K·BRO



Management´s Discussion & Analysis

Q3, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis ("MD&A") is supplemental to, and should be read in conjunction with, the unaudited interim Condensed Consolidated Financial Statements of K Bro Linen Inc. ("the Corporation") for the nine months ended September 30, 2026 and the audited Consolidated Financial Statements, as well as the MD&A, for the year ended December 31, 2025. The Corporation and its wholly-owned subsidiaries, including K-Bro Linen Systems Inc., Buanderie C.M. Inc, Fishers Topco Ltd., Shortridge Ltd., and Stellar Mayan Ltd. (and its subsidiaries) are collectively referred to as "K-Bro" in this MD&A.

Management is responsible for the information contained in this MD&A and its consistency with information presented to the Audit Committee and Board of Directors. All information in this document has been reviewed and approved by the Audit Committee and Board of Directors. This review was performed by management with information available as of November 12, 2026.

In the interest of providing current holders ("Shareholders") of common shares of K-Bro Linen Inc. ("Common Shares") and potential investors with information regarding current results and future prospects, our public communications often include written or verbal forward-looking statements. Forward-looking statements are disclosures regarding possible events, conditions, or results of operations that are based on assumptions about future economic conditions and courses of action, and include future-oriented financial information.

This MD&A contains forward-looking information that represents internal expectations, estimates or beliefs concerning, among other things, future activities or future operating results and various components thereof. The use of any of the words "anticipate", "continue", "expect", "may", "will", "project", "should", "believe", and similar expressions suggesting future outcomes or events are intended to identify forward-looking information. Statements regarding such forward-looking information reflect management's current beliefs and are based on information currently available to management. These statements are not guarantees of future performance and are based on management's estimates and assumptions that are subject to risks and uncertainties, which could cause K-Bro's actual performance and financial results in future periods to differ materially from the forward-looking information contained in this MD&A. These risks and uncertainties include, among other things: (i) risks associated with acquisitions, including (a) the possibility of undisclosed material liabilities, disputes or contingencies, (b) challenges or delays in achieving synergy and integration targets, (c) the diversion of management's time and focus from other business concerns and (d) the use of resources that may be needed in other parts of our business; (ii) K-Bro's competitive environment; (iii) utility costs, minimum wage legislation and labour costs; (iv) K-Bro's dependence on long-term contracts with the associated renewal risk and the risks associated with maintaining short term contracts; (v) increased capital expenditure requirements; (vi) reliance on key personnel; (vii) changing trends in government outsourcing; (viii) changes or proposed changes to minimum wage laws in Ontario, British Columbia, Alberta, Quebec, Saskatchewan and the United Kingdom (the "UK"); (ix) the availability and terms of future financing; (x) textile demand; (xi) availability and access to labour; (xii) rising wage rates in all jurisdictions the Corporation operates and (xiii) intertest rate and foreign currency risk. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information include: (i) volumes and pricing assumptions; (ii) expected impact of labour cost initiatives; (iii) frequency of one-time costs impacting quarterly and annual financial results; (iv) interest and foreign exchange rates; and (v) the level of capital expenditures. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements regarding forward-looking information included in this MD&A may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this MD&A. Forward looking information included in this MD&A includes the expected annual healthcare revenues to be generated from the Corporation's contracts with new customers, calculation of costs, including one-time costs impacting the quarterly financial results, anticipated future capital spending and statements with respect to future expectations on margins and volume growth.

All forward-looking information in this MD&A is qualified by these cautionary statements. Forward-looking information in this MD&A is presented only as of the date made. Except as required by law, K-Bro does not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

This MD&A also makes reference to certain measures in this document that do not have any standardized meaning as prescribed by IFRS Accounting Standards and, therefore, are considered non-GAAP measures. These measures may not be comparable to similar measures presented by other issuers. Please see "Terminology" for further discussion.

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INTRODUCTION

Core Business

The Corporation is the largest owner and operator of laundry and linen processing facilities in Canada and a national market leader for laundry and textile rental services in the UK. K-Bro and its wholly owned subsidiaries operate across Canada and the UK, providing a range of linen services to healthcare organizations, hotels and other commercial accounts that include the processing, management and distribution of general linen and operating room linen.

The Corporation's operations in Canada include eleven processing facilities and one distribution centre in nine Canadian cities: Québec City, Montréal, Toronto, Regina, Saskatoon, Edmonton, Calgary, Vancouver and Victoria.

The Corporation's operations in the UK include five distinctive brands, Fishers Topco Ltd. ("Fishers") which was acquired by K-Bro on November 27, 2017, Shortridge Ltd. ("Shortridge"), which was acquired by K-Bro on April 30, 2024, and three brands acquired through the acquisition of Stellar Mayan Ltd. ("Stellar Mayan") on June 11, 2025, previously known as Star Mayan Limited. The three brands acquired were Synergy Health Managed Services Limited ("Synergy"), Aeroserve (MSP) Limited and Aeroserve Euro Limited, jointly referred to as Aeroserve Linen ("Aeroserve"), and Grosvenor Contracts (London) Limited ("Grosvenor Contracts", "GC").

Fishers was established in 1900 and is an operator of laundry and linen processing facilities in Scotland, providing linen rental, workwear hire and cleanroom garment services to the hospitality, healthcare, manufacturing and pharmaceutical sectors. Fishers' client base includes major hotel chains and prestigious venues across Scotland and the North of England. The company operates in five cities, in Scotland and the North of England with facilities in Cupar, Perth, Newcastle, Livingston and Coatbridge.

Shortridge is headquartered in North West England, with laundry processing sites in Lillyhall and Dumfries and a distribution centre in Darlington. Shortridge, established in 1845, specialises in providing high quality laundry services to local independent hospitality businesses, including hotels, B&Bs, self-catering units and restaurants.

Stellar Mayan, doing business as Synergy, Grosvenor Contracts and AeroServe, is a leading commercial laundry business in England, serving the healthcare and hospitality markets. Typical services offered include processing, management and distribution of healthcare and hospitality linens, including sheets, blankets, towels, surgical gowns and other linen. Stellar Mayan has seven operating facilities strategically located across England: London, Derby, Dunstable, Sheffield, Slough (2), and St. Helens, in addition to a distribution depot in Manchester.

Industry and Market

In Canada, K-Bro provides laundry and linen services to healthcare, hospitality and other commercial customers. Typical services offered by K-Bro include the processing, management and distribution of general and operating room linens, including sheets, blankets, towels, surgical gowns and drapes and other linen. Other types of processors in K-Bro's industry include independent privately-owned facilities (i.e., typically small, single facility companies), public sector central laundries and public and private sector on premise laundries (known as "OPLs"). Participants in other sectors of the Canadian laundry and linen services industry, such as uniform rental companies (which own and launder uniforms worn by their customers' employees) typically do not offer services that significantly overlap with those offered by K-Bro.

In the UK, Fishers, Shortridge and Stellar Mayan provide laundry and linen services to healthcare, hospitality and other commercial customers. Typical services offered include the processing, management and distribution of general and operating room linens, workwear and clean room garment services. Other types of processors in the UK industry include publicly traded companies, independent privately-owned facilities (i.e., typically, small single facility companies), public sector central laundries and public and private sector OPLs.

Our partnerships with healthcare organizations and hospitality clients across Canada and the UK demonstrate K-Bro's commitment to building relationships that foster continuous improvement, providing flexibility to adjust to changing circumstances as required and which incorporate incentives, penalties and the sharing of risks and rewards as circumstances warrant.

In this competitive industry, K-Bro is distinctive in its ability to deliver products and services that provide value to our customers. Management believes that the healthcare and hospitality sectors of the laundry and linen services industry represent a stable base of annual recurring business with opportunities for growth as additional healthcare beds and funds are made available to meet the needs of an aging demographic.

Industry Characteristics and Trends

Management believes that the industry in which K-Bro operates has historically exhibited the following characteristics and trends:

Generally Stable Industry with Moderate Cyclicality – As evidenced by the stability in the number of approved hospital beds in the healthcare system and hotel rooms in the hospitality industry. The potential for step-changes in volumes and revenues that align with contractual arrangements exists within this industry. Service relationships are generally formalized through contracts in the healthcare sector that are typically long term (from three to ten years), while contracts in the hospitality sector usually range from two to five years.

Outsourcing and Privatization – Healthcare organizations are facing funding pressures and must continually evaluate the allocation of scarce resources. Consequently, there are often advantages to healthcare organizations in outsourcing the processing of healthcare linen to private sector laundry companies such as K-Bro because of the economies of scale and significant management expertise that can be provided on a more comprehensive and cost-effective basis than customers can achieve in operating their own laundry facilities.

Fragmentation – Regional healthcare and hospitality markets remain fragmented within the laundry and linen services industry. Management believes that the presence of these operators provides consolidation opportunities for larger industry participants with the financial means to

complete acquisitions. Management evaluates M&A opportunities on an ongoing basis and looks to leverage the Corporation's strong liquidity position, balance sheet and access to the capital markets to execute on these opportunities as they arise.

Customers and Product Mix

K-Bro's Canadian customers include some of the largest healthcare organizations and hospitality providers in Canada. In the UK, Fishers' customers include some of the largest hotel chains operating in Scotland and Shortridge's customers include local independent hospitality businesses, including hotels, B&Bs, self-catering units and restaurants. Stellar Mayan's customers include NHS Trusts, private hospitals, ambulance service trusts, and healthcare and community trusts. Stellar Mayan's hospitality customers include nation-wide hotel chains, airlines, ferries, and private clients.

STRATEGY

In 2023, K-Bro published its inaugural sustainability report, which communicated its long-term sustainability strategy which prioritizes putting people first, supporting its partners and environmental stewardship. This report is not incorporated by reference herein. The strategy focuses on three pillars: People; Partners; and Planet, and builds on the Corporation's vision of delivering industry-leading service while embracing its responsibilities to society as a good corporate citizen – supporting the communities in which it operates, being a great place to work and a dependable partner for all its stakeholders. An updated report was published in Q4 2025, which is not incorporated by reference herein.

People - Foster a customer-centric culture, take care of people, embrace diversity, and ensure K-Bro is a great place to work.

Partners - Be dependable, exemplify responsible business practices, support local communities, and anticipate evolving trends.

Planet - Operate responsibly, prioritize energy efficiency, embrace best management practices, and support environmental stewardship across the supply chain.

K-Bro maintains the following three-part growth focus:

Secure and Maintain Long-Term Contracts with Large Healthcare and Hospitality Customers – K-Bro's core service is providing high quality laundry and linen services at competitive prices to large healthcare and hospitality customers under long-term contracts. K-Bro's contracts in the healthcare sector typically range from three to ten years in length. Contracts in the hospitality sector typically range from two to five years.

Extend Core Services to New Markets – Management has demonstrated its ability to successfully expand K-Bro's business into new markets from its established bases. Since 2005, K-Bro has entered four new geographic markets across Canada, and in late 2017 entered into the UK market. In April 2024, K-Bro further expanded its UK footprint through the acquisition of Shortridge Ltd. ("Shortridge") a high-quality hospitality laundry provider based in the North West of England (see "Summary of Interim Results and Key Events"). In June 2025, K-Bro established a national footprint in the UK commercial laundry and textile rental sector through the acquisition of Stellar Mayan Ltd., doing business as Synergy, Grosvenor Contracts and AeroServe, a leading commercial laundry business in England serving the healthcare and hospitality markets (see "Summary of Interim Results and Key Events"). These new markets have contributed significantly to K-Bro's growth. Management believes that new outsourcing opportunities will continue to arise in the near to medium-term and that K-Bro is well-positioned for continued growth, particularly as healthcare and hospitality organizations continue to increase their focus on core services and confront pressures for capital and cost savings.

Management may in the future expand its core services to new markets either through acquisitions or by establishing new facilities. Management sees opportunities to accelerate growth in North America, Europe, and similar geographies which remain highly fragmented.

Introduce Related Services – In addition to focusing on its core services, the Corporation also attempts to capitalize on attractive business opportunities by introducing closely-related services that enable it to provide more complete solutions to K-Bro's healthcare and hospitality customers. These related service offerings include K-Bro Operating Room services, reusable curtain and blind services, and on-site services. K-Bro performs the sterilization of operating room linen packs for nine major hospitals in Toronto and the four health organizations in the Vancouver area, including the operation of a clean room in the UK.

SELECTED QUARTERLY FINANCIAL INFORMATION

(In reporting currency $ Canadian)

	Three Months Ended September 30,								
	Canadian Division	UK Division		Canadian Division	UK Division		Canadian Division	UK Division	
(thousands, except percentages and per share amounts)	2026	2026	**2026**	2025	2025	2025	2024	2024	2024
Revenue	$ 75,963	$ 84,091	**$ 160,054**	$ 72,727	$ 83,221	$ 155,948	$ 69,610	$ 34,859	$ 104,469
EBITDA[1]	18,889	15,296	**34,185**	16,404	15,630	32,034	14,381	8,462	22,843
Adjusted EBITDA[2]	17,024	16,507	**33,531**	16,599	16,924	33,523	14,510	8,462	22,972
Net earnings [3]	6,762	5,224	**11,986**	3,870	4,985	8,855	3,659	4,470	8,129
Net earnings per share:									
Basic	$ 0.526	$ 0.406	**$ 0.932**	$ 0.301	$ 0.388	$ 0.689	$ 0.350	$ 0.428	$ 0.778
Diluted	$ 0.521	$ 0.403	**$ 0.924**	$ 0.299	$ 0.385	$ 0.684	$ 0.347	$ 0.424	$ 0.771
Adjusted net earnings [3]	4,897	8,109	**13,006**	4,065	7,975	12,040	3,788	4,470	8,258
Adjusted net earnings per share: [3]									
Basic	$ 0.381	$ 0.630	**$ 1.011**	$ 0.316	$ 0.620	$ 0.936	$ 0.363	$ 0.428	$ 0.791
Diluted	$ 0.377	$ 0.625	**$ 1.002**	$ 0.314	$ 0.615	$ 0.929	$ 0.359	$ 0.424	$ 0.784
Total assets			**$ 708,349**			$ 718,556			$ 452,077
Debt (excludes lease liabilities)[4]			**227,257**			$ 246,318			135,875
Weighted average number of shares outstanding:									
Basic			**12,864,139**			12,859,822			10,446,055
Diluted			**12,976,201**			12,957,176			10,538,560

	Nine Months Ended September 30,								
	Canadian Division	UK Division		Canadian Division	UK Division		Canadian Division	UK Division	
(thousands, except percentages and per share amounts)	2026	2026	**2026**	2025	2025	2025	2024	2024	2024
Revenue	$ 217,139	$ 232,382	**$ 449,521**	$ 208,686	$ 151,305	$ 359,991	$ 196,979	$ 81,184	$ 278,163
EBITDA[1]	46,932	38,174	**85,106**	40,707	25,113	65,820	35,247	15,774	51,021
Adjusted EBITDA[2]	46,112	39,779	**85,891**	43,196	29,047	72,243	38,372	16,282	54,654
Net earnings	12,146	9,824	**21,970**	7,568	7,532	15,100	7,113	7,357	14,470
Net earnings per share:									
Basic	$ 0.943	$ 0.762	**$ 1.705**	$ 0.660	$ 0.656	$ 1.316	$ 0.676	$ 0.699	$ 1.375
Diluted	$ 0.936	$ 0.758	**$ 1.694**	$ 0.656	$ 0.652	$ 1.308	$ 0.671	$ 0.694	$ 1.366
Adjusted net earnings [3]	11,326	16,403	**27,729**	10,057	13,162	23,219	10,238	7,865	18,103
Adjusted net earnings per share:									
Basic	$ 0.879	$ 1.273	**$ 2.152**	$ 0.877	$ 1.147	$ 2.024	$ 0.978	$ 0.753	$ 1.731
Diluted	$ 0.873	$ 1.265	**$ 2.138**	$ 0.870	$ 1.140	$ 2.010	$ 0.970	$ 0.747	$ 1.717
Total assets			**$ 708,349**			$ 718,556			$ 452,077
Debt (excludes lease liabilities)[4]			**227,257**			$ 246,318			135,875
Weighted average number of shares outstanding:									
Basic			**12,886,395**			11,470,790			10,523,759
Diluted			**12,970,566**			11,540,808			10,596,625

(1) EBITDA is defined as revenue less operating expenses (which equates to net earnings before income tax, finance expense, and depreciation and amortization). See "Terminology".
(2) Adjusted EBITDA is a non-GAAP measure. See "Terminology" for further information on the definition and composition of this measure.
(3) Adjusted Net Earnings and Adjusted EPS are non-GAAP measures. See "Terminology" for further information on the definition and composition of these measures.
(4) Debt is comprised of current and long-term debt.

SUMMARY OF INTERIM RESULTS AND KEY EVENTS

Net earnings for the third quarter of 2026 were $12.0 million or $0.93 per Common Share (basic) and Adjusted Net earnings[(1)] were $13.0 million or $1.01 per Common Share (basic). Cash flow from operating activities was $16.0 million and distributable cash flow[(2)] was $21.6 million. Revenue for the third quarter of 2026 increased to $160.1 million or by 2.7% compared to 2025, primarily related to the impact of price increases implemented.

EBITDA (see "Terminology") increased in the third quarter of 2026 to $34.2 million or by 6.9% compared to $32.0 million in 2025. EBITDA margin increased to 21.4% in 2026 from 20.5% in 2025. The increase in EBITDA margin is largely due to lower transaction costs, transition costs related to the acquisition of Stellar Mayan, and the Fair Value adjustment on derivative financial instruments in Q3 2026 offset by higher fuel costs and non-recurring losses.

Adjusted EBITDA[(1)] (see "Terminology") was $33.5 million the third quarter of 2026, which remained relatively unchanged from 33.5 million in third quarter of 2025. Adjusted EBITDA margin[(1)] decreased by 0.5%, largely due to higher fuel costs.

For the Canadian division, Adjusted EBITDA margin in the third quarter slightly decreased to 22.4% in 2026 compared to 22.8% in 2025 related to higher fuel costs. The EBITDA margin increased to 24.9% in the third quarter of 2026 from 22.6% in 2025 related to the Fair Value adjustment on derivative financial instruments in Q3 2026 offset by higher fuel costs as detailed in the tables within "Terminology".

For the UK division, the Adjusted EBITDA margin in the third quarter decreased to 19.6% in 2026 compared to 20.3% in 2025. The decrease is primarily related to higher fuel costs. The EBITDA margin for the UK division decreased to 18.2% in the third quarter of 2026 compared to 18.8% in 2025. The decrease in EBITDA margin is due to lower Stellar Mayan transition costs in the quarter offset by higher fuel costs and non-recurring losses, as detailed within "Terminology".

(1) Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Earnings and Adjusted Net Earnings per share are non-GAAP measures. See "Terminology" for further information on the definition and composition of these measures.
(2) Distributable cash flow is a non-GAAP measure. See "Terminology" for further information on the definition and composition of this measure.

Key events in our markets are summarized below.

Normal Course Issuer Bid

On May 8, 2026, the Corporation announced its intention to proceed with a normal course issuer bid (NCIB) to purchase up to 1,229,584 of its common shares ("Shares") through the TSX and / or alternative Canadian trading systems, representing approximately 10% of the public float of 12,295,846 shares as at April 30, 2026, during the twelve-month period commencing May 12, 2026 and ending May 11, 2027.

For the nine months ended September 30, 2026, the Corporation repurchased and cancelled 67,457 common shares for $2,831 under the NCIB, net of transaction costs of $1 which were recorded in share capital. The average share price was $42.24.

Business Acquisition – Stellar Mayan

As previously disclosed in the December 31, 2025 Annual Financial Statements, during 2025 the Corporation finalized the provisional purchase price allocation for the UK based Stellar Mayan Acquisition, a leading commercial laundry business in England serving the healthcare and hospitality markets. Stellar Mayan includes three operating businesses: (i) Synergy Health Managed Services Limited ("Synergy"); (ii) Grosvenor Contracts (London) Limited ("Grosvenor Contracts", "GC"); and (iii) Aeroserve (MSP) Limited and Aeroserve Euro Limited, jointly referred to as Aeroserve Linen Services ("AeroServe"). No new information which resulted in adjustments to the fair value of net identifiable assets acquired was obtained during the quarter ended September 30, 2026.

Common Share Offering

On June 11, 2025, the Corporation closed the Stellar Mayan Acquisition. Through a bought deal, the Corporation issued 2,334,500 common shares at $34.55 per share, which included full exercise of the over-allotment option. The proceeds of the common share offering were used to finance a portion of the Stellar Mayan Acquisition and pay certain fees and expenses related to acquisition and offering. The net proceeds of the offering after deducting expenses of the offering and the underwriter's fee were $75.6 million.

Revolving Credit Facility

On June 11, 2025, the Corporation amended its existing three-year committed Syndicated Credit Facility Agreement to include a $134.3 million four-year amortizing term loan and to extend the term of the facility from March 25, 2027 to June 10, 2029. The amendment included a reduction in the accordion to $50 million from $75 million.

The term loan and revolving credit facility are collateralized by a general security agreement, bear interest at prime or the applicable banker's acceptance rate, plus an interest margin dependent on certain financial ratios. Interest payments only are due during the term for the revolving portion of the syndicated credit facility. For the term loan portion of the syndicated credit facility, repayments of the principal amount shall be repaid in quarterly installments commencing September 30, 2025, in addition to required interest payments. The additional interest margin can range between 0.00% to 2.00% dependent upon the calculated Total Funded Debt / Credit Facility EBITDA financial ratio, with a range between 0 to 3.50x. The Funded Debt to EBITDA Ratio requirement has an increase to 4.00x for the first four quarters following any material acquisition. The required calculated Funded Debt / Credit Facility EBITDA financial ratio is subject to change based off certain terms and conditions. As at September 30, 2026 the combined interest rate was 5.45%.

The Corporation's incremental borrowing rate under its existing credit facility is determined by the Canadian prime rate plus an applicable margin based on the ratio of Funded Debt to EBITDA as defined in the credit agreement.

Interest Rate Risk

The Corporation is exposed to interest rate risk as changes in interest rates may impact future cash flows and fair value of its financial instruments. Interest rate risk also arises as the fair value of future cash flows from a financial instrument fluctuates due to changes in market interest rates.

To manage its exposure to fluctuations in interest rates, on June 4, 2026 the Corporation entered into an interest rate swap in connection with the term loan portion of its syndicated credit facility. Under the terms of the swap, the Corporation economically converts the floating interest rate exposure on the term loan to a fixed rate.

The notional amount of the interest rate swap corresponds to the full outstanding principal of the term loan, with the contractual term structured to align with the maturity profile and amortization schedule of the underlying term loan. The interest rate swap is measured at fair value and recorded as “Derivative financial instruments” on the Consolidated Statements of Financial Position, with changes in fair value recognized in "Fair value adjustments on derivative financial instruments” within operating costs in the Consolidated Statements of Income. Realized gains and losses on the interest rate swap are recognized in finance expense, consistent with the presentation of interest on the underlying term loan.

Business Acquisition - Shortridge

At September 30, 2026, the amount held in escrow at closing as part of the Shortridge Share Purchase Agreement remains unresolved. The escrow was established to secure the counter-party’s obligations under the agreement in relation to certain post-closing conditions. The Corporation and through advisory from their legal counsel have determined those conditions were not met by the counterparty, and the Corporation has asserted their rights to retain the escrowed funds. The counterparty disputes this position and has contested the Corporation’s claim to the escrow funds. Management continues to monitor the progress of negotiations with the counterparty, however a contingent asset has not been recognized as a receivable at September 30, 2026.

Capital Investment Plan

For fiscal 2026, the Corporation’s planned capital spending is expected to be up to $22.0 million on a consolidated basis excluding right-of-use-asset additions. This guidance includes both strategic and maintenance capital requirements to support existing base business in both Canada and the UK. These amounts are reflective of incremental capital required for Stellar Mayan, for which the capital investment was initially announced at acquisition to be $9.3 million (£5.0 million). The 2026 guidance includes the remaining amount to be spent for this capital project. The Corporation will continue to assess capital needs within our facilities and prioritize projects that have shorter term paybacks as well as those that are required to maintain efficient and reliable operations. Following a capital asset investment between 2013 and 2019, the Corporations’ facilities are well capitalized and management expects a consistent level of capital spending in the range of $15.0 million to $18.0 million annually will be sufficient to support the base business in both Canada and the UK in the short to medium term.

Economic Conditions

Evolving global and Canadian foreign policies, geopolitical events and economic conditions may impact inflation, energy pricing, labour availability, supply chain efficiency, trade policies, tariffs and/or other items, which may have a direct or indirect impact on the Corporation’s business.

The Corporation’s Credit Facility is subject to floating interest rates and, therefore, is subject to fluctuations in interest rates which are beyond the Corporation’s control. Changes in interest rates, both domestically and internationally, could negatively affect the Corporation’s cost of financing its operations and investments.

To manage its exposure to fluctuations in interest rates, on June 4, 2026 the Corporation entered into an interest rate swap in connection with the term loan portion of its syndicated credit facility. Under the terms of the swap, the Corporation economically converts the floating interest rate exposure on the term loan to a fixed rate.

Uncertainty about judgments, estimates and assumptions made by management during the preparation of the Corporation’s consolidated financial statements related to potential impacts of geopolitical events and changing interest rates on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the asset or liability affected.

OUTLOOK

On June 11, 2025, the Corporation completed its acquisition of Stellar Mayan. Following the acquisition, K-Bro is the largest healthcare and hospitality laundry and linen processor in Canada and one of the largest in the UK, with coast-to-coast national geographic footprints in each country. Management sees a positive outlook for its business in both Canada and the UK.

K-Bro's UK Managing Director oversees its UK operations, including the Stellar Mayan business integration plan. Over the past year, management has implemented various improvements at Stellar Mayan, including planning towards the adoption of seven-day operations at certain facilities, insourcing maintenance, workflow optimizations, realigning compensation structures, and changing certain roles. Management anticipates business integration will be complete within expected timelines and run-rate cost synergies will be realized towards the end of anticipated timelines to achieve. Post acquisition debt and leverage levels have been consistent with management expectations.

The Corporation's healthcare segment continues to experience a steady volume trend. In the quarter, the Corporation was successful in renewing several contracts, including its largest customer in the UK which represents approximately 3% of consolidated revenue, for 3 to 5 year terms. Management expects steady increases to healthcare activity levels supported by a continued focus on reducing wait times and enhancing patient care. For the hospitality segment, management expects solid activity levels to continue long-term, reflecting historical seasonal trends. However, while solid activity levels are expected to continue, there has been recent competitive market dynamics and softness in volumes amid the evolving macro landscape, particularly in the UK.

Going forward, management expects the Adjusted EBITDA margin for the Canadian segment to remain at similar levels to seasonally adjusted historical margins. In-line with management's expectations, due to the lower EBITDA margin profile of Stellar Mayan, the consolidated UK segmental adjusted EBITDA margins will be lower than seasonally adjusted historical margins. The Corporation continues to monitor evolving global and Canadian foreign policies, geopolitical events, volatile energy prices, and economic conditions, which could have a direct or indirect impact on the business. Throughout 2026, particularly in the UK, the Corporation has faced significant volatility in energy costs due to current geopolitical issues. This risk has been mitigated by hedges the Corporation has in place for both diesel and natural gas, of which the UK hedges expire at the end of 2026. If current market diesel prices were to continue, management anticipates the Consolidated Adjusted EBITDA margins would be a negatively impacted by 1.0% for the fourth quarter of 2026. For the third quarter of 2026, the impact to the Consolidated Adjusted EBITDA margin was 0.7% however during the month of September, the Corporation saw large rates increases in diesel which will result in a larger impact in the fourth quarter should current market rates continue.

Management's near-term focus is on the business integration of Stellar Mayan. However, K-Bro evaluates potential strategic acquisitions that may complement its platform. Over the medium and longer-term, management sees opportunities to accelerate growth in North America, Europe, and similar geographies which remain highly fragmented. K-Bro will look to leverage its strong liquidity position, balance sheet and access to the capital markets to execute on these opportunities, should they arise. For further information about the impact of other economic factors on our business, see the "Summary of Interim Results and Key Events".

RESULTS OF OPERATIONS

KEY PERFORMANCE DRIVERS

K-Bro's key performance drivers focus on growth, profitability, stability and cost containment in order to maintain dividends and maximize Shareholder value in the long term. The following outlines our results on a period-to-period comparative basis in each of these areas:

		Three Months Ended September 30,					
(thousands, except percentages and per share amounts)		Canadian Division	UK Division		Canadian Division	UK Division	
Category	Indicator	2026	2026	**2026**	2025	2025	2025
Growth	EBITDA [1]	15.1%	-2.1%	**6.9%**	14.1%	84.7%	40.2%
	Adjusted EBITDA [2]	2.6%	-2.5%	**0.0%**	14.4%	100.0%	45.9%
	Revenue	4.4%	1.0%	**2.7%**	4.5%	138.7%	49.3%
	Distributable cash flow [3]			**10.0%**			37.9%
Profitability	EBITDA [1]	$ 18,889	$ 15,296	**$ 34,185**	$ 16,404	$ 15,630	$ 32,034
	EBITDA margin	24.9%	18.2%	**21.4%**	22.6%	18.8%	20.5%
	Adjusted EBITDA [2]	$ 17,024	$ 16,507	**$ 33,531**	$ 16,599	$ 16,924	$ 33,523
	Adjusted EBITDA margin	22.4%	19.6%	**20.9%**	22.8%	20.3%	21.5%
	Net earnings	$ 6,762	$ 5,224	**$ 11,986**	$ 3,870	$ 4,985	$ 8,855
	Adjusted net earnings [4]	$ 4,897	$ 8,109	**$ 13,006**	$ 4,065	$ 7,975	$ 12,040
Stability	Debt to total capital [5]			**45.3%**			49.5%
	Unutilized line of credit			**$ 76,388**			$ 53,735
	Cash on hand			**$ 15,523**			$ 26,011
	Payout ratio [6]			**18.1%**			19.9%
	Dividends declared per share			**$ 0.300**			$ 0.300
Cost containment	Wages and benefits	38.9%	38.5%	**38.7%**	39.5%	38.4%	38.9%
	Utilities	4.8%	7.0%	**5.9%**	4.7%	7.3%	6.1%
	Delivery	11.5%	11.6%	**11.5%**	10.9%	10.7%	10.8%
	Expenses included in EBITDA	75.1%	81.8%	**78.6%**	77.4%	81.2%	79.5%

		Nine Months Ended September 30,					
(thousands, except percentages and per share amounts)		Canadian Division	UK Division		Canadian Division	UK Division	
Category	Indicator	2026	2026	**2026**	2025	2025	2025
Growth	EBITDA [1]	15.3%	52.0%	**29.3%**	15.5%	59.2%	29.0%
	Adjusted EBITDA [2]	6.8%	36.9%	**18.9%**	12.6%	78.4%	32.2%
	Revenue	4.1%	53.6%	**24.9%**	5.9%	86.4%	29.4%
	Distributable cash flow [3]			**34.7%**			13.5%
Profitability	EBITDA [1]	$ 46,932	$ 38,174	**$ 85,106**	$ 40,707	$ 25,113	$ 65,820
	EBITDA margin	21.6%	16.4%	**18.9%**	19.5%	16.6%	18.3%
	Adjusted EBITDA [2]	$ 46,112	$ 39,779	**$ 85,891**	$ 43,196	$ 29,047	$ 72,243
	Adjusted EBITDA margin	21.2%	17.1%	**19.1%**	20.7%	19.2%	20.1%
	Net earnings	$ 12,146	$ 9,824	**$ 21,970**	$ 7,568	$ 7,532	$ 15,100
	Adjusted net earnings [4]	$ 11,326	$ 16,403	**$ 27,729**	$ 10,057	$ 13,162	$ 23,219
Stability	Debt to total capital [5]			**45.3%**			49.5%
	Unutilized line of credit			**$ 76,388**			$ 53,735
	Cash on hand			**$ 15,523**			$ 26,011
	Payout ratio [6]			**25.6%**			30.6%
	Dividends declared per share			**$ 0.900**			$ 0.900
Cost containment	Wages and benefits	39.1%	39.4%	**39.3%**	39.3%	36.9%	38.3%
	Utilities	4.9%	7.3%	**6.1%**	5.3%	7.6%	6.3%
	Delivery	11.6%	11.8%	**11.7%**	11.2%	12.1%	11.6%
	Expenses included in EBITDA	78.4%	83.6%	**81.1%**	80.5%	83.4%	81.7%

1) EBITDA is defined as revenue less operating expenses (which equates to net earnings before income tax, finance expense, and depreciation and amortization). See "Terminology".
2) Adjusted EBITDA is a non-GAAP measure. See "Terminology" for further information on the definition and composition of this measure.
3) Distributable cash flow is a non-GAAP measure. Effective January 1, 2019, distributable cash flow includes the addition of principal elements of lease payments. This accounts for the change in accounting policies and the adoption of IFRS 16, where now the principal elements of lease payments flow through financing outflows opposed to operating cash flows.
4) Adjusted Net Earnings and Adjusted EPS are non-GAAP measures. See "Terminology" for further information on the definition and composition of these measures.
5) Debt to total capital is defined by management as the total long term debt (excludes lease liabilities) divided by the Corporation's total capital. See "Terminology".
6) The ratio of dividends paid compared to distributable cash flow is periodically reviewed by the Board of Directors to take into account the current and prospective performance of the business and other items considered to be prudent. Payout ratio is calculated on the dividends declared divided by the distributable cash flow.

Quarterly Financial Information - Consolidated

Historically, the Corporation's financial and operating results are stronger in the second and third quarters as a result of seasonality and the associated higher hospitality volumes. Other fluctuations in net income from quarter-to-quarter can also be attributed to hiring and labour cost trends, timing of linen purchases, utility costs, timing of repairs and maintenance expenditures, business development, capital spending patterns and changes in corporate tax rates and income tax expenses.

The following table provides certain selected consolidated financial and operating data prepared by management for the preceding eight quarters:

Quarterly Financial Information - Consolidated	**2026**				**2025**			**2024**
(thousands, except percentages and per share amounts)	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Healthcare revenue	**88,505**	86,640	84,707	85,589	82,399	57,903	50,593	50,918
Hospitality revenue	**71,549**	63,718	54,402	61,196	73,549	55,171	40,376	44,528
Total revenue	**160,054**	150,358	139,109	146,785	155,948	113,074	90,969	95,446
Expenses included in EBITDA	**125,869**	121,359	117,187	121,671	123,914	91,692	78,565	77,447
EBITDA[1]	**34,185**	28,999	21,922	25,114	32,034	21,382	12,404	17,999
EBITDA as a % of revenue (EBITDA margin)	**21.4%**	19.3%	15.8%	17.1%	20.5%	18.9%	13.6%	18.9%
Adjusted EBITDA[2]	**33,531**	29,805	22,555	26,443	33,523	23,727	14,993	17,405
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	**20.9%**	19.8%	16.2%	18.0%	21.5%	21.0%	16.5%	18.2%
Depreciation and amortization	**14,614**	15,227	14,956	15,146	14,914	10,625	9,052	9,432
Finance expense	**4,464**	4,906	4,437	4,625	5,024	4,059	2,837	3,173
Earnings before income taxes	**15,107**	8,866	2,529	5,343	12,096	6,698	515	5,394
Income tax expense (recovery)	**3,121**	1,212	199	2,453	3,241	1,279	(311)	1,156
Net earnings	**11,986**	7,654	2,330	2,890	8,855	5,419	826	4,238
Net earnings as a % of revenue	**7.5%**	5.1%	1.7%	2.0%	5.7%	4.8%	0.9%	4.4%
Basic earnings per share	**0.932**	0.594	0.181	0.224	0.689	0.491	0.079	0.401
Diluted earnings per share	**0.924**	0.590	0.180	0.223	0.684	0.489	0.078	0.398
Adjusted net earnings [3]	**13,006**	10,114	4,609	7,190	12,040	7,764	3,415	3,644
Adjusted basic earnings per share [3]	**1.011**	0.784	0.358	0.558	0.936	0.706	0.325	0.344
Adjusted diluted earnings per share [3]	**1.002**	0.780	0.356	0.554	0.929	0.700	0.323	0.340
Total assets	**708,349**	708,532	697,957	704,443	718,556	716,762	438,446	438,150
Total long-term financial liabilities	**313,707**	319,943	320,581	326,636	331,860	339,408	183,784	190,418
Funds provided by operating activities	**15,985**	8,659	22,278	21,695	20,609	3,149	17,256	11,011
Debt (excludes lease liabilities) [4]	**227,257**	233,974	235,262	237,551	246,318	253,315	119,295	123,778
Dividends declared per share	**0.300**	0.300	0.300	0.300	0.300	0.300	0.300	0.300

1) EBITDA is defined as revenue less operating expenses (which equates to net earnings before income tax, finance expense, and depreciation and amortization). See "Terminology".
2) Adjusted EBITDA is a non-GAAP measure. See "Terminology" for further information on the definition and composition of this measure.
3) Adjusted Net Earnings and Adjusted EPS are non-GAAP measures. See "Terminology" for further information on the definition and composition of these measures.
4) Debt is comprised of current and long-term debt.

Quarterly Financial Information – Canadian Segment

The following table provides certain selected consolidated financial and operating data prepared by management for the preceding eight quarters:

Quarterly Financial Information - Canadian Division	2026			2025				2024
(thousands, except percentages and per share amounts)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Healthcare revenue	**52,192**	51,882	50,985	51,509	49,528	49,670	49,015	49,360
Hospitality revenue	**23,771**	19,886	18,423	18,616	23,199	19,717	17,557	18,083
Total revenue	**75,963**	71,768	69,408	70,125	72,727	69,387	66,572	67,443
Expenses included in EBITDA	**57,074**	57,517	55,616	56,216	56,323	55,105	56,551	54,739
EBITDA[1]	**18,889**	14,251	13,792	13,909	16,404	14,282	10,021	12,704
EBITDA as a % of revenue (EBITDA margin)	**24.9%**	19.9%	19.9%	19.8%	22.6%	20.6%	15.1%	18.8%
Adjusted EBITDA[2]	**17,024**	15,171	13,917	14,314	16,599	14,656	11,941	12,110
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	**22.4%**	21.1%	20.1%	20.4%	22.8%	21.1%	17.9%	18.0%
Net earnings	**6,762**	2,752	2,632	2,652	3,870	2,852	846	2,380
Net earnings as a % of revenue	**8.9%**	3.8%	3.8%	3.8%	5.3%	4.1%	1.3%	3.5%
Basic earnings per share	**0.526**	0.214	0.204	0.206	0.301	0.258	0.081	0.225
Diluted earnings per share	**0.521**	0.212	0.203	0.205	0.299	0.257	0.080	0.224
Adjusted net earnings [3]	**4,897**	3,672	2,757	3,057	4,065	3,226	2,766	1,786
Adjusted basic earnings per share [3]	**0.381**	0.285	0.214	0.237	0.316	0.294	0.263	0.167
Adjusted diluted earnings per share [3]	**0.377**	0.283	0.213	0.236	0.314	0.291	0.262	0.165

1) EBITDA is defined as revenue less operating expenses (which equates to net earnings before income tax, finance expense, and depreciation and amortization). See "Terminology".
2) Adjusted EBITDA is a non-GAAP measure. See "Terminology" for further information on the definition and composition of this measure.
3) Adjusted Net Earnings and Adjusted EPS are non-GAAP measures. See "Terminology" for further information on the definition and composition of these measures.

Quarterly Financial Information – UK Segment

The following table provides certain selected consolidated financial and operating data prepared by management for the preceding eight quarters:

Quarterly Financial Information - UK Division (in reporting currency Canadian $)	2026			2025				2024
(thousands, except percentages and per share amounts)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Healthcare revenue	**36,313**	34,758	33,722	34,080	32,871	8,233	1,578	1,558
Hospitality revenue	**47,778**	43,832	35,979	42,580	50,350	35,454	22,819	26,445
Total revenue	**84,091**	78,590	69,701	76,660	83,221	43,687	24,397	28,003
Expenses included in EBITDA	**68,795**	63,842	61,571	65,455	67,591	36,587	22,014	22,708
EBITDA[1]	**15,296**	14,748	8,130	11,205	15,630	7,100	2,383	5,295
EBITDA as a % of revenue (EBITDA margin)	**18.2%**	18.8%	11.7%	14.6%	18.8%	16.3%	9.8%	18.9%
Adjusted EBITDA[2]	**16,507**	14,634	8,638	12,129	16,924	9,071	3,052	5,295
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	**19.6%**	18.6%	12.4%	15.8%	20.3%	20.8%	12.5%	18.9%
Net earnings (loss)	**5,224**	4,902	(302)	238	4,985	2,567	(20)	1,858
Net earnings (loss) as a % of revenue	**6.2%**	6.2%	-0.4%	0.3%	6.0%	5.9%	-0.1%	6.6%
Basic earnings (loss) per share	**0.406**	0.380	(0.023)	0.018	0.388	0.233	(0.002)	0.176
Diluted earnings (loss) per share	**0.403**	0.378	(0.023)	0.018	0.385	0.232	(0.002)	0.174
Adjusted net earnings [3]	**8,109**	6,442	1,852	4,133	7,975	4,538	649	1,858
Adjusted basic earnings per share [3]	**0.630**	0.499	0.144	0.321	0.620	0.412	0.062	0.176
Adjusted diluted earnings per share [3]	**0.625**	0.497	0.143	0.319	0.615	0.409	0.061	0.174

Quarterly Financial Information - UK Division (in local currency Sterling £)	2026			2025				2024
(thousands, except percentages and per share amounts)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Healthcare revenue	**19,223**	18,705	18,238	18,381	17,699	4,453	873	870
Hospitality revenue	**25,477**	23,587	19,458	22,964	27,109	19,179	12,619	14,757
Total revenue	**44,700**	42,292	37,696	41,345	44,808	23,632	13,492	15,627
Expenses included in EBITDA	**36,567**	34,358	33,300	35,299	36,393	19,793	12,174	12,670
EBITDA[1]	**8,133**	7,934	4,396	6,046	8,415	3,839	1,318	2,957
EBITDA as a % of revenue (EBITDA margin)	**18.2%**	18.8%	11.7%	14.6%	18.8%	16.2%	9.8%	18.9%
Adjusted EBITDA[2]	**8,777**	7,873	4,671	6,544	9,111	4,905	1,688	2,957
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	**19.6%**	18.6%	12.4%	15.8%	20.3%	20.8%	12.5%	18.9%
Net earnings (loss)	**2,777**	2,636	(164)	132	2,684	1,385	(10)	1,038
Net earnings (loss) as a % of revenue	**6.2%**	6.2%	-0.4%	0.3%	6.0%	5.9%	-0.1%	6.6%
Basic earnings (loss) per share	**0.216**	0.204	(0.013)	0.010	0.209	0.126	(0.001)	0.101
Diluted earnings (loss) per share	**0.214**	0.203	(0.013)	0.010	0.207	0.125	(0.001)	0.100
Adjusted net earnings [3]	**4,311**	3,465	1,001	2,233	4,293	2,451	360	1,038
Adjusted basic earnings per share [3]	**0.335**	0.269	0.078	0.173	0.334	0.222	0.034	0.101
Adjusted diluted earnings per share [3]	**0.332**	0.267	0.077	0.172	0.331	0.221	0.034	0.101

(1) EBITDA is defined as revenue less operating expenses (which equates to net earnings before income tax, finance expense, and depreciation and amortization). See "Terminology".
(2) Adjusted EBITDA is a non-GAAP measure. See "Terminology" for further information on the definition and composition of this measure.
(3) Adjusted Net Earnings and Adjusted EPS are non-GAAP measures. See "Terminology" for further information on the definition and composition of these measures.

Revenue, Earnings and EBITDA

For the three months ended September 30, 2026, K-Bro's consolidated revenue increased by 2.7% to $160.1 million from $155.9 million in the comparative period of 2025. On a year-to-date basis, consolidated revenue increased by 24.9% to $449.5 million compared to $360.0 million in the comparative period of 2025. This increase in the third quarter of 2026 is primarily related to the impact of price increases implemented. On a year to date basis this increase is primarily related to the acquisition of Stellar Mayan in June 2025, as well as the as the impact of price increases implemented.

In the third quarter of 2026, approximately 55.2% of K-Bro's consolidated revenue was generated from healthcare institutions, which is an increase compared to 52.8% in 2025. For consolidated hospitality revenue, the Corporation saw an decrease of 2.7% over the comparable 2025 period.

Adjusted EBITDA (see "Terminology") in the third quarter of 2026 was $33.5 million which remained relatively unchanged from $33.5 million in 2025. The Adjusted EBITDA margin decreased from 21.5% in 2025 to 20.9% in 2026, the decrease is largely due to higher fuel costs. Adjusting items in the quarter include lower transaction and transition costs, as well as non-recurring losses, and fair value adjustments on derivative financial instruments as detailed in the tables within "Terminology". Without adjusting items, consolidated EBITDA increased in the third quarter of 2026 to $34.2 million from $32.0 million in 2025, which is an increase of 6.9%. The consolidated EBITDA margin increased to 21.4% in 2026 from 20.5% in 2025.

Adjusted net earnings (see "Terminology") increased in the third quarter of 2026 to $13.0 million from $12.0 million in 2025. Adjusting items in the quarter include transaction costs, transition costs, fair value adjustments on derivative financial instruments, non-recurring losses, and intangible asset amortization related to the acquisition of Stellar Mayan as detailed in the tables within "Terminology". Without adjusting items, net earnings increased by $3.1 million in the third quarter of 2026 or 34.8% from $8.9 million in 2025 to $12.0 million in 2026, and net earnings as a percentage of revenue increased to 7.5% in 2026 compared to 5.7% in 2025.

On a year-to-date basis, Adjusted EBITDA (see "Terminology") increased to $85.9 million from $72.2 million in 2025, which is an increase of 18.9%. The Adjusted EBITDA margin decreased to 19.1% in 2026 compared to 20.1% in 2025. The decrease in Adjusted EBITDA margin is largely due to higher fuel costs, and the combination of the Stellar Mayan margin profile, offset by the elimination of Canadian carbon tax in Q2 2025. Adjusting items in the year include transaction costs, transition costs, fair value adjustments on derivative financial instruments and non-recurring losses, as detailed in the tables within "Terminology". Without adjusting items, consolidated EBITDA increased to $85.1 million in 2026 from $65.8 million in 2025, which is an increase of 29.3%. The consolidated EBITDA margin increased to 18.9% in 2026 compared to 18.3% in 2025.

Adjusted net earnings (see "Terminology") increased on a year-to-date basis to $27.7 million from $23.2 million in 2025, primarily related to the flow through of items discussed above in Adjusted EBITDA. Adjusting items in the year include transaction costs, transition costs, fair value adjustments on derivative financial instruments, non-recurring losses, and intangible asset amortization related to the acquisition of Stellar Mayan as detailed in the tables within "Terminology". Without adjusting items, net earnings increased by $6.9 million in 2026 or 45.7% from $15.1 million in 2025 to $22.0 million in 2026, and net earnings as a percentage of revenue increased by 0.7% to 4.9% in 2026 from 4.2% in 2025.

Operating Expenses

Wages and benefits in the third quarter of 2026 increased by $1.3 million to $61.9 million compared to $60.6 million in the comparative period of 2025, and as a percentage of revenue decreased by 0.2 percentage points to 38.7%. On a year-to-date basis, wages and benefits increased by $38.7 million to $176.5 million compared to $137.8 million in the comparative period of 2025, and as a percentage of revenue increased by 1.0 percentage points to 39.3%. The increase on a year-to-date basis as a percentage of revenue is primarily related to the combination of the Stellar Mayan cost structure.

Linen in the third quarter of 2026 increased by $0.3 million to $15.6 million compared to $15.3 million in the comparative period of 2025, and as a percentage of revenue remained constant at 9.8%. On a year-to-date basis, linen increased by $9.2 million to $44.5 million compared to $35.3 million in the comparative period of 2025, and as a percentage of revenue remained relatively constant at 9.9%.

Utilities in the third quarter of 2026 remained constant at $9.5 million compared to the comparative period of 2025, and as a percentage of revenue decreased by 0.2 percentage points to 5.9%. On a year-to-date basis, utilities increased by $4.9 million to $27.6 million compared to $22.7 million in the comparative period of 2025, and as a percentage of revenue decreased by 0.2 percentage points to 6.1%. The decrease on a year-to-date basis as a percentage of revenue is primarily related to the elimination of Canadian carbon tax in Q2 2025, and the combination of the Stellar Mayan cost structure.

Delivery in the third quarter of 2026 increased by $1.6 million to $18.5 million compared to $16.9 million in the comparative period of 2025, and as a percentage of revenue increased by 0.7 percentage points to 11.5%. This was primarily related to higher fuel costs in the quarter. On a year-to-date basis, delivery increased by $10.8 million to $52.5 million compared to $41.7 million in the comparative period of 2025, and as a percentage of revenue remained relatively constant at 11.7% with higher fuel costs being offset by delivery optimizations.

Occupancy costs in the third quarter of 2026 increased by $0.3 million to $3.2 million compared to $2.9 million in the comparative period of 2025, and as a percentage of revenue increased by 0.1 percentage points to 2.0%. On a year-to-date basis, occupancy costs increased by $2.2 million to $9.5 million compared to $7.3 million in the comparative period of 2025, and as a percentage of revenue remained relatively constant at 2.1%.

Materials and supplies in the third quarter of 2026 decreased by $0.4 million to $7.0 million compared to $7.4 million in the comparative period of 2025, and as a percentage of revenue decreased by 0.4 percentage points to 4.4%. On a year-to-date basis, materials and supplies increased by $5.7 million to $21.0 million compared to $15.3 million in the comparative period of 2025, and as a percentage of revenue increased by 0.5 percentage points to 4.7%. The increase on a year-to-date basis as a percentage of revenue is primarily related to the combination of the Stellar Mayan cost structure.

Repairs and maintenance in the third quarter of 2026 decreased by $0.5 million to $5.4 million compared to $5.9 million in the comparative period of 2025, and as a percentage of revenue decreased by 0.4 percentage points to 3.4%. On a year-to-date basis, repairs and maintenance increased by $1.7 million to $16.4 million compared to $14.7 million in the comparative period of 2025, and as a percentage of revenue decreased by 0.5 percentage points to 3.6%. The decrease on a year-to-date basis as a percentage of revenue is primarily related to the timing of maintenance activities and the combination of the Stellar Mayan cost structure.

Corporate costs in the third quarter of 2026 increased by $0.6 million to $5.9 million compared to $5.3 million in the comparative period of 2025, and as a percentage of revenue increased by 0.3 percentage points to 3.7%. On a year-to-date basis, corporate costs decreased by $3.5 million to $17.4 million compared to $20.9 million in the comparative period of 2025, and as a percentage of revenue decreased by 1.9

percentage points to 3.9%. The decrease on a year-to-date basis as a percentage of revenue is primarily related to lower transaction costs and structural financing costs related to the acquisition of Stellar Mayan. These items are considered to be adjusting items for the purposes of calculating Adjusted EBITDA, Adjusted Net Income and Adjusted Earnings per share (Basic and Diluted) and are further detailed within the "Terminology" section.

Fair value adjustments on derivative financial instruments represents the unrealized change in the fair value of the Corporation's interest rate derivatives, which are measured at fair value through profit or loss. As these adjustments are non-cash in nature and may fluctuate with changes in market interest rates, they are considered to be adjusting items for the purposes of calculating Adjusted EBITDA, Adjusted Net Income and Adjusted Earnings per share (Basic and Diluted) and are further detailed within the "Terminology" section.

Depreciation of property, plant and equipment and amortization of intangible assets represents the expense related to the appropriate matching of the Corporation's long-term assets to the estimated useful life and period of economic benefit of those assets. Depreciation and amortization are higher due to the Stellar Mayan assets acquired.

Income tax includes current and future income taxes based on taxable income and the temporary timing differences between the tax and accounting bases of assets and liabilities. Income tax reflects the provision on the earnings of the Corporation.

LIQUIDITY AND CAPITAL RESOURCES

During Q3 2026, cash generated by operating activities was $16.0 million with a debt to total capitalization of 45.3%. The change in cash from operations is primarily due to the change in working capital items driven from timing of business activity and predominantly relates to the timing of collections of accounts receivable.

The Corporation's capital structure includes working capital, a committed syndicated credit facility, which includes a revolver and an amortizing term loan, and share capital. We continuously monitor actual and forecast cash flows and monitor the availability on our syndicated credit facility. Management believes the unutilized balance of $76.4 million with respect to its syndicated credit facility plus the accordion is sufficient for the Corporation's operations in the foreseeable future. However, management intends to continually assess its opportunities to maintain a conservative amount of leverage and balance sheet flexibility in the short and long-term basis in order to ensure that sufficient capital is available for future growth needs.

During Q3 2026, cash used in financing activities was $15.9 million compared to $15.6 million in Q3 2025. Financing activities consist of net repayments of the term loan and credit facility, dividends paid to Shareholders, and principal elements of lease payments.

During Q3 2026, cash used in investing activities was $5.1 million compared to $4.2 million in 2025. The increase in investing activities is primarily related to the purchase of plant equipment.

Contractual Obligations

Payments due under contractual obligations for the next five years and thereafter are as follows:

	Payments due by year				
(thousands)	Total	Remainder of 2026	2027 to 2028	2029 to 2030	Subsequent
Revolving credit facility	$ 102,733	-	-	102,733	-
Interest on long-term debt	$ 31,780	3,087	23,286	5,407	-
Principal on term loan	$ 125,067	2,518	21,824	100,725	-
Lease liabilities	$ 100,157	7,083	42,982	26,899	23,193
Utility commitments	$ 11,040	4,568	4,587	1,885	-
Linen purchase obligations	$ 17,557	17,557	-	-	-
Property, plant and equipment commitments	$ 2,227	2,227	-	-	-

The lease liabilities are secured by automotive equipment and plants and are more fully described in the Corporation's unaudited interim consolidated financial statements for the period ended September 30, 2026. The source of funds for these commitments will be from operating cash flow and, if necessary, the undrawn portion of the revolving credit facility.

Financial Position

(thousands, except percentages)	Nine Months Ended September 30, 2026	Nine Months Ended September 30, 2025
Cash	**$ (15,523)**	$ (26,011)
Debt (excludes lease liabilities) [(1)]	**227,257**	246,318
Shareholders' equity	**289,920**	277,800
Total capital	**$ 501,654**	$ 498,107
Debt to total capital (see *Terminology* for definition)	**45.3%**	49.5%

1) Debt is comprised of current and long-term debt.

For the period ended September 30, 2026, the Corporation had a debt to total capital of 45.3%, unused revolving credit facility of $76.4 million and has not incurred any events of default under the terms of its credit facility.

As at September 30, 2026, the Corporation had net working capital of $104.6 million compared to its working capital position of $90.8 million at December 31, 2025. The increase in working capital is primarily attributable to the timing of business activities.

Management believes that K-Bro has the capital resources and liquidity necessary to meet its commitments, support its operations and finance its growth strategies. In addition to K-Bro's ability to generate cash from operations and its syndicated revolving credit facility, K-Bro believes it is also able to raise capital through equity issuances in the market or increase its borrowing capacity, if necessary, to provide for capital spending and to sustain its property, plant and equipment.

DIVIDENDS

Fiscal Period	Payment Date	# of Shares outstanding	2026 Amount per Share	2026 Total Amount (1)(3)(5)	2025 Amount per Share	2025 Total Amount (2)(4)(6)
January	February 13	12,990,517	$ 0.10000	$ 1,299	$ 0.10000	$ 1,058
February	March 13	12,990,517	0.10000	1,299	0.10000	1,058
March	April 15	12,990,517	0.10000	1,299	0.10000	1,058
Q1			$ 0.30000	$ 3,897	$ 0.30000	$ 3,174
April	May 15	12,990,517	$ 0.10000	$ 1,299	$ 0.10000	$ 1,058
May	June 15	13,035,113	0.10000	1,304	0.10000	1,066
June	July 15	13,005,049	0.10000	1,301	0.10000	1,299
Q2			$ 0.30000	$ 3,903	$ 0.30000	$ 3,422
July	August 14	13,005,049	$ 0.10000	$ 1,301	$ 0.10000	$ 1,299
August	September 15	13,004,821	0.10000	1,300	0.10000	1,299
September	October 15	12,995,403	0.10000	1,300	0.10000	1,299
Q3			$ 0.30000	$ 3,901	$ 0.30000	$ 3,897
YTD			$ 0.90000	$ 11,701	$ 0.90000	$ 10,493

(1) The total amount of dividends declared was $0.10000 per share for a total of $1,299,052 per month January - March 2026; when rounded in thousands, $3,897 of dividends were declared in Q1 2026.
(2) The total amount of dividends declared was $0.10000 per share for a total of $1,057,836 per month for January - March 2025; when rounded in thousands, $3,174 of dividends were declared in Q1 2025.
(3) The total amount of dividends declared was $0.10000 per share for a total of $1,299,052 for April 2026, $1,303,511 for May 2026, and $1,300,505 for June 2026. When rounded in thousands, $3,903 of dividends were declared in Q2 2026.
(4) The total amount of dividends declared was $0.10000 per share for a total of $1,057,836 for April 2025, $1,065,602 for May 2025, and $1,299,052 for June 2025. When rounded in thousands, $3,422 of dividends were declared in Q2 2025.
(5) The total amount of dividends declared was $0.10000 per share for a total of $1,300,505 for July 2026, $1,300,482 for August 2026, and $1,299,540 for September 2026; when rounded in thousands, $3,901 of dividends were declared in Q3 2026.
(6) The total amount of dividends declared was $0.10000 per share for a total of $1,299,052 per month for July – September 2025; when rounded in thousands, $3,897 of dividends were declared in Q3 2025.

For the period ended September 30, 2026, the Corporation declared a $0.900 per Common Share dividend compared to $3.511 per Common Share of Distributable Cash Flow (see "*Terminology*"). The actual payout ratio was 25.6%.

The Corporation's policy is to pay dividends to Shareholders from its available distributable cash flow while considering requirements for capital expenditures, working capital, growth capital and other reserves considered advisable by the Board of Directors. All such dividends are discretionary. Dividends are declared payable each month in equal amounts to Shareholders on the last business day of each month and are paid by the 15th of the following month.

The Corporation designates all dividends paid or deemed to be paid as Eligible Dividends for purposes of subsection 89(14) of the *Income Tax Act* (Canada), and similar provincial and territorial legislation, unless indicated otherwise.

DISTRIBUTABLE CASH FLOW (SEE "*TERMINOLOGY*")

(all amounts in this section in $000s except per share amounts and percentages)

The Corporation's source of cash for dividends is distributable cash flow provided by operating activities. Distributable cash flow, reconciled to cash provided by operating activities as calculated under IFRS Accounting Standards, is presented as follows:

(thousands, except percentages and per share amounts)	2026			2025				2024
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Cash provided by operating activities	$ 15,985	$ 8,659	$ 22,278	$ 21,695	$ 20,609	$ 3,149	$ 17,256	$ 11,011
Deduct (add):								
Net changes in non-cash working capital items[1]	(12,514)	(14,539)	4,885	790	(4,100)	(12,173)	7,409	(2,108)
Share-based compensation expense	667	754	732	813	564	687	649	418
Maintenance capital expenditures[2]	1,471	3,348	2,887	1,202	99	2,974	720	267
Principal elements of lease payments	4,802	4,419	4,389	5,414	4,452	3,133	2,723	2,679
Distributable cash flow	$ 21,559	$ 14,677	$ 9,385	$ 13,476	$ 19,594	$ 8,528	$ 5,755	$ 9,755
Dividends declared	3,901	3,903	3,897	3,897	3,897	3,422	3,174	3,174
Dividends declared per share	0.300	0.300	0.300	0.300	0.300	0.300	0.300	0.300
Payout ratio[3]	18.1%	26.6%	41.5%	28.9%	19.9%	40.1%	55.1%	32.5%
Weighted average shares outstanding during the period, basic	12,864	12,896	12,902	12,874	12,860	11,026	10,501	10,232
Weighted average shares outstanding during the period, diluted	12,976	12,974	12,970	12,967	12,957	11,087	10,564	10,316
Trailing-twelve months ("TTM")								
Distributable cash flow	59,097	57,132	50,983	47,353	43,632	38,242	39,392	39,611
Dividends	15,598	15,594	15,113	14,390	13,667	12,944	12,691	12,694
Payout ratio[3]	26.4%	27.3%	29.6%	30.4%	31.3%	33.8%	32.2%	32.0%

(1) Net change in non-cash working capital is excluded from the calculation as management believes it would introduce significant cash flow variability and affect underlying cash flow from operating activities. Significant variability can be caused by such things as the timing of receipts (which individually are large because of the nature of K-Bro's customer base and timing may vary due to the timing of customer approval, vacations of customer personnel, etc.) and the timing of disbursements (such as the payment of large volume rebates done once annually). As well, large increases in working capital are generally required when contracts with new customers are signed as linen is purchased and accounts receivable increase. Management feels that this amount should be excluded from the distributable cash flow calculation.

(2) Maintenance capital expenditures include costs required to maintain or replace assets which do not have a discrete return on investment.

(3) The ratio of dividends paid compared to distributable cash flow is periodically reviewed by the Board of Directors to take into account the current and prospective performance of the business and other items considered to be prudent. Payout ratio is calculated on the dividends declared divided by the distributable cash flow.

OUTSTANDING SHARES

As at September 30, 2026, the Corporation had 12,995,403 Common Shares outstanding. Basic and diluted weighted average number of Common Shares outstanding for 2026 were 12,886,395 and 12,970,566, respectively (11,470,790 and 11,540,808, respectively, for the comparative 2025 periods).

In accordance with the Corporation's Long Term Incentive ("LTI") plan and in conjunction with the performance of the Corporation in the 2025 fiscal year, on April 7, 2026 the Compensation, Nominating and Corporate Governance Committee approved LTI compensation of $2.9 million (2025 – $2.7 million) to be paid as Common Shares issued from treasury. As at September 30, 2026, the value of the Common Shares held by the LTI custodian was $5.7 million (December 31, 2025 – $3.1 million) which was comprised of in 138,507 unvested Common Shares (December 31, 2025 – 89,014) with a nil aggregate cost (December 31, 2025 – $nil).

As at November 12, 2026 there were 12,995,403 Common Shares issued and outstanding including 138,507 Common Shares issued but held as unvested treasury shares.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements, in conformity with IFRS Accounting Standards, requires K-Bro to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Management regularly evaluates these estimates and assumptions which are based on past experience and other factors that are deemed reasonable under the circumstances. This involves varying degrees of judgment and uncertainty and, therefore, amounts currently reported in the financial statements could differ in the future. Further to those areas discussed in the Corporation's 2025 audited financial statements and annual MD&A, determining the lease term and incremental borrowing rates under IFRS 16 requires critical judgments as well as assumptions that have been incorporated into any asset impairment testing models.

TERMINOLOGY

EBITDA

EBITDA (Earnings before interest, taxes, depreciation and amortization) comprises revenues less operating costs before financing costs, capital asset and intangible asset amortization, and income taxes.

EBITDA is a sub-total presented within the statement of earnings. EBITDA is not considered an alternative to net earnings in measuring K-Bro's performance. EBITDA should not be used as an exclusive measure of cash flow since it does not account for the impact of working capital changes, capital expenditures, debt changes and other sources and uses of cash, which are disclosed in the consolidated statements of cash flows.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(thousands)	**2026**	2025	**2026**	2025
Net earnings	**$ 11,986**	$ 8,855	**$ 21,970**	$ 15,100
Add:				
Income tax expense	**3,121**	3,241	**4,532**	4,209
Finance expense	**4,464**	5,024	**13,807**	11,920
Depreciation of property, plant and equipment	**11,778**	12,069	**36,358**	29,182
Amortization of intangible assets	**2,836**	2,845	**8,439**	5,409
EBITDA	**$ 34,185**	$ 32,034	**$ 85,106**	$ 65,820

Non-GAAP Measures

Adjusted EBITDA

K-Bro reports Adjusted EBITDA (Earnings before interest, taxes, depreciation and amortization) as a key measure used by management to evaluate performance. We believe Adjusted EBITDA assists investors to assess our performance on a consistent basis as it is an indication of our capacity to generate income from operations before taking into account management's financing decisions as well as costs of acquiring tangible and intangible capital assets. The Corporation modified its definition for Adjusted EBITDA in 2024 and has updated its comparative quarters to reflect the modified definition. In June 2026, the Corporation entered into an interest rate swap to manage its interest rate exposure. During Q2 2026 the Corporation modified its definition of Adjusted EBITDA to include any gains or losses associated with the interest rate swap. The adjustments related to the interest rate swaps are non-cash in nature.

"Adjusted EBITDA" is EBITDA (defined above) with the addition or deduction of certain amounts incurred which management does not consider indicative of ongoing operating performance. This includes transaction costs, structural finance costs, transition and integration costs, restructuring costs, gains/losses on settlement of contingent consideration, fair value adjustments on derivative financial instruments and any other non-recurring transactions.

The Corporation believes these non-GAAP definitions provide more meaningful reflections of normalized financial performance from operations and will enhance period-over-period comparability.

	Three Months Ended September 30,					
(thousands)	Canadian Division 2026	UK Division 2026	**2026**	Canadian Division 2025	UK Division 2025	2025
EBITDA	$ 18,889	$ 15,296	**$ 34,185**	$ 16,404	$ 15,630	$ 32,034
Adjusting Items:						
Transaction Costs [1]	137	-	**137**	133	149	282
Syndication/Structural Finance Costs [2]	-	-	**-**	-	-	-
Transition Costs [3]	-	422	**422**	62	1,145	1,207
Fair value adjustments on derivative financial instruments [4]	(2,002)	-	**(2,002)**	-	-	-
Non-recurring losses (gains) [5]	-	789	**789**	-	-	-
Adjusted EBITDA	$ 17,024	$ 16,507	**$ 33,531**	$ 16,599	$ 16,924	$ 33,523

[1] Relates to legal, professional and consulting fee expenditures made related to acquisitions.
[2] Relates to costs related to syndication and credit agreement restructuring costs.
[3] Relates to transition costs incurred as a result of the Corporation's acquisitions.
[4] Relates to the unrealized change in the fair value of the Corporation's interest rate derivatives, which are measured at fair value through profit or loss.
[5] 2026 relates to a non-recurring loss of $789 related to the closure of the Old Jamaica facility for the disposal of redundant property, plant and equipment (the adjustment is non-cash in nature).

	Nine Months Ended September 30,					
(thousands)	Canadian Division 2026	UK Division 2026	**2026**	Canadian Division 2025	UK Division 2025	2025
EBITDA	$ 46,932	$ 38,174	**$ 85,106**	$ 40,707	$ 25,113	$ 65,820
Adjusting Items:						-
Transaction Costs [1]	344	-	**344**	4,033	2,789	6,822
Syndication/Structural Finance Costs [2]	-	-	**-**	484	-	484
Transition Costs [3]	-	1,354	**1,354**	62	1,145	1,207
Fair value adjustments on derivative financial instruments [4]	(1,164)	-	**(1,164)**	-	-	-
Non-recurring losses (gains) [5]	-	251	**251**	(2,090)	-	(2,090)
Adjusted EBITDA	$ 46,112	$ 39,779	**$ 85,891**	$ 43,196	$ 29,047	$ 72,243

[1] Relates to legal, professional and consulting fee expenditures made related to acquisitions.
[2] Relates to costs related to syndication and credit agreement restructuring costs.
[3] Relates to transition costs incurred as a result of the Corporation's acquisitions.
[4] Relates to the unrealized change in the fair value of the Corporation's interest rate derivatives, which are measured at fair value through profit or loss.

[5] 2026 relates to a non-recurring loss of $789 related to the closure of the Old Jamaica facility for the disposal of redundant property, plant and equipment (the adjustment is non-cash in nature), and a non-recurring gain of $538 received to settle a boiler warranty related claim. 2025 relates to non-recurring gain of $1,519 from the sale of the Granby facility and a gain of $571 related to a one-time gain on a customer contract.

Adjusted Net Earnings and Adjusted Earnings per Share

Adjusted Net Earnings and Adjusted Earnings per Share are non-GAAP measures. These non-GAAP measures are defined to exclude certain amounts which management does not consider indicative of ongoing operating performance. This includes transaction costs, structural finance costs, transition and integration costs, restructuring costs, gains/losses on settlement of contingent consideration, fair value adjustments on derivative financial instruments, any other non-recurring transactions, and the amortization of intangible assets from the Stellar Mayan acquisition on June 11, 2025, given the material nature of the acquisition. The Corporation believes these non-GAAP definitions provide more meaningful reflections of normalized financial performance from operations and will enhance period-over-period comparability.

	Three Months Ended September 30,					
(thousands)	Canadian Division 2026	UK Division 2026	**2026**	Canadian Division 2025	UK Division 2025	2025
Net Earnings	$ 6,762	$ 5,224	**$ 11,986**	$ 3,870	$ 4,985	$ 8,855
Adjusting Items:						
Transaction Costs [1]	137	-	**137**	133	149	282
Syndication/Structural Finance Costs [2]	-	-	**-**	-	-	-
Transition Costs [3]	-	422	**422**	62	1,145	1,207
Fair value adjustments on derivative financial instruments [4]	(2,002)	-	**(2,002)**	-	-	-
Non-recurring losses (gains) [5]	-	789	**789**	-	-	-
Stellar Mayan intangible asset amortization [6]	-	1,674	**1,674**	-	1,696	1,696
Adjusted Net Earnings	$ 4,897	$ 8,109	**$ 13,006**	$ 4,065	$ 7,975	$ 12,040

[1] Relates to legal, professional and consulting fee expenditures made related to acquisitions.
[2] Relates to costs related to syndication and credit agreement restructuring costs.
[3] Relates to transition costs incurred as a result of the Corporation's acquisitions.
[4] Relates to the unrealized change in the fair value of the Corporation's interest rate derivatives, which are measured at fair value through profit or loss.
[5] 2026 relates to a non-recurring loss of $789 related to the closure of the Old Jamaica facility for the disposal of redundant property, plant and equipment (the adjustment is non-cash in nature).
[6] Relates to amortization of acquired intangible assets from Stellar Mayan acquisition on June 11, 2025.

	Nine Months Ended September 30,					
(thousands)	Canadian Division 2026	UK Division 2026	**2026**	Canadian Division 2025	UK Division 2025	2025
Net Earnings	$ 12,146	$ 9,824	**$ 21,970**	$ 7,568	$ 7,532	$ 15,100
Adjusting Items:						-
Transaction Costs [1]	344	-	**344**	4,033	2,789	6,822
Syndication/Structural Finance Costs [2]	-	-	**-**	484	-	484
Transition Costs [3]	-	1,354	**1,354**	62	1,145	1,207
Fair value adjustments on derivative financial instruments [4]	(1,164)	-	**(1,164)**	-	-	-
Non-recurring losses (gains) [5]	-	251	**251**	(2,090)	-	(2,090)
Stellar Mayan intangible asset amortization [6]	-	4,974	**4,974**	-	1,696	1,696
Adjusted Net Earnings	$ 11,326	$ 16,403	**$ 27,729**	$ 10,057	$ 13,162	$ 23,219

[1] Relates to legal, professional and consulting fee expenditures made related to acquisitions.
[2] Relates to costs related to syndication and credit agreement restructuring costs.
[3] Relates to transition costs incurred as a result of the Corporation's acquisitions.
[4] Relates to the unrealized change in the fair value of the Corporation's interest rate derivatives, which are measured at fair value through profit or loss.
[5] 2026 relates to a non-recurring loss of $789 related to the closure of the Old Jamaica facility for the disposal of redundant property, plant and equipment (the adjustment is non-cash in nature), and a non-recurring gain of $538 received to settle a boiler warranty related claim. 2025 relates to non-recurring gain of $1,519 from the sale of the Granby facility and a gain of $571 related to a one-time gain on a customer contract.
[6] Relates to amortization of acquired intangible assets from Stellar Mayan acquisition on June 11, 2025.

	Three Months Ended September 30,					
(thousands)	Canadian Division 2026	UK Division 2026	**2026**	Canadian Division 2025	UK Division 2025	2025
Basic Earnings per Share	0.526	0.406	**0.932**	0.301	0.388	0.689
Adjusting Items:						
Transaction Costs [1]	0.011	-	**0.011**	0.010	0.012	0.022
Syndication/Structural Finance Costs [2]	-	-	**-**	-	-	-
Transition Costs [3]	-	0.033	**0.033**	0.005	0.088	0.093
Fair value adjustments on derivative financial instruments [4]	(0.156)	-	**(0.156)**	-	-	-
Non-recurring losses (gains) [5]	-	0.061	**0.061**	-	-	-
Stellar Mayan intangible asset amortization [6]	-	0.130	**0.130**	-	0.132	0.132
Adjusted Basic Earnings per Share	0.381	0.630	**1.011**	0.316	0.620	0.936

[1] Relates to legal, professional and consulting fee expenditures made related to acquisitions.
[2] Relates to costs related to syndication and credit agreement restructuring costs.
[3] Relates to transition costs incurred as a result of the Corporation's acquisitions.
[4] Relates to the unrealized change in the fair value of the Corporation's interest rate derivatives, which are measured at fair value through profit or loss.
[5] 2026 relates to a non-recurring loss of $789 related to the closure of the Old Jamaica facility for the disposal of redundant property, plant and equipment (the adjustment is non-cash in nature).
[6] Relates to amortization of acquired intangible assets from Stellar Mayan acquisition on June 11, 2025.

	Nine Months Ended September 30,					
(thousands)	Canadian Division 2026	UK Division 2026	**2026**	Canadian Division 2025	UK Division 2025	2025
Basic Earnings per Share	0.943	0.762	**1.705**	0.660	0.656	1.316
Adjusting Items:						
Transaction Costs [1]	0.027	-	**0.027**	0.352	0.243	0.595
Syndication/Structural Finance Costs [2]	-	-	**-**	0.042	-	0.042
Transition Costs [3]	-	0.105	**0.105**	0.005	0.100	0.105
Fair value adjustments on derivative financial instruments [4]	(0.090)	-	**(0.090)**	-	-	-
Non-recurring losses (gains) [5]	-	0.019	**0.019**	(0.182)	-	(0.182)
Stellar Mayan intangible asset amortization [6]	-	0.386	**0.386**	-	0.148	0.148
Adjusted Basic Earnings per Share	0.879	1.273	**2.152**	0.877	1.147	2.024

[1] Relates to legal, professional and consulting fee expenditures made related to acquisitions.
[2] Relates to costs related to syndication and credit agreement restructuring costs.
[3] Relates to transition costs incurred as a result of the Corporation's acquisitions.
[4] Relates to the unrealized change in the fair value of the Corporation's interest rate derivatives, which are measured at fair value through profit or loss.
[5] 2026 relates to a non-recurring loss of $789 related to the closure of the Old Jamaica facility for the disposal of redundant property, plant and equipment (the adjustment is non-cash in nature), and a non-recurring gain of $538 received to settle a boiler warranty related claim. 2025 relates to non-recurring gain of $1,519 from the sale of the Granby facility and a gain of $571 related to a one-time gain on a customer contract.
[6] Relates to amortization of acquired intangible assets from Stellar Mayan acquisition on June 11, 2025.

	Three Months Ended September 30,					
(thousands)	Canadian Division 2026	UK Division 2026	**2026**	Canadian Division 2025	UK Division 2025	2025
Diluted Earnings per Share	0.521	0.403	**0.924**	0.299	0.385	0.684
Adjusting Items:						
Transaction Costs [1]	0.011	-	**0.011**	0.010	0.012	0.022
Syndication/Structural Finance Costs [2]	-	-	**-**	-	-	-
Transition Costs [3]	-	0.033	**0.033**	0.005	0.088	0.093
Fair value adjustments on derivative financial instruments [4]	(0.154)	-	**(0.154)**	-	-	-
Non-recurring losses (gains) [5]	-	0.061	**0.061**	-	-	-
Stellar Mayan intangible asset amortization [6]	-	0.129	**0.129**	-	0.130	0.130
Adjusted Diluted Earnings per Share	0.377	0.625	**1.002**	0.314	0.615	0.929

[1] Relates to legal, professional and consulting fee expenditures made related to acquisitions.
[2] Relates to costs related to syndication and credit agreement restructuring costs.
[3] Relates to transition costs incurred as a result of the Corporation's acquisitions.
[4] Relates to the unrealized change in the fair value of the Corporation's interest rate derivatives, which are measured at fair value through profit or loss.
[5] 2026 relates to a non-recurring loss of $789 related to the closure of the Old Jamaica facility for the disposal of redundant property, plant and equipment (the adjustment is non-cash in nature).
[6] Relates to amortization of acquired intangible assets from Stellar Mayan acquisition on June 11, 2025.

	Nine Months Ended September 30,					
(thousands)	Canadian Division 2026	UK Division 2026	**2026**	Canadian Division 2025	UK Division 2025	2025
Diluted Earnings per Share	0.936	0.758	**1.694**	0.656	0.652	1.308
Adjusting Items:						
Transaction Costs [1]	0.027	-	**0.027**	0.348	0.243	0.591
Syndication/Structural Finance Costs [2]	-	-	**-**	0.042	-	0.042
Transition Costs [3]	-	0.104	**0.104**	0.005	0.099	0.104
Fair value adjustments on derivative financial instruments [4]	(0.090)	-	**(0.090)**	-	-	-
Non-recurring losses (gains) [5]	-	0.019	**0.019**	(0.181)	-	(0.181)
Stellar Mayan intangible asset amortization [6]	-	0.383	**0.383**	-	0.146	0.146
Adjusted Diluted Earnings per Share	0.873	1.265	**2.138**	0.870	1.140	2.010

[1] Relates to legal, professional and consulting fee expenditures made related to acquisitions.
[2] Relates to costs related to syndication and credit agreement restructuring costs.
[3] Relates to transition costs incurred as a result of the Corporation's acquisitions.
[4] Relates to the unrealized change in the fair value of the Corporation's interest rate derivatives, which are measured at fair value through profit or loss.
[5] 2026 relates to a non-recurring loss of $789 related to the closure of the Old Jamaica facility for the disposal of redundant property, plant and equipment (the adjustment is non-cash in nature), and a non-recurring gain of $538 received to settle a boiler warranty related claim. 2025 relates to non-recurring gain of $1,519 from the sale of the Granby facility and a gain of $571 related to a one-time gain on a customer contract.
[6] Relates to amortization of acquired intangible assets from Stellar Mayan acquisition on June 11, 2025.

Distributable Cash Flow

Distributable cash flow is a measure used by management to evaluate the Corporation's performance. While the closest IFRS Accounting Standards measure is cash provided by operating activities, distributable cash flow is considered relevant because it provides an indication of how much cash generated by operations is available after capital expenditures. It should be noted that although we consider this measure to be distributable cash flow, financial and non-financial covenants in our credit facilities and dealer agreements may restrict cash from being available for dividends, re-investment in the Corporation, potential acquisitions, or other purposes. Investors should be cautioned that distributable cash flow may not actually be available for growth or distribution from the Corporation. Management refers to "Distributable cash flow" as to cash provided by (used in) operating activities with the addition of net changes in non-cash working capital items, less share-based compensation, maintenance capital expenditures and principal elements of lease payments.

Payout Ratio

"Payout ratio" is defined by management as the actual cash dividend divided by distributable cash. This is a key measure used by investors to value K-Bro, assess its performance and provide an indication of the sustainability of dividends. The payout ratio depends on the distributable cash and the Corporation's dividend policy.

Debt to Total Capital

"Debt to total capital" is defined by management as the total long-term debt (excludes lease liabilities) divided by the Corporation's total capital. This is a measure used by investors to assess the Corporation's financial structure.

Distributable cash flow, payout ratio, and debt to total capital are not calculations based on IFRS Accounting Standards and are not considered an alternative to IFRS Accounting Standards measures in measuring K-Bro's performance. Distributable cash flow, and payout ratio do not have standardized meanings in IFRS Accounting Standards and are therefore not likely to be comparable with similar measures used by other issuers.

Off Balance Sheet Arrangements

As at September 30, 2026, the Corporation has not entered into any off balance sheet arrangements.

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED

The Corporation adopted the following accounting standards and amendments that were effective for our annual consolidated financial statements commencing January 1, 2026. These changes did not have a material impact on our financial results and are not expected to have a material impact in the future.

- Amendments to IFRS 7, Classification and Measurement of Financial Instruments, including disclosure requirements relating to contractual financial assets and liabilities referencing a contingent event.
- Amendments to IFRS 9, Classification and Measurement of Financial Instruments, including guidance regarding electronic payments and clarify the date of recognition and derecognition of financial assets and liabilities.

RECENT ACCOUNTING PRONOUNCEMENTS

New standards, interpretations, or amendments that have been issued, or are not yet effective, have not been further described or early adopted, where no material impact is expected on the Corporation's consolidated financial statements.

The IASB has issued the following new standard and amendments to existing standards that will become effective in future years.

- Introduction of IFRS 18, Presentation and Disclosure in Financial Statements, which will replace IAS 1, Presentation in Financial Statements. The issuance introduces new categories and subtotals in the statement of comprehensive income (loss), requires disclosure of management-defined performance measures (“MPMs”), and includes new requirements for the location, aggregation and disaggregation of financial information. The Corporation has identified the following potential impacts as part of a preliminary assessment:

    - There is not expected to be an impact on net income; however, items of income and expenses in the consolidated statement of comprehensive income (loss) may be grouped into new categories resulting in new subtotals and/or line items being presented.
    - There will be new disclosures required for MPMs, which the standards define as a subtotal of income and expenses that an entity uses in public communications outside financial statements, to communicate management's view of an aspect of the financial performance of the entity as a whole.

    IFRS 18 will be effective for annual periods beginning on or after January 1, 2027 and will apply retrospectively. Early adoption is permitted and must be disclosed. The Corporation is still in the process of evaluating the impact of this standard on its Consolidated Financial Statements.

The Corporation has not adopted any standard, interpretation or amendment that has been issued but is not yet effective and no material impact is expected on the Corporation’s consolidated financial statements. The Corporation will continue to assess the impacts, if any, the amendments to existing standards will have on our consolidated financial statements.

CRITICAL RISKS AND UNCERTAINTIES

As at September 30, 2026, there are no material changes in the Corporation's risks or risk management activities since December 31, 2025. The Corporation's results of operations, business prospects, financial condition, cash dividends to Shareholders and the trading price of the Common Shares are subject to a number of risks. These risk factors include: dependence on long-term contracts and the associated renewal risk thereof; the effects of market volatility and uncertainty; potential future tax changes; the Corporation's competitive environment and increased competition; our ability to acquire and successfully integrate and operate additional businesses; utility costs; the labour markets; the fact that our credit facility imposes numerous covenants and encumbers assets; and, environmental matters.

The Corporation's operating results may be subject to increased risk due to current geopolitical instability that could have an impact on key input prices, such as natural gas.

For a discussion of these risks and other risks associated with an investment in the Common Shares, see "*Risk Factors – Risks Related to K-Bro and the Laundry and Linen Industry* detailed in the Corporation's Annual Information Form" that is available at www.sedarplus.ca.

CONTROLS AND PROCEDURES

In order to ensure that information with regard to reports filed or submitted under securities legislation present fairly in all material respects the financial information of K-Bro, management, including the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), are responsible for establishing and maintaining disclosure controls and procedures, as well as internal control over financial reporting.

Disclosure Controls and Procedures

The Corporation has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related financial statements of K-Bro was properly recorded, processed, summarized and reported to the Board of Directors and the Audit Committee. The Corporation's CEO and CFO have evaluated the effectiveness of these disclosure controls and procedures for the period ended September 30, 2026, and the CEO and CFO have concluded that these controls were operating effectively.

Internal Controls over Financial Reporting

The CEO and CFO acknowledge responsibility for the design of internal controls over financial reporting ("ICFR"). Consequently the CEO and CFO confirm that the additions to these controls that occurred during the period ended September 30, 2026, did not materially affect, or are reasonably likely to materially affect, the Corporation's ICFR. Based upon their evaluation of these controls for the period ended September 30, 2026, the CEO and CFO have concluded that these controls were operating effectively.

A control system, no matter how well conceived and operated, can provide only reasonable, and not absolute, assurance that the objectives of the control system are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instance of fraud, if any, have been detected. These inherent limitations include, amongst other items: (i) that managements' assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; or, (ii) the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential (future) conditions.

Additional information regarding K-Bro including required securities filings are available on our website at www.k-brolinen.com and on the Canadian Securities Administrators' website at www.sedarplus.ca; the System for Electronic Document Analysis and Retrieval ("SEDAR+").

Vous pouvez obtenir des renseignements supplémentaires sur la Société, y compris les documents déposés auprès des autorités de réglementation, sur notre site Web, au www.k-brolinen.com et sur le site Web des autorités canadiennes en valeurs mobilières au www.sedarplus.ca, le site Web du Système électronique de données, d'analyse et de recherche (« SEDAR+ »).