2025



K·BRO

ANNUAL REPORT


We are
dependable.

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President's MESSAGE

2025 was a milestone year for K-Bro, as it marked our 20th anniversary as a public company. At the time of our initial public offering, we had four Canadian facilities and aspirations for national expansion. We've since grown our footprint to 25 commercial laundry facilities with national platforms in both Canada and the UK serving the healthcare and hospitality markets. We're grateful for our diverse and talented team of over 4,500 employees, and our culture that puts people first, supports our partners and embraces environmental stewardship.

In 2025, we completed the acquisition of Stellar Mayan for $199mm (£107mm), our largest acquisition in K-Bro's history. Stellar Mayan is highly complementary to our existing UK businesses (Fishers and Shortridge) and creates a top 3 national UK healthcare and hospitality platform. We are integrating Stellar Mayan into our UK business and are focused on realizing identified cost synergies, operational efficiencies and platform optimizations. Our balance sheet remains strong, and we finished the year with a debt/EBITDA ratio of 2.6x on a proforma basis excluding leases.

Our financial highlights for 2025 include:

- Revenue of $506.8mm, an increase of 35.7% from $373.6mm in 2024
- Adj. EBITDA of $98.7mm, an increase of 36.9% from $72.1mm in 2024
- Adj. EPS of $2.554, an increase of 24% from $2.056 in 2024

K-Bro has been a leader in Canadian healthcare for over half a century, and our acquisition of Stellar Mayan extends our leadership across the UK. We're excited by our strategic national platforms in Canada and the UK that enhance our growth prospects. As always, we're focused on delivering industry-leading service to our customers, generating strong results for shareholders and supporting all our stakeholders.

We're proud to be your dependable laundry.



Linda McCurdy
PRESIDENT & CEO



Chairman's MESSAGE

2025 was a pivotal year for K-Bro, as we built-out our strategic national presence across the UK. With the acquisition of Stellar Mayan, we're delighted to have two national healthcare and hospitality platforms in both Canada and the UK. K-Bro is a leader in Canadian healthcare with over 50 years of experience as an essential service provider and we're excited to extend that leadership into other global markets.

We're pleased to welcome the Honourable Rona Ambrose to the Board. Rona brings a breadth of experience on a variety of corporate Boards as well as public policy and leadership experience, further strengthening K-Bro's Board. We're committed to ensuring our business is effectively managed in support of strong stakeholder relationships and enhanced shareholder value.

K-Bro has a resilient essential service business model that supports our healthcare and hospitality customers through any economic climate. We're focused on building long-term shareholder value through operational excellence and profitable growth and we're excited about our positive outlook.

Thank you for your support.

Michael Percy
CHAIR



Linda McCurdy, Sean Curtis, Kristie Plaquin, Michael Percy
Elise Rees, Steven Matyas, Matthew Hills, Rona Ambrose
Ryan Quirt, Ryo Utahara, Kevin Stephenson, Michael Jones
Lucy Renaut, Steve Brumbill

Officers & DIRECTORS

K-Bro is the largest healthcare & hospitality laundry & linen processor in Canada, & one of the largest in the UK & Europe.

We operate 25 facilities, including 11 facilities in Canada, and 14 facilities in the UK.

Our core values remain central to our reputation, and we continue to relentlessly focus on providing industry-leading quality and service. Our ability to deliver on commitments to our valued customers remains second to none.

K-Bro provides the vital products and services that help people heal, travel, live, and play. We're helping hospitals and extended care centers care for the young, old and vulnerable in environmentally responsible ways. Our responsibility also extends to ensuring that we have a safe culture at K-Bro. As our society becomes more diverse, we integrate our commitment to responsibility into our new businesses, employees and the communities in which we live and work.

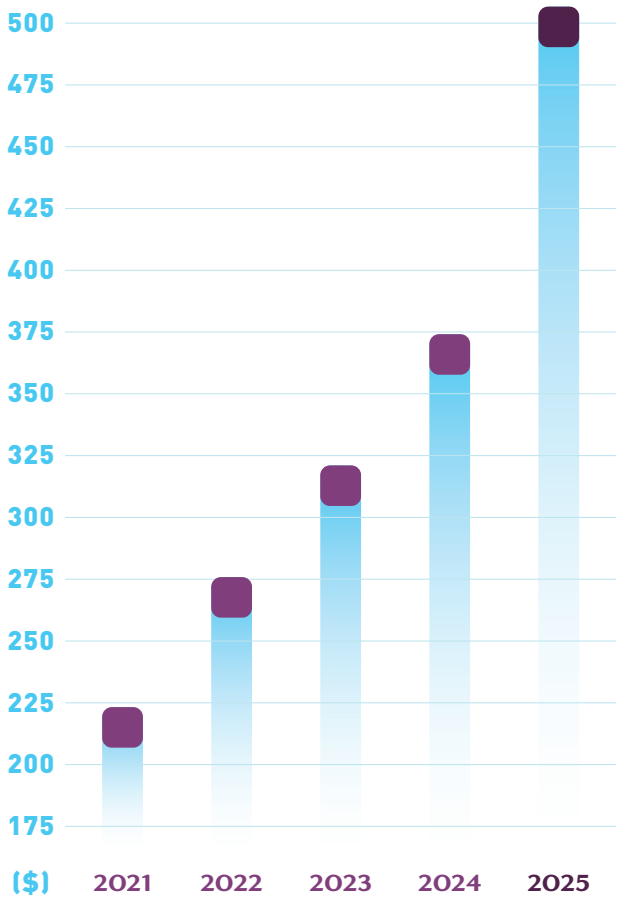


Financial HIGHLIGHTS

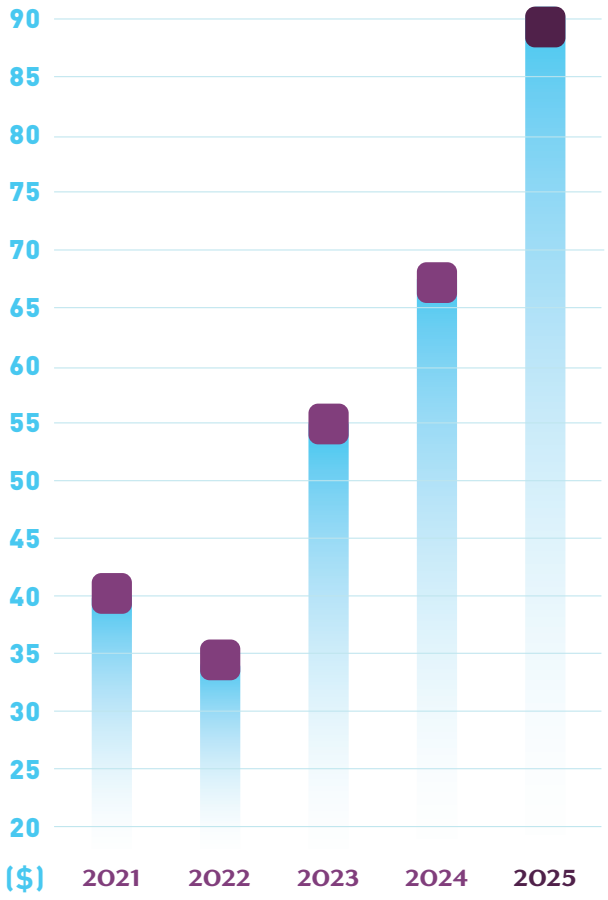


The following unaudited financial data has been derived from K-Bro's consolidated financial statements, which have been audited by PricewaterhouseCoopers LLP. The information set forth below should be read in conjunction with the Management's Discussion & Analysis, Consolidated Financial Statements and Notes sections of this Annual Report.

REVENUE UP
35.7%



EBITDA UP
31.7%



1 The COVID-19 pandemic caused world governments to institute travel restrictions both in and out of and within Canada and the UK, which has had an adverse impact on the Corporation's hospitality business. The COVID-19 pandemic has also contributed to unusually competitive labour markets, causing inefficiencies in attracting, training and retaining employees. In addition to this, certain geopolitical events and other factors resulted in rising and unstable commodity costs for key inputs such as natural gas, electricity and diesel. The combination of all these events has had a negative impact to consolidated EBITDA in 2021 and 2022.



Years ended December 31,	2025	2024	2023	2022	2021
Income Statement Data					
Revenue	506,776	373,609	320,884	276,623	223,992
EBITDA	90,934	69,020	56,806	36,492	42,791
EBITDA (%)	17.9	18.5	17.7	13.2	19.1
Net earnings	17,990	18,708	17,607	3,944	8,692
Net earnings per share (Diluted)	1.51	1.77	1.64	0.37	0.81
Balance Sheet Data					
Working capital	90,825	54,102	41,382	36,635	30,271
Long-term debt	237,551	123,778	70,247	45,166	37,973
Other Financial Data					
Distributable cash per share	4.00	3.78	3.04	1.81	2.57
Payout ratio (%)	30.4	32.0	39.8	66.9	46.8
Price to earnings multiple (12 months trailing)	23.3	21.4	20.1	73.8	42.2
Price to EBITDA multiple (12 months trailing)	4.6	5.8	6.2	8.0	8.5
Return on shareholders' equity (ROE)(%)	6.6	9.9	10.1	2.2	4.7
Total shareholder return, YTD (%)	4.1	18.4	25.3	16.7	9.2
Total shareholder return, 5 yrs (%)	20.2	15.7	7.3	0.4	2.7
Market capitalization	456,097	402,872	350,971	294,108	366,616
Share price:					
High	39.05	40.02	35.66	35.98	47.22
Low	32.03	31.30	26.95	27.62	33.36
Close	35.11	37.88	33.00	27.30	34.20

($ Thousands of CDN dollars, except percentages and per share data)

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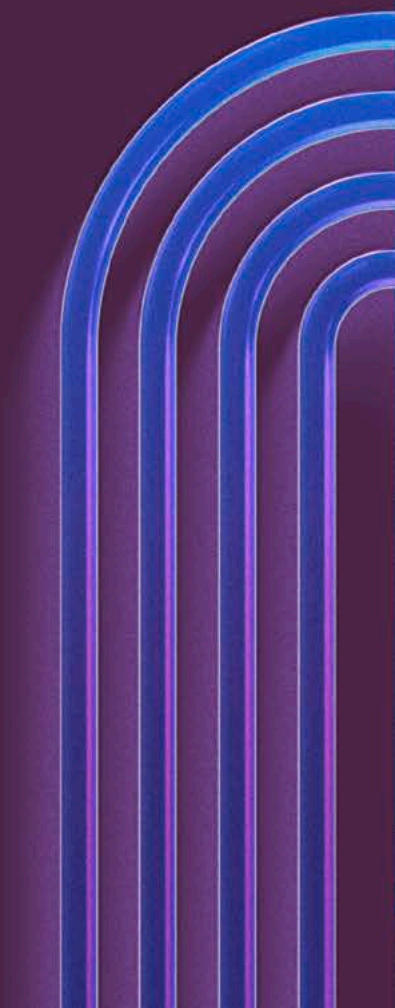
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Management´s Discussion & Analysis of Financial Condition & Results of Operations

The following Management's Discussion and Analysis ("MD&A") is supplemental to, and should be read in conjunction with, the audited consolidated Financial Statements of K-Bro Linen Inc. ("the Corporation") for the years ended December 31, 2025 and 2024 (the "2025 Audited Financial Statements"), as well as the unaudited interim condensed consolidated financial statements for the periods ended March 31, 2025, June 30, 2025 and September 30, 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 March 19, 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, Québec, 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) interest 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.

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 & 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 & 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 & 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 2025 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 2025 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.

Fourth Quarter Overview

Net earnings for the fourth quarter of 2025 were $2.9 million or $0.22 per Common Share (basic) and Adjusted Net earnings[1] were $7.2 million or $0.56 per Common Share (basic). Cash flow from operating activities was $21.7 million and distributable cash flow[2] was $13.5 million. Consolidated revenue for the fourth quarter of 2025 increased to $146.8 million or by 53.8% compared to 2024, primarily related to the acquisition of Stellar Mayan in June 2025.

Adjusted EBITDA[1] (see "Terminology") increased in the fourth quarter 2025 to $26.4 million or by 51.9% compared to $17.4 million in 2024. Adjusted EBITDA margin[1] decreased to 18.0% in 2025 compared to 18.2% in 2024. The decrease is primarily due to the combination of the Stellar Mayan margin profile.

EBITDA (see "Terminology") increased in the fourth quarter 2025 to $25.1 million or by 39.5% compared to $18.0 million in 2024. On a consolidated basis, EBITDA margin in the fourth quarter decreased to 17.1% in 2025 compared to 18.9% in 2024. The decrease in EBITDA margin is due to the combination of the Stellar Mayan margin profile as well as adjusting items in the quarter related to Stellar Mayan transition and transaction costs, as detailed within "Terminology".

For the Canadian segment, Adjusted EBITDA margin (see "Terminology") in the fourth quarter increased to 20.4% in 2025 compared to 18.0% in 2024. The increase in Adjusted EBITDA margin was largely due to labour efficiencies and the elimination of Canadian carbon tax in Q2 2025. Without adjusting items, the EBITDA margin in the fourth quarter increased to 19.8% in 2024 from 18.8% in 2024.

For the UK segment, Adjusted EBITDA margin (see "Terminology") in the fourth quarter decreased to 15.8% in 2025 from 18.9% in 2024 as a result of the combination of the Stellar Mayan margin profile. Without adjusting items, the EBITDA margin (see "Terminology") in the fourth quarter decreased to 14.6% in 2025 from 18.9% in 2024. The decrease in EBITDA margin is due to the combination of the Stellar Mayan margin profile as well as adjusting items in the quarter related to Stellar Mayan transition and transaction costs, 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.

Selected Annual Financial Information

($ Thousands of CDN dollars, except percentages and per share amounts)	YEARS ENDED DECEMBER 31, Canadian Division 2025	UK Division 2025	2025	Canadian Division 2024	UK Division 2024	2024	Canadian Division 2023	UK Division 2023	2023
Revenue	278,811	227,965	**506,776**	264,422	109,187	**373,609**	241,129	79,755	**320,884**
EBITDA[1]	54,616	36,318	**90,934**	47,951	21,069	**69,020**	44,699	12,107	**56,806**
Adjusted EBITDA[2]	57,510	41,176	**98,686**	50,482	21,577	**72,059**	45,473	12,550	**58,023**
Net earnings	10,220	7,770	**17,990**	9,493	9,215	**18,708**	12,584	5,023	**17,607**
Net earnings per share:									
Basic	0.864	0.657	**1.521**	0.904	0.879	**1.783**	1.180	0.471	**1.651**
Diluted	0.858	0.653	**1.511**	0.899	0.872	**1.771**	1.172	0.468	**1.640**
Adjusted net earnings[3]	13,114	17,295	**30,409**	12,024	9,723	**21,747**	13,358	5,466	**18,824**
Adjusted net earnings per share:									
Basic	1.109	1.463	**2.572**	1.145	0.929	**2.074**	1.256	0.514	**1.770**
Diluted	1.101	1.452	**2.554**	1.135	0.921	**2.056**	1.249	0.511	**1.760**
Total assets			**704,443**			**438,150**			**364,716**
Debt (excludes lease liabilities)[4]			**237,551**			**123,778**			**70,247**
Weighted average number of shares outstanding:									
Basic			**11,824,556**			**10,483,395**			**10,663,949**
Diluted			**11,907,350**			**10,562,521**			**10,733,256**

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 2025 Results & Key Events

Net earnings were $18.0 million or $1.52 per Common Share (basic) and Adjusted Net earnings were $30.4 million or $2.57 per Common Share (basic). Cash flow from operating activities was $62.7 million and distributable cash flow[2] was $47.4 million. Revenue increased in fiscal 2025 to $506.8 million or by 35.7% compared to 2024. This increase is primarily due to the acquisition of Stellar Mayan in June 2025 and the acquisitions of Shortridge and C.M. during Q2 2024, as well as the impact of price increases implemented. Consolidated revenue for the fourth quarter of 2025 increased to $146.8 million or by 53.8% compared to 2024, primarily related to the acquisition of Stellar Mayan in June 2025.

EBITDA (see "Terminology") increased in 2025 to $90.9 million or by 31.7% compared to $69.0 million in 2024. On a consolidated basis, EBITDA margin decreased from 18.5% in 2024 to 17.9% in 2025. The decrease in EBITDA margin is due to the combination of the Stellar Mayan margin profile as well as adjusting items in the quarter related to Stellar Mayan transition and transaction costs, as detailed within "Terminology".

On a consolidated basis, Adjusted EBITDA[1] (see "Terminology") increased in 2025 to $98.7 million or by 36.9% compared to $72.1 million in 2024. Adjusted EBITDA margin[1] increased from 19.3% in 2024 to 19.5% in 2025. The increase in Adjusted EBITDA margin is largely due to labour efficiencies, the elimination of Canadian carbon tax in 2025, and lower gas costs in the UK market offset by the combination of the Stellar Mayan margin profile.

For the Canadian segment, the Adjusted EBITDA margin increased to 20.6% in 2025 compared to 19.1% in 2024. The increase in Adjusted EBITDA margin was largely due to labour efficiencies and the elimination of Canadian carbon tax in 2025. EBITDA margin increased to 19.6% in 2025 from 18.1% in 2024.

For the UK segment, the Adjusted EBITDA margin decreased to 18.1% in 2025 from 19.8% in 2024. The decrease is due to the combination of the Stellar Mayan margin profile. The EBITDA margin for the UK segment decreased to 15.9% in 2025 from 19.3% in 2024. The decrease in EBITDA margin is due to the combination of the Stellar Mayan margin profile as well as adjusting items in the quarter related to Stellar Mayan transition and transaction costs, 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

Business Acquisition - Stellar Mayan

On May 13, 2025, the Corporation announced the signing of a share purchase agreement to acquire 100% of UK based Stellar Mayan. 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").

On June 11, 2025, the Corporation announced that it completed the previously announced acquisition of Stellar Mayan, a leading commercial laundry business in England serving the healthcare and hospitality markets. The Acquisition is highly complementary to K-Bro's existing UK businesses, Fishers and Shortridge, and creates a national footprint in the UK's commercial laundry and textile rental sector.

The Corporation partially financed the Stellar Mayan Acquisition through the issuance of 2,334,500 common shares (initially issued as subscription receipts) at a price of $34.55 per common share (initially issued as subscription receipts). The remainder of the Acquisition was funded by the Corporation's new $134.3 million four-year amortizing term loan. Based on the Corporation's evaluation of the Stellar Mayan Acquisition and the criteria in the identification of a business combination established in IFRS 3, the Stellar Mayan Acquisition has been accounted for using the acquisition method, whereby the purchase consideration is allocated to the fair values of the net assets acquired.

The purchase price allocated to the net assets acquired, based on their estimated fair values, is as follows:

($ Thousands, except percentages)

Cash consideration	194,695
Total purchase price[1]	194,695

1 This is presented net of cash acquired. Cash acquired was $5,156.

The assets and liabilities recognized as a result of the Stellar Mayan Acquisition are as follows:

($ Thousands, except percentages)

Net Assets Acquired:	
Accounts receivable	25,017
Prepaids and other assets	2,259
Linen in service	28,553
Accounts payable and other liabilities	(26,302)
Lease liabilities	(27,892)
Provisions	(466)
Deferred income taxes	(8,635)
Property, plant and equipment[1]	88,966
Intangible assets	45,474
Net identifiable assets acquired	126,974
Goodwill	67,721
Net assets acquired	194,695

1 Includes ROUA from the UK Segment of $32,556.

During the year ended December 31, 2025, the Corporation finalized the provisional purchase price allocation for the Stellar Mayan Acquisition, making certain measurement period adjustments, once the accounting for the business acquisition had been completed. This is summarized as a $1.6 million decrease to prepaids and other assets, a $1.6 million decrease to accounts payable and other liabilities, a $0.2 million increase to provisions, a $1.9 million decrease in property, plant, and equipment, and a $0.9 million increase in intangible assets. As a result, there was a corresponding $0.3 million net decrease in the deferred income tax liability and a $0.9 million increase to goodwill.

The intangible assets acquired are made up of $33.4 million related to customer relationships and $12.1 million related to the brands. The approach used in the valuation of customer contracts was based on the multi-period excess earnings method, a form of the Income Approach, and the valuation of brands was based on the Income Approach and Relief-from-royalty method both using discounted cash flow models. Management applied significant judgment in estimating the fair values of the intangible assets. Significant assumptions for customer contracts include revenue growth rates, EBITDA margins, economic depreciation, and the discount rate. Significant assumptions for the brand include the discount rate and the royalty rate.

The goodwill is attributable to the workforce, and the efficiencies and synergies created between the existing business of the Corporation and the acquired business. Goodwill will not be deductible for tax purposes.

Acquisition Related Costs

For the year ended December 31, 2025, $7,227 in professional fees associated with the Stellar Mayan Acquisition has been included in Corporate expenses.

Revenue & Profit Information

The acquired business contributed revenues of $99,074 to the Corporation for the period from June 12, 2025 to December 31, 2025. If the Acquisition had occurred on January 1, 2025, consolidated pro-forma revenue for the period ended December 31, 2025 would have been $582,956.

The acquired business contributed a net deficit of ($1,879) to the Corporation for the period from June 12, 2025 to December 31, 2025. If the Acquisition had occurred on January 1, 2025, consolidated pro-forma net earnings for the period ended December 31, 2025 would have been $26,567, including the recognition of a non-recurring tax loss carryforward of $8,133.

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.

On March 26, 2024, the Corporation entered into a three-year committed Syndicated Credit Facility Agreement from March 26, 2024 to March 25, 2027. The agreement consists of a $175 million revolving credit facility plus a $75 million accordion.

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 December 31, 2025 the combined interest rate was 5.70%.

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.

Business Acquisition - Shortridge

In the year ended December 31, 2025, the provisional amounts that were previously disclosed in the December 31, 2024 Annual Financial Statements, associated with the 100% share capital acquisition of Shortridge Ltd, a private hospitality laundry provider based in the North West of England were finalized. No new information which resulted in adjustments to the fair value of net identifiable assets acquired was obtained during the year ended December 31, 2025.

In the year ended December 31, 2025, a contingent asset related to the Shortridge business acquisition has been identified as disclosed in Note 15 in the 2025 Audited Financial Statements.

Business Acquisition - Buanderie C.M.

In the year ended December 31, 2025, the provisional amounts that were previously disclosed in the December 31, 2024 Annual Financial Statements, associated with the 100% share capital acquisition of Buanderie C.M., a private laundry and linen operator located in Montréal serving the healthcare market were finalized. No new information which resulted in adjustments to the fair value of net identifiable assets acquired was obtained during the year ended December 31, 2025.

Normal Course Issuer Bid

On May 15, 2023, the Corporation announced its intention to proceed with a normal course issuer bid (NCIB) to purchase up to 881,481 of its common shares ("Shares") through the TSX and / or alternative Canadian trading systems, representing approximately 10% of the public float of 8,814,816 shares as at May 9, 2023, during the twelve-month period commencing May 18, 2023 and ending May 17, 2024.

On May 16, 2024, the Corporation announced the renewal of its normal course issuer bid (NCIB) to purchase up to 754,247 of its common shares ("Shares") through the TSX and / or alternative Canadian trading systems, representing approximately 10% of the public float of 7,542,474 shares at May 7, 2024 during the twelve-month period commencing May 21, 2024 and ending May 20, 2025.

For the year ended December 31, 2025, the Corporation repurchased and cancelled 0 common shares (2024 - 113,614) for $0 (2024 - $3,950) under the NCIB.

To date, the Corporation has repurchased and cancelled a total of 312,676 common shares for $10.4 million under the NCIB.

No financial liability existed as at December 31, 2025 (2024 - $0) relating to automatic share repurchases during the blackout period.

Capital Investment Plan

For fiscal 2026, the Corporation's planned capital spending excluding right-of-use assets is expected to be in the range of $20.0 to $22.0 million on a consolidated basis. 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. We 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.

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.

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.

Impairment of Assets

The Corporation performed its annual impairment assessment for goodwill for the Canadian segment and for the UK segment as at December 31, 2025 and December 31, 2024 in accordance with its policy described in Note 2(k) and Note 2(h) in the 2025 Audited Financial Statements. The Corporation also performed impairment indicator assessments where there was no goodwill allocated to the CGU.

For the year ended December 31, 2025, management refined its approach to identifying CGUs for the purposes of goodwill impairment testing. Consistent with the methodology described in Note 5, management has reassessed how individual processing facilities are grouped within the Canadian segment. This reassessment reflects the manner in which operations are reviewed, how decisions are made, and how cash flows are generated and evaluated internally.

As a result of this review, certain facilities have been aggregated into regional CGUs to align with management's oversight and decision-making process. The Alberta Region comprises the Edmonton and Calgary facilities; the Vancouver Region comprises the two Vancouver facilities; the Montréal Region comprises the Villeray and C.M. facilities; and the Québec City Region comprises the Buanderie HMR and Paranet facilities. The remaining facilities continue to be treated as separate CGUs due to their distinct operating characteristics and cash flows.

For both periods, the recoverable amount for the CGUs was assessed using an earnings multiple or discounted cash flow approach. The earnings multiple approach was used in the case of CGUs that exhibited stable operations. A discounted cash flow approach was used in the case of CGUs that were exhibiting additional risk factors, which may include being recently acquired, more volatile results, or lower than expected financial performance.

Testing Methodology

The calculation of the recoverable amount was based on the following key assumptions:

Earnings multiple approach (Fair value less costs to dispose, "FVLCD")

For the years ended December 31, 2025 and 2024, the key assumption utilized was the implied multiple. The implied multiple is calculated by utilizing the average multiples of comparable public companies. The Corporation used an implied average forward multiple of 9.2 (2024 – 8.4) to calculate the recoverable amounts. The implied multiple was applied to the trailing twelve month EBITDA to determine the recoverable amount of the CGU and compare it to the carrying value of the CGU.

Discounted cash flow (Value-in-use, "VIU")

The key assumptions used in the model reflect past experience and expectations for these CGUs and those with similar characteristics. The terminal value growth rate is based on management's best estimate of the long-term growth rate for its CGUs after the forecast period, considering historic performance and future economic forecasts for the next five years with a terminal value assigned to the fifth year based on the Company's plans to operate the CGUs.

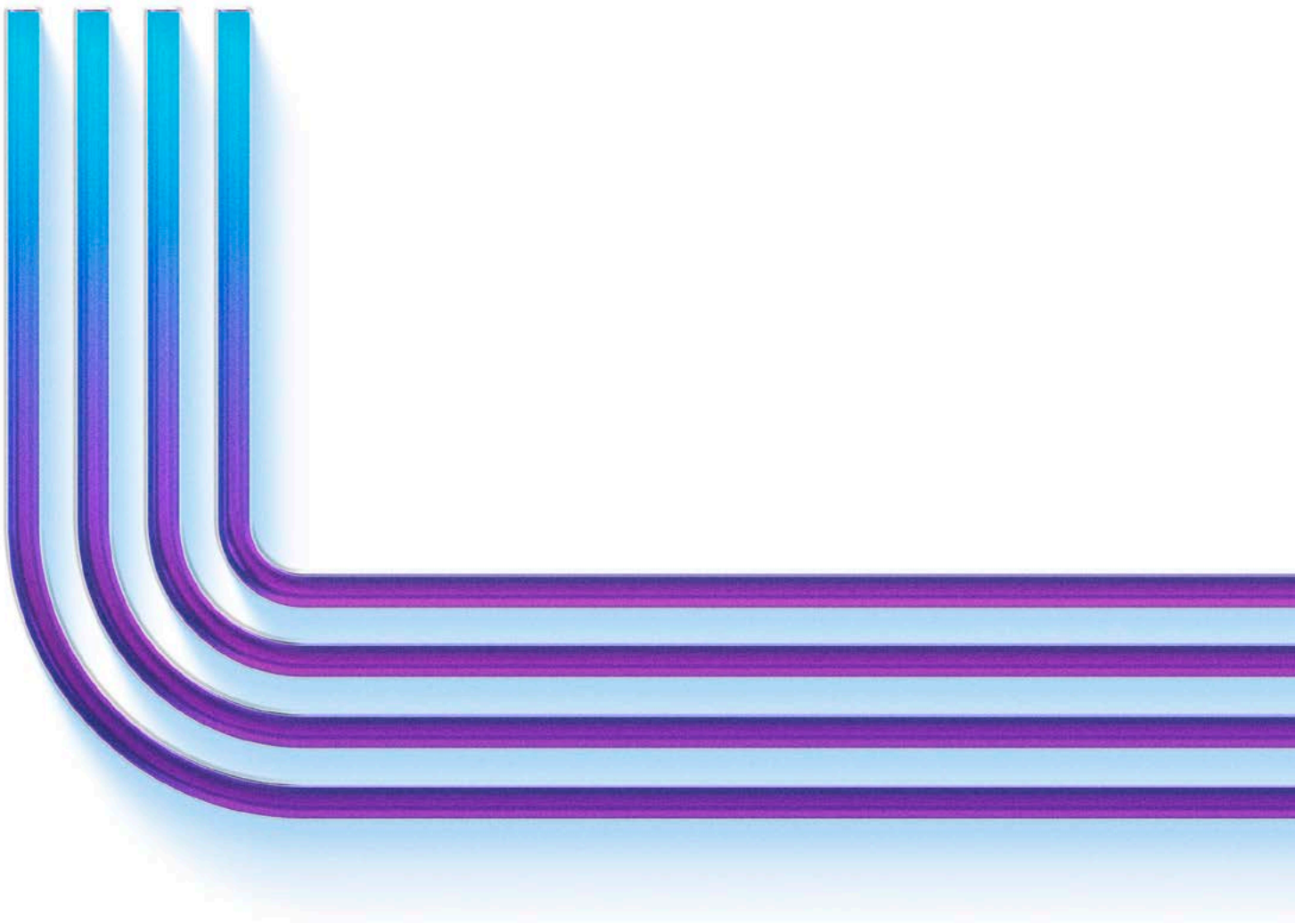
	Testing Methodology December 31, 2025	Pre-tax Discount Rate December 31, 2025	Terminal Value Growth Rate December 31, 2025
Alberta Region	FVLCD	n/a	n/a
Vancouver Region	FVLCD	n/a	n/a
Victoria	FVLCD	n/a	n/a
Montréal Region	VIU	12.4%	3.0%
Québec City Region	FVLCD	n/a	n/a
UK 1	FVLCD	n/a	n/a
UK 2	FVLCD	n/a	n/a
UK 3	FVLCD	n/a	n/a

Conclusion

i) Based on testing performed at December 31, 2025 and December 31, 2024, no impairment was determined to exist.

ii) The recoverable amount of each CGU is sensitive to changes in market conditions which could result in material changes. For the year ended December 31, 2025, where discounted cash flow testing was used, the sensitivity of key assumptions to a reasonable change was assessed. The Corporation does not believe there is a reasonable change in the key assumptions that would cause the carrying value of the CGU to exceed its recoverable amount. The table below summarizes the results of the impact on key assumptions to a reasonable change.

	Recoverable Amount December 31, 2025	Change in Pre-tax Discount Rate Increase of 1% December 31, 2025	Change in Terminal Value Growth Rate Decrease of 1% December 31, 2025
Alberta Region	n/a	n/a	n/a
Vancouver Region	n/a	n/a	n/a
Victoria	n/a	n/a	n/a
Montréal Region	$35,423	-$4,270	-$3,440
Québec City Region	n/a	n/a	n/a
UK 1	n/a	n/a	n/a
UK 2	n/a	n/a	n/a
UK 3	n/a	n/a	n/a



Outlook

On June 11, 2025, the Corporation completed its acquisition of Stellar Mayan establishing a national footprint in the UK commercial laundry and textile rental sector, enhancing revenue diversification by geographic mix and business mix. Based on annualized consolidated revenue, K-Bro's combined business is approximately evenly split between Canada and the UK with national platforms in both countries. 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. Management anticipates business integration will take 12 to 18 months from closing, and a transition team is executing the plan. The team is reviewing cost synergies, operational efficiencies and platform optimizations to best position the combined UK business for long-term growth. Integration has been progressing as expected, and management anticipates 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 and hospitality segments continue to experience steady volume trends. Management believes the UK healthcare market shares similar characteristics and trends to the Canadian healthcare market. For the healthcare segment, management expects steady increases to activity levels supported by a continued focus on reducing wait times and enhancing patient care. For the hospitality segment, management expects solid activity levels from both business and leisure travel reflecting historical seasonal trends.

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 and economic conditions, which could have a direct or indirect impact on the business.

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 2025 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:

($ Thousands of CDN dollars, except percentages and per share amounts)		THREE MONTHS ENDED DECEMBER 31,					
Category	**Indicator**	**Canadian Division 2025**	**UK Division 2025**	**2025**	**Canadian Division 2024**	**UK Division 2024**	**2024**
Growth	EBITDA[1]	9.5%	111.6%	**39.5%**	8.5%	106.3%	**26.1%**
	Adjusted EBITDA[2]	18.2%	129.1%	**51.9%**	1.7%	75.9%	**16.6%**
	Revenue	4.0%	173.8%	**53.8%**	6.9%	44.5%	**15.7%**
	Distributable cash flow[3]			**38.1%**			**35.4%**
Profitability	EBITDA[1]	13,909	11,205	**25,114**	12,704	5,295	**17,999**
	EBITDA margin	19.8%	14.6%	**17.1%**	18.8%	18.9%	**18.9%**
	Adjusted EBITDA[2]	14,314	12,129	**26,443**	12,110	5,295	**17,405**
	Adjusted EBITDA margin	20.4%	15.8%	**18.0%**	18.0%	18.9%	**18.2%**
	Net earnings	2,652	238	**2,890**	2,380	1,858	**4,238**
	Adjusted net earnings[4]	3,057	4,133	**7,190**	1,786	1,858	**3,644**
Stability	Debt to total capital[5]			**48.7%**			**40.7%**
	Unutilized line of credit			**66,031**			**46,200**
	Cash on hand			**23,355**			**9,423**
	Payout ratio[6]			**28.9%**			**32.5%**
	Dividends declared per share			**0.300**			**0.300**
Cost containment	Wages and benefits	39.0%	40.4%	**39.8%**	39.8%	33.8%	**38.0%**
	Utilities	5.0%	7.8%	**6.5%**	6.0%	11.3%	**7.5%**
	Delivery	11.4%	11.3%	**11.3%**	11.5%	13.9%	**12.2%**
	Expenses included in EBITDA	80.2%	85.4%	**82.9%**	81.2%	81.1%	**81.1%**

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.

($ Thousands of CDN dollars, except percentages and per share amounts)		YEARS ENDED DECEMBER 31,					
Category	**Indicator**	**Canadian Division 2025**	**UK Division 2025**	**2025**	**Canadian Division 2024**	**UK Division 2024**	**2024**
Growth	EBITDA[1]	13.9%	72.4%	31.7%	7.3%	74.0%	21.5%
	Adjusted EBITDA[2]	13.9%	90.8%	36.9%	11.0%	71.9%	24.2%
	Revenue	5.4%	108.8%	35.7%	9.7%	36.9%	16.4%
	Distributable cash flow[3]			19.5%			22.4%
Profitability	EBITDA[1]	54,616	36,318	90,934	47,951	21,069	69,020
	EBITDA margin	19.6%	15.9%	17.9%	18.1%	19.3%	18.5%
	Adjusted EBITDA[2]	57,510	41,176	98,686	50,482	21,577	72,059
	Adjusted EBITDA margin	20.6%	18.1%	19.5%	19.1%	19.8%	19.3%
	Net earnings	10,220	7,770	17,990	9,493	9,215	18,708
	Adjusted net earnings[4]	13,114	17,295	30,409	12,024	9,723	21,747
Stability	Debt to total capital[5]			48.7%			40.7%
	Unutilized line of credit			66,031			46,200
	Cash on hand			23,355			9,423
	Payout ratio[6]			30.4%			32.0%
	Dividends declared per share			1.200			1.200
Cost containment	Wages and benefits	39.2%	38.1%	38.7%	40.1%	33.0%	38.1%
	Utilities	5.3%	7.7%	6.4%	5.9%	11.2%	7.5%
	Delivery	11.2%	11.8%	11.5%	11.5%	13.1%	12.0%
	Expenses included in EBITDA	80.4%	84.1%	82.1%	81.9%	80.7%	81.5%

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 *($ Thousands of CDN dollars, except percentages and per share amounts)*	2025				2024			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Healthcare revenue	**85,589**	82,399	57,903	50,593	50,918	49,398	47,955	47,488
Hospitality revenue	**61,196**	73,549	55,171	40,376	44,528	55,071	45,512	32,739
Total revenue	**146,785**	155,948	113,074	90,969	95,446	104,469	93,467	80,227
Expenses included in EBITDA	**121,671**	123,914	91,692	78,565	77,447	81,626	76,894	68,622
EBITDA[1]	**25,114**	32,034	21,382	12,404	17,999	22,843	16,573	11,605
EBITDA as a % of revenue (EBITDA margin)	**17.1%**	20.5%	18.9%	13.6%	18.9%	21.9%	17.7%	14.5%
Adjusted EBITDA[2]	**26,443**	33,523	23,727	14,993	17,405	22,972	18,247	13,435
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	**18.0%**	21.5%	21.0%	16.5%	18.2%	22.0%	19.5%	16.7%
Depreciation and amortization	**15,146**	14,914	10,625	9,052	9,432	8,911	8,029	7,307
Finance expense	**4,625**	5,024	4,059	2,837	3,173	3,322	2,884	1,923
Earnings before income taxes	**5,343**	12,096	6,698	515	5,394	10,610	5,660	2,375
Income tax expense (recovery)	**2,453**	3,241	1,279	(311)	1,156	2,481	1,125	569
Net earnings	**2,890**	8,855	5,419	826	4,238	8,129	4,535	1,806
Net earnings as a % of revenue	**2.0%**	5.7%	4.8%	0.9%	4.4%	7.8%	4.9%	2.3%
Basic earnings per share	**0.224**	0.689	0.491	0.079	0.401	0.778	0.432	0.172
Diluted earnings per share	**0.223**	0.684	0.489	0.078	0.398	0.771	0.431	0.171
Adjusted net earnings[3]	**7,190**	12,040	7,764	3,415	3,644	8,258	6,209	3,636
Adjusted basic earnings per share[3]	**0.558**	0.936	0.706	0.325	0.344	0.791	0.594	0.345
Adjusted diluted earnings per share[3]	**0.554**	0.929	0.700	0.323	0.340	0.783	0.590	0.343
Total assets	**704,443**	718,556	716,762	438,446	438,150	452,077	444,380	361,859
Total long-term financial liabilities	**326,636**	331,860	339,408	183,784	190,418	203,863	202,050	128,584
Funds provided by operating activities	**21,695**	20,609	3,149	17,256	11,011	18,384	7,863	12,692
Debt (excludes lease liabilities)[4]	**237,551**	246,318	253,315	119,295	123,778	135,875	134,789	65,727
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 *($ Thousands of CDN dollars, except percentages and per share amounts)*	2025				2024			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Healthcare revenue	**51,509**	49,528	49,670	49,015	49,360	47,662	46,370	46,008
Hospitality revenue	**18,616**	23,199	19,717	17,557	18,083	21,948	18,299	16,692
Total revenue	**70,125**	72,727	69,387	66,572	67,443	69,610	64,669	62,700
Expenses included in EBITDA	**56,216**	56,323	55,105	56,551	54,739	55,229	53,682	52,821
EBITDA[1]	**13,909**	16,404	14,282	10,021	12,704	14,381	10,987	9,879
EBITDA as a % of revenue (EBITDA margin)	**19.8%**	22.6%	20.6%	15.1%	18.8%	20.7%	17.0%	15.8%
Adjusted EBITDA[2]	**14,314**	16,599	14,656	11,941	12,110	14,510	12,244	11,618
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	**20.4%**	22.8%	21.1%	17.9%	18.0%	20.8%	18.9%	18.5%
Net earnings	**2,652**	3,870	2,852	846	2,380	3,659	1,775	1,679
Net earnings as a % of revenue	**3.8%**	5.3%	4.1%	1.3%	3.5%	5.3%	2.7%	2.7%
Basic earnings per share	**0.206**	0.301	0.258	0.081	0.225	0.350	0.169	0.160
Diluted earnings per share	**0.205**	0.299	0.257	0.080	0.224	0.347	0.169	0.159
Adjusted net earnings[3]	**3,057**	4,065	3,226	2,766	1,786	3,788	3,032	3,418
Adjusted basic earnings per share[3]	**0.237**	0.316	0.294	0.263	0.167	0.363	0.290	0.325
Adjusted diluted earnings per share[3]	**0.236**	0.314	0.291	0.262	0.165	0.359	0.288	0.323

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 $)

(Thousands, except percentages and per share amounts)	2025 Q4	2025 Q3	2025 Q2	2025 Q1	2024 Q4	2024 Q3	2024 Q2	2024 Q1
Healthcare revenue	34,080	32,871	8,233	1,578	1,558	1,736	1,585	1,480
Hospitality revenue	42,580	50,350	35,454	22,819	26,445	33,123	27,213	16,047
Total revenue	76,660	83,221	43,687	24,397	28,003	34,859	28,798	17,527
Expenses included in EBITDA	65,455	67,591	36,587	22,014	22,708	26,397	23,212	15,801
EBITDA[1]	11,205	15,630	7,100	2,383	5,295	8,462	5,586	1,726
EBITDA as a % of revenue (EBITDA margin)	14.6%	18.8%	16.3%	9.8%	18.9%	24.3%	19.4%	9.8%
Adjusted EBITDA[2]	12,129	16,924	9,071	3,052	5,295	8,462	6,003	1,817
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	15.8%	20.3%	20.8%	12.5%	18.9%	24.3%	20.8%	10.4%
Net earnings (loss)	238	4,985	2,567	(20)	1,858	4,470	2,760	127
Net earnings (loss) as a % of revenue	0.3%	6.0%	5.9%	-0.1%	6.6%	12.8%	9.6%	0.7%
Basic earnings (loss) per share	0.018	0.388	0.233	(0.002)	0.176	0.428	0.263	0.012
Diluted earnings (loss) per share	0.018	0.385	0.232	(0.002)	0.174	0.424	0.262	0.012
Adjusted net earnings[3]	4,133	7,975	4,538	649	1,858	4,470	3,177	218
Adjusted basic earnings per share[3]	0.321	0.620	0.412	0.062	0.176	0.428	0.304	0.021
Adjusted diluted earnings per share[3]	0.319	0.615	0.409	0.061	0.174	0.424	0.302	0.021

Quarterly Financial Information - UK Division
(in local currency Sterling £)

(Thousands, except percentages and per share amounts)	2025 Q4	2025 Q3	2025 Q2	2025 Q1	2024 Q4	2024 Q3	2024 Q2	2024 Q1
Healthcare revenue	18,381	17,699	4,453	873	870	978	918	865
Hospitality revenue	22,964	27,109	19,179	12,619	14,757	18,671	15,757	9,383
Total revenue	41,345	44,808	23,632	13,492	15,627	19,649	16,675	10,248
Expenses included in EBITDA	35,299	36,393	19,793	12,174	12,670	14,881	13,440	9,238
EBITDA[1]	6,046	8,415	3,839	1,318	2,957	4,768	3,235	1,010
EBITDA as a % of revenue (EBITDA margin)	14.6%	18.8%	16.2%	9.8%	18.9%	24.3%	19.4%	9.9%
Adjusted EBITDA[2]	6,544	9,111	4,905	1,688	2,957	4,768	3,476	1,064
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	15.8%	20.3%	20.8%	12.5%	18.9%	24.3%	20.8%	10.4%
Net earnings (loss)	132	2,684	1,385	(10)	1,038	2,519	1,597	76
Net earnings (loss) as a % of revenue	0.3%	6.0%	5.9%	-0.1%	6.6%	12.8%	9.6%	0.7%
Basic earnings (loss) per share	0.010	0.209	0.126	(0.001)	0.101	0.241	0.153	0.007
Diluted earnings (loss) per share	0.010	0.207	0.125	(0.001)	0.100	0.239	0.152	0.007
Adjusted net earnings[3]	2,233	4,293	2,451	360	1,038	2,519	1,838	130
Adjusted basic earnings per share[3]	0.173	0.334	0.222	0.034	0.101	0.241	0.176	0.012
Adjusted diluted earnings per share[3]	0.172	0.331	0.221	0.034	0.101	0.239	0.175	0.012

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 & EBITDA

For the year ended December 31, 2025, K-Bro's consolidated revenue increased by 35.7% to $506.8 million compared to $373.6 million in the comparative period of 2024. This increase is primarily due to the acquisition of Stellar Mayan in June 2025 and the acquisitions of Shortridge and C.M. during Q2 2024, as well as the impact of price increases implemented.

In 2025, approximately 54.6% of K-Bro's consolidated revenue was generated from healthcare organizations, which is an increase compared to 52.4% in 2024 due to the acquisition of Stellar Mayan. For consolidated hospitality revenue, the Corporation saw an increase of 29.5% over the comparable 2024 period. The increase in hospitality revenue is related to the acquisition of Stellar Mayan.

Adjusted EBITDA (see "Terminology") increased in the year to $98.7 million from $72.1 million in 2024, which is an increase of 36.9%. The Adjusted EBITDA margin increased to 19.5% in 2025 compared to 19.3% in 2024. The increase in Adjusted EBITDA margin is largely due to labour efficiencies, the elimination of Canadian carbon tax in 2025, and lower gas costs in the UK market offset by the combination of the Stellar Mayan margin profile. Adjusting items in the year include transaction costs, transition costs, structural financing costs, and non-recurring gains as detailed in the tables within "Terminology". Without adjusting items, consolidated EBITDA increased to $90.9 million in 2025 from $69.0 million in 2024, which is an increase of 31.7%. The consolidated EBITDA margin decreased to 17.9% in 2025 compared to 18.5% in 2024.

Adjusted net earnings (see "Terminology") increased in the year to $30.4 million from $21.7 million in 2024. Adjusting items in the year include transaction costs, transition costs, structural financing costs, non-recurring gains, intangible asset amortization and contingent income tax provision related to the acquisition of Stellar Mayan as detailed in the tables within "Terminology". Without adjusting items, net earnings decreased by $0.7 million in 2025 or 3.7% from $18.7 million in 2024 to $18.0 million in 2025, and net earnings as a percentage of revenue decreased by 1.5% to 3.5% in 2025 from 5.0% in 2024. The decrease in net earnings as a percentage of revenue is primarily related to higher interest costs due to increased borrowing related to acquisitions, increased amortization and depreciation due to Stellar Mayan, Shortridge and C.M. assets acquired, as well as the adjusting items detailed in "Terminology".

OPERATING EXPENSES

Wages and benefits for the year increased by $54.0 million to $196.2 million compared to $142.2 million in the comparative period of 2024, and as a percentage of revenue increased by 0.6 percentage points to 38.7%. The increase as a percentage of revenue is primarily related to the combination of the Stellar Mayan cost structure.

Linen for the year increased by $13.7 million to $49.9 million compared to $36.2 million in the comparative period of 2024, and as a percentage of revenue remained relatively constant at 9.8%.

Utilities for the year increased by $4.3 million to $32.2 million compared to $27.9 million in the comparative period of 2024, and as a percentage of revenue decreased by 1.1 percentage points to 6.4%. The decrease as a percentage of revenue is primarily related to lower gas costs in the UK market and the elimination of carbon tax in Canada in Q2 2025.

Delivery for the year increased by $13.6 million to $58.3 million compared to $44.7 million in the comparative period of 2024, and as a percentage of revenue decreased by 0.5 percentage points to 11.5%. The decrease as a percentage of revenue is primarily related to the combination of the Stellar Mayan cost structure, delivery route optimization and lower fuel prices in Canada.

Occupancy costs for the year increased by $4.1 million to $10.5 million compared to $6.4 million in the comparative period of 2024, and as a percentage of revenue increased by 0.4 percentage points to 2.1%. The increase as a percentage of revenue is primarily related to higher facility operating costs and the combination of the Stellar Mayan cost structure.

Materials and supplies for the year increased by $8.9 million to $22.7 million compared to $13.8 million in the comparative period of 2024, and as a percentage of revenue increased by 0.8 percentage points to 4.5%. The increase as a percentage of revenue is primarily related to the combination of the Stellar Mayan cost structure.

Repairs and maintenance for the year increased by $4.4 million to $20.2 million compared to $15.8 million in the comparative period of 2024, and as a percentage of revenue remained relatively constant at 4.0%.

Corporate costs for the year increased by $8.2 million to $27.4 million compared to $19.2 million in the comparative period of 2024, and as a percentage of revenue increased by

0.3 percentage points to 5.4%. The increase as a percentage of revenue is primarily related to higher management share-based compensation and adjusting items including transaction costs, legal, professional and consulting fee expenditures related to the acquisition of Stellar Mayan, as well as structural financing costs. 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.

Other recovery for the year increased by $0.4 million to $1.5 million compared to $1.1 million in the comparative period of 2024, and as a percentage of revenue remained constant at 0.3%. Other recovery is primarily related to the sale of the Granby facility during Q2 2025. This gain on sale is an adjusting item for the purposes of calculating Adjusted EBITDA, Adjusted Net Income and Adjusted Earnings per share (Basic and Diluted) as it is non-recurring in nature and outside of the normal course of operations. This is 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 Stellar Mayan, Shortridge and C.M. 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 & Capital Resources

In 2025, cash generated by operating activities was $62.7 million with a debt to total capitalization of 48.7%. The change in cash from operations is primarily due to the acquisition of Stellar Mayan and the change in working capital items driven from timing of business activity.

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 $66.0 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 2025, cash generated by financing activities was $159.4 million compared to $26.2 million in 2024. Financing activities consisted of net proceeds from the issuance of common shares, net proceeds from the term loan, expenditures from the issuance of common shares, net repayments of the term loan and credit facility, dividends paid to Shareholders and principal elements of lease payments.

During 2025, cash used in investing activities was $208.2 million compared to $73.2 million in 2024. The increase in investing activities is primarily related to the acquisition of Stellar Mayan in Q2 2025. Investing activities also consisted of the purchase of plant equipment, proceeds on disposal from the sale of the Granby facility and the purchase of intangible assets.



CONTRACTUAL OBLIGATIONS

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

($ Thousands of CDN dollars)	Payments Due by Year				
	Total	2026	2027 to 2028	2029 to 2030	Subsequent
Resolving credit facility	107,299	-	-	107,299	-
Interest on long-term debt	43,965	13,305	24,875	5,785	-
Principal on term loan	130,943	8,394	21,824	100,725	-
Lease liabilities	101,898	21,279	36,485	22,454	21,680
Utility commitments	22,327	16,198	4,244	1,885	-
Linen purchase obligations	21,397	21,397	-	-	-
Property, plant and equipment commitments	6,862	6,862	-	-	-

The lease liabilities are secured by automotive equipment and plants and are more fully described in the Corporation's audited annual consolidated financial statements for the year ended December 31, 2025. 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

	YEARS ENDED DECEMBER 31,	
($ Thousands, except percentages)	2025	2024
Cash	(23,355)	(9,423)
Debt (excludes lease liabilities)[1]	237,551	123,778
Shareholders' equity	273,845	189,411
Total capital	488,041	303,766
Debt to total capital (see *Terminology* for definition)	48.7%	40.7%

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

For the period ended December 31, 2025, the Corporation had a debt to total capital of 48.7%, unused revolving credit facility of $66.0 million and has not incurred any events of default under the terms of its credit facility.

As at December 31, 2025, the Corporation had net working capital of $90.8 million compared to its working capital position of $54.1 million at December 31, 2024. The increase in working capital is primarily attributable to the acquisition of Stellar Mayan on June 11, 2025.

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	2025 Amount Per Share	2025 Total Amount (1)(3)(5)(7)	2024 Amount Per Share	2024 Total Amount (2)(4)(6)(8)
January	February 14	10,578,364	0.10000	1,058	0.10000	1,061
February	March 14	10,578,364	0.10000	1,058	0.10000	1,059
March	April 15	10,578,364	0.10000	1,058	0.10000	1,057
Q1			**0.30000**	**3,174**	**0.30000**	**3,177**
April	May 15	10,578,364	0.10000	1,058	0.10000	1,053
May	June 13	10,656,017	0.10000	1,066	0.10000	1,058
June	July 15	12,990,517	0.10000	1,299	0.10000	1,058
Q2			**0.30000**	**3,422**	**0.30000**	**3,169**
July	August 15	12,990,517	0.10000	1,299	0.10000	1,058
August	September 15	12,990,517	0.10000	1,299	0.10000	1,058
September	October 15	12,990,517	0.10000	1,299	0.10000	1,058
Q3			**0.30000**	**3,897**	**0.30000**	**3,174**
October	November 14	12,990,517	0.10000	1,299	0.10000	1,058
November	December 15	12,990,517	0.10000	1,299	0.10000	1,058
December	January 15	12,990,517	0.10000	1,299	0.10000	1,058
Q4			**0.30000**	**3,897**	**0.30000**	**3,174**
YTD			**1.20000**	**14,390**	**1.20000**	**12,694**

1 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.

2 The total amount of dividends declared was $0.10000 per share for a total of $1,060,849 for January 2024, $1,059,230 for February 2024, and $1,057,092 for March 2024. When rounded in thousands, $3,177 of dividends were declared in Q1 2024.

3 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.

4 The total amount of dividends declared was $0.10000 per share for a total of $1,053,435 for April 2024, $1,057,836 for May 2024, and $1,057,836 for June 2024. When rounded in thousands, $3,169 of dividends were declared in Q2 2024.

5 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.

6 The total amount of dividends declared was $0.10000 per share for a total of $1,057,836 per month for July – September 2024; when rounded in thousands, $3,174 of dividends were declared in Q3 2024.

7 The total amount of dividends declared was $0.10000 per share for a total of $1,299,052 per month for October - December 2025; when rounded in thousands, $3,897 of dividends were declared in Q4 2025.

8 The total amount of dividends declared was $0.10000 per share for a total of $1,057,836 per month for October - December 2024; when rounded in thousands, $3,174 of dividends were declared in Q42024.

For the year ended December 31, 2025, the Corporation declared a $1.200 per Common Share dividend compared to $3.645 per Common Share of Distributable Cash Flow (see "*Terminology*"). The actual payout ratio was 30.4%.

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 of CDN dollars, except percentages and per share amounts)	2025 Q4	2025 Q3	2025 Q2	2025 Q1	2024 Q4	2024 Q3	2024 Q2	2024 Q1
Cash provided by operating activities	21,695	20,609	3,149	17,256	11,011	18,384	7,863	12,692
Deduct (add):								
Net changes in non-cash working capital items[1]	790	(4,100)	(12,173)	7,409	(2,108)	603	(6,093)	3,192
Share-based compensation expense	813	564	687	649	418	443	546	508
Maintenance capital expenditures[2]	1,202	99	2,974	720	267	464	1,064	387
Principle elements of lease payments	5,414	4,452	3,133	2,723	2,679	2,670	2,668	2,631
Distributable cash flow	**13,476**	**19,594**	**8,528**	**5,755**	**9,755**	**14,204**	**9,678**	**5,974**
Dividends declared	3,897	3,897	3,422	3,174	3,174	3,174	3,169	3,177
Dividends declared per share	0.300	0.300	0.300	0.300	0.300	0.300	0.300	0.300
Payout ratio[3]	28.9%	19.9%	40.1%	55.1%	32.5%	22.3%	32.7%	53.2%
Weighted average shares outstanding during the period, basic	12,874	12,860	11,026	10,501	10,232	10,446	10,435	10,527
Weighted average shares outstanding during the period, diluted	12,967	12,957	11,087	10,564	10,316	10,539	10,502	10,590
Trailing-twelve months ("TTM")								
Distributable cash flow	47,353	43,632	38,242	39,392	39,611	37,061	34,094	33,227
Dividends	14,390	13,667	12,944	12,691	12,694	12,720	12,774	12,842
Payout ratio[3]	30.4%	31.3%	33.8%	32.2%	32.0%	34.3%	37.5%	38.6%

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 December 31, 2025, the Corporation had 12,990,517 Common Shares outstanding. Basic and diluted weighted average number of Common Shares outstanding for 2025 were 11,824,556 and 11,907,350, respectively (10,483,395 and 10,562,521, respectively, for the comparative 2024 periods).

In accordance with the Corporation's Long Term Incentive ("LTI") plan and in conjunction with the performance of the Corporation in the 2024 fiscal year, on April 8, 2025 the Compensation, Nominating and Corporate Governance Committee approved LTI compensation of $2.7 million (2024 – $2.0 million) to be paid as Common Shares issued from treasury. As at December 31, 2025, the value of the Common Shares held by the LTI custodian was $3.1 million (December 31, 2024 – $2.9 million) which was comprised of in 89,014 unvested Common Shares (December 31, 2024 – 77,325) with a nil aggregate cost (December 31, 2024 – $nil).

As at March 19, 2026 there were 12,990,517 Common Shares issued and outstanding including 89,014 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 DECEMBER 31,		YEARS ENDED DECEMBER 31,	
($ Thousands of CDN dollars)	2025	2024	2025	2024
Net earnings	2,890	4,238	17,990	18,708
Add:				
Income tax expense	2,453	1,156	6,662	5,331
Finance expense	4,625	3,173	16,545	11,302
Depreciation of property, plant and equipment	12,348	8,324	41,530	30,434
Amortization of intangible assets	2,798	1,108	8,207	3,245
EBITDA	**25,114**	**17,999**	**90,934**	**69,020**

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.

"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 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 DECEMBER 31,					
($ Thousands of CDN dollars, except percentages and per share amounts)	Canadian Division 2025	UK Division 2025	2025	Canadian Division 2024	UK Division 2024	2024
EBITDA	13,909	11,205	**25,114**	12,704	5,295	**17,999**
Adjusting Items:						
Transaction Costs[1]	405	-	**405**	-	-	**-**
Syndication/Structural Finance Costs[2]	-	-	**-**	-	-	**-**
Transition Costs[3]	-	924	**924**	63	-	**63**
Restructuring Costs[4]	-	-	**-**	250	-	**250**
Gain on settlement of contingent consideration	-	-	**-**	-	-	**-**
Non-recurring gains[5]	-	-	**-**	(907)	-	**(907)**
Adjusted EBITDA	14,314	12,129	**26,443**	12,110	5,295	**17,405**

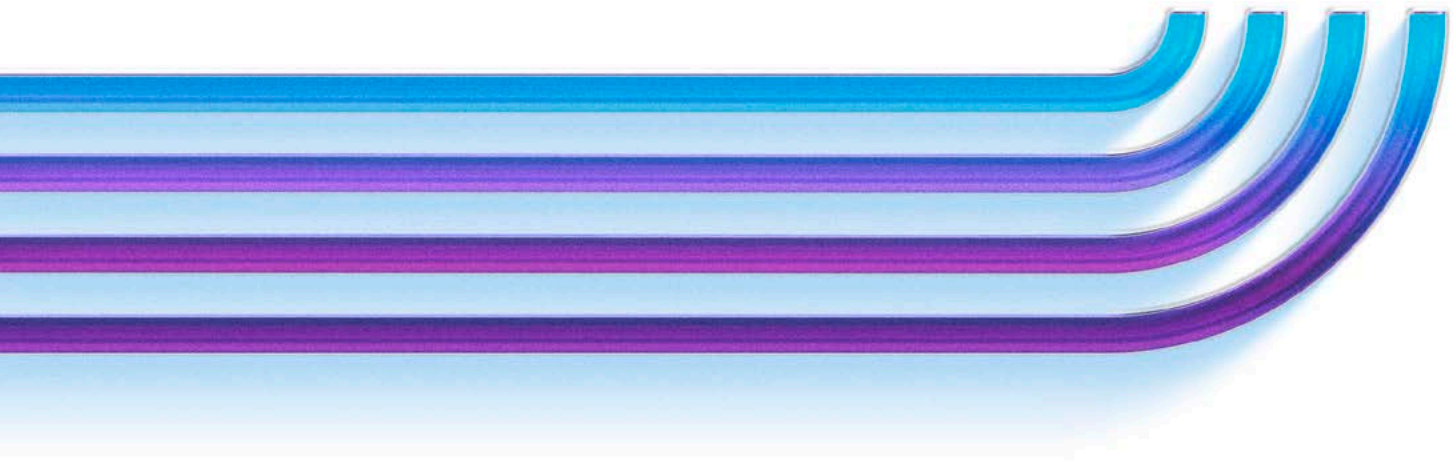
1 Relates to legal, professional and consulting fee expenditures made related to acquisitions.

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 restructuring provision.

5 Relates to non-recurring reimbursement received from supplier related to a negotiated contract settlement.



($ Thousands of CDN dollars, except percentages and per share amounts)	YEARS MONTHS ENDED DECEMBER 31, Canadian Division 2025	UK Division 2025	2025	Canadian Division 2024	UK Division 2024	204
EBITDA	54,616	36,318	**90,934**	47,951	21,069	**69,020**
Adjusting Items:						
Transaction Costs[1]	4,438	2,789	**7,227**	822	508	**1,330**
Syndication/Structural Finance Costs[2]	484	-	**484**	1,892	-	**1,892**
Transition Costs[3]	62	2,069	**2,131**	974	-	**974**
Restructuring Costs[4]	-	-	**-**	250	-	**250**
Gain on settlement of contingent consideration[5]	-	-	**-**	(500)	-	**(500)**
Non-recurring gains[6]	(2,090)	-	**(2,090)**	(907)	-	**(907)**
Adjusted EBITDA	57,510	41,176	**98,686**	50,482	21,577	**72,059**

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 restructuring provision.

5 Relates to derecognition of contingent consideration. This gain is a non-cash item outside of core operations.

6 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. 2024 relates to non-recurring reimbursement received from supplier related to a negotiated contract settlement.

Adjusted Net Earnings & 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, 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.

($ Thousands of CDN dollars, except percentages and per share amounts)	THREE MONTHS ENDED DECEMBER 31, Canadian Division 2025	UK Division 2025	2025	Canadian Division 2024	UK Division 2024	2024
Net Earnings	2,652	238	**2,890**	2,380	1,858	**4,238**
Adjusting Items:						
Transaction Costs[1]	405	-	**405**	-	-	**-**
Syndication/Structural Finance Costs[2]	-	-	**-**	-	-	**-**
Transition Costs[3]	-	924	**924**	63	-	**63**
Restructuring Costs[4]	-	-	**-**	250	-	**250**
Gain on settlement of contingent consideration	-	-	**-**	-	-	**-**
Non-recurring gains[5]	-	-	**-**	(907)	-	**(907)**
Stellar Mayan intangible asset amortization[6]	-	1,650	**1,650**	-	-	**-**
Stellar Mayan Acquisition contingent income tax provision[7]	-	1,321	**1,321**	-	-	**-**
Adjusted Net Earnings	3,057	4,133	**7,190**	1,786	1,858	**3,644**

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 transaction costs incurred as a result of the Corporation's acquisitions.

4 Relates to restructuring provision.

5 Relates to non-recurring reimbursement received from supplier related to a negotiated contract settlement.

6 Relates to amortization of aqcuired intangible assets from Stellar Mayan acquisition on June 11, 2025.

7 Relates to a contingent income tax provision acquired from Stellar Mayan acquisition on June 11, 2025. The Corporation is pursuing potential recovery through rep and warranty insurance.

($ Thousands of CDN dollars, except percentages and per share amounts)	YEARS ENDED DECEMBER 31, Canadian Division 2025	UK Division 2025	2025	Canadian Division 2024	UK Division 2024	2024
Net Earnings	10,220	7,770	17,990	9,493	9,215	18,708
Adjusting Items:						
Transaction Costs[1]	4,438	2,789	7,227	822	508	1,330
Syndication/Structural Finance Costs[2]	484	-	484	1,892	-	1,892
Transition Costs[3]	62	2,069	2,131	974	-	974
Restructuring Costs[4]	-	-	-	250	-	250
Gain on settlement of contingent consideration[5]	-	-	-	(500)	-	(500)
Non-recurring gains[6]	(2,090)	-	(2,090)	(907)	-	(907)
Stellar Mayan intangible asset amortization[7]	-	3,346	3,346	-	-	-
Stellar Mayan Acquisition contingent income tax provision[8]	-	1,321	1,321	-	-	-
Adjusted Net Earnings	13,114	17,295	30,409	12,024	9,723	21,747

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 restructuring provision.

5 Relates to derecognition of contingent consideration. This gain is a non-cash item outside of core operations.

6 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.
2024 relates to non-recurring reimbursement received from supplier related to a negotiated contract settlement.

7 Relates to amortization of acquired intangible assets from Stellar Mayan acquisition on June 11, 2025.

8 Relates to a contingent income tax provision acquired from Stellar Mayan acquisition on June 11, 2025.
The Corporation is pursing potential recovery through rep and warranty insurance.

($ Thousands of CDN dollars, except percentages and per share amounts)	THREE MONTHS ENDED DECEMBER 31, Canadian Division 2025	UK Division 2025	2025	Canadian Division 2024	UK Division 2024	2024
Basic Earnings per Share	0.206	0.018	0.224	0.225	0.176	0.401
Adjusting Items:						
Transaction Costs[1]	0.031	-	0.031	-	-	-
Syndication/Structural Finance Costs[2]	-	-	-	-	-	-
Transition Costs[3]	-	0.072	0.072	0.006	-	0.006
Restructuring Costs[4]	-	-	-	0.025	-	0.025
Gain on settlement of contingent consideration	-	-	-	-	-	-
Non-recurring gains[5]	-	-	-	(0.088)	-	(0.088)
Stellar Mayan intangible asset amortization[6]	-	0.128	0.128	-	-	-
Stellar Mayan Acquisition contingent income tax provision[7]	-	0.103	0.103	-	-	-
Adjusted Basic Earnings Per Share	0.237	0.321	0.558	0.168	0.176	0.344

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 restructuring provision.

5 Relates to non-recurring reimbursement received from supplier related to a negotiated contract settlement.

6 Relates to amortization of acquired intangible assets from Stellar Mayan acquisition on June 11, 2025.

7 Relates to a contingent income tax provision acquired from Stellar Mayan acquisition on June 11, 2025.
The Corporation is pursing potential recovery through rep and warranty insurance.

($ Thousands of CDN dollars, except percentages and per share amounts)	YEARS ENDED DECEMBER 31, Canadian Division 2025	UK Division 2025	2025	Canadian Division 2024	UK Division 2024	2024
Basic Earnings per Share	0.864	0.657	1.521	0.904	0.879	1.783
Adjusting Items:						
Transaction Costs[1]	0.376	0.236	0.612	0.078	0.050	0.128
Syndication/Structural Finance Costs[2]	0.041	-	0.041	0.180	-	0.180
Transition Costs[3]	0.005	0.175	0.180	0.093	-	0.093
Restructuring Costs[4]	-	-	-	0.024	-	0.024
Gain on settlement of contingent consideration[5]	-	-	-	(0.048)	-	(0.048)
Non-recurring gains[6]	(0.177)	-	(0.177)	(0.086)	-	(0.086)
Stellar Mayan intangible asset amortization[7]	-	0.283	0.283	-	-	-
Stellar Mayan Acquisition contingent income tax provision[8]	-	0.112	0.112	-	-	-
Adjusted Basic Earnings Per Share	1.109	1.463	2.572	1.145	0.929	2.074

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 restructuring provision.

5 Relates to derecognition of contingent consideration. This gain is a non-cash item outside of core operations.

6 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.
2024 relates to non-recurring reimbursement received from supplier related to a negotiated contract settlement.

7 Relates to amortization of acquired intangible assets from Stellar Mayan acquisition on June 11, 2025.

8 Relates to a contingent income tax provision acquired from Stellar Mayan acquisition on June 11, 2025.
The Corporation is pursing potential recovery through rep and warranty insurance.

($ Thousands of CDN dollars, except percentages and per share amounts)	THREE MONTHS ENDED DECEMBER 31, Canadian Division 2025	UK Division 2025	2025	Canadian Division 2024	UK Division 2024	2024
Diluted Earnings per Share	0.205	0.018	0.223	0.224	0.174	0.398
Adjusting Items:						
Transaction Costs[1]	0.031	-	0.031	-	-	-
Syndication/Structural Finance Costs[2]	-	-	-	-	-	-
Transition Costs[3]	-	0.071	0.071	0.006	-	0.006
Restructuring Costs[4]	-	-	-	0.025	-	0.025
Gain on settlement of contingent consideration	-	-	-	-	-	-
Non-recurring gains[5]	-	-	-	(0.089)	-	(0.089)
Stellar Mayan intangible asset amortization[6]	-	0.127	0.127	-	-	-
Stellar Mayan Acquisition contingent income tax provision[7]	-	0.102	0.102	-	-	-
Adjusted Diluted Earnings Per Share	0.236	0.318	0.554	0.166	0.174	0.340

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 restructuring provision.

5 Relates to non-recurring reimbursement received from supplier related to a negotiated contract settlement.

6 Relates to amortization of acquired intangible assets from Stellar Mayan acquisition on June 11, 2025.

7 Relates to a contingent income tax provision acquired from Stellar Mayan acquisition on June 11, 2025.
The Corporation is pursing potential recovery through rep and warranty insurance.

($ Thousands of CDN dollars, except percentages and per share amounts)	YEARS MONTHS ENDED DECEMBER 31, Canadian Division 2025	UK Division 2025	2025	Canadian Division 2024	UK Division 2024	2024
Diluted Earnings per Share	0.858	0.653	**1.511**	0.899	0.872	**1.771**
Adjusting Items:						
Transaction Costs[1]	0.373	0.234	**0.607**	0.077	0.049	**0.126**
Syndication/Structural Finance Costs[2]	0.041	-	**0.041**	0.179	-	**0.179**
Transition Costs[3]	0.005	0.174	**0.179**	0.090	-	**0.090**
Restructuring Costs[4]	-	-	**-**	0.023	-	**0.023**
Gain on settlement of contingent consideration[5]	-	-	**-**	(0.047)	-	**(0.047)**
Non-recurring gains[6]	(0.176)	-	**(0.176)**	(0.086)	-	**(0.086)**
Stellar Mayan intangible asset amortization[7]	-	0.281	**0.281**	-	-	**-**
Stellar Mayan Acquisition contingent income tax provision[8]	-	0.111	**0.111**	-	-	**-**
Adjusted Diluted Earnings Per Share	1.101	1.453	**2.554**	1.135	0.921	**2.056**

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 restructuring provision.

5 Relates to derecognition of contingent consideration. This gain is a non-cash item outside of core operations.

6 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. 2024 relates to non-recurring reimbursement received from supplier related to a negotiated contract settlement.

7 Relates to amortization of acquired intangible assets from Stellar Mayan acquisition on June 11, 2025.

8 Relates to a contingent income tax provision acquired from Stellar Mayan acquisition on June 11, 2025. The Corporation is pursing potential recovery through rep and warranty insurance.



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 December 31, 2025, 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, 2025. 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 IAS 21, Lack of Exchangeability, including guidance about the determination of the exchange rate and disclosure when a currency is not exchangeable.

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.

- 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 the timing of derecognition of financial liabilities.
- 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 & Uncertainties

As at December 31, 2025, there are no material changes in the Corporation's risks or risk management activities since December 31, 2024. 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 & 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 & 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 December 31, 2025, 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 December 31, 2025, 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 December 31, 2025, 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.

Limitation on Scope of Design

K-Bro has limited the scope of design of DCP and our Internal Controls over Financial Reporting (ICFR) to exclude controls, policies and procedures of Stellar Mayan acquired on June 11, 2025. The scope limitation is in accordance with section 3.3(1)(b) of NI 52-109 which allows an issuer to limit its design of ICFR to exclude controls, policies and procedures of a business that the issuer acquired not more than 365 days before the end of the fiscal period:

Stellar Mayan *($ Thousands, except percentages)*	**As at December 31, 2025**
Current assets	71,342
Non-current assets	270,960
Current liabilities	39,483
Non-current liabilities	63,664

Stellar Mayan *($ Thousands, except percentages)*	**203-Day Period Ended December 31, 2025**
Revenue	99,074
Expense	100,953
Net Earnings	**(1,879)**

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+ »).



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Independent auditor's report

To the Shareholders of K-Bro Linen Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of K-Bro Linen Inc. and its subsidiaries (together, the Corporation) as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards.

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2025 and 2024;
- the consolidated statements of earnings and comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flow for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of intangible assets acquired in the Stellar Mayan Limited business combination Refer to note 2 – Material accounting policies and note 27 – Business acquisition to the consolidated financial statements. On June 11, 2025, the Corporation announced that it completed the previously announced acquisition of Stellar Mayan Limited for total cash consideration of $194,695 thousand. The assets and liabilities recognized as a result of the Stellar Mayan Limited acquisition included $45,474 thousand in intangible assets. The intangible assets acquired are made up of $33,360 thousand related to customer contracts and $12,114 thousand related to the brands.	Our approach to addressing the matter included the following procedures, among others: • Tested how management estimated the fair value of the intangible assets, which included the following: – read the purchase agreement; – evaluated the appropriateness of management's discounted cash flow models and tested the mathematical accuracy thereof; – tested the underlying data used by management in the discounted cash flow models; – evaluated the reasonableness of significant assumptions used by management related to revenue growth rates, EBITDA margins, and economic depreciation, by considering the current and past performance of the Corporation, and evidence obtained in the other areas of the audit; and

Key audit matter	How our audit addressed the key audit matter
Management applied significant judgment in estimating the fair value of the acquired intangible assets. Management assigned values to acquired intangible assets using the income approach. Valuation of customer contracts was based on multi-period excess earnings method and the valuation of brands was based on relief-from-royalty method, both using discounted cash flow models. Significant assumptions for customer contracts include revenue growth rates, earnings before interest, taxes, depreciation and amortization (EBITDA) margins, economic depreciation, and the discount rate. Significant assumptions for the brand include the discount rate and the royalty rate. We considered this a key audit matter due to the significant judgment by management in estimating the fair values of the acquired intangible assets, including the development of significant assumptions. This, in turn, led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the significant assumptions used by management. The audit effort involved the use of professionals with specialized skills and knowledge in the field of valuation.	– professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the appropriateness of management's discounted cash flow models, and the reasonableness of discount rates, terminal growth rate and the royalty rate. • Evaluated the presentation and tested the disclosure in the consolidated financial statements relating to the acquired intangible assets.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Corporation as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Richard Probert.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants
Edmonton, Alberta
March 19, 2026

Consolidated Statements of Financial Position

($ Thousands of CDN dollars)	December 31, 2025	December 31, 2024
ASSETS		
Current assets		
Cash	23,355	9,423
Accounts receivable	83,876	56,420
Income tax receivable	466	-
Prepaids and other assets (note 6)	11,861	7,844
Linen in service (note 6)	75,229	38,736
	194,787	**112,423**
Assets classified as held for sale (note 7)	789	1,107
	195,576	**113,530**
Property, plant and equipment (note 7, 13)	303,128	224,825
Intangible assets (note 8)	62,459	24,747
Goodwill (note 9)	143,280	75,048
	704,443	**438,150**
LIABILITIES		
Current liabilities		
Accounts payable and other liabilities	74,076	42,822
Provisions (note 10)	367	456
Current portion of long-term debt (note 11)	8,394	-
Lease liabilities (note 13)	18,669	12,237
Income taxes payable	1,157	1,747
Dividends payable to shareholders	1,299	1,059
	103,962	**58,321**
Long-term debt (note 11)	229,157	123,778
Lease liabilities (note 13)	64,154	42,900
Provisions (note 10)	3,671	3,058
Deferred income taxes (note 14)	29,654	20,682
	430,598	**248,739**
SHAREHOLDERS' EQUITY		
Share capital (note 16)	284,902	206,010
Share repurchase deficit	(4,356)	(4,356)
Contributed surplus	3,056	2,397
Deficit	(17,907)	(21,507)
Accumulated other comprehensive income	8,150	6,867
	273,845	**189,411**
	704,443	**438,150**

Contingencies and commitments (note 15)

Approved by the Board of Directors



Elise Rees
Director



Matthew Hills
Director

Consolidated Statements of Earnings & Comprehensive Income

($ Thousands of CDN dollars, except share and per share amounts)	YEARS ENDED DECEMBER 31, 2025	2024
REVENUE	**506,776**	**373,609**
Expenses		
Wages and benefits	196,184	142,192
Delivery	58,287	44,713
Linen (note 6)	49,894	36,241
Utilities	32,182	27,878
Corporate	27,442	19,179
Materials and supplies	22,682	13,799
Repairs and maintenance	20,182	15,786
Occupancy costs	10,486	6,372
Gain on settlement of contingent consideration (note 27)	-	(500)
Other recovery (note 28)	(1,497)	(1,071)
	415,842	**304,589**
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**90,934**	**69,020**
Other expenses		
Depreciation of property, plant and equipment (note 7)	41,530	30,434
Amortization of intangible assets (note 8)	8,207	3,245
Finance expense (note 12)	16,545	11,302
	66,282	**44,981**
Earnings before income taxes	**24,652**	**24,039**
Current income tax expense	5,059	3,762
Deferred income tax expense	1,603	1,569
Income tax expense (note 14)	**6,662**	**5,331**
Net earnings	**17,990**	**18,708**
Other comprehensive income		
Items that may be subsequently reclassified to earnings:		
Foreign currency translation differences on foreign operations	1,283	7,034
Total comprehensive income	**19,273**	**25,742**
Net earnings per share (note 17)**:**		
Basic	1.52	1.78
Diluted	1.51	1.77
Weighted average number of shares outstanding:		
Basic	11,824,556	10,483,395
Diluted	11,907,350	10,562,521

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

Consolidated Statements of Changes in Equity

($ Thousands of CDN dollars)	Total Share Capital	Share Repurchase Deficit	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (loss)	Total Equity
As at December 31, 2024	**206,010**	**(4,356)**	**2,397**	**(21,507)**	**6,867**	**189,411**
Total comprehensive income	-	-	-	17,990	1,283	19,273
Net proceeds from common shares issued (note 16)	76,838	-	-	-	-	76,838
Dividends declared (note 19)	-	-	-	(14,390)	-	(14,390)
Employee share based compensation expense (note 25)	-	-	2,713	-	-	2,713
Shares vested during the year	2,054	-	(2,054)	-	-	-
As at December 31, 2025	**284,902**	**(4,356)**	**3,056**	**(17,907)**	**8,150**	**273,845**

($ Thousands of CDN dollars)	Total Share Capital	Share Repurchase Deficit	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (loss)	Total Equity
As at December 31, 2023	**206,453**	**(6,586)**	**2,252**	**(27,521)**	**(167)**	**174,431**
Total comprehensive income	-	-	-	18,708	7,034	25,742
Dividends declared (note 19)	-	-	-	(12,694)	-	(12,694)
Employee share based compensation expense (note 25)	-	-	1,915	-	-	1,915
Repurchase of shares (note 16)	(2,213)	(1,737)	-	-	-	(3,950)
Share repurchase liability (note 16)	-	3,967	-	-	-	3,967
Shares vested during the year	1,770	-	(1,770)	-	-	-
As at December 31, 2024	**206,010**	**(4,356)**	**2,397**	**(21,507)**	**6,867**	**189,411**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Cash Flow

($ Thousands of CDN dollars)	YEARS ENDED DECEMBER 31, 2025	2024
OPERATING ACTIVITIES		
Net earnings	**17,990**	**18,708**
Depreciation of property, plant and equipment (note 7)	41,530	30,434
Amortization of intangible assets (note 8)	8,207	3,245
Accretion expense (note 10)	138	56
Employee share based compensation expense (note 25)	2,713	1,915
Other recovery (note 28)	(1,497)	(1,071)
Gain on settlement of contingent consideration (note 27)	-	(500)
Amortization of term loan fees (note 11)	99	-
Deferred income tax expense	1,603	1,569
	70,783	**54,356**
Change in non-cash working capital items (note 20)	(8,074)	(4,406)
Cash provided by operating activities	**62,709**	**49,950**
FINANCING ACTIVITIES		
Net proceeds from issuance of common shares (note 16)	75,611	-
Net (repayments) proceeds from revolving debt (note 11)	(16,479)	53,531
Repayments of term loan (note 11)	(3,358)	-
Fees paid relating to term loan (note 11)	(789)	-
Net proceeds from term loan (note 11)	134,300	-
Repurchase of shares (note 16)	-	(3,950)
Principal elements of lease payments (note 13)	(15,722)	(10,648)
Dividends paid to shareholders	(14,149)	(12,699)
Cash provided by financing activities	**159,414**	**26,234**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(15,035)	(18,835)
Proceeds from disposal of property, plant and equipment (note 7)	1,899	1,353
Purchase of intangible assets (note 8)	(326)	(495)
Acquisition of businesses, net of cash (note 27)	(194,695)	(55,267)
Cash used in investing activities	**(208,157)**	**(73,244)**
Change in cash during the year	13,966	2,940
Effect of exchange rate changes on cash	(34)	626
Cash, beginning of year	9,423	5,857
Cash, end of year	**23,355**	**9,423**
Supplementary cash flow information		
Interest paid	16,248	11,066
Income taxes paid	6,132	5,241

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

Notes to the Consolidated Financial Statements

(Thousands of Canadian dollars except share and per share amounts, Years ended December 31, 2025 and 2024)

K-Bro Linen Inc. (the "Corporation" or "K-Bro") is incorporated in Canada under the Business Corporations Act (Alberta). K-Bro is the largest owner and operator of laundry and linen processing facilities in Canada and a national market leader for laundry and textile services in the UK. K-Bro and its wholly owned subsidiaries, operate across Canada and the United Kingdom ("UK"), provide a range of linen services to healthcare organizations, hotels and other commercial organizations 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 processing facilities operate under the brands of K-Bro Linen Systems Inc. ("K-Bro"), Buanderie HMR, Paranet, Villeray and C.M.

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 Limited ("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.

The Corporation's common shares are traded on the Toronto Stock Exchange under the symbol "KBL". The address of the Corporation's registered head office is 14903 – 137 Avenue, Edmonton, Alberta, Canada.

These audited annual consolidated financial statements (the "Consolidated Financial Statements") were approved and authorized for issuance by the Board of Directors ("the Board") on March 19, 2026.

1. BASIS OF PRESENTATION

These Consolidated Financial Statements of the Corporation have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards). The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 5.

2. MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

a) Basis of Measurement

The Consolidated Financial Statements have been prepared under the historical cost convention.

b) Principles of Consolidation

The Consolidated Financial Statements include the Corporation, its wholly owned subsidiaries, and the long-term incentive plan account (Note 2(o)). All inter-company balances and transactions have been eliminated upon consolidation.

c) Cash

Cash includes cash on hand and demand deposits held with financial institutions. Cash is carried at amortized cost, which is equivalent to fair value.

d) Linen in Service

Linen in service is stated at cost less accumulated depreciation. The cost is based on the expenditures that are directly attributable to the acquisition of linen, amortization commences when linen is put into service; amortized based on usage which results in an estimated average service life of 24 to 36 months.

e) Revenue Recognition

A laundry services contract is a contract specifically negotiated for the provision of laundry and linen services. Revenue is based on contractually set pricing on a consistent unit-of-weight or price-per-piece basis for each service over the term of the contract. The Corporation reports revenue under two revenue categories: healthcare and hospitality services. When determining the proper revenue recognition method for contracts, the Corporation evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as more than one performance obligation. The Corporation accounts for a contract when, it has commercial substance, the parties have approved the contract in accordance with customary business practices and are committed to their obligations, the rights of the parties and payment terms are identified, and collectability of consideration is probable.

1. Identifying the Contract

The Corporation's policy for revenue recognition requires an appropriately authorized contract, with sign-off by representatives from all respective parties before any services are provided to a customer. Contained within the terms of these contracts is detailed information identifying each party's rights regarding the laundry and linen services to be provided, as well as associated payment terms (i.e., service pricing, early payment discounts, invoicing requirements, etc.). In addition, the Corporation's contracts have commercial substance as the services to be provided will directly impact the Corporation's future cash flows via incoming revenue and related outgoing expenditures.

As part of the Corporation's analysis in reviewing and accepting a contract, the Corporation assesses the likelihood of collection from all prospective customers and only transacts with those customers from which payment is probable. As the Corporation's significant customer contracts are generally with government-funded health agencies and large volume hospitality customers, it is probable that the Corporation will collect the consideration to which it is entitled for the performance of these contracts.

For services provided following the expiration of a contract and subsequent renewal negotiations, the terms of the original contract carry forward until the new agreement has been appropriately authorized. This is confirmed through verbal approval and is consistent with customary business practices.

2. Identifying Performance Obligations in a Contract

Linen services are provided to the Corporation's customers consecutively over a period of time (i.e., daily deliveries over the contract term) and the same method is used to measure the Corporation's progress in satisfying the performance of the contract (i.e., revenue is based on contractually set pricing on a consistent unit-of-weight or price-per-piece basis for each service over the term of the contract). Additionally, these services generally include integrated processing and delivery, consist of a single deliverable (clean processed volume), and in the case of rental linen, are not offered individually (rental linen is used as an input in the provision of standard laundry and linen services). Therefore, the services provided under one service agreement constitute a single performance obligation.

3. Determining the Transaction Price

The majority of the Corporation's contracts utilize a fixed pricing model. These contracts stipulate a fixed rate to be charged to customers on a price-per-unit basis, including either weight-based or item-based billing. For these types of arrangements, revenue is recognized over time as each unit of linen is processed and delivered using the fixed consideration rate per the contract. In addition to the above pricing methodology, some contracts have additional components which meet the definition of variable consideration per IFRS 15, which are accounted for using the most likely amount method. The estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the Corporation's anticipated performance and all information, historical, current, and forecasted, that is reasonably available.

4. Allocating the Transaction Price

Each of the customer's individual customer contracts represents a single performance obligation. As a result, the transaction price for each contract (based on contractually stipulated fixed and variable pricing for a single deliverable) is allocated to each processed item based on the agreed upon rate.

Volume rebates, where applicable, are recorded based on annualized expected volumes of individual customer contracts when it is reasonable that the criteria are likely to be met. Based on past experience, management believes that volumes utilized for any estimates are reasonable and would not expect a material deviation to the balance of accrued liabilities or revenue.

5. Performance Obligations Satisfied Over Time

The Corporation typically transfers control of goods or services and satisfies performance obligations over time, once clean linen has been provided to the customer and the customer has accepted delivery of the processed items.

Payment of laundry services are due in accordance with the respective of the terms as indicated in the customer's laundry service contract, whereby customers are generally invoiced on a monthly basis, with payment due 30 to 60 days from the invoice date.

f) Property, Plant & Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be reliably measured. The carrying amount of a replaced part is derecognized. Repairs and maintenance are charged to the Consolidated Statements of Earnings and Comprehensive Income during the financial period in which they are incurred.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. The Corporation has not capitalized any borrowing costs during the year as there were no qualifying assets.

Property, plant and equipment include right of use assets as disclosed under the Corporation's leasing policy in note 2(r). Right of use assets arise from a lease that is initially measured on a present value basis, and are classified within the relevant property, plant and equipment categories based on the type of asset.

The major categories of property, plant and equipment are depreciated on a straight-line basis to allocate their cost over their estimated useful lives as follows:

Asset	Rate
Buildings	15 – 25 years
Laundry equipment	7 – 20 years
Office equipment	2 – 5 years
Delivery equipment	5 – 10 years
Computer equipment	2 years
Leasehold improvements	Lease term

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset.

g) Intangible Assets

Intangible assets acquired in a business combination are recorded at fair value at the acquisition date. Subsequently they are carried at cost less accumulated amortization and accumulated impairment losses.

The major categories of intangible assets are depreciated on a straight-line basis to allocate their cost over their estimated useful lives as follows:

Asset	Rate
Customer relationships (Healthcare and Hospitality)	1 – 20 years
Computer software	5 years
Brand	Indefinite

The Corporation has determined that the brands with value attributed to them have an indefinite useful life based on the strength and proven longevity in the markets in which they operate.

These estimates are reviewed at least annually and are updated if expectations change as a result of changing client relationships or technological obsolescence.

h) Impairment of Non-Financial Assets

Property, plant and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets that are not amortized and goodwill are subject to an annual impairment test. For the purpose of measuring recoverable amounts, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating unit or "CGU"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount firstly to the recorded goodwill, then to the other assets in the CGU on a pro rata basis, as determined by the carrying amount of each asset in the CGU. The Corporation evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration.

i) Income Taxes

The tax expense for the year comprises current and deferred tax. Tax is recognized in the Consolidated Statements of Earnings and Comprehensive Income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax provision is calculated on the basis of the tax laws enacted or substantively enacted at the Statement of Financial Position date of the taxation authority where the Corporation operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

j) Business Combinations

Business combinations are accounted for using the acquisition method. The acquired identifiable net assets are measured at their fair value at the date of acquisition. Management assigns values to acquired intangible assets using the income approach, which involves quantifying the present value of net cash flows attributed to the subject asset. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Any deficiency of the purchase price below the fair value of the net assets acquired is recorded as a gain in net earnings. Associated transaction costs are expensed when incurred.

k) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on their estimated fair values at the acquisition date. Goodwill is allocated as of the date of the business combination. Goodwill is tested for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate a potential impairment.

Goodwill acquired through a business combination is allocated to each CGU, or group of CGUs, that are expected to benefit from the related business combination. A CGU represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

l) Earnings Per Share

Basic earnings per share ("EPS") is calculated by dividing net earnings for the period attributable to Shareholders of the Corporation by the weighted average number of Common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of common shares included within the weighted average is computed using the treasury stock method. The Corporation's potentially dilutive Common shares are comprised of long-term incentive plan equity compensation granted to officers and key employees (Note 2(o)).

m) Foreign Currency Translation

The Consolidated Financial Statements are presented in Canadian dollars. The Corporation's operations in Canada have a functional currency of Canadian dollars. The Corporation's operations in the UK have a functional currency of pounds sterling.

Translation of Foreign Entities

The functional currency for each of the Corporation's subsidiaries is the currency of the primary economic environment in which it operates. Operations with foreign functional currencies are translated into the Corporation's presentation currency in the following manner:

- Monetary and non-monetary assets and liabilities are translated at the spot exchange rate in effect at the reporting date;
- Revenue and expense items (including depreciation and amortization) are translated at average rates of exchange prevailing during the period, which approximate the exchange rates on the transaction dates;
- Impairment of assets are translated at the prevailing rate of exchange on the date of the impairment recognition, and;
- Exchange gains that result from translation are recognized as a foreign currency translation difference in accumulated other comprehensive income (loss).

Translation of Transactions & Balances

Transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the date of the transaction as follows:

- Monetary assets and liabilities are translated at the exchange rate in effect at the reporting date;
- Non-monetary items are translated at historical exchange rates; and
- Revenue and expense items are translated at the average rates of exchange.

n) Provisions

Provisions are recognised when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

o) Employee Benefits

Post-Employment Benefit Obligations

The Corporation contributes on behalf of its employees to their individual Registered Retirement Savings Plans subject to an annual maximum of 10% of gross personal earnings. The Corporation accounts for contributions as an expense in the period that they are incurred. The Corporation does not provide any other post-employment or post-retirement benefits.

Existing Equity-based Compensation Plan of the Corporation

On June 16, 2011, the Shareholders of the Corporation approved a new Long-term Incentive Plan ("LTI"), which was amended on December 31, 2018 and December 31, 2025. Under the LTI, awards are granted annually in respect of the prior fiscal year to the eligible participants based on a percentage of annual salary. The amount of the award (net of withholding obligations) is satisfied by issuing treasury shares or cash to be held in trust by the trustee pursuant to the terms of the LTI. All awards issued under the provisions of the LTI are recorded as compensation expense over the relevant service period, being the year to which the LTI relates and the vesting period of the shares.

The Amendment made on December 31, 2018 gave the Board of Directors the right to elect to satisfy the award in cash. The Corporation has determined that this change did not create an obligation to satisfy the award in cash and therefore the LTI continues to be treated as an equity settled share based payment.

The amendment made on June 3, 2025 changed the maximum aggregate number of Shares reserved for issuance under this Plan and all other equity compensation plans of the Corporation from 700,000 Shares to 10% of the issued and outstanding shares from time to time on a non-diluted basis.

Subject to the discretion of the Compensation, Nominating and Corporate Governance Committee of the Board of Directors, one-quarter of a Participant's grant will vest on the Determination Date (defined as the first May 15th following the date that the Directors of the Corporation approve the audited Consolidated Financial Statements of the Corporation for the prior year). The remaining three-quarters of the Participant's grant will vest on November 30th following the second anniversary of the Determination Date.

If a change of control occurs, all LTI Shares held by the Administrator in respect of unvested grants will vest immediately. LTI participants are entitled to receive dividends on all common shares granted under the LTI whether vested or unvested. In most circumstances, unvested common shares held by the LTI Administrator for a participant will be forfeited if the participant resigns or is terminated for cause prior to the applicable vesting date, and those common shares will be disposed of by the Administrator to K-Bro for no consideration and such Common shares shall thereupon be cancelled. If a participant is terminated without cause, retires or resigns on a basis which constitutes constructive dismissal, the participant will be entitled to receive his or her unvested common shares on the regular vesting schedule under the LTI.

p) Financial Instruments

The Corporation classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (loss), or though profit or loss); and
- those to be measured at amortized cost.

The classification depends on the Corporation's business model for managing the financial assets and contractual terms of the cash flows.

At initial recognition, the Corporation measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

The Corporation's financial assets consist of cash and accounts receivable, which are measured at amortized cost using the effective interest method under IFRS 9.

The Corporation's financial liabilities consist of accounts payable and accrued liabilities, lease liabilities, dividends payable and long-term debt. Accounts payable and accrued liabilities and dividends payable are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method. Lease liabilities are recognized initially at their net present value and subsequently measured at amortized cost using the effective interest method.

Long-term debt and borrowings are initially recognized at fair value, net of transaction costs incurred and are subsequently measured at amortized cost. Long-term debt and borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the group has a right to defer settlement of the liability for at least 12 months after the reporting period.

Financial assets and liabilities are offset, and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period and included as part of the profit and loss.

q) Impairment of Financial Assets

Information about the impairment of financial assets, their credit quality and the Corporation's exposure to credit risk can be found in Note 21(d). The Corporation utilizes the application of the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, the Corporation's trade receivables have been grouped based on operating segment, shared credit risk characteristics and days past due. Accounting judgment and estimate is required in the assessment of the lifetime expected default rate of each trade receivables grouping. The lifetime expected default rates are reviewed at least annually and are updated if expectations change.

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Corporation recognizes an impairment loss equal to the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

r) The Corporation's Leasing Activities & How These Are Accounted For

The Corporation leases various buildings, vehicles and equipment. Rental contracts are typically made for fixed periods of one to thirty-seven years but may have extension options as described in Note 2(r)(ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any financial covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Corporation. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees, and
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Corporation:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are comprised of IT-equipment and small items of office furniture.

(i) Variable Lease Payments

Based on the valuation of the Corporation's leases, no leases have been identified that are directly tied to an index or rate, and whereby an estimate would be required in determining the uncertainty arising from variable lease payments.

(ii) Extension & Termination Options

Extension and termination options are included in a number of property and equipment leases across the Corporation. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Corporation and not by the respective lessor.

3. CHANGES & UPDATES IN ACCOUNTING POLICIES

The Corporation adopted the following accounting standards and amendments that were effective for our annual Consolidated Financial Statements commencing January 1, 2025. 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 IAS 21, Lack of Exchangeability, including guidance about the determination of the exchange rate and disclosure when a currency is not exchangeable.

4. NEW STANDARDS & INTERPRETATIONS NOT YET ADOPTED

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.

- 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 the timing of derecognition of financial liabilities.
- 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.

5. CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

The preparation of the Corporation's Consolidated Financial Statements, in conformity with IFRS Accounting Standards, requires management of the Corporation to make estimates and assumptions that affect the reported amount 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. Actual results could differ from those estimates.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. These estimates and judgments have been applied in a manner consistent with prior periods.

Economic Conditions

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 affect the Corporation's cost of financing its operations and investments.

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.

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.

The following discusses the most significant accounting judgments and estimates that the Corporation has made in the preparation of the Consolidated Financial Statements:

Areas of Significant Judgment

Valuation of Goodwill & Non-Financial Assets

Management reviews goodwill at least annually and other non-financial assets when there is any indication that the asset might be impaired.

The assessment of impairment is based on management's judgment of whether there are sufficient internal and external factors that would indicate that an asset is impaired.

The Corporation applies judgment in:

- assessing the likelihood of renewal of significant contracts included in the intangible assets described in Note 8,
- identifying the CGUs to which intangible assets should be allocated to, and the CGU or group of CGUs at which goodwill is monitored for internal management purposes, and
- determining the appropriate comparable companies used in earnings multiple approach

Segment Identification and CGU Identification for Goodwill Impairment Testing

When determining its reportable segments, the Corporation considers qualitative factors, such as operations that offer distinct products and services and are considered to be significant by the Chief Operating Decision Maker, identified as the Chief Executive Officer. Aggregation occurs when the operating segments have similar economic characteristics and have similar (a) products and services; (b) geographic proximity; (c) type or class of customer for their products and services; (d) methods used to distribute their products or provide their services; and (e) nature of the regulatory environment, if applicable.

In conjunction with this analysis, management also further evaluates an appropriate level of disaggregation into further individualized CGUs when conducting goodwill impairment testing. This includes the consideration of:

a) the independence of cash flows generated by each CGU

b) the Corporation's internal management structure

c) how management makes operating and strategic decisions

d) the similarity of business characteristics across CGUs, and

e) the allocation of benefit from acquisition related synergies.

Lease Term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For many of the leases the cash outflows associated with the lease extension term would be material. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Areas of Estimation Uncertainty

Incremental Borrowing Rate

In applying its accounting policy for leases management considers all appropriate facts and circumstances in the determination the lessee's incremental borrowing rate being used and these rates are reviewed and update on an annual basis.

Amortization of Property, Plant & Equipment, & Intangible Assets

In applying its accounting policy for the amortization of property, plant and equipment, and intangible assets, management considers all appropriate facts and circumstances in the determination of the appropriate rates and methodology to allocate costs over their estimated useful lives, including historical experience, current volumetric run-rates, and expected future events.

Linen in Service

The estimated service lives of linen in service are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits of use.

Provisions

The Corporation's provision includes restructure costs and the restoration for premises of its leased plants. The Corporation determines restructure costs based off employment standards and legal consultation. For leased plants, a provision has been recognized for the present value of the estimated expenditure required to remove any leasehold improvements and installed equipment. Refer to Note 10 for more details about estimation for this provision.

Business Combination

In a business combination, the Corporation may acquire certain assets and assume certain liabilities of an acquired entity. The estimate of fair values for these transactions involves judgment to determine the fair values assigned to the tangible and intangible assets acquired (i.e. brand and customer contracts), and other liabilities assumed on the acquisition. Determining fair values involves a variety of assumptions, including expected profit margin on acquired contracts, revenue growth rates, customer attrition rates, royalty rates, expected operating income, terminal growth rates, and discount rates.

Depending on the timing of acquisitions in relation to the Corporation's reporting schedule, certain estimates of fair values of assets and liabilities acquired may not be finalized at the initial time of reporting in which case they are considered provisional. These estimates are completed once the Corporation has completed their work on the purchase price allocation is finalized.

Assessments are performed on acquisition agreements with deferred or contingent consideration arrangements to determine whether the amounts payable represents business combination consideration or an arrangement that is separate from the business combination. Management applies judgment and the requirements of IFRS 3 to determine whether deferred or contingent arrangements are part of the business combination consideration.

Valuation of Goodwill & Non-Financial Assets

Management reviews goodwill at least annually and other non-financial assets when there is any indication that the asset might be impaired.

Calculating the recoverable amount, including estimated fair value less costs to dispose ("FVLCD") of CGUs for goodwill and non-financial assets, requires management to make estimates and assumptions with respect to discount rates, customer retention, business growth, operating and capital costs.

Changes in any of the assumptions or estimates used in determining the recoverable amount could result in additional impairment or reversal of impairment recognized for non-financial assets.

During instances where indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable value of CGUs require the use of estimates related to the future operating results and cash generating ability of the assets.

Management regularly evaluates these estimates and judgments. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

6. PREPAIDS, OTHER ASSETS, & LINEN IN SERVICE

a) Prepaids & Other Assets

($ Thousands of CDN dollars)	2025	2024
Prepaids	7,869	4,511
Deposits	1,439	1,016
Materials and supplies	2,553	2,317
Prepaids and other assets	11,861	7,844

b) Linen in Service

($ Thousands of CDN dollars)	2025	2024
Balance, beginning of year	38,736	35,288
Acquisition of businesses (note 27)	28,553	2,144
Additions	57,552	36,527
Amortization charge	(49,894)	(36,241)
Effect of movement in exchange rates	282	1,018
Balance, end of year	75,229	38,736

7. PROPERTY, PLANT & EQUIPMENT

($ Thousands of CDN dollars, except share and per share amounts)	Land	Buildings	Laundry Equipment[1]	Office Equipment	Delivery Equipment	Computer Equipment	Leasehold Improvements	Spare Parts	Total
YEAR ENDED, DECEMBER 31, 2024									
Opening net book amount	3,338	49,649	114,228	212	10,221	305	26,752	2,093	206,798
Additions[2][3][4]	-	5,700	16,772	64	7,080	772	399	104	30,891
Change in asset retirement obligation	-	-	-	-	-	-	8	-	8
Acquisition of business[4] (notes 27)	1,216	5,809	7,556	51	1,377	32	-	-	16,041
Disposals	-	-	(249)	-	(560)	-	-	(41)	(850)
Assets classified as held for sale[5]	(55)	(283)	-	-	-	-	-	-	(338)
Depreciation charge	-	(7,423)	(13,985)	(99)	(4,998)	(437)	(3,492)	-	(30,434)
Effect of movement in exchange rates	75	693	1,330	10	572	1	28	-	2,709
Closing net book amount	**4,574**	**54,145**	**125,652**	**238**	**13,692**	**673**	**23,695**	**2,156**	**224,825**
AT DECEMBER 31, 2024									
Cost	4,574	94,690	250,672	1,478	36,554	4,777	61,303	2,156	456,204
Accumulated impairment losses	-	(207)	(2,113)	-	(5)	(14)	-	-	(2,339)
Accumulated depreciation	-	(40,338)	(122,907)	(1,240)	(22,857)	(4,090)	(37,608)	-	(229,040)
Net book amount	**4,574**	**54,145**	**125,652**	**238**	**13,692**	**673**	**23,695**	**2,156**	**224,825**
YEAR ENDED, DECEMBER 31, 2025									
Opening net book amount	4,574	54,145	125,652	238	13,692	673	23,695	2,156	224,825
Additions[2][3][4]	-	122	13,904	51	16,378	506	187	390	31,538
Change in asset retirement obligation	-	-	-	-	-	-	2	-	2
Acquisition of business[4] (notes 27)	-	38,685	41,022	874	7,662	477	246	-	88,966
Disposals	-	-	(51)	-	(1,098)	-	-	-	(1,149)
Transfers	-	(127)	618	(17)	(355)	-	(124)	-	(5)
Depreciation charge	-	(10,919)	(17,683)	(553)	(8,105)	(789)	(3,481)	-	(41,530)
Effect of movement in exchange rates	29	(43)	281	(4)	223	(5)	-	-	481
Closing net book amount	**4,603**	**81,863**	**163,743**	**589**	**28,397**	**862**	**20,525**	**2,546**	**303,128**
AT DECEMBER 31, 2025									
Cost	4,603	133,210	305,121	2,393	54,737	5,762	61,621	2,546	569,993
Accumulated impairment losses	-	(207)	(2,113)	-	(5)	(14)	-	-	(2,339)
Accumulated depreciation	-	(51,140)	(139,265)	(1,804)	(26,335)	(4,886)	(41,096)	-	(264,526)
Net book amount	**4,603**	**81,863**	**163,743**	**589**	**28,397**	**862**	**20,525**	**2,546**	**303,128**

1 Included in laundry equipment are assets under development in the amount of $76 (2024 - $2,019). These assets are not available for service and accordingly are not presently being depreciated.

2 Total property, plant and equipment additions are inclusive of amounts incurred in the period that are yet be paid, with amounts remaining in accounts payable and accrued liabilities of $390 (2024 - $345).

3 Additions include amounts from the Canadian Segment of $12,967 (2024 - $20,042) and from the UK Segment of $18,571 (2024 - $10,849).

4 Includes ROUA additions from the Canadian Segment of $4,993 (2024 - $7,019), comprised of buildings of $0 (2024 - $5,105) and vehicles of $4,993 (2024 - $1,914). From the UK Segment, ROUA additions were $44,039 (2024 - $5,048), comprised of buildings of $87 (2024 - $596), vehicles of $11,396 (2024 - $4,452) and through acquisition of business of $32,556 (2024 - $0). This has resulted in corresponding increases to the lease liabilities in the amount of $4,993 (2024 - $7,019) for the Canadian Segment and $39,375 (2024 - $5,048) for the UK Segment.

5 Assets classified as held for sale disposed of during the year include an amount from the Canadian Segment of $338. This was comprised of land and a building in Granby, Québec. Upon the acquisition of Villeray on November 1, 2023, Granby volumes were consolidated into Villeray, resulting in the facility being put up for sale. In May 2025, the sale of the Granby facility was completed. Proceeds of $1,857 were received from the sale and a gain on disposal of $1,519 was recognized in the Statement of Earnings & Comprehensive Income within the 'Other recovery' line. As at December 31, 2025 the remaining balance of assets classified as held for sale include an amount of $789 from the UK Segment comprised of land and a building in Riggs Place, Cupar.

8. INTANGIBLE ASSETS

($ Thousands of CDN dollars, except share and per share amounts)	Healthcare Relationships	Hospitality Relationships	Computer Software	Brand	Total
YEAR ENDED, DECEMBER 31, 2024					
Opening net book amount	-	4,487	709	4,210	9,406
Additions	-	-	495	-	495
Acquisition of businesses (note 27)	1,800	13,149	-	2,032	16,981
Amortization charge	-	(2,992)	(253)	-	(3,245)
Effect of movement in exchange rates	-	698	-	412	1,110
Closing net book amount	**1,800**	**15,342**	**951**	**6,654**	**24,747**
AT DECEMBER 31, 2024					
Cost	21,000	41,542	2,363	6,654	71,559
Accumulated amortization	(19,200)	(26,200)	(1,412)	-	(46,812)
Net book amount	**1,800**	**15,342**	**951**	**6,654**	**24,747**
YEAR ENDED, DECEMBER 31, 2025					
Opening net book amount	1,800	15,342	951	6,654	24,747
Additions	-	-	326	-	326
Acquisition of businesses (note 27)	24,207	9,153	-	12,114	45,474
Amortization charge	(3,232)	(4,583)	(392)	-	(8,207)
Effect of movement in exchange rates	(187)	232	-	74	119
Closing net book amount	**22,588**	**20,144**	**885**	**18,842**	**62,459**
AT DECEMBER 31, 2025					
Cost	45,020	50,927	2,689	18,842	117,478
Accumulated amortization	(22,432)	(30,783)	(1,804)	-	(55,019)
Net book amount	**22,588**	**20,144**	**885**	**18,842**	**62,459**

9. GOODWILL

Goodwill represents the excess of the acquisition-date fair value of consideration transferred over the fair value of the identifiable net assets acquired in a business combination. Goodwill is not amortized. For the year ended December 31, 2025, management refined its approach to identifying CGUs for the purposes of goodwill impairment testing, refer to Note 26 for changes in management's approach and the Corporation's impairment testing disclosure.

($ Thousands of CDN dollars, except share and per share amounts)	December 31, 2025	December 31, 2024
Gross goodwill, beginning of the year	76,748	50,600
Acquisition of business	67,721	23,731
Impact of foreign exchange	511	2,417
Gross goodwill, end of the year	**144,980**	**76,748**
Accumulated impairment losses	(1,700)	(1,700)
Net goodwill, end of the year	**143,280**	**75,048**

Goodwill has been allocated to the following CGUs:

($ Thousands of CDN dollars, except share and per share amounts)	December 31, 2025	December 31, 2024
Alberta Region	12,428	12,428
Vancouver Region	6,043	6,043
Victoria	1,508	1,508
Montréal Region	8,984	8,984
Québec City Region	5,205	5,205
Canadian segment	**34,168**	**34,168**
UK 1	19,699	19,209
UK 2	22,226	21,671
UK 3	67,187	-
UK segment	**109,112**	**40,880**
Total goodwill	**143,280**	**75,048**

10. PROVISIONS

The Corporation's provision includes a current provision of $367 (2024 - $456) to recognize restructuring costs, and a long-term provision of $3,671 (2024 - $3,058) that is comprised of lease provisions and obligations to restore leased premises of its leased plants.

Management estimates the current provision based on consultation from legal and current employment standards. Estimates of the long-term provision, is based off information from previous asset retirement obligations, as well as plant specific factors. Factors that could impact the estimated obligation are labour costs, the extent of removal work required, the number of lease extensions exercised and the inflation rate.

A long-term provision has been recognized for the present value of the estimated expenditure required to settle the lease provision and to remove leasehold improvements and installed equipment. The Corporation estimates the undiscounted, inflation adjusted cash flows required to settle these obligations at December 31, 2025 to be $4,544 (2024 - $3,902). Management has estimated the present value of this obligation at December 31, 2025 to be $3,671 (2024 - $3,058) using an inflation rate of 2.65% (2024 - 2.55%) and pre-tax weighted average risk-free interest rate of 2.55% to 3.24% (2024 - 2.92% to 3.12%) dependent upon length of the lease term, which reflects current market assessments of the time value of money. These obligations are expected to be incurred over an estimated period from 2028 to 2059.

As at December 31, 2025, if actual costs were to differ by 10% from management's estimate the obligation would be an estimated $404 (2024 - $351) higher or lower. It is possible the estimated costs could change and changes to these estimates could have a significant effect on the Corporation's Consolidated Financial Statements.

The Corporation recorded the following provision activity during the year:

($ Thousands of CDN dollars)	Asset Retirement Obligations	Restructuring Costs	Total
FOR YEAR ENDED, DECEMBER 31, 2024			
Balance, beginning of year	2,964	206	3,170
Charges against provisions	56	-	56
Adjustments	8	250	258
Changes due to movement in exchange rates	30	-	30
Balance, end of year	3,058	456	3,514
Current portion	-	456	456
Non-current portion	3,058	-	3,058
FOR YEAR ENDED, DECEMBER 31, 2025			
Balance, beginning of year	3,058	456	3,514
Acquisition of businesses (note 27)	466	-	466
Charges against provisions	138	-	138
Adjustments	2	(89)	(87)
Changes due to movement in exchange rates	7	-	7
Balance, end of year	3,671	367	4,038
Current portion	-	367	367
Non-current portion	3,671	-	3,671

11. LONG-TERM DEBT

($ Thousands of CDN dollars)	Revolving Credit Facility[1,3,4]	Term Loan[2,3,4]	Total
At January 1, 2024	70,247	-	70,247
Net proceeds from debt	53,531	-	53,531
Closing balance at December 31, 2024	123,778	-	123,778
At January 1, 2025	123,778	-	123,778
Net proceeds from term loan	-	134,300	134,300
Net repayments of debt	(16,479)	(3,358)	(19,837)
Fees paid related to term loan	-	(789)	(789)
Amortization of term loan fees	-	99	99
Closing balance at December 31, 2025	107,299	130,252	237,551
Current portion of long-term debt	-	8,394	8,394
Non-current portion of long-term debt	107,299	121,858	229,157
Closing balance at December 31, 2025	107,299	130,252	237,551

1 The revolving credit facility is collateralized by a general security agreement, bears interest at prime or the applicable banker's acceptance rate, plus an interest margin dependent on certain financial ratios, with a monthly repayment of interest only, maturing on June 10, 2029.

2 The term loan is collateralized by a general security agreement, bears interest at prime or the applicable banker's acceptance rate, plus an interest margin dependent on certain financial ratios, with quarterly principal repayments, maturing on June 10, 2029. The original principal amount of the term loan is required to be repaid in quarterly installments commencing September 30, 2025. The principal repayment amounts per year are equal to: Year 1: 5.00%, Year 2: 7.50%, Year 3: 7.50%, Year 4: 10.00%.

3 The additional interest margin can range between 0.0% 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 December 31, 2025 the combined interest rate was 5.70% (December 31, 2024 – 6.20%).

4 The term loan had drawdowns of $134,300 and a principal repayment of $3,358, as well as term loan fees of $789, of which $99 were amortized. The revolving credit facility had repayments of $16,000 and net outflows of $479 as a result of operating activities for the year ended December 31, 2025. (For the year ended December 31, 2024, the revolving credit facility had drawdowns of $66,694, repayments of $12,500 and net outflows of $663.)



On June 11, 2025, the Corporation amended its existing three-year committed Syndicated Credit Facility Agreement to include a $134,300 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 $50,000 from $75,000.

On March 26, 2024, the Corporation entered into a three-year committed Syndicated Credit Facility Agreement from March 26, 2024 to March 25, 2027. The agreement consists of a $175,000 revolving credit facility plus a $75,000 accordion.

Under the credit facility, the Corporation is required, among other conditions, to respect certain covenants on a consolidated basis. The main covenants are in regard to its Funded Debt to Credit Facility EBITDA ratio and Total Fixed Charge Coverage ratio. Management reviews compliance with these covenants on a quarterly basis in conjunction with filing requirements under its credit facility. All covenants have been met as at December 31, 2025 and December 31, 2024.

The Corporation has a syndicated credit facility of up to $309,300 plus a $50,000 accordion comprised of a revolving credit facility and a 4-year amortizing term loan, of which $243,269 is utilized (including letters of credit totaling $5,028) as at December 31, 2025. 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.

Drawings under the revolving credit facility are available by way of Bankers' Acceptances, Canadian prime rate loans, SOFR and CORRA pounds based loans, letters of credit or standby letters of guarantee. Drawings under the revolving credit facility bear interest at a floating rate, plus an applicable margin based on certain financial performance ratios.

A general security agreement over all assets, a mortgage against all leasehold interests and real property, insurance policies and an assignment of material agreements have been pledged as collateral.

The carrying value of borrowings approximate their fair value as the debt is based on a floating rate and the impact of discounting is not significant.

The Corporation has incurred no events of default under the terms of its credit facility agreement.

12. FINANCE EXPENSE

($ Thousands of CDN dollars)	2025	2024
Interest on long-term debt	12,687	8,603
Lease interest expense	3,719	2,440
Accretion expense	138	56
Other charges, net	1	203
	16,545	11,302

13. LEASES

a) Amounts Recognized in Statement of Financial Position

Within property, plant and equipment (Note 7) in the Statement of Financial Position, the following amounts related to right of use assets, lease liabilities have been separately presented:

($ Thousands of CDN dollars, except share and per share amounts)	December 31, 2025	December 31, 2024
Right-of-use assets		
Buildings	52,497	36,282
Equipment	28,111	11,605
	80,608	**47,887**
Lease liabilities		
Buildings	53,730	42,953
Equipment	29,093	12,184
Total lease liabilities	**82,823**	**55,137**
Less, current portion of lease liabilities	(18,669)	(12,237)
Long term lease liabilities	**64,154**	**42,900**
Additions to the right-of-use assets during the financial year		
Acquisition of businesses (note 27)	32,556	57
Buildings	87	5,701
Equipment	16,389	6,366
	49,032	**12,124**

b) Amounts Recognized in the Statement of Earnings

The statement of earnings reflects the following amounts relating to leases:

($ Thousands of CDN dollars, except share and per share amounts)	December 31, 2025	December 31, 2024
Depreciation charge of right-of-use assets		
Buildings	8,221	6,143
Equipment	7,169	4,558
	15,390	**10,701**
Interest expense (included in finance expense)	3,719	2,440
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	26	11
The total cash outflow for leases	**19,467**	**13,099**

c) Reconciliation of Expected Lease Liabilities

($ Thousands of CDN dollars, except share and per share amounts)	December 31, 2025	December 31, 2024
Lease liabilities		
Balance at January 1,	55,137	53,298
Right-of-use asset additions[1]	44,368	12,124
Right-of-use asset disposals	(1,095)	(574)
Interest expense	3,719	2,440
Cash payment of lease payments	(19,441)	(13,088)
Effect of movement in exchange rates	135	937
Total lease liabilities	**82,823**	**55,137**

1 Lease liabilities include right of use asset additions from the acquisition of business of $27,892 (2024 - $57).

14. INCOME TAXES

A reconciliation of the expected income tax expense to the actual income tax expense is as follows:

($ Thousands of CDN dollars, except share and per share amounts)	2025	2024
Current tax:		
Current tax expense on profits for the year	5,059	3,762
Total current tax expense	**5,059**	**3,762**
Deferred tax:		
Origination and reversal of temporary differences	1,758	1,527
Impact of substantively enacted rates and other	(155)	42
Total deferred tax expense	**1,603**	**1,569**

The tax on the Corporation's earnings differs from the theoretical amount that would arise using the weighted average tax rate applicable to earnings of the consolidated entities as follows:

($ Thousands of CDN dollars, except share and per share amounts)	2025	2024
Net earnings before income taxes	**24,652**	**24,039**
Canadian statutory tax rate	25.54%	25.52%
Tax expense on net earnings at Canadian statutory tax rate	6,296	6,135
Effects of:		
Non-taxable items	(1,533)	(769)
Difference between Canadian and foreign tax rates	(11)	(476)
Impact of substantively enacted rates and other	1,910	441
Income tax expense	**6,662**	**5,331**

The analysis of the deferred tax assets and deferred tax liabilities is as follows:

($ Thousands of CDN dollars, except share and per share amounts)	2025	2024
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	(33,159)	(17,753)
	(33,159)	**(17,753)**
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	56,408	32,395
Deferred tax liability to be recovered within 12 months	6,405	6,040
	62,813	**38,435**
Deferred tax liabilities, net	**29,654**	**20,682**

The movement of deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdictions, is as follows:

($ Thousands of CDN dollars, except share and per share amounts)	Lease Liabilities	Provisions	Offering Costs & Other	Total
Deferred tax assets:				
At January 1, 2024	(13,513)	(647)	(1,436)	(15,596)
Acquisition of businesses (note 27)	-	-	(1,591)	(1,591)
Charged (credited) to the statement of earnings	(254)	(24)	115	(163)
Related to movements in exchange rates	(230)	-	(173)	(403)
At December 31, 2024	**(13,997)**	**(671)**	**(3,085)**	**(17,753)**
Acquisition of businesses (note 27)	-	-	(4,691)	(4,691)
(Credited) charged to the statement of earnings	(6,800)	(44)	(2,478)	(9,322)
Charged (credited) to the statement of changes in equity	-	-	(1,227)	(1,227)
Related to movements in exchange rates	(120)	-	(46)	(166)
At December 31, 2025	**(20,917)**	**(715)**	**(11,527)**	**(33,159)**

($ Thousands of CDN dollars, except share and per share amounts)	Linen in Service	Property, Plant & Equipment	Intangible Assets & Goodwill	LTIP & Other	Total
Deferred tax liabilities:					
At January 1, 2024	5,792	25,471	2,279	341	33,883
Acquisition of businesses (note 27)	51	1,959	444	(20)	2,434
Charged (credited) to the statement of earnings	189	1,657	(124)	10	1,732
Related to movements in exchange rates	-	291	75	20	386
At December 31, 2024	**6,032**	**29,378**	**2,674**	**351**	**38,435**
Acquisition of businesses (note 27)	-	2,220	11,106	-	13,326
Charged (credited) to the statement of earnings	373	10,742	(245)	55	10,925
Related to movements in exchange rates	-	186	(59)	-	127
At December 31, 2025	**6,405**	**42,526**	**13,476**	**406**	**62,813**

The Corporation has $10,527 (2024 – $1,936) of UK trading loss carry-forwards, the benefit of which has been reflected in these financial statements. For tax purposes, these losses are deductible against future UK profits. These losses do not expire.

The Corporation has accrued a tax liability of $1,325 related to a transaction that pre-dates the acquisition of Stellar Mayan related to the deductibility of interest charges. The Corporation is also exploring potential recovery of the provision through their rep and warranty insurance that was acquired as part of the Stellar Mayan, however a contingent asset has not been recognized as a receivable at December 31, 2025, as receipt of the amount is dependent on the outcome of the insurance claim.

15. CONTINGENCIES & COMMITMENTS

a) Contingencies

Contingent Liabilities

The Corporation has standby letters of credit issued as part of normal business operations in the amount of $5,028 (2024 – $5,022) which will remain outstanding for an indefinite period of time.

Grievances for unspecified damages were lodged against the Corporation in relation to labor matters. The Corporation has disclaimed liability and is defending the actions. It is not practical to estimate the potential effect of these grievances, but legal advice indicates that it is not probable that a significant liability will arise.

Contingent Assets

For the year ended December 31, 2025, the amount held in escrow at closing as part of the Shortridge Share Purchase Agreement is currently under dispute. 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 December 31, 2025, as receipt of the escrow amount is dependent on the outcome of the negotiation process and may require settlement through court.

b) Commitments

Utility Commitments

The Corporation was committed to estimated natural gas and electricity commitments for the next five calendar years and thereafter as follows:

Utility commitments *($ Thousands of CDN dollars)*

2026	16,198
2027	2,122
2028	2,122
2029	1,720
2030	165
Subsequent	-
	22,327

Linen Purchase Commitments

At December 31, 2025, the Corporation was committed to linen expenditure obligations in the amount of $21,397 (2024 – $8,111) to be incurred within the next year.

Property, Plant & Equipment Commitments

At December 31, 2025, the Corporation was committed to capital expenditure obligations in the amount of $6,862 (2024 – $4,426) to be incurred within the next year.

Trust Funds on Deposit

Corporation maintained funds in trust for a customer to facilitate both parties in achieving their shared objectives and these funds were not available for the Corporation's general operating activities. During 2025, the account for funds held in trust was closed and the funds were issued back to the customer. As at December 31, 2025, the Corporation held trust funds on deposit in the amount of $0 (2024 – $1,116).

16. SHARE CAPITAL

a) Authorized

The Corporation is authorized to issue an unlimited number of common shares and such number of shares of one class designated as preferred shares which number shall not exceed 1/3 of the common shares issued and outstanding from time to time.

b) Issued

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 (Note 27) 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 $75,611.

($ Thousands of CDN dollars, except share and per share amounts)	2025	2024
Balance, beginning of year	10,578,364	10,635,473
Common shares issued under LTI	77,653	56,505
Common shares issued under equity offering	2,334,500	-
Common shares repurchased	-	(113,614)
Balance, end of year	**12,990,517**	**10,578,364**
Unvested common shares held in trust for LTI	**89,014**	**77,325**

($ Thousands of CDN dollars, except share and per share amounts)	2025
Gross proceeds from share issuance	80,657
Underwriter fee	(3,460)
Costs associated with share issuance	(1,586)
Net proceed from share issuance	**75,611**
Deferred income tax impact of share issuance	1,227
Total impact to share capital	**76,838**

c) Normal Course Issuer Bid

On May 15, 2023, the Corporation announced its intention to proceed with a normal course issuer bid (NCIB) to purchase up to 881,481 of its common shares ("Shares") through the TSX and / or alternative Canadian trading systems, representing approximately 10% of the public float of 8,814,816 shares as at May 9, 2023, during the twelve-month period commencing May 18, 2023 and ending May 17, 2024.

On May 16, 2024, the Corporation announced the renewal of its normal course issuer bid (NCIB) to purchase up to 754,247 of its common shares ("Shares") through the TSX and / or alternative Canadian trading systems, representing approximately 10% of the public float of 7,542,474 shares at May 7, 2024 during the twelve-month period commencing May 21, 2024 and ending May 20, 2025.

For the year ended December 31, 2024, the Corporation repurchased and cancelled 113,614 common shares for $3,950 under the NCIB, net of transaction costs of $1 which were recorded in share capital. The average share price was $34.77, with prices ranging from $31.93 to $36.80.

For the year ended December 31, 2025, the Corporation repurchased and cancelled 0 common shares (2024 - 113,614) for $0 (2024 - $3,950) under the NCIB.

To date, the Corporation has repurchased and cancelled a total of 312,676 common shares for $10,446 under the NCIB.

No financial liability existed as at December 31, 2025 (2024 - $0) relating to automatic share repurchases during the blackout period.

17. EARNINGS PER SHARE

a) Basic

Basic earnings per share is calculated by dividing the net earnings attributable to equity holders of the Corporation by the weighted average number of ordinary shares in issue during the year.

($ Thousands of CDN dollars, except share and per share amounts)	2025	2024
Net earnings	17,990	18,708
Weighted average number of shares outstanding (thousands)	11,825	10,483
Net earnings per share, basic	**1.52**	**1.78**

The basic net earnings per share calculation excludes the unvested Common shares held by the LTIP Account.

b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to assume conversion of all dilutive potential ordinary shares.

($ Thousands of CDN dollars, except share and per share amounts)	2025	2024
Basic weighted average shares for the year	11,824,556	10,483,395
Dilutive effect of LTI shares	82,794	79,126
Diluted weighted average shares for the year	**11,907,350**	**10,562,521**
Net earnings	17,990	18,708
Weighted average number of shares outstanding (thousands)	11,907	10,563
Net earnings per share, diluted	**1.51**	**1.77**

18. LONG-TERM INCENTIVE PLAN

An account was formed to hold equity grants issued under the terms of the LTI on behalf of the participants (the "LTIP Account") and under certain circumstances the Corporation may be the beneficiary of forfeited Common shares held by the LTIP Account. The Corporation has control over the LTIP Account as it is exposed, or has rights, to variable returns and has the ability to affect those returns through its power over the LTIP Account. Therefore, the Corporation has consolidated the LTIP Account. Compensation expense is recorded by the Corporation in the period earned. Dividends paid by the Corporation with respect to unvested Common shares held by the LTIP Account are paid to LTI participants. Unvested Common shares held by the LTIP Account are shown as a reduction of shareholders' equity.

($ Thousands of CDN dollars)	2025 Unvested	2025 Vested	2024 Unvested	2024 Vested
Balance, beginning of year	77,325	768,229	76,900	712,149
Issued during year	53,369	24,284	37,598	18,907
Vested during year	(41,680)	41,680	(37,173)	37,173
Balance, end of year	**89,014**	**834,193**	**77,325**	**768,229**

The cost of the 89,014 (2024 – 77,325) unvested Common shares held by the LTIP Account at December 31, 2025 was $0 (2024 - $0).

19. DIVIDENDS TO SHAREHOLDERS

During the year ended December 31, 2025, the Corporation declared total dividends to shareholders of $14,390 or $1.200 per share (2024 - $12,694 or $1.200 per share).

The Corporation's policy is to pay dividends to Shareholders of its available cash to the maximum extent possible consistent with good business practice considering requirements for capital expenditures, working capital, growth capital and other reserves considered advisable by the Directors of the Corporation. All such dividends are discretionary. Dividends are declared payable each month to the Shareholders on the last business day of each month and are paid by the 15th day of the following month.

20. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	YEARS ENDED, DECEMBER 31,	
($ Thousands of CDN dollars, except share and per share amounts)	2025	2024
Accounts receivable	(2,240)	(1,760)
Linen in service	(7,755)	(319)
Prepaids and other assets	(1,615)	873
Accounts payable and other liabilities[1]	4,624	(731)
Income taxes payable / receivable	(1,088)	(2,469)
	(8,074)	(4,406)

1 Accounts payable and other liabilities, include the net change of accounts payable, accrued liabilities, net change in the current provision (note 10) related to restructure costs for 2025 - ($89) and in 2024 - $250, but exclude the net change in non-cash amounts related to the acquisition of property, plant and equipment that have been committed to and paid for during 2025 $45 and 2024 ($11).

21. FINANCIAL INSTRUMENTS

a) Fair Value

The Corporation's financial instruments at December 31, 2025 and 2024 consist of cash, accounts receivable, accounts payable and accrued liabilities, lease liabilities, dividends payable to shareholders, and long term debt. The carrying value of accounts receivable, accounts payable and accrued liabilities, lease liabilities, and dividends payable to shareholders, approximate fair value due to the immediate or short-term maturity of these financial instruments. The fair value of the Corporation's interest-bearing debt approximates the respective carrying amount due to the floating rate nature of the debt.

b) Financial Risk Management

The Corporation's activities are exposed to a variety of financial risks: price risk, credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Corporation's financial performance. Risk management is carried out by financial management in conjunction with overall corporate governance.

c) Price Risk

Currency Risk

Foreign currency risk arises from the fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar.

The Corporation's operations in Canada are not significantly exposed to foreign currency risk as all revenues are received in Canadian dollars and minimal expenses are incurred in foreign currencies.

The Corporation's operations in the UK transacts in Sterling pounds (£), with minimal revenue and expenses that are incurred in other foreign currencies. The Corporation is sensitive to foreign exchange risk arising from the translation of the financial statements of subsidiaries with a functional currency other than the Canadian dollar impacting other comprehensive income (loss).

For large capital expenditure commitments denominated in a foreign currency, the Corporation will enter into foreign exchange forward contracts if considered prudent to mitigate this risk.

Based on financial instrument balances as at December 31, 2025, a strengthening or weakening of $0.01 of the Canadian dollar to the U.S. dollar with all other variables

held constant could have a favorable or unfavorable impact of approximately $2, respectively, on net earnings.

Based on financial instrument balances as at December 31, 2025, a strengthening or weakening of $0.01 of the Canadian dollar to the Sterling pound (£), with all other variables held constant could have an unfavorable or favorable impact of approximately $124, respectively, on other comprehensive loss.

Interest Rate Risk

The Corporation is subject to interest rate risk as its credit facility bears interest at rates that depend on certain financial ratios of the Corporation and vary in accordance with market interest rates. Based on the credit facility at year end, the sensitivity to a 100 basis point movement in interest rates would result in an impact of $2,376 (2024 - $1,238) to net earnings.

Other Price Risk

The Corporation's exposure to other price risk is limited since there are no significant financial instruments which fluctuate as a result of changes in market prices.

d) Credit Risk

The Corporation has financial assets that are subject to the expected credit loss model. The Corporation's financial assets that are exposed to credit risk consist of cash and accounts receivable. The Corporation, in the normal course of business, is exposed to credit risk from its customers.

Management believes that the risks associated with concentrations of credit risk with respect to accounts receivable are limited due to the generally short payment terms, and the nature of the customers, which are primarily publicly funded health care entities. The credit risk associated with cash is minimized by ensuring these financial assets are held with Canadian chartered banks and Standard Chartered Bank United Kingdom.

Cash

While cash is also subject to the impairment requirements of IFRS 9, there was no identified impairment.

Accounts Receivable

The Corporation applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 60 months before December 31, 2025 or January 1, 2025 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Corporation has identified the GDP and the unemployment rate of the countries in which it provides services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at December 31, 2025 and 2024 was determined as follows for trade receivables:

($ Thousands of CDN dollars, except share and per share amounts)

December 31, 2025	Gross	Allowance	Net
Current	61,763	-	61,763
1 to 60 days	21,109	-	21,109
61 to 90 days	590	-	590
Greater than 90 days	628	214	414
	84,090	**214**	**83,876**

December 31, 2024	Gross	Allowance	Net
Current	40,014	-	40,014
1 to 60 days	11,476	-	11,476
61 to 90 days	3,968	-	3,968
Greater than 90 days	1,216	254	962
	56,674	**254**	**56,420**

While the Corporation evaluates a customer's credit worthiness before credit is extended, provisions for potential credit losses are also maintained. The change in allowance for doubtful accounts was as follows:

($ Thousands of CDN dollars, except share and per share amounts)	YEARS ENDED, DECEMBER 31, 2025	2024
Opening loss allowance at January 1,	254	178
Adjustments made during the year	115	126
Write-offs	(158)	(53)
Effect of movements in exchange rates	3	3
Balance, end of year	**214**	**254**

e) Liquidity Risk

The Corporation's accounts payable, dividend payable and other liabilities are due within one year.

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

($ Thousands of CDN dollars)	Payments Due by Year Total	2026	2027 to 2028	2029 to 2030	Subsequent
Revolving credit facility	107,299	-	-	107,299	-
Interest on long-term debt	43,965	13,305	24,875	5,785	-
Principal on term loan	130,943	8,394	21,824	100,725	-
Lease liabilities	101,898	21,279	36,485	22,454	21,680
Utility commitments	22,327	16,198	4,244	1,885	-
Linen purchase obligations	21,397	21,397	-	-	-
Property, plant and equipment commitments	6,862	6,862	-	-	-

The Corporation has a syndicated credit facility with a maturity date of June 10, 2029 (Note 11). The degree to which the Corporation is leveraged may reduce its ability to obtain additional financing for working capital and to finance investments to maintain and grow the current levels of cash flows from operations. The Corporation may be unable to extend the maturity date of the credit facility.

The Corporation's capital structure includes working capital, a committed revolving credit facility and share capital. The Corporation continuously monitors actual and forecast cash flows and monitors the availability on our committed credit facility to ensure sufficient liquidity is available.

To reduce liquidity risk, management has historically renewed the terms of the credit facility in advance of its maturity dates and the Corporation has maintained financial ratios that management believes are conservative compared to financial covenants applicable to the credit facility. A significant portion of the available facility remains undrawn.

Management measures liquidity risk through comparisons of current financial ratios with financial covenants contained in the credit facility.

22. CAPITAL MANAGEMENT

The Corporation's primary objectives when managing its capital structure are as follows:

- maintain financial flexibility and availability of capital in order to meet financial obligations, provide dividends, execute growth plans, and to continue growth through business acquisitions;
- manage the Corporation's activities in a responsible way in order to provide an adequate return for its shareholders, while taking a conservative approach towards financial leverage and management of financial risk; and
- comply with financial covenants required under the credit facility.

The Corporation pays a dividend which reduces its ability to internally finance growth and expansion. However, the availability of the Corporation's revolving line of credit provides sufficient access to capital to allow K-Bro to take advantage of acquisition opportunities. The merits of the dividend are periodically evaluated by the Board.

The Corporation monitors its capital structure and financing requirements using non-GAAP financial metrics required under its Credit Facility debt covenants, consisting of Funded Debt to Credit Facility EBITDA ratio and Total Fixed Charge Coverage ratio. The Funded Debt, Credit Facility EBITDA, and Total Fixed Charge Coverage are defined under the terms of the Credit Facility (see Note 11) and do not have any standardized meaning prescribed under IFRS Accounting Standards. It is therefore unlikely to be comparable to similar measures presented by other companies. Debt covenant restrictions will vary due to the timing of Material Transactions as defined under the terms of the Credit Facility.

The Corporation's capital structure is comprised of borrowings under its credit facility, shareholders' equity, less cash.

	YEARS ENDED, DECEMBER 31,	
($ Thousands of CDN dollars, except share and per share amounts)	**2025**	**2024**
Long-term debt, including current portion	237,551	123,778
Issued and outstanding letters of credit	5,028	5,022
Shareholders' equity	273,845	189,411
	516,424	**318,211**
Less: Cash	(23,355)	(9,423)
	493,069	**308,788**

The Corporation's financing strategy is to maintain a flexible structure consistent with the objectives stated above, to respond adequately to changes in economic conditions and to allow growth organically and through business acquisitions. In order to maintain and adjust its capital structure, the Corporation may issue new shares in the market, contract bank loans and negotiate new credit facilities.

23. RELATED PARTY TRANSACTIONS

The Corporation transacts with key individuals from management and with the Board who have authority and responsibility to plan, direct and control the activities of the Corporation. The nature of these dealings were in the form of payments for services rendered in their capacity as Directors (retainers and meeting fees, including share-based payments) and as employees of the Corporation (salaries, benefits, short-term bonuses and share-based payments).

Key management personnel are defined as the executive officers of the Corporation including the President and Chief Executive Officer, Senior Vice-President, Chief Financial Officer and one employee acting in the capacity of Managing Director, UK.

During 2025 and 2024, remuneration to directors and key management personnel was as follows:

	YEARS ENDED, DECEMBER 31,	
($ Thousands of CDN dollars)	**2025**	**2024**
Salaries and retainer fees	2,090	1,964
Short-term bonus incentives	2,020	1,180
Post-employment benefits	72	70
Share-based payments	2,072	1,552
	6,254	**4,766**

24. EXPENSES BY NATURE

	YEARS ENDED, DECEMBER 31,	
($ Thousands of CDN dollars)	**2025**	**2024**
Wages and benefits	232,828	168,451
Linen	49,894	36,241
Utilities	32,182	27,878
Delivery	30,583	26,094
Materials and supplies	31,693	20,271
Repairs and maintenance	20,182	15,786
Occupancy costs	10,678	6,564
Transaction costs[1]	7,227	1,330
Other expenses	575	1,974
	415,842	**304,589**

1 Relates to legal, professional and consulting fee expenditures made related to acquisitions.

25. SEGMENTED INFORMATION

The Chief Executive Officer ("CEO") is the Corporation's chief operating decision-maker. The Chief Executive Officer examines the Corporation's performance and allocation of resources both from geographic perspective and service type, and has identified two reportable segments of its business:

1. Canadian segment - provides laundry and linen services to the healthcare and hospitality sectors through eleven sites located in Vancouver, Victoria, Calgary, Edmonton, Regina, Toronto, Montréal, and Québec City. Management has assessed that the services offered and the economic characteristics associated with these sites are similar, and therefore they have been aggregated into one reportable segment which operates exclusively in Canada.

2. UK segment - provides laundry and linen services primarily to the healthcare and hospitality sectors, through fourteen sites which are located in Cupar, Perth, Newcastle, Livingston, Coatbridge, Lillyhall, Dumfries, London, Derby, Dunstable, Sheffield, Slough (2), and St. Helens, in addition to a distribution depot in Manchester. Management has assessed that the services offered and the economic characteristics associated with these sites are similar, and therefore they have been aggregated into one reportable segment which operates exclusively in UK.

The aggregation assessment requires significant judgment by management. Economic indicators used by management to assess the economic characteristics are the gross margin and the growth rate of each segment.

The CEO primarily uses a measure of EBITDA to assess the performance of the operating segments. In addition, the CEO also receives information about the segments' revenue, certain expenses and assets on a monthly basis.

Segment Revenue

The Corporation disaggregates revenue from contracts with customers by geographic location and customer-type for each of our segments, as we believe it best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same manner as in the consolidated statements of earnings & comprehensive income.

In Edmonton and Calgary, the Corporation is the significant supplier of laundry and linen services to the entity which manages all major healthcare facilities in the region and is contractually committed to July 31, 2032. In Vancouver, the major customer is contractually committed to March 1, 2027, and in Saskatchewan the major customer is contractually committed to June 1, 2031. For the year ended December 31, 2025, from these three major customers the Corporation has recorded revenue of $148,630 (2024 – $142,919), representing 29.3% (2024 – 38.3%) of total revenue.

($ Thousands of CDN dollars)	2025		2024	
Healthcare	199,722	39.4%	189,400	50.6%
Hospitality	79,089	15.6%	75,022	20.1%
Canadian division	**278,811**	**55.0%**	**264,422**	**70.7%**
Healthcare	76,762	15.2%	6,359	1.8%
Hospitality	151,203	29.8%	102,828	27.5%
UK division	**227,965**	**45.0%**	**109,187**	**29.3%**
Total segment revenue	**506,776**	**100.0%**	**373,609**	**100.0%**

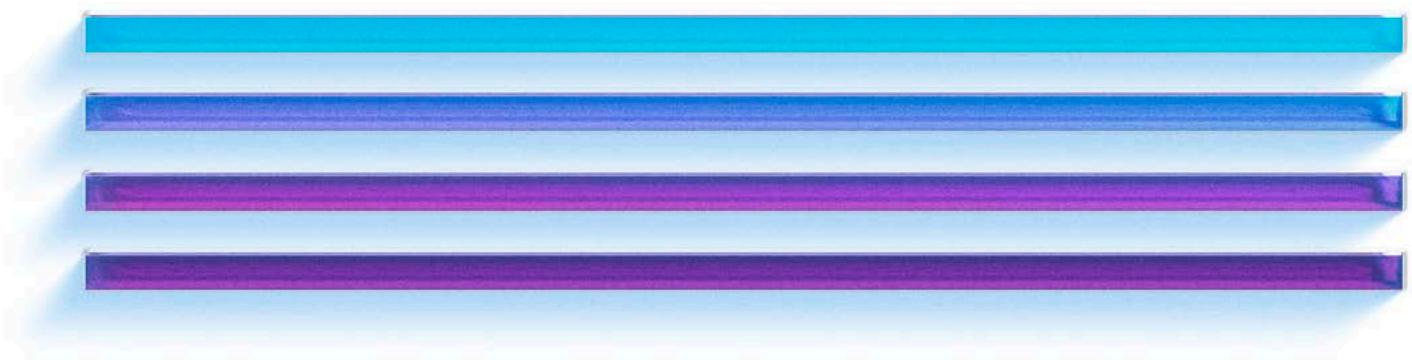
Segment Net Earnings & EBITDA

Segment net earnings and EBITDA are calculated consistent with the presentation in the financial statements. The net earnings and EBITDA is allocated based on the operations of the segment, and where the earnings and costs are generated from.

($ Thousands of CDN dollars, except share and per share amounts)	Canadian Segment	UK Segment	Total
2025			
Net earnings	10,220	7,770	**17,990**
EBITDA	54,616	36,318	**90,934**

	Canadian Segment	UK Segment	Total
2024			
Net earnings	9,493	9,215	**18,708**
EBITDA	47,951	21,069	**69,020**

2025 *($ Thousands of CDN dollars, except share and per share amounts)*	Canadian Segment	UK Segment	Total
Revenue	**278,811**	**227,965**	**506,776**
Expenses			
Wages and benefits	109,421	86,763	196,184
Delivery	31,274	27,013	58,287
Linen	24,592	25,302	49,894
Utilities	14,648	17,534	32,182
Corporate	19,454	7,988	27,442
Materials and supplies	9,845	12,837	22,682
Repairs and maintenance	11,898	8,284	20,182
Occupancy costs	4,619	5,867	10,486
Other (recovery) expense	(1,556)	59	(1,497)
EBITDA	**54,616**	**36,318**	**90,934**
Depreciation of property, plant and equipment (note 7)	23,721	17,809	41,530
Amortization of intangible assets	1,720	6,487	8,207
Finance expense			16,545
Current income tax expense			5,059
Deferred income tax expense			1,603
Net Earnings			17,990



2024 *($ Thousands of CDN dollars, except share and per share amounts)*	Canadian Segment	UK Segment	Total
Revenue	**264,422**	**109,187**	**373,609**
Expenses			
Wages and benefits	106,130	36,062	142,192
Delivery	30,423	14,290	44,713
Linen	23,501	12,740	36,241
Utilities	15,669	12,209	27,878
Corporate	15,919	3,260	19,179
Materials and supplies	9,504	4,295	13,799
Repairs and maintenance	12,515	3,271	15,786
Occupancy costs	4,058	2,314	6,372
Gain on settlement of contingent consideration	(500)	-	(500)
Other expense	(748)	(323)	(1,071)
EBITDA	**47,951**	**21,069**	**69,020**
Depreciation of property, plant and equipment (note 7)	22,809	7,625	30,434
Amortization of intangible assets	1,429	1,816	3,245
Finance expense			11,302
Current income tax expense			3,762
Deferred income tax expense			1,569
Net Earnings			**18,708**

The Canadian segment net earnings includes non-cash employee share based compensation expense of $2,713 (2024 – $1,915).

Segment Assets

Segment assets are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

The Corporation's cash is not considered to be a segment asset but is managed by the treasury function.

($ Thousands of CDN dollars, except share and per share amounts)

At December 31, 2025	Canadian Segment	UK Segment	Total
Total assets	277,326	427,117	**704,443**
Other:			
Cash	(3,715)	(19,640)	**(23,355)**
Total segment assets	**273,611**	**407,477**	**681,088**

At December 31, 2024	Canadian Segment	UK Segment	Total
Total assets	288,773	149,377	**438,150**
Other:			
Cash	(9)	(9,414)	**(9,423)**
Total segment assets	**288,764**	**139,963**	**428,727**

Segment Liabilities

Segment liabilities are measured in the same way as in the financial statements. These liabilities are allocated based on the operations of the segment. The Corporation's borrowings are not considered to be segment liabilities but are managed by the treasury function.

($ Thousands of CDN dollars except share and per share amounts)

At December 31, 2025	Canadian Segment	UK Segment	Total
Total liabilities	327,939	102,659	430,598
Other:			
Debt (note 11)	(237,551)	-	(237,551)
Total segment liabilities	**90,388**	**102,659**	**193,047**

At December 31, 2024	Canadian Segment	UK Segment	Total
Total liabilities	215,486	33,253	248,739
Other:			
Debt (note 11)	(123,778)	-	(123,778)
Total segment liabilities	**91,708**	**33,253**	**124,961**

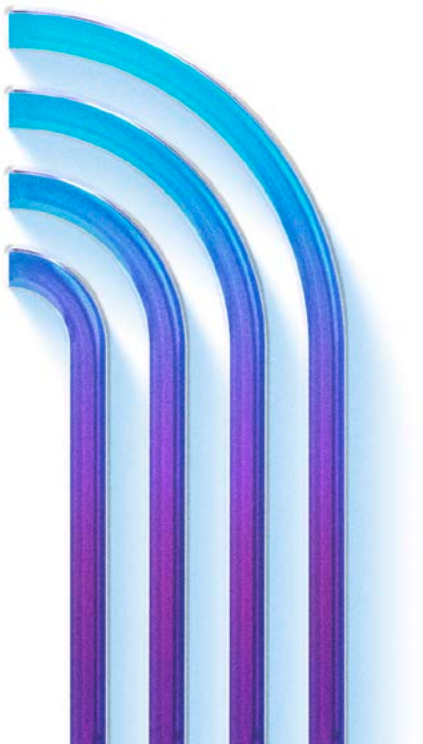
26. IMPAIRMENT OF ASSETS

The Corporation performed its annual impairment assessment for goodwill for the Canadian segment and for the UK segment as at December 31, 2025 and December 31, 2024 in accordance with its policy described in Note 2(k) and Note 2(h). The Corporation also performed impairment indicator assessments where there was no goodwill allocated to the CGU.

For the year ended December 31, 2025, management refined its approach to identifying CGUs for the purposes of goodwill impairment testing. Consistent with the methodology described in Note 5, management has reassessed how individual processing facilities are grouped within the Canadian segment. This reassessment reflects the manner in which operations are reviewed, how decisions are made, and how cash flows are generated and evaluated internally.

As a result of this review, certain facilities which were previously treated as separate CGUs have now been aggregated into regional CGUs to align with management's oversight and decision-making process. The Alberta Region comprises the Edmonton and Calgary facilities; the Vancouver Region comprises the two Vancouver facilities; the Montréal Region comprises the Villeray and C.M. facilities; and the Québec City Region comprises the Buanderie HMR and Paranet facilities. The remaining facilities continue to be treated as separate CGUs due to their distinct operating characteristics and cash flows.

For both periods, the recoverable amount for the CGUs was assessed using an earnings multiple or discounted cash flow approach. The earnings multiple approach was used in the case of CGUs that exhibited stable operations. A discounted cash flow approach was used in the case of CGUs that were exhibiting additional risk factors, which may include being recently acquired, more volatile results, or lower than expected financial performance.



Testing Methodology

The calculation of the recoverable amount was based on the following key assumptions:

Earnings Multiple Approach (Fair Value Less Costs to Dispose, "FVLCD")

For the years ended December 31, 2025 and 2024, the key assumption utilized was the implied multiple. The implied multiple is calculated by utilizing the average multiples of comparable public companies. The Corporation used an implied average forward multiple of 9.2 (2024 – 8.4) to calculate the recoverable amounts. The implied multiple was applied to the trailing twelve month EBITDA to determine the recoverable amount of the CGU and compare it to the carrying value of the CGU.

Discounted Cash Flow (Value-in-use, "VIU")

The key assumptions used in the model reflect past experience and expectations for these CGUs and those with similar characteristics. The terminal value growth rate is based on management's best estimate of the long-term growth rate for its CGUs after the forecast period, considering historic performance and future economic forecasts for the next five years with a terminal value assigned to the fifth year based on the Company's plans to operate the CGUs.

	Testing Methodology December 31, 2025	Pre-tax Discount Rate December 31, 2025	Terminal Value Growth Rate December 31, 2025
Alberta Region	FVLCD	n/a	n/a
Vancouver Region	FVLCD	n/a	n/a
Victoria	FVLCD	n/a	n/a
Montréal Region	VIU	12.4%	3.0%
Québec City Region	FVLCD	n/a	n/a
UK 1	FVLCD	n/a	n/a
UK 2	FVLCD	n/a	n/a
UK 3	FVLCD	n/a	n/a

Conclusion

a) Based on testing performed at December 31, 2025 and December 31, 2024, no impairment was determined to exist.

b) The recoverable amount of each CGU is sensitive to changes in market conditions which could result in material changes. For the year ended December 31, 2025, where discounted cash flow testing was used, the sensitivity of key assumptions to a reasonable change was assessed. The Corporation does not believe there is a reasonable change in the key assumptions that would cause the carrying value of the CGU to exceed its recoverable amount. The table below summarizes the results of the impact on key assumptions to a reasonable change.

	Recoverable Amount December 31, 2025	Change in Pre-tax Discount Rate Increase of 1% December 31, 2025	Change in Terminal Value Growth Rate Decrease of 1% December 31, 2025
Alberta Region	n/a	n/a	n/a
Vancouver Region	n/a	n/a	n/a
Victoria	n/a	n/a	n/a
Montréal Region	$35,423	-$4,270	-$3,440
Québec City Region	n/a	n/a	n/a
UK 1	n/a	n/a	n/a
UK 2	n/a	n/a	n/a
UK 3	n/a	n/a	n/a

27. BUSINESS ACQUISITION

a) Villeray

In the event that a certain EBITDA target was achieved by Villeray for the twelve month period ended October 31, 2024, additional undiscounted consideration ranging from $500 to $1,000 would have been payable in cash during the first quarter of 2025. At the end of September 2024, the former owner-operator of Villeray retired from the business and was replaced by a new Montréal General Manager. Although ongoing employment of the former owner-operator was not a condition required for payment of contingent consideration, amid the leadership transition, the Corporation determined that the target was not achieved. Therefore, no payment will be made.

During the first two quarters of 2024, the estimated fair value of the possible payment was classified as contingent consideration. The fair value of the contingent consideration was estimated by considering the probability-adjusted future expected cash flows in regards to Villeray achieving the target that would result in consideration being paid. The impact of discounting these future cash flows was not considered because the impact would be nominal. Given that the EBITDA target was not achieved for the twelve month period ended October 31, 2024, the contingent consideration amount of $500 was derecognized and a gain on settlement of contingent consideration was been recorded in Consolidated Statement of Earnings and Comprehensive Income for the year ended December 31, 2024.

a) Buanderie C.M.

In the year ended December 31, 2025, the provisional amounts that were previously disclosed in the December 31, 2024 Annual Financial Statements, associated with the 100% share capital acquisition of Buanderie C.M., a private laundry and linen operator located in Montréal serving the healthcare market were finalized. No new information which resulted in adjustments to the fair value of net identifiable assets acquired was obtained during the year ended December 31, 2025.

c) Business Acquisition – Shortridge

In the year ended December 31, 2025, the provisional amounts that were previously disclosed in the December 31, 2024 Annual Financial Statements, associated with the 100% share capital acquisition of Shortridge Ltd, a private hospitality laundry provider based in the North West of England were finalized. No new information which resulted in adjustments to the fair value of net identifiable assets acquired was obtained during the year ended December 31, 2025.

In the year ended December 31, 2025, a contingent asset related to the Shortridge business acquisition has been identified as disclosed in Note 15.

d) Business Acquisition – Stellar Mayan

On May 13, 2025, the Corporation announced the signing of a share purchase agreement to acquire 100% of UK based Stellar Mayan. 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").

On June 11, 2025, the Corporation announced that it completed the previously announced acquisition of Stellar Mayan, a leading commercial laundry business in England serving the healthcare and hospitality markets. The Acquisition is highly complementary to K-Bro's existing UK businesses, Fishers and Shortridge, and creates a national footprint in the UK's commercial laundry and textile rental sector.

The Corporation partially financed the Stellar Mayan Acquisition through the issuance of 2,334,500 common shares (initially issued as subscription receipts) at a price of $34.55 per common share (initially issued as subscription receipts). The remainder of the Acquisition was funded by the Corporation's new $134,300 four-year amortizing term loan. Based on the Corporation's evaluation of the Stellar Mayan Acquisition and the criteria in the identification of a business combination established in IFRS 3, the Stellar Mayan Acquisition has been accounted for using the acquisition method, whereby the purchase consideration is allocated to the fair values of the net assets acquired.

The purchase price allocated to the net assets acquired, based on their estimated fair values, is as follows:

($ Thousands, except percentages)

Cash consideration	194,695
Total purchase price[1]	194,695

1 This is presented net of cash acquired. Cash acquired was $5,156.

The assets and liabilities recognized as a result of the Stellar Mayan Acquisition are as follows:

($ Thousands, except percentages)

Net Assets Acquired:	
Accounts receivable	25,017
Prepaids and other assets	2,259
Linen in service	28,553
Accounts payable and other liabilities	(26,302)
Lease liabilities	(27,892)
Provisions	(466)
Deferred income taxes	(8,635)
Property, plant and equipment[1]	88,966
Intangible assets	45,474
Net identifiable assets acquired	126,974
Goodwill	67,721
Net assets acquired	194,695

1 Includes ROUA from the UK Segment of $32,556.

During the year ended December 31, 2025, the Corporation finalized the provisional purchase price allocation for the Stellar Mayan Acquisition, making certain measurement period adjustments, once the accounting for the business acquisition had been completed. This is summarized as a $1,608 decrease to prepaids and other assets, a $1,609 decrease to accounts payable and other liabilities, a $246 increase to provisions, a $1,897 decrease in property, plant, and equipment, and a $932 increase in intangible assets. As a result, there was a corresponding $303 net decrease in the deferred income tax liability and a $907 increase to goodwill.

The intangible assets acquired are made up of $33,360 related to customer contracts and $12,114 related to the brands. The approach used in the valuation of customer contracts was based on the multi-period excess earnings method, a form of the Income Approach, and the valuation of brands was based on the Income Approach and Relief-from-royalty method both using discounted cash flow models. Management applied significant judgment in estimating the fair values of the intangible assets. Significant assumptions for customer contracts include revenue growth rates, EBITDA margins, economic depreciation, and the discount rate. Significant assumptions for the brand include the discount rate and the royalty rate.

The goodwill is attributable to the workforce, and the efficiencies and synergies created between the existing business of the Corporation and the acquired business. Goodwill will not be deductible for tax purposes.

Acquisition related costs

For the year end December 31, 2025, $7,227 in professional fees associated with the Stellar Mayan Acquisition has been included in Corporate expenses.

Revenue & Profit Information

The acquired business contributed revenues of $99,074 to the Corporation for the period from June 12, 2025 to December 31, 2025. If the Acquisition had occurred on January 1, 2025, consolidated pro-forma revenue for the period ended December 31, 2025 would have been $582,956.

The acquired business contributed a net deficit of ($1,879) to the Corporation for the period from June 12, 2025 to December 31, 2025. If the Acquisition had occurred on January 1, 2025, consolidated pro-forma net earnings for the period ended December 31, 2025 would have been $26,567, including the recognition of a non-recurring tax loss carryforward of $8,133.

28. OTHER RECOVERY

For the year ended December 31, 2025, other recovery was $1,497 as compared to $1,071 for the year ended December 31, 2024.

Other recovery for the year ended December 31, 2025 primarily relates to the gain on sale of assets classified as held for sale from the Canadian Segment as disclosed in Note 7.

Other recovery for the year ended December 31, 2024 primarily relates to a reimbursement from a supplier related to a negotiated contract settlement.

29. SUBSEQUENT EVENTS

a) Dividends

The Corporation's Board of Directors declared an eligible dividend of $0.10 per Common share of the Corporation payable on each of February 13, March 13, and April 15, 2026, to Shareholders of record on January 31, February 28, and March 31, 2026, respectively

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FCA, FCPA, ICD.D.

Matthew Hills, MBA

Steven Matyas, BSC
Compensation
Committee Chair

Linda McCurdy, MBA
President & CEO
K-Bro Linen Systems Inc.

Rona Ambrose

Michael Percy
Board Chair

Executive Officers

Linda McCurdy, MBA
President & CEO

Sean Curtis
Senior VP & COO

Kristie Plaquin, CPA, CA
Chief Financial Officer

Transfer Agent & Registrar
TSX Trust Company
Calgary, Alberta

Auditors
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Coopers LLP
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Legal Counsel
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