive change for its stakeholders, business, and shareholders. We continue to assess potential Forest, Land and Agriculture ("FLAG") related targets for Scope 3, Category 1-purchased goods and services. We are collaborating with suppliers to collect the information required for FLAG emissions calculations and ensure we take a thoughtful approach.

3 Outlook

The objective of the Company is to grow total adjusted net earnings over the long-term and intends to continue improving sales, gross margin (excluding fuel) and adjusted EBITDA margin by focusing on priorities such as; a continued focus on stores (investing in renovations, new store expansion, and Own Brands program enhancement), an expanded focus on digital and data (through key strategic initiatives including e-commerce, *Scene+*, personalization, space productivity and promotional optimization), and driving efficiency and cost effectiveness through initiatives related to sourcing of goods not for resale, supply chain productivity and the organizational structure.

For fiscal 2026, capital spend is expected to be approximately $850 million, with approximately half of this investment allocated to renovations and new store expansion (including a 1.5% increase in store footprint expansion from new stores), 25% allocated to IT and business development projects and the remainder allocated to logistics and sustainability. By the end of fiscal 2026, the Company expects to complete the network renovations of approximately 20% to 25%, which began in fiscal 2024.

In the quarter ended August 2, 2025, the Company’s internal food inflation continued to be below the Consumer Price Index for food purchased from stores and was largely in line with internal food inflation from the quarter ended May 3, 2025. The Company is focused on supplier relationships and negotiations to ensure competitive pricing for customers. The Company continues to be well positioned to pursue long-term growth despite the impacts of global economic uncertainties.

Continued uncertainty related to the timing and extent of imposition of future tariffs by the United States government and the risk of potential retaliatory tariffs by the Canadian government could create volatility in the Canadian economy, including higher future costs for importing goods, potentially contributing to higher inflation if increased costs are passed to Canadian consumers. The timing and duration of increased tariffs create financial uncertainty for Canadian companies, and may lead to potential job losses, reduced economic activity, and weakening confidence in the future, and could disrupt supplier relationships and the supply chain, and this may increase the volatility in the Company’s operational results. The Company remains focused on promoting local and Canadian products and seeking alternate sources of supply outside of the United States.

4 Summary Results - First Quarter

(in millions of Canadian dollars)	August 2, 2025 13 Weeks	August 3, 2024 13 Weeks	$ Change	% Change
Sales	**$ 8,258**	$ 8,137	$ 121	1.5 %
Gross profit	**2,235**	2,126	109	5.1 %
Operating income	**368**	359	9	2.5 %
Adjusted operating income[1]	**368**	373	(5)	(1.3)%
EBITDA[2]	**657**	634	23	3.6 %
Adjusted EBITDA[1]	**657**	648	9	1.4 %
Finance costs, net	**69**	72	(3)	(4.2)%
Income tax expense	**75**	68	7	10.3 %
Non-controlling interest	**18**	21	(3)	(14.3)%
Net earnings[3]	**206**	198	8	4.0 %
Adjusted net earnings[1][2][3][4]	**206**	209	(3)	(1.4)%

	August 2, 2025 13 Weeks	August 3, 2024 13 Weeks
Gross margin[2]	**27.1 %**	26.1 %
EBITDA margin[2]	**8.0 %**	7.8 %
Adjusted EBITDA margin[1]	**8.0 %**	8.0 %
Same-store sales[2] growth	**0.8 %**	0.5 %
Same-store sales[2] growth - food[5]	**1.9 %**	1.0 %
Same-store sales[2] (decline) growth - fuel	**(13.4)%**	4.4 %
Effective income tax rate	**25.1 %**	23.7 %

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A for a description of the types of costs and recoveries included.
(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
(3) Attributable to owners of the Company.
(4) See "Adjusted Impacts on Net Earnings" section of this MD&A.
(5) Previously named - same-store sales, excluding fuel.

The following table provides a breakdown of the Company's total and same-store sales:

(in millions of Canadian dollars)	August 2, 2025 13 Weeks	August 3, 2024 13 Weeks	$ Change	% Change
Food sales	**$ 7,791**	$ 7,596	$ 195	2.6 %
Fuel sales	**467**	541	(74)	(13.7)%
Same-store sales[1] growth - food[2]	**1.9 %**	1.0 %		
Same-store sales[1] (decline) growth - fuel	**(13.4)%**	4.4 %		

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
(2) Previously named - same-store sales, excluding fuel.

4.1 Sales

Food sales for the quarter ended August 2, 2025 increased by 2.6% primarily driven by positive growth across the business, particularly in Full-Service and Discount banners and the Company's national wholesale distribution network.

Fuel sales for the quarter ended August 2, 2025 decreased by 13.7% primarily driven by lower fuel prices due to the removal of the government carbon tax.

4.2 Gross Profit

Gross profit for the quarter ended August 2, 2025 increased by 5.1% primarily driven by higher sales, strong performance and operational discipline in Full-Service banners aimed at reducing shrink.

Gross margin for the quarter ended August 2, 2025 increased to 27.1% from 26.1% in the prior year, primarily due to strong performance in Full-Service banners as a result of disciplined execution and targeted efficiencies in our stores, including initiatives aimed at inventory control and reducing shrink, and better promotional mix control. Gross margin, excluding the mix impact of fuel, increased by 63 basis points.

4.3 Operating Income

(in millions of Canadian dollars)	**August 2, 2025 13 Weeks**	August 3, 2024 13 Weeks	$ Change
Operating income	**$ 368**	$ 359	$ 9
Adjustments:			
E-commerce Exclusivity[1]	**-**	12	(12)
Restructuring[1]	**-**	2	(2)
	-	14	(14)
Adjusted operating income[2]	**$ 368**	$ 373	$ (5)

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A for a description of the types of costs and recoveries included.
(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.

For the quarter ended August 2, 2025, operating income increased mainly due to higher sales and gross profit, partially offset by higher selling and administrative expenses and an increase in depreciation and amortization.

4.4 EBITDA

(in millions of Canadian dollars)	**August 2, 2025 13 Weeks**	August 3, 2024 13 Weeks	$ Change
EBITDA [1]	**$ 657**	$ 634	$ 23
Adjustments:			
E-commerce Exclusivity[2]	**-**	12	(12)
Restructuring[2]	**-**	2	(2)
	-	14	(14)
Adjusted EBITDA[1][2]	**$ 657**	$ 648	$ 9

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A for a description of the types of costs and recoveries included.

For the quarter ended August 2, 2025, EBITDA increased to $657 million from $634 million in the prior year mainly as a result of an increase in gross profit partially offset by selling and administrative expenses which increased mainly due to higher retail and supply chain labour costs driven by wage rate increases, and higher incentive program expenses and accruals (an increase of $20 million compared to the prior year), driven by share price appreciation and increased vesting level. Selling and administrative expenses also increased due to continued investment in business expansion (Farm Boy, Voilà and FreshCo). Adjusted EBITDA margin remained at 8.0%, (August 3, 2024 - 8.0%).

4.5 Depreciation and Amortization

For the quarter ended August 2, 2025, depreciation and amortization increased to $289 million from $275 million in the prior year mainly as a result of higher right-of-use asset deprecation associated with new lease agreements.

4.6 Finance Costs

For the quarter ended August 2, 2025, net finance costs decreased from the prior year mainly as a result of higher finance income. The increase in finance income was driven by fair value gains on forward contracts and higher accretion income on leases and other receivables.

4.7 Income Taxes

For the quarter ended, August 2, 2025 the effective income tax rate was 25.1% compared to 23.7% in the same quarter in the prior year. The effective tax rate was lower than the statutory rate primarily due to non-taxable capital items, and consolidated structured entities which are taxed at lower rates. The effective tax rate in the same quarter in the prior year was lower than the statutory rate primarily due to non-taxable capital items, and consolidated structured entities which are taxed at lower rates.

4.8 Net Earnings

(in millions of Canadian dollars)	**August 2, 2025 13 Weeks**	August 3, 2024 13 Weeks	$ Change
Net earnings[(1)]	**$ 206**	$ 198	$ 8
Adjustments[(2)] (net of income taxes):			
E-commerce Exclusivity[(3)]	**-**	9	(9)
Restructuring[(3)]	**-**	2	(2)
	-	11	(11)
Adjusted net earnings[(1)(4)(5)]	**$ 206**	$ 209	$ (3)

(1) Attributable to owners of the Company.
(2) Total adjustments for the quarter are net of income taxes of $ nil (August 3, 2024 - $4 million).
(3) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A for a description of the types of costs and recoveries included.
(4) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
(5) See "Adjusted Impacts on Net Earnings" section of this MD&A.

4.9 Adjusted Impacts on Net Earnings

The Company has taken actions in its e-commerce business to decrease costs and increase its flexibility to serve customers, including ending its mutual exclusivity agreement with Ocado. In the first quarter of fiscal 2025, the Company incurred a non-cash charge related to ending the exclusivity and this impact is included in the adjusted metrics. The impact to net earnings for the quarter ended August 2, 2025 was $ nil (August 3, 2024 - ($9) million).

In the first quarter of fiscal 2024, the Company began to pursue strategies to optimize its organization, improve efficiencies and reduce costs including changes to its leadership team and organizational structure and the voluntary buyout of certain unionized employees (the "Restructuring"), and included this impact in adjusted earnings. The impact to net earnings for the quarter ended August 2, 2025 was $ nil (August 3, 2024 - ($2) million).

5 Quarterly Results of Operations

	Fiscal 2026	Fiscal 2025				Fiscal 2024		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
(in millions of Canadian dollars)	Aug 2, 2025 13 Weeks	May 3, 2025 13 Weeks	Feb 1, 2025 13 Weeks	Nov 2, 2024 13 Weeks	Aug 3, 2024 13 Weeks	May 4, 2024 13 Weeks	Feb 3, 2024 13 Weeks	Nov 4, 2023 13 Weeks
Sales	**$ 8,258**	$ 7,637	$ 7,725	$ 7,778	$ 8,137	$ 7,412	$ 7,494	$ 7,751
Operating income	**368**	305	279	292	359	280	235	303
Adjusted operating income(1)	**368**	305	279	292	373	286	260	299
EBITDA(2)	**657**	589	554	573	634	544	505	570
Adjusted EBITDA(1)(2)	**657**	589	554	573	648	550	530	566
Net earnings(3)	**206**	168	142	152	198	144	124	175
Adjusted net earnings(1)(3)	**206**	168	142	152	209	149	143	172

(1) See "Non-GAAP Financial Measures and Financial Metrics" section of this MD&A for a reconciliation of the adjusted metrics presented in the table.
(2) EBITDA is reconciled to net earnings for the current and comparable period in the "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
(3) Attributable to owners of the Company.

Sales are affected by macro-economic factors impacting food retail prices, including fluctuations in inflation. Results are affected by seasonality, in particular during the summer months and over the holidays when retail sales trend higher and can result in stronger operating results. Sales, operating income, EBITDA and net earnings have all been influenced by the Company's strategic investment activities, the competitive environment, cost management initiatives, food prices and general industry trends, adjusted items, as well as other risk factors as outlined in the "Risk Management" section of the fiscal 2025 annual MD&A.

6 Liquidity and Capital Resources

The table below highlights significant cash flow components for the relevant periods. For additional detail, please refer to the Condensed Consolidated Statements of Cash Flows in the Company's unaudited Interim Condensed Consolidated Financial Statements for the quarter ended August 2, 2025.

(in millions of Canadian dollars)	August 2, 2025 13 Weeks	August 3, 2024 13 Weeks
Cash flows from operating activities	**$ 424**	$ 486
Cash flows used in investing activities	**(173)**	(143)
Cash flows used in financing activities	**(172)**	(323)
Increase in cash and cash equivalents	**$ 79**	$ 20

6.1 Operating Activities

Cash flows from operating activities for the quarter ended August 2, 2025 decreased versus prior year primarily as a result of changes in working capital. The working capital changes are impacted primarily by changes in accounts payable and accrued liabilities compared to the prior year.

6.2 Investing Activities

The table below outlines details of investing activities for the relevant periods:

(in millions of Canadian dollars)	August 2, 2025 13 Weeks	August 3, 2024 13 Weeks
Acquisitions of property, equipment, investment property and intangibles	**$ (193)**	$ (222)
Proceeds on disposal of assets[1] and lease modifications and terminations	**23**	82
Increase in equity investments	**(8)**	-
Leases and other receivables, net	**(11)**	1
Other assets	**(6)**	(18)
Other liabilities	**-**	1
Business acquisitions	**(2)**	(10)
Payments received for finance subleases	**23**	22
Interest received	**1**	1
Cash flows used in investing activities	**$ (173)**	$ (143)

(1) Proceeds on disposal of assets include property, equipment and investment property.

Cash used in investing activities for the quarter ended August 2, 2025 increased versus prior year primarily due to a decrease in proceeds on disposal of assets partially offset by lower intangibles and capital investments in the current year.

6.3 Capital Expenditures

The Company invested $138 million in capital expenditures[1] for the quarter ended August 2, 2025 (August 3, 2024 - $150 million) including store renovations, construction of new stores and investments in advanced analytics technology and other technology systems.

In fiscal 2026, capital expenditures are expected to be approximately $850 million with approximately 50% of this investment allocated to store renovations and new store expansion, (including a 1.5% increase in store footprint expansion from new stores), 25% on IT projects and business development projects and the remainder on logistics and sustainability. By the end of fiscal 2026, the Company expects to complete the network renovations of approximately 20% to 25%, which began in fiscal 2024.

(1) Capital expenditures are calculated on an accrual basis and includes acquisitions of property, equipment and investment properties, and additions to intangibles.

6.4 Store Network Activity and Square Footage

The table below outlines details of investments by Sobeys in its store network:

(Number of stores)	August 2, 2025 13 Weeks	August 3, 2024 13 Weeks
Opened/relocated/acquired [1]	**2**	11
Opened - FreshCo[2]	**2**	1
Opened - Farm Boy	**-**	1
Closed[1]	**9**	7
Closed - pending conversion to Farm Boy	**1**	1

(1) Total impact excluding the opened Farm Boy and FreshCo sites as part of ongoing expansion.
(2) Specific to converted Western Canada FreshCo stores, net of Safeway and Sobeys closures.

The following table shows Sobeys' square footage changes:

Square feet (in thousands)	August 2, 2025 13 Weeks	August 3, 2024 13 Weeks
Opened	**8**	162
Closed	**(74)**	(103)
Net change before the impact of the expansion of Farm Boy and FreshCo	**(66)**	59
Opened - FreshCo [(1)]	**78**	36
Opened - Farm Boy	**-**	25
Closed - pending conversion to Farm Boy	**(47)**	(28)
Net change	**(35)**	92

(1) Specific to converted Western Canada FreshCo stores, net of Safeway and Sobeys closures.

At August 2, 2025, the Company's retail space totalled 43.0 million square feet, consistent with the 43.0 million square feet at August 3, 2024.

6.5 Financing Activities

Cash used in financing activities for the quarter ended August 2, 2025, decreased versus prior year mainly due to advances on the revolving credit facility agreement (compared to a repayment on revolving credit facilities in the prior year), partially offset by an advance on the non-revolving credit facility in the prior year.

6.6 Free Cash Flow

Management uses free cash flow as a measure to assess the amount of cash available for debt repayment, dividend payments and other investing and financing activities.

(in millions of Canadian dollars)	August 2, 2025 13 Weeks	August 3, 2024 13 Weeks	$ Change
Cash flows from operating activities	**424**	$ 485	$ (61)
Add:			
Proceeds on disposal of assets[(1)] and lease modifications and terminations	**23**	82	(59)
Less:			
Interest paid	**(10)**	(11)	1
Payments of lease liabilities, net of payments received for finance subleases	**(182)**	(177)	(5)
Acquisitions of property, equipment, investment property and intangibles	**(193)**	(222)	29
Free cash flow[(2)]	**$ 62**	$ 157	$ (95)

(1) Proceeds on disposal of assets include property, equipment and investment property.
(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.

For the quarter ended August 2, 2025, free cash flow decreased versus prior year primarily as a result of a decrease in cash flows from operating activities as a result of changes in working capital which are impacted primarily by changes in accounts payable and accrued liabilities as well as a decrease in proceeds on disposal of assets and lease modifications and terminations partially offset by a decrease in capital investments.

6.7 Employee Future Benefit Obligations

For the quarter ended August 2, 2025, the Company contributed $2 million (August 3, 2024 - $4 million) to its registered defined benefit plans. The Company expects to contribute approximately $7 million to these plans in fiscal 2026.

7 Consolidated Financial Condition

7.1 Capital Structure

The Company's share capital was comprised of the following on August 2, 2025:

Authorized	Number of Shares
Preferred shares, par value of $25 each, issuable in series as a class	**471,000,000**
Preferred shares, without par value, issuable in series	**499,999,000**
Common shares, without par value	**498,674,959**

Issued	
Common shares, without par value	**93,092,348**
Preferred shares, Series 1, without par value, redeemable, non-retractable, 4% cumulative dividend per annum	**100,000**

7.2 Key Financial Condition Measures

(in millions of Canadian dollars, except ratio calculations)	**August 2, 2025**	**May 3, 2025**	**August 3, 2024**
Shareholders' equity, net of non-controlling interest	**$ 4,428**	$ 4,390	$ 4,352
Long-term debt, including current portion	**$ 1,225**	$ 1,029	$ 1,076
Long-term lease liabilities, including current portion	**$ 6,347**	$ 6,382	$ 6,368
Funded debt to total capital(1)	**63.1%**	62.8%	63.1%
Funded debt to adjusted EBITDA(1)(2)	**3.2x**	3.1x	3.2x
Adjusted EBITDA to interest expense(1)(3)	**8.2x**	8.1x	8.2x
Trailing four-quarter adjusted EBITDA	**$ 2,373**	$ 2,364	$ 2,295
Trailing four-quarter interest expense	**$ 290**	$ 291	$ 279
Current assets to current liabilities	**0.8x**	0.8x	0.8x
Total assets	**$ 15,912**	$ 15,786	$ 15,666
Total non-current financial liabilities	**$ 7,393**	$ 7,199	$ 7,276

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
(2) Calculation uses trailing four-quarter adjusted EBITDA.
(3) Calculation uses trailing four-quarter adjusted EBITDA and interest expense.

Sobeys' credit ratings for both Morningstar DBRS ("DBRS") and S&P Global ("S&P") remained unchanged from the prior quarter. The following table shows Sobeys' credit ratings as at September 10, 2025:

Rating Agency	Credit Rating (Issuer rating)	Trend/Outlook
DBRS	BBB	Stable
S&P	BBB-	Stable

On June 21, 2024, Sobeys established a senior, unsecured non-revolving term credit facility for $120 million with a maturity date of June 20, 2025. On June 18, 2025, Sobeys amended the facility to extend the maturity by one year. This facility will now mature June 19, 2026. All other terms of the facility are unchanged. Interest payable on this facility fluctuates with changes in the Canadian prime rate or Canadian Overnight Repo Rate Average ("CORRA"). The facility was fully utilized on June 21, 2024, with the proceeds used to refinance amounts owing under its existing credit facility. As of August 2, 2025, the outstanding amount of the facility was $120 million (August 3, 2024 - $120 million).

Sobeys, through its acquisition of Longo's, has an operating line of credit which was amended from $100 million to $115 million on March 25, 2025. As of August 2, 2025, the outstanding amount of the facility was $68 million (August 3, 2024 - $78 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate.

Sobeys has a $650 million senior, unsecured revolving term credit facility with a maturity date of November 4, 2027. As of August 2, 2025, the outstanding amount of the facility was $428 million (August 3, 2024 - $284 million) and Sobeys has issued $73 million in letters of credit against the facility (August 3, 2024 - $65 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate or CORRA.

The Company believes its cash and cash equivalents on hand as of August 2, 2025, together with approximately $196 million in unutilized, aggregate credit facilities and cash generated from operating activities will enable the Company to fund future capital investments, pension plan contributions, working capital, current funded debt obligations and ongoing business requirements. The Company also believes it has sufficient funding in place to meet these requirements and other short and long-term financial obligations. The Company mitigates potential liquidity risk by ensuring its sources of funds are diversified by term to maturity and source of credit.

8 Accounting Standards and Policies

The unaudited Interim Condensed Consolidated Financial Statements were prepared using the same accounting policies as disclosed in the Company's audited annual Consolidated Financial Statements for the year ended May 3, 2025.

8.1 Standards, Amendments and Interpretations Issued but not yet Adopted

IFRS 9 Financial Instruments ("IFRS 9") and IFRS 7 Financial Instruments: Disclosures ("IFRS 7")
In May 2024, IASB issued limited amendments to IFRS 9 and IFRS 7. These amendments provide clarity on the timing of recognition and derecognition of financial assets and liabilities, the assessment of contractual cash flow characteristics, and the resulting classification and disclosure of financial assets with environmental, social, and governance linked or other contingent features. Additionally, the amendments clarify that a financial liability is derecognized on the settlement date, with the accounting policy choice to derecognize financial liability settled using an electronic payment system before the settlement date, provided specific conditions are met. Additional disclosures are required for financial instruments with contingent features and investments in equity instruments designated at fair value through other comprehensive income with these amendments.

These amendments are effective for annual reporting periods beginning on or after January 1, 2026. Early adoption is permitted, with an option to early adopt only the amendments to the classification of financial assets. The Company is assessing the potential impact of these amendments.

IFRS 18 Presentation and disclosure in financial statements ("IFRS 18")
In April 2024, the IASB issued IFRS 18 which replaces IAS 1. IFRS 18 introduces new requirements to improve the reporting of financial performance and give investors a better basis for analyzing and comparing companies. Specifically, it introduces:

- three defined categories for income and expenses (operating, investing and financing) and requiring companies to provide new defined subtotals, including operating profit;
- enhanced transparency of management-defined performance measures requiring companies to disclose explanations of those company-specific measures related to the statement of earnings; and
- enhanced guidance on how companies group information in the financial statements, including guidance on whether information is included in the financial statements or is included in the notes.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The Company is assessing the potential impact of this new standard.

8.2 Critical Accounting Estimates

Critical accounting estimates used by the Company's management are discussed in detail in the fiscal 2025 annual MD&A.

8.3 Internal Control Over Financial Reporting

Management of the Company, which includes the President & Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining disclosure controls and procedures and Internal Control over Financial Reporting ("ICFR"), as those terms are defined in National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings". The control framework management used to design and assess the effectiveness of ICFR is *"Internal Control Integrated Framework (2013)"* published by the Committee of Sponsoring Organizations of the Treadway Commission.

There have been no changes in the Company's ICFR during the quarter ending August 2, 2025 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

9 Related Party Transactions

The Company enters into related party transactions with Crombie Real Estate Investment Trust ("Crombie REIT"), including ongoing leases and property management agreements. As at August 2, 2025, Empire holds a 41.5% (August 3, 2024 - 41.5%) ownership interest in Crombie REIT and accounts for its investment using the equity method.

The Company pays compensation costs to Empire, based on actual costs incurred, which are included in selling and administrative expenses on the Interim Condensed Consolidated Statements of Earnings. This consists of the following:

(in millions of Canadian dollars, except share units)	**August 2, 2025 13 Weeks**	August 3, 2024 13 Weeks
Consideration paid	**$ 8**	$ 7
PSU's granted to Sobeys employees	**358,034**	507,204

The Company, through wholly-owned subsidiaries, issued dividends to Empire for the period ended August 2, 2025 of $138 million (August 3, 2024 - $135 million). The Company also paid dividends of $1 million (August 3, 2024 - $1 million) to non-controlling interest shareholders.

During the first quarter of fiscal 2026, the Company through wholly-owned subsidiaries, engaged in a lease modification transaction with Crombie REIT. The lease modification gives Crombie REIT the right to terminate the lease on a property for redevelopment in the future. Proceeds from this transaction were $16 million which resulted in pre-tax income of $10 million and has been recognized in other income on the unaudited Interim Condensed Consolidated Statements of Earnings.

10 Contingencies

Contingencies related to the Company's legal proceedings are discussed in detail in the fiscal 2025 annual MD&A.

11 Risk Management

Risk and uncertainties related to economic and industry factors and the Company's management of risk are discussed in detail in the fiscal 2025 annual MD&A.

12 Non-GAAP Financial Measures & Financial Metrics

There are measures and metrics included in this MD&A that do not have a standardized meaning under generally accepted accounting principles ("GAAP") and therefore may not be comparable to similarly titled measures and metrics presented by other publicly traded companies. Management believes that certain of these measures and metrics, including gross profit and EBITDA, are important indicators of the Company's ability to generate liquidity through operating cash flow to fund future working capital requirements, service outstanding debt and fund future capital expenditures and uses these metrics for these purposes.

In addition, management presents adjusted measures and metrics, including operating income, EBITDA and net earnings in an effort to provide investors and analysts with a more comparable year-over-year performance metric than the basic measure by excluding certain items. These items may impact the analysis of trends in performance and affect the comparability of the Company's core financial results. By excluding these items, management is not implying they are non-recurring.

12.1 Financial Measures

The intent of non-GAAP financial measures is to provide additional useful information to investors and analysts. Non-GAAP financial measures should not be considered in isolation or used as a substitute for measures of performance prepared in accordance with GAAP. The Company's definitions of the non-GAAP terms included in this MD&A are as follows:

- The E-commerce Exclusivity adjustment includes the impact of the early termination of the mutual exclusivity agreement with Ocado, resulting in a non-cash charge related to the impairment of an intangible asset.

- The Restructuring adjustment includes costs incurred to plan and implement strategies to optimize the organization and improve efficiencies, including severance, professional fees and voluntary labour buyouts.

- In the second quarter of fiscal 2023, Empire experienced IT system issues related to a Cybersecurity Event. The Cybersecurity Event adjustment includes the impact of incremental direct costs such as inventory shrink, hardware and software restoration costs, legal and professional fees, labour costs and insurance recoveries. Management believes that the Cybersecurity Event adjustment results in a useful economic representation of the underlying business on a comparative basis. The adjustment does not include management's estimate of the full financial impact of the Cybersecurity Event, as it excludes the net earnings impacts related to the estimated decline in sales and operational effectiveness from impacts such as the temporary loss of advanced planning, promotion and fresh item management tools, the temporary closure of pharmacies, and customers' temporary inability to redeem gift cards and loyalty points.

- Gross profit is calculated as sales less cost of sales. Management believes cost of sales is a useful metric to monitor profitability on a product-level basis. Gross profit represents a supplementary metric to assess underlying operating performance and profitability.

The following table reconciles gross profit on a consolidated basis:

(in millions of Canadian dollars)	**August 2, 2025 13 Weeks**	August 3, 2024 13 Weeks
Sales	**$ 8,258**	$ 8,137
Cost of sales	**6,023**	6,011
Gross profit	**$ 2,235**	$ 2,126

- Adjusted operating income is operating income excluding certain items to better analyze trends in performance. These items are excluded to allow for better period over period comparison of ongoing operating results. Adjusted operating income is reconciled to operating income in its respective subsection of the "Summary Results - First Quarter".

- EBITDA is calculated as net earnings before finance costs (net of finance income), income tax expense, depreciation and amortization of intangibles. Management believes EBITDA represents a supplementary metric to assess profitability and measure the Company's underlying ability to generate liquidity through operating cash flows.

The following table reconciles net earnings to EBITDA on a consolidated basis:

(in millions of Canadian dollars)	**August 2, 2025 13 Weeks**	August 3, 2024 13 Weeks
Net earnings	**$ 224**	$ 219
Income tax expense	**75**	68
Finance costs, net	**69**	72
Operating income	**368**	359
Depreciation	**258**	245
Amortization of intangibles	**31**	30
EBITDA	**$ 657**	$ 634

- Adjusted EBITDA is EBITDA excluding certain items to better analyze trends in performance. These items are excluded to allow for better period over period comparison of ongoing operating results. Adjusted EBITDA is reconciled to EBITDA in its respective subsection of the "Summary Results - First Quarter" section.

- Management calculates interest expense as interest expense on financial liabilities measured at amortized cost and interest expense on lease liabilities. Management believes that interest expense represents a true measure of the Company's debt service expense, without the offsetting finance income.

The following table reconciles finance costs, net to interest expense:

(in millions of Canadian dollars)	August 2, 2025 13 Weeks	August 3, 2024 13 Weeks
Finance costs, net	**$ 69**	$ 72
Plus: finance income, excluding interest income on lease receivables	**4**	2
Less: pension finance costs, net	**(2)**	(2)
Less: accretion expense on provisions	**(1)**	(1)
Interest expense	**$ 70**	$ 71

- Adjusted net earnings is net earnings, net of non-controlling interest, excluding certain items to better analyze trends in performance. These items are excluded to allow for better period over period comparison of ongoing operating results. Adjusted net earnings is reconciled in its respective subsection of the "Summary Results - First Quarter" section.

- Free cash flow is calculated as cash flows from operating activities, plus proceeds on disposal of property, equipment and investment property and lease modifications and terminations, less acquisitions of property, equipment, investment property and intangibles, interest paid and payments of lease liabilities, net of payments received from finance subleases. Management uses free cash flow as a measure to assess the amount of cash available for debt repayment, dividend payments and other investing and financing activities. Free cash flow is reconciled to GAAP measures as reported on the Consolidated Statements of Cash Flows, and is presented in the "Free Cash Flow" section of this MD&A.

- Funded debt is all interest-bearing debt, which includes bank loans, notes payable, credit facilities and lease liabilities. Management believes that funded debt represents the most relevant indicator of the Company's total financial obligations on which interest payments are made.

- Total capital is calculated as funded debt plus shareholders' equity, net of non-controlling interest.

The following table reconciles the Company's funded debt and total capital to GAAP measures:

(in millions of Canadian dollars)	August 2, 2025	May 3, 2025	August 3, 2024
Long-term debt due within one year	**$ 215**	$ 225	$ 226
Long-term debt	**1,010**	804	850
Lease liabilities due within one year	**604**	597	587
Long-term lease liabilities	**5,743**	5,785	5,781
Funded debt	**7,572**	7,411	7,444
Total shareholders' equity, net of non-controlling interest	**4,428**	4,390	4,352
Total capital	**$ 12,000**	$ 11,801	$ 11,796

12.2 Quarterly Results of Operations Adjustment Reconciliation

The following tables adjust the Company's operating income, EBITDA, and net earnings, net of non-controlling interest, for certain items to better analyze trends in performance. These items are excluded to allow for better period over period comparison of ongoing operating results.

	Fiscal 2026	Fiscal 2025				Fiscal 2024		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
(in millions of Canadian dollars)	Aug 2, 2025 13 Weeks	May 3, 2025 13 Weeks	Feb 1, 2025 13 Weeks	Nov 2, 2024 13 Weeks	Aug 3, 2024 13 Weeks	May 4, 2024 13 Weeks	Feb 3, 2024 13 Weeks	Nov 4, 2023 13 Weeks
Operating income	**$ 368**	$ 305	$ 279	$ 292	$ 359	$ 280	$ 235	$ 303
Adjustments:								
E-commerce Exclusivity	**-**	-	-	-	12	-	-	-
Restructuring	**-**	-	-	-	2	20	25	17
Cybersecurity Event	**-**	-	-	-	-	(14)	-	(21)
	-	-	-	-	14	6	25	(4)
Adjusted operating income	**$ 368**	$ 305	$ 279	$ 292	$ 373	$ 286	$ 260	$ 299
Operating income	**$ 368**	$ 305	$ 279	$ 292	$ 359	$ 280	$ 235	$ 303
Depreciation	**258**	253	248	252	245	234	240	237
Amortization of intangibles	**31**	31	27	29	30	30	30	30
EBITDA	**$ 657**	$ 589	$ 554	$ 573	$ 634	$ 544	$ 505	$ 570
Adjustments:								
E-commerce Exclusivity	**-**	-	-	-	12	-	-	-
Restructuring	**-**	-	-	-	2	20	25	17
Cybersecurity Event	**-**	-	-	-	-	(14)	-	(21)
	-	-	-	-	14	6	25	(4)
Adjusted EBITDA	**$ 657**	$ 589	$ 554	$ 573	$ 648	$ 550	$ 530	$ 566
Net earnings	**$ 206**	$ 168	$ 142	$ 152	$ 198	$ 144	$ 124	$ 175
Adjustments:								
E-commerce Exclusivity	**-**	-	-	-	9	-	-	-
Restructuring	**-**	-	-	-	2	15	19	12
Cybersecurity Event	**-**	-	-	-	-	(10)	-	(15)
	-	-	-	-	11	5	19	(3)
Adjusted net earnings	**$ 206**	$ 168	$ 142	$ 152	$ 209	$ 149	$ 143	$ 172

12.3 Financial Metrics

The intent of the following non-GAAP financial metrics is to provide additional useful information to investors and analysts. Management uses financial metrics for decision-making, internal reporting, budgeting and forecasting. The Company's definitions of the metrics included in this MD&A are as follows:

- Same-store sales are sales from stores in the same location in both reporting periods. Management believes same-store sales represents a supplementary metric to assess sales trends as it removes the effect of the opening and closure of stores.

- Gross margin is gross profit divided by sales. Management believes that gross margin is an important indicator of profitability and can help management, analysts and investors assess the competitive landscape and promotional environment of the industry in which the Company operates. An increasing percentage indicates lower cost of sales as a percentage of sales.

- EBITDA margin is EBITDA divided by sales. Management believes that EBITDA margin is an important indicator of performance and can help management, analysts and investors assess the competitive landscape, promotional environment and cost structure of the industry in which the Company operates. An increasing percentage indicates higher EBITDA as a percentage of sales.

- Adjusted EBITDA margin is adjusted EBITDA divided by sales. Management believes that adjusted EBITDA margin is an important indicator of performance and can help management, analysts and investors assess the competitive landscape, promotional environment and cost structure of the industry in which the Company operates. An increasing percentage indicates higher adjusted EBITDA as a percentage of sales.

- Funded debt to total capital ratio is funded debt divided by total capital. Management believes that the funded debt to total capital ratio represents a measure upon which the Company's changing capital structure can be analyzed over time. An increasing ratio would indicate that the Company is using an increasing amount of debt in its capital structure.

- Funded debt to adjusted EBITDA ratio is funded debt divided by trailing four-quarter adjusted EBITDA. Management uses this ratio to partially assess the financial condition of the Company. An increasing ratio would indicate that the Company is utilizing more debt per dollar of adjusted EBITDA generated.

- Adjusted EBITDA to interest expense ratio is trailing four-quarter adjusted EBITDA divided by trailing four-quarter interest expense. Management uses this ratio to partially assess the coverage of its interest expense on financial obligations. An increasing ratio would indicate that the Company is generating more adjusted EBITDA per dollar of interest expense, resulting in greater interest coverage.

Approved by Board of Directors: September 10, 2025
Stellarton, Nova Scotia, Canada