



Sleep Country Canada Holdings Inc.

**Interim Condensed Consolidated Financial Statements
(Unaudited)**

June 30, 2024

Sleep Country Canada Holdings Inc.
Interim Condensed Consolidated Statements of Financial Position
(Unaudited)

(in thousands of Canadian dollars)

	June 30, 2024	December 31, 2023
	\$	\$
Assets		
Current assets		
Cash	34,197	37,371
Trade and other receivables	25,193	24,940
Inventories	107,243	94,885
Prepaid expenses and deposits	17,726	15,365
Other assets	—	638
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	184,359	173,199
Non-current assets		
Other assets (note 4)	24,401	22,894
Property and equipment	73,974	74,390
Right-of-use assets	269,388	272,805
Intangible assets	232,956	226,599
Goodwill	336,197	336,197
Deferred tax assets	9,595	6,390
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	1,130,870	1,112,474
Liabilities		
Current liabilities		
Trade and other payables	107,873	110,966
Deferred revenues	22,750	29,995
Other liabilities (note 5)	5,284	22,971
Lease liabilities	39,277	38,499
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	175,184	202,431
Non-current liabilities		
Other liabilities (note 5)	3,688	6,533
Long-term debt (note 6)	176,147	160,627
Lease liabilities	287,083	288,665
Deferred tax liabilities	24,975	25,264
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	667,077	683,520
Shareholders' Equity		
Share capital and other (note 7)	347,439	321,118
Retained earnings	116,344	102,664
Other reserves	10	(27)
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Equity attributable to Sleep Country Canada Holdings Inc.	463,793	423,755
Non-controlling interests	—	5,199
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	1,130,870	1,112,474

Approved by the Board of Directors

(Signed) Mandeep Chawla - Director

(Signed) David Shaw - Director

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

Sleep Country Canada Holdings Inc.

Interim Condensed Consolidated Statements of Income and Comprehensive Income (Unaudited)

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

	Three-month period ended June 30, 2024 \$	Three-month period ended June 30, 2023 \$	Six-month period ended June 30, 2024 \$	Six-month period ended June 30, 2023 \$
Revenues	232,491	217,199	442,206	423,694
Cost of sales	143,946	138,229	280,747	273,935
Gross profit	88,545	78,970	161,459	149,759
Selling, general and administrative expenses	57,325	54,744	110,108	102,863
Operating income	31,220	24,226	51,351	46,896
Finance related expenses (note 8)	9,628	6,636	17,952	13,105
Other expenses (income)	(512)	54	(1,079)	594
Net income before income taxes	22,104	17,536	34,478	33,197
Income taxes	6,264	4,769	9,699	9,137
Net income for the period	15,840	12,767	24,779	24,060
Net income for the period attributable to:				
Sleep Country Canada Holdings Inc.	15,840	12,685	24,575	24,015
Non-controlling interests	—	82	204	45
	15,840	12,767	24,779	24,060
Items that may be reclassified subsequently to net income:				
Exchange differences on translation of foreign operations	21	(6)	36	(2)
Other comprehensive income (loss) for the period	21	(6)	36	(2)
Comprehensive income for the period	15,861	12,761	24,815	24,058
Comprehensive income for the period attributable to:				
Sleep Country Canada Holdings Inc.	15,861	12,681	24,610	24,013
Non-controlling interests	—	80	205	45
	15,861	12,761	24,815	24,058
Earnings per share attributable to Sleep Country Canada Holdings Inc.				
Basic earnings per share (in dollars) (note 9)	0.47	0.36	0.73	0.69
Diluted earnings per share (in dollars) (note 9)	0.46	0.36	0.72	0.68

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

Sleep Country Canada Holdings Inc.

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

(in thousands of Canadian dollars)

	Equity Attributable to Sleep Country Canada Holdings Inc.					Total	Non-Controlling Interests	Total Shareholders' Equity
	Share Capital and Other							
	Number of Shares	Common Shares \$	Contributed Surplus \$	Retained Earnings \$	Other Reserves \$	\$	\$	\$
Balance – January 1, 2023	34,837,943	313,550	14,889	84,380	(25)	412,794	7,284	420,078
Net income for the period	—	—	—	24,015	—	24,015	45	24,060
Other comprehensive loss for the period	—	—	—	—	(2)	(2)	—	(2)
Comprehensive income (loss) for the period	—	—	—	24,015	(2)	24,013	45	24,058
Dividends declared	—	—	300	(16,007)	—	(15,707)	—	(15,707)
Settlement of share-based compensation (note 10)	250,706	4,070	(3,847)	—	—	223	—	223
Share-based compensation (note 10)	—	—	3,213	—	—	3,213	—	3,213
Repurchase of shares for cancellation (note 7)	(299,519)	(2,820)	—	(4,255)	—	(7,075)	—	(7,075)
Net change in share repurchase commitment under automatic share purchase plan (note 7)	—	3,772	—	—	—	3,772	—	3,772
Balance – June 30, 2023	34,789,130	318,572	14,555	88,133	(27)	421,233	7,329	428,562
Balance – January 1, 2024	33,529,713	304,114	17,004	102,664	(27)	423,755	5,199	428,954
Net income for the period	—	—	—	24,575	—	24,575	204	24,779
Other comprehensive income for the period	—	—	—	—	35	35	1	36
Comprehensive income for the period	—	—	—	24,575	35	24,610	205	24,815
Dividends declared	—	—	180	(16,161)	—	(15,981)	(136)	(16,117)
Settlement of share-based compensation (note 10)	371,541	9,902	(5,773)	—	—	4,129	—	4,129
Share-based compensation (note 10)	—	—	2,003	—	—	2,003	—	2,003
Changes in ownership interest in non-controlling interests (note 5)	—	—	—	5,266	2	5,268	(5,268)	—
Net change in share repurchase commitment under automatic share purchase plan (note 7)	—	20,009	—	—	—	20,009	—	20,009
Balance – June 30, 2024	33,901,254	334,025	13,414	116,344	10	463,793	—	463,793

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

Sleep Country Canada Holdings Inc.
Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in thousands of Canadian dollars)

	Six-month period ended June 30, 2024 \$	Six-month period ended June 30, 2023 \$
Cash provided by (used in)		
Operating activities		
Net income for the period	24,779	24,060
Adjustments for:		
Depreciation of property and equipment	9,255	8,623
Depreciation of right-of-use assets	21,207	20,209
Amortization of intangible assets	4,743	5,368
Share-based compensation (note 10)	2,003	3,213
Finance related expenses (note 8)	17,952	13,105
Deferred income taxes	(3,490)	(13)
Other non-cash expenses (income)	(1,400)	76
	<u>75,049</u>	<u>74,641</u>
Changes in non-cash items relating to operating activities		
Changes in working capital		
Trade and other receivables	(1,047)	(8,763)
Inventories	(12,350)	16,941
Prepaid expenses and deposits	(2,360)	(5,769)
Other current assets	638	—
Trade and other payables	(7,495)	(21,581)
Deferred revenues	(7,250)	(3,585)
	<u>(29,864)</u>	<u>(22,757)</u>
	<u>45,185</u>	<u>51,884</u>
Investing activities		
Purchase of property and equipment - net of disposals	(7,453)	(7,217)
Additions to right-of-use assets	(45)	(13)
Purchase of intangible assets	(8,406)	(11,886)
Acquisition of other assets	—	(20,105)
Acquisition of business combinations	—	(58,864)
Purchase of non-controlling interests (note 5)	(1,654)	—
	<u>(17,558)</u>	<u>(98,085)</u>
Financing activities		
Proceeds from options exercised (note 10)	4,129	223
Shares repurchased under normal course issuer bid (note 7)	—	(7,263)
Advances under long-term debt (note 6)	15,400	69,100
Repayment of loans from non-controlling interests	(240)	—
Dividends paid	(16,117)	(15,707)
Interest paid	(15,041)	(10,966)
Repayment of principal portion of lease liabilities	(18,983)	(19,410)
	<u>(30,852)</u>	<u>15,977</u>
Decrease in cash during the period	(3,225)	(30,224)
Effects of foreign currency exchange rate changes on cash	51	5
Cash – Beginning of the period	<u>37,371</u>	<u>78,318</u>
Cash – End of the period	<u>34,197</u>	<u>48,099</u>
Supplementary information		
Purchase of property and equipment in trade and other payables	1,337	1,201
Purchase of intangible assets in trade and other payables	2,694	3,065
Additions to right-of-use assets with offset in lease liabilities - net	18,179	18,405
Purchase of non-controlling interests in other liabilities (note 5)	5,284	—

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

Sleep Country Canada Holdings Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2024

(in thousands of Canadian dollars, unless otherwise noted)

1 Organization

Sleep Country Canada Holdings Inc. (the "**Company**") was incorporated by articles of incorporation under the Canada Business Corporations Act on May 27, 2015. The Company is authorized to issue an unlimited number of common shares and Class A common shares without par value. The common shares are voting and entitled to dividends if and when declared by the Board of Directors (the "**Board**").

The Company is Canada's leading specialty sleep retailer with a national retail store network and multiple eCommerce platforms. The Company has 307 corporate-owned stores and 18 warehouses across Canada and operates under retail banners: Sleep Country™, Dormez-vous™, Endy™, Hush™, Silk & Snow™ and Casper™ ("**Casper Canada**").

The address of its registered office is 7920 Airport Road, Brampton, Ontario.

The Company's common shares are listed on the Toronto Stock Exchange ("**TSX**") under the stock symbol "ZZZ".

2 Basis of preparation

These unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("**IFRS® Accounting Standards**") as applicable to interim financial statements, including International Accounting Standard ("**IAS® Standards**") 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board ("**IASB®**"). Certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with IFRS Accounting Standards have been omitted or condensed. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2023.

These unaudited interim condensed consolidated financial statements were reviewed by the Company's Audit Committee. They were approved and authorized for issuance by the Board on August 8, 2024.

3 Material accounting policies

These unaudited interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the Company for the year ended December 31, 2023, in addition to the adoption of new standards effective as of January 1, 2024. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2024, but do not have an impact on the interim condensed consolidated financial statements of the Company.

Sleep Country Canada Holdings Inc.

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2024

(in thousands of Canadian dollars, unless otherwise noted)

4 Other non-current assets

	June 30, 2024 \$	December 31, 2023 \$
Convertible note receivable	20,290	18,906
Warrant	2,149	2,050
Other	1,962	1,938
	<u>24,401</u>	<u>22,894</u>

On March 14, 2023, the Company issued a convertible note receivable and a warrant to the controlling shareholder of Casper Sleep Inc. (the "Investee").

The convertible note receivable has a maturity date of March 14, 2028, with interest at a fixed rate of 7.0% per annum, compounded quarterly in arrears. At any time prior to the maturity date, at the option of the Company, the principal and any accrued interest may be converted into common shares, representing approximately 4.8% of the shares of the Investee. After March 15, 2025, the Investee may prepay or redeem the convertible note at a price in cash equal to the initial principal amount plus accrued interest, and an additional premium of 0.5x the initial principal amount.

The warrant to purchase common shares of the Investee has an expiry date of March 14, 2026. The warrant has an exercise price of \$0.01 and represents approximately 1.2% of the shares of the Investee. At any time prior to the expiry date, the Company may exercise its right to purchase common shares.

Details on the valuation methodology of the convertible note receivable and warrant are disclosed in note 11.

5 Other liabilities

	June 30, 2024 \$	December 31, 2023 \$
Current		
Share repurchase commitment under automatic share purchase plan (note 7)	—	20,009
Redemption liabilities	5,284	2,962
	<u>5,284</u>	<u>22,971</u>
Non-current		
Redemption liabilities	—	2,702
Decommissioning provisions	2,035	2,029
Contingent consideration liability	1,618	1,493
Other	35	309
	<u>3,688</u>	<u>6,533</u>

At the time of the Hush Blankets Inc. acquisition on October 22, 2021, the Company entered into an agreement to acquire the remaining 48% of outstanding common shares in three equal increments of 16% over a three-year period starting March 31, 2023. The consideration for each share increment purchase was calculated

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based on specified earnings levels achieved during the three-year period. Details on the measurement of the redemption liabilities are disclosed in note 11.

On April 15, 2024, the Company signed an amended agreement purchasing the remaining 32% of outstanding common shares from the non-controlling shareholders, at which time, the Company paid a deposit of \$1,654. The final remaining consideration of \$5,284 was paid subsequently on July 18, 2024.

6 Long-term debt

The Company has a senior secured credit facility of \$260,000 with an additional \$100,000 available on its accordion, which is scheduled to mature on October 22, 2026. Under the terms of the senior secured credit facility, the Company must comply with certain financial and non-financial covenants. The Company is in compliance with all covenants as at June 30, 2024. The senior secured credit facility is secured by the present and after-acquired personal property of the Company. As at June 30, 2024, the balance outstanding on the senior secured credit facility was \$176,700 (December 31, 2023 – \$161,300). The long-term debt balance in the consolidated statement of financial position is net of transaction costs of \$553 (December 31, 2023 – \$673).

The senior secured credit facility allows for the debt to be held in Canadian or U.S. dollars. As at June 30, 2024, the Company held its debt in Canadian dollars.

Interest on the senior secured credit facility is based on the Canadian prime rate, the Term Canadian Overnight Report Rate Average ("**CORRA**") or the secured overnight financing rate ("**SOFR**") plus applicable margins based on the achievement of certain targets. The Company entered into a fixed interest rate swap, effective April 1, 2021 ending on April 1, 2024, for the notional amount of \$60,000 whereby the Company paid a fixed rate of 1.072% and received interest at a variable rate equal to the Canadian Dollar Offered Rate for 3-month bankers' acceptances ("**3-month CDOR**") on the notional amount. As at June 30, 2024, the Company had not entered into a new fixed interest rate swap.

7 Share capital and other

	June 30, 2024	December 31, 2023
	\$	\$
33,901,254 common shares (December 31, 2023 – 33,529,713)	610,184	600,282
Share repurchase commitment under automatic share purchase plan	—	(20,009)
Reorganization adjustment and other	(276,159)	(276,159)
Contributed surplus	13,414	17,004
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	347,439	321,118
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Common shares and Class A common shares

The holders of common shares are entitled to receive notice of any meetings of shareholders, to attend and to cast one vote per common share at all such meetings. Holders of common shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the common shares entitled to vote in any election of directors may elect all directors standing for election. Holders of common shares are entitled to receive on a pro rata basis such dividends, if any, as and when declared by the Board at its discretion from funds legally available therefore and on liquidation, dissolution or winding up of the Company are entitled to receive on a pro rata basis the net assets of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the common shares with respect to dividends or liquidation. The common shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

Holders of Class A common shares will be entitled to the same rights and privileges as holders of common shares described above and will rank equally with the holders of common shares on liquidation, dissolution, or winding up of the Company. The Class A common shares will not carry any pre-emptive or subscription rights, nor will they contain any sinking or purchase fund provisions. Class A common shares are redeemable at the option of the Company on written notice to the holders of the Class A common shares, with the redemption price being equal to the price per common share in the IPO. As at June 30, 2024, there were no outstanding Class A common shares (December 31, 2023 – nil).

On March 9, 2023, the Company announced that it received approval from the TSX on a normal course issuer bid ("**NCIB**"). Pursuant to the NCIB, the Company is permitted to purchase through the facilities of the TSX, other designated exchanges and/or alternative trading systems, from time to time over a twelve-month period until the completion of the NCIB, if considered advisable, up to a maximum of 2,675,550 of the Company's common shares, representing approximately 10.0% of its public float of 26,755,502 as of February 28, 2023. This NCIB was completed on March 8, 2024.

On March 7, 2024, the Company announced that it received approval from the TSX on a new NCIB. Pursuant to the NCIB, the Company is permitted to purchase through the facilities of the TSX, other designated exchanges and/or alternative trading systems, from time to time over a twelve-month period until the completion of the NCIB, if considered advisable, up to a maximum of 2,368,443 of the Company's common shares, representing approximately 10.0% of its public float of 23,684,435 as of February 29, 2024. The Company was permitted to commence purchases under the NCIB on March 11, 2024 and the NCIB will conclude on the earlier of the date on which purchases under the bid have been completed and March 10, 2025. In accordance with the rules and by-laws of the TSX, the Company has been permitted to purchase up to a daily maximum of 15,927 shares except where such purchases are made in accordance with the "block purchase" exception under the applicable TSX rules and policies.

The Company established an automatic share purchase program ("**ASPP**") in connection with its NCIB to facilitate the purchase of shares during times when the Company would ordinarily not be permitted to purchase shares due to regulatory restrictions or a self-imposed blackout period. Before entering a blackout period, the Company may, but is not required to, instruct its designated broker to make purchases at the broker's sole discretion and based on parameters set by the Company in accordance with the ASPP, TSX rules and

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applicable securities laws. The Company records a liability for share repurchase commitment during blackout period based on the parameters of the NCIB and ASPP.

As at June 30, 2024, the Company did not have an obligation outstanding under the ASPP. As at December 31, 2023, an estimated maximum obligation of \$20,009 was outstanding under the ASPP in other current liabilities.

During the six-month period ended June 30, 2024, the Company did not purchase common shares for cancellation. During the six-month period ended June 30, 2023, the Company purchased for cancellation 299,519 common shares at an average price of \$24.25 for total consideration of \$7,263. The total cash consideration paid exceeded the carrying value of the shares repurchased by \$4,443, of which \$4,255 was recorded under retained earnings, and a realized loss of \$188 was recorded under finance related expenses.

8 Finance related expenses

	Six-month period ended June 30, 2024 \$	Six-month period ended June 30, 2023 \$
Interest on lease obligations	9,516	7,343
Interest expense on long-term debt	5,587	4,113
Change in fair value on interest rate swap	1,303	665
Change in redemption liabilities	1,274	488
Revolver commitment fees	147	201
Change in contingent consideration liability	125	107
Realized loss on share repurchases under ASPP	—	188
	17,952	13,105

9 Earnings per share

Basic earnings per share ("**EPS**") amounts are calculated by dividing the net income attributable to common shareholders of Sleep Country Canada Holdings Inc. by the weighted average number of shares outstanding during the period.

Diluted EPS amounts are calculated by dividing the net income attributable to common shareholders of Sleep Country Canada Holdings Inc. by the weighted average number of shares outstanding during the period adjusted for the effects of potentially dilutive stock options in addition to performance share units ("**PSUs**"), restrictive share units ("**RSUs**") and deferred share units ("**DSUs**") which are dilutive in nature.

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The below table summarizes the dilution impact of stock options:

	Three-month period ended June 30, 2024 \$	Three-month period ended June 30, 2023 \$	Six-month period ended June 30, 2024	Six-month period ended June 30, 2023
Dilutive	397,665	507,788	397,665	636,712
Anti-dilutive	608,238	637,716	608,238	508,792
Total	1,005,903	1,145,504	1,005,903	1,145,504

The following table illustrates the calculation of basic and diluted EPS:

Attributable to common shareholders of Sleep Country Canada Holdings Inc.						
	Three-month period ended June 30, 2024			Six-month period ended June 30, 2024		
	Net income attributable to Sleep Country Canada Holdings Inc. \$	Weighted average number of shares (in thousands of shares)	EPS \$	Net income attributable to Sleep Country Canada Holdings Inc. \$	Weighted average number of shares (in thousands of shares)	EPS \$
Basic	15,840	33,896	0.47	24,575	33,750	0.73
Diluted	15,840	34,307	0.46	24,575	34,162	0.72

Attributable to common shareholders of Sleep Country Canada Holdings Inc.						
	Three-month period ended June 30, 2023			Six-month period ended June 30, 2023		
	Net income attributable to Sleep Country Canada Holdings Inc. \$	Weighted average number of shares (in thousands of shares)	EPS \$	Net income attributable to Sleep Country Canada Holdings Inc. \$	Weighted average number of shares (in thousands of shares)	EPS \$
Basic	12,685	34,767	0.36	24,015	34,777	0.69
Diluted	12,685	35,241	0.36	24,015	35,217	0.68

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(in thousands of Canadian dollars, unless otherwise noted)

10 Share-based compensation

The Company has a long-term equity incentive plan (“**LTIP**”) for executive officers and certain associates in the Company. The LTIP includes stock options, PSUs and RSUs. Additionally, the Company has a DSU plan for its Board.

The LTIP and DSU plan can be settled in shares or cash at the discretion of the Board. The Company accounts for these plans as equity-settled and it has no intention to settle in cash. The expense associated with these instruments are recorded as share-based compensation expense through the consolidated statements of income and comprehensive income with a corresponding entry made to contributed surplus in share capital and other on the consolidated statements of financial position and the consolidated statements of shareholders’ equity. The contributed surplus balance is reduced as the options or units under these plans are exercised and the amount initially recorded in contributed surplus is reclassified to common shares.

Share-based compensation expense is summarized as follows:

	Six-month period ended June 30, 2024 \$	Six-month period ended June 30, 2023 \$
1,005,903 stock options (June 30, 2023 – 1,145,504) (a)	422	531
234,006 PSUs (June 30, 2023 – 225,887) (b)	183	1,561
328,153 RSUs (June 30, 2023 – 246,446) (c)	1,200	897
113,029 DSUs (June 30, 2023 – 106,507) (d)	198	224
	<hr/>	<hr/>
	2,003	3,213

The maximum number of common shares that may be issued, under all share-based compensation arrangements implemented by the Company including stock options, PSUs, RSUs and DSUs, may not exceed 6.5% of the total number of common shares issued and outstanding. The maximum number of common shares that may be issued within any one-year period under all share-based compensation arrangements implemented by the Company may not exceed 1.5% of the then issued and outstanding number of common shares. The maximum number of common shares that may be issued under the PSU plan, the RSU plan and the DSU plan cumulatively is 2.6% of the total number of common shares issued and outstanding.

a) Stock options

The stock option exercise price is determined by the Board at the grant date and may not be less than the market price on the grant date. The market price is generally the volume weighted average trading price of the common shares on the TSX or such other exchange on which the common shares are trading during the five trading days immediately preceding the grant date. Stock options generally vest in equal installments over a period of three years from the grant date and may have a term of up to 10 years.

The stock option plan allows for the cashless exercise of options at the Board’s discretion, if the common shares issuable upon the exercise of the options are to be immediately sold. This amount may, at the discretion of the Board, be settled in cash, by the issuance of common shares from treasury or in common shares acquired on

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the market. Historically, the Board has settled granted stock options by issuance of common shares from treasury. The Company has no intention to settle in cash.

The Company's stock option transactions during the period were as follows:

	Three-month period ended June 30, 2024		Six-month period ended June 30, 2023	
	Weighted average exercise price per share option \$	Number of options	Weighted average exercise price per share option \$	Number of options
Outstanding, at beginning of the period	25.55	1,110,633	25.46	1,038,790
Granted during the period	29.77	165,404	24.51	130,421
Exercised during the period	19.23	(214,713)	18.53	(12,051)
Forfeited during the period	32.91	(55,421)	20.51	(11,656)
Outstanding, at the end of the period	27.19	1,005,903	25.48	1,145,504
Options, exercisable at the end of the period	26.86	731,455	25.18	892,265

The weighted average share price, on the date the stock options were exercised, during the period was \$29.25 (June 30, 2023 – \$24.85).

The Company's weighted average remaining contractual life and exercise price of its outstanding and exercisable stock options were as follows:

Exercise price range	Stock options outstanding			Stock options exercisable		
	Number of stock options	Weighted average remaining contractual life (in years)	Weighted average exercise price \$	Number of stock options	Weighted average remaining contractual life (in years)	Weighted average exercise price \$
\$15.94 to \$17.00	106,375	4.7	16.17	106,375	4.7	16.17
\$19.31 to \$29.77	541,216	7.1	25.29	267,675	5.0	22.49
\$30.70 to \$38.83	358,312	4.2	33.33	357,405	4.2	33.31
	1,005,903	5.8	27.19	731,455	4.6	26.86

The weighted average fair value of stock options estimated at the grant date for the period is \$7.53 (June 30, 2023 – \$8.58).

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The Black-Scholes model was used to estimate the fair value of stock options. In determining the fair value of these stock options, the following assumptions were used:

	Grant Date
	March 18, 2024
Risk-free interest rate	3.5%
Expected volatility	33.3%
Estimated dividend yield	3.8%
Expected life of the options (in years)	6.5

b) PSU plan

A PSU represents the right to receive a common share settled by the issuance of treasury shares or purchased on the open market or the cash equivalent at the market value of a share at the vesting date at the discretion of the Board. The Company has no intention to settle in cash. PSUs generally vest 100% on the third anniversary of the grant date.

The number of units that will vest is calculated based on a performance adjustment factor of between 0.0 and 2.0 which is determined based on the Company's revenues (weighted at 25%) and basic EPS (weighted at 75%) performance relative to the Board established targets that have been set for the three-year performance period between the grant date and the vesting date of the PSUs. Therefore, the number of units that vest and are paid out may be higher or lower than the number of units originally granted to a participant.

The Company's PSU plan transactions during the period were as follows:

	Three-month period ended June 30, 2024	Six-month period ended June 30, 2023
	Number of units (vested and unvested)	Number of units (vested and unvested)
Outstanding, at beginning of the period	213,700	232,667
Granted during the period	152,062	190,772
Settled during the period	(125,154)	(190,921)
Forfeited during the period	(6,602)	(6,631)
Outstanding, at the end of the period	234,006	225,887

The weighted average fair value of the grant price for the period was \$30.23 (June 30, 2023 – \$20.25).

c) RSU plan

A RSU represents the right to receive a common share settled by the issuance of treasury shares or purchased on the open market or the cash equivalent of the market value of a share at the vesting date at the discretion of the Board. The Company has no intention to settle in cash. RSUs generally vest 100% on the third anniversary of the grant date. The number of units which will vest and are paid is equal to the number of units originally granted to a participant.

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The Company's RSU plan transactions during the period were as follows:

	Three-month period ended June 30, 2024	Six-month period ended June 30, 2023
	Number of units (vested and unvested)	Number of units (vested and unvested)
Outstanding, at beginning of the period	235,902	170,164
Granted during the period	127,225	128,022
Settled during the period	(31,674)	(47,734)
Forfeited during the period	(3,300)	(4,006)
Outstanding, at the end of the period	328,153	246,446

The weighted average fair value of the grant price for the period was \$29.07 (June 30, 2023 – \$24.54).

d) DSU plan

A DSU represents the right to receive a common share settled by the issuance of treasury shares or purchased on the open market. DSUs granted vest in equal installments on the last day of each month of the year immediately following the grant date, and relate to the applicable portion of the Directors' annual retainer.

The Company's DSU plan transactions during the period were as follows:

	Three-month period ended June 30, 2024	Six-month period ended June 30, 2023
	Number of units (vested and unvested)	Number of units (vested and unvested)
Outstanding, at beginning of the period	94,598	84,761
Granted during the period	18,431	21,746
Outstanding, at the end of the period	113,029	106,507

The weighted average fair value of the grant price for the period was \$26.12 (June 30, 2023 – \$25.14).

11 Financial instruments and risk management

Fair value of financial instruments

The different levels used to determine fair values have been defined as follows:

- Level 1 – inputs use quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities that the Company has the ability to access.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the financial asset or financial liability, either directly or indirectly. Level 2 inputs include quoted prices for similar financial assets and financial liabilities in active markets, and inputs other than quoted prices that are observable for the financial liabilities.

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- Level 3 – inputs are unobservable inputs for the financial asset or financial liability and include situations where there is little, if any, market activity for the financial asset or financial liabilities.

The following describes the fair value determinations of financial instruments:

- The carrying values of cash, trade and other receivables, trade and other payables, deferred revenues and the share repurchase commitment under the ASPP approximate their fair values due to the relatively short periods to maturity of these financial instruments.
- The carrying value of the long-term debt under the senior secured credit facility approximates its fair value as the terms and conditions of the borrowing arrangements are comparable to market terms and conditions as at June 30, 2024 and December 31, 2023.
- The interest rate swap obtained effective April 1, 2021 ended on April 1, 2024. The swap was recognized at fair value based on observable quoted market prices for identical financial instruments in active markets. The interest rate swap is included in trade and other receivables in the interim condensed consolidated statements of financial position.
- The convertible note receivable is recognized at fair value. The inputs to the measurement of fair value are level 3 inputs. The Company valued the convertible note receivable using the Black-Scholes pricing model and the Crank-Nicolson finite difference method; significant model inputs include share price, risk-free interest rate and expected volatility. The convertible note receivable's fair value is dependent on future operations of the payee and significant changes in the payee's operations, cash flows and asset base may impact the recoverability of the convertible note receivable's fair value. An increase or decrease in the model inputs would result in an increase or decrease in the fair value the convertible note receivable.
- The warrant is recognized at fair value. The inputs to the measurement of fair value are level 3 inputs. The Company valued the warrant using the Binomial option pricing model; significant model inputs include share price, risk-free interest rate and expected volatility. An increase or decrease in the model inputs would result in an increase or decrease in the fair value the warrant.
- The redemption liabilities related to the acquisition of Hush were initially recognized at fair value on acquisition date and subsequently measured at amortized cost. The inputs to the measurement of the fair value are level 3 inputs. The fair value measurements were made using a discounted cash flow model; significant model inputs were expected future pre-tax earnings over the measurement period (determined with reference to the specific acquired business) and a pre-tax discount rate of 14%. The discount rate is attributable to the level of risk related to economic growth factors combined with the length of the contingent payment periods; and the dispersion was driven by unique characteristics of the businesses acquired and the respective terms for these future payments.
- The contingent consideration liability related to the acquisition of Silk & Snow was initially recognized at fair value on acquisition date and subsequently measured at amortized cost. The inputs to the measurement of fair value are level 3 inputs. The amount of payment is determined based on a formula, the key inputs to which are (i) a contractually agreed maximum payment of up to \$19,500, (ii) a contractually specified earnings level and (iii) the actual pre-tax earnings for the contingency period. The inputs to the measurement of the fair value of the contingent liability are Level 3 inputs. The fair value measurement was made using a discounted cash flow model; significant model inputs were expected future pre-tax earnings over the contingency period (determined with reference to the specific acquired business) and a pre-tax

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discount rate of 17.5%. The discount rate is attributable to the level of risk related to economic growth factors combined with the length of the contingent payment periods; and the dispersion was driven by unique characteristics of the businesses acquired and the respective terms for these future payments.

12 Subsequent events

The Company's dividend policy is at the discretion of the Board. On August 8, 2024, the Company declared a dividend of \$0.237 per common share that will be payable on August 30, 2024 to holders of the common shares of record as at the close of business on August 26, 2024.

On July 21, 2024, the Company entered into an arrangement agreement (the "**Arrangement Agreement**") with 16133258 Canada Inc, a newly-formed and wholly-owned subsidiary of Fairfax Financial Holdings Limited ("**Fairfax**"), and Fairfax, as guarantor, in respect of a transaction whereby 16133258 Canada Inc, will acquire all of the issued and outstanding common shares of the Company for \$35.00 in cash per common share.

Pursuant to the Arrangement Agreement, the Company has agreed not to repurchase or otherwise acquire or offer to repurchase or otherwise acquire any securities of the Company or any of its subsidiaries until the earlier of the closing of the Transaction and the time that the Arrangement Agreement is terminated in accordance with its terms. As a result, the Company shall not make any repurchases during such time under the NCIB.