



K·BRO

# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Q3, 2025



# Interim Condensed Consolidated Statements of Financial Position

(unaudited, thousands of Canadian dollars)

	September 30, 2025	December 31, 2024
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 26,011	\$ 9,423
Accounts receivable	93,302	56,420
Prepaid expenses and deposits	12,399	7,844
Linen in service	72,884	38,736
	204,596	112,423
Assets classified as held for sale	798	1,107
	205,394	113,530
<b>Property, plant and equipment (note 4)</b>	304,614	224,825
<b>Intangible assets</b>	64,934	24,747
<b>Goodwill</b>	143,614	75,048
	\$ 718,556	\$ 438,150
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 79,015	\$ 42,822
Provisions	456	456
Current portion of long-term debt (note 5)	7,554	-
Lease liabilities	18,806	12,237
Income taxes payable	1,765	1,747
Dividends payable to shareholders	1,300	1,059
	108,896	58,321
<b>Long-term debt (note 5)</b>	238,764	123,778
<b>Lease liabilities</b>	61,532	42,900
<b>Provisions</b>	3,398	3,058
<b>Deferred income taxes</b>	28,166	20,682
	\$ 440,756	\$ 248,739
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b>	283,693	206,010
<b>Share repurchase deficit</b>	(4,356)	(4,356)
<b>Contributed surplus</b>	3,452	2,397
<b>Deficit</b>	(16,900)	(21,507)
<b>Accumulated other comprehensive income</b>	11,911	6,867
	\$ 277,800	\$ 189,411
	\$ 718,556	\$ 438,150

## Contingencies and commitments (note 6)

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

# Interim Condensed Consolidated Statements of Earnings & Comprehensive Income

(unaudited, thousands of Canadian dollars, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
<b>Revenue</b>	\$ 155,948	\$ 104,469	\$ 359,991	\$ 278,163
<b>Expenses</b>				
Wages and benefits	60,645	39,169	137,814	105,916
Delivery	16,877	12,163	41,654	33,046
Linen	15,314	9,977	35,287	26,835
Utilities	9,526	7,360	22,681	20,682
Corporate	5,258	4,161	20,906	14,221
Materials and supplies	7,422	3,626	15,283	10,514
Repairs and maintenance	5,883	3,917	14,742	11,536
Occupancy costs	2,943	1,624	7,284	4,749
Gain on settlement of contingent consideration	-	(500)	-	(500)
Other expense (recovery) (note 4)	46	129	(1,480)	143
	123,914	81,626	294,171	227,142
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>32,034</b>	<b>22,843</b>	<b>65,820</b>	<b>51,021</b>
<b>Other expenses</b>				
Depreciation of property, plant and equipment (note 4)	12,069	7,823	29,182	22,110
Amortization of intangible assets	2,845	1,088	5,409	2,137
Finance expense	5,024	3,322	11,920	8,129
	19,938	12,233	46,511	32,376
<b>Earnings before income taxes</b>	<b>12,096</b>	<b>10,610</b>	<b>19,309</b>	<b>18,645</b>
Current income tax expense	2,957	1,757	4,530	2,819
Deferred income tax expense (recovery)	284	724	(321)	1,356
<b>Income tax expense</b>	<b>3,241</b>	<b>2,481</b>	<b>4,209</b>	<b>4,175</b>
<b>Net earnings</b>	<b>\$ 8,855</b>	<b>\$ 8,129</b>	<b>\$ 15,100</b>	<b>\$ 14,470</b>
<b>Other comprehensive income</b>				
Items that may be subsequently reclassified to earnings:				
Foreign currency translation differences on foreign operations	126	5,156	5,044	7,458
<b>Total comprehensive income</b>	<b>\$ 8,981</b>	<b>\$ 13,285</b>	<b>\$ 20,144</b>	<b>\$ 21,928</b>
<b>Net earnings per share:</b>				
Basic	\$ 0.69	\$ 0.78	\$ 1.32	\$ 1.38
Diluted	\$ 0.68	\$ 0.77	\$ 1.31	\$ 1.37
<b>Weighted average number of shares outstanding:</b>				
Basic	12,859,822	10,446,055	11,470,790	10,523,759
Diluted	12,957,176	10,538,560	11,540,808	10,596,625

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

# Interim Condensed Consolidated Statements of Changes in Equity

(unaudited, thousands of Canadian dollars)

	Total Share Capital	Share repurchase deficit	Contributed surplus	Deficit	Accumulated other comprehensive income	Total equity
<b>As at December 31, 2024</b>	\$ 206,010	\$ (4,356)	\$ 2,397	\$ (21,507)	\$ 6,867	\$ 189,411
Total comprehensive income	-	-	-	15,100	5,044	20,144
Net proceeds from common shares issued (note 14)	76,838	-	-	-	-	76,838
Dividends declared (note 7)	-	-	-	(10,493)	-	(10,493)
Employee share based compensation expense (note 10)	-	-	1,900	-	-	1,900
Shares vested during the period	845	-	(845)	-	-	-
<b>As at September 30, 2025</b>	\$ 283,693	\$ (4,356)	\$ 3,452	\$ (16,900)	\$ 11,911	\$ 277,800

	Total Share Capital	Share repurchase deficit	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total equity
<b>As at December 31, 2023</b>	\$ 206,453	\$ (6,586)	\$ 2,252	\$ (27,521)	\$ (167)	\$ 174,431
Total comprehensive income	-	-	-	14,470	7,458	21,928
Dividends declared (note 7)	-	-	-	(9,520)	-	(9,520)
Employee share based compensation expense (note 10)	-	-	1,497	-	-	1,497
Repurchase of shares (note 14)	(2,213)	(1,737)	-	-	-	(3,950)
Share repurchase liability (note 14)	-	3,967	-	-	-	3,967
Shares vested during the period	614	-	(614)	-	-	-
<b>As at September 30, 2024</b>	\$ 204,854	\$ (4,356)	\$ 3,135	\$ (22,571)	\$ 7,291	\$ 188,353

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

# Interim Condensed Consolidated Statements of Cash Flow

(unaudited, thousands of Canadian dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
<b>OPERATING ACTIVITIES</b>				
<b>Net earnings</b>	\$ 8,855	\$ 8,129	\$ 15,100	\$ 14,470
Depreciation of property, plant and equipment (note 4)	12,069	7,823	29,182	22,110
Amortization of intangible assets	2,845	1,088	5,409	2,137
Accretion (recovery) expense	(3)	(55)	39	24
Employee share based compensation expense	564	443	1,900	1,497
Other expense (recovery) (note 4)	46	129	(1,480)	143
Gain on settlement of contingent consideration	-	(500)	-	(500)
Amortization of term loan fees (note 5)	49	-	49	-
Deferred income tax expense (recovery)	284	724	(321)	1,356
	24,709	17,781	49,878	41,237
Change in non-cash working capital items (note 8)	(4,100)	603	(8,864)	(2,298)
Cash provided by operating activities	20,609	18,384	41,014	38,939
<b>FINANCING ACTIVITIES</b>				
Net proceeds (expenditures) from issuance of common shares (note 14)	(204)	-	75,611	-
Net (repayments) proceeds from revolving debt (note 5)	(5,367)	1,086	(9,341)	65,628
Repayments of term loan (note 5)	(1,679)	-	(1,679)	-
Fees paid relating to term loan (note 5)	-	-	(789)	-
Net proceeds from term loan (note 5)	-	-	134,300	-
Repurchase of shares (note 14)	-	-	-	(3,950)
Principal elements of lease payments	(4,452)	(2,670)	(10,308)	(7,969)
Dividends paid to shareholders	(3,897)	(3,173)	(10,252)	(9,525)
Cash (used in) provided by financing activities	(15,599)	(4,757)	177,542	44,184
<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(4,128)	(2,262)	(9,186)	(13,597)
Proceeds from disposal of property, plant and equipment (note 4)	-	12	1,874	12
Purchase of intangible assets	(37)	(242)	(257)	(386)
Acquisition of businesses, net of cash (notes 11, 12, 13)	-	-	(194,695)	(54,905)
Cash used in investing activities	(4,165)	(2,492)	(202,264)	(68,876)
Change in cash and cash equivalents during the period	845	11,135	16,292	14,247
Effect of exchange rate changes on cash	103	509	296	701
Cash and cash equivalents, beginning of period	25,063	9,161	9,423	5,857
Cash and cash equivalents, end of period	\$ 26,011	\$ 20,805	\$ 26,011	\$ 20,805
<b>Supplementary cash flow information</b>				
Interest paid	\$ 4,935	\$ 3,313	\$ 11,745	\$ 7,966
Income taxes paid	\$ 1,602	\$ 4,286	\$ 4,532	\$ 4,286

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

# Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, thousands of Canadian dollars except share and per share amounts, three and nine months ended September 30, 2025 and 2024)

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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 institutions, 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, Villaray 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: Bermondsey, 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 unaudited Interim Condensed Consolidated Financial Statements were approved and authorized for issuance by the Board of Directors ("the Board") on November 12, 2025.

## 1 Basis of Presentation

These unaudited Interim Condensed Consolidated Financial Statements have been prepared in accordance with IFRS Accounting Standards (as issued by the International Accounting Standards Board) applicable to preparation of interim financial statements under IAS 34, Interim Financial Reporting, and should be read in conjunction with the annual consolidated audited financial statements for the year ended December 31, 2024 which have been prepared in accordance with IFRS Accounting Standards. The

# Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, thousands of Canadian dollars except share and per share amounts, three and nine months ended September 30, 2025 and 2024)

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accounting policies followed in these unaudited Interim Condensed Consolidated Financial Statements are consistent with those of the previous year, except as described below.

## **Recent Developments and Impact on Estimation Uncertainty**

The timely preparation of the consolidated interim 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**

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 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.

## **2 New Accounting Pronouncements Adopted**

The Corporation adopted the following accounting standards and amendments that were effective for our interim and 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.

## **3 New standards and 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.

# Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, thousands of Canadian dollars except share and per share amounts, three and nine months ended September 30, 2025 and 2024)

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

- Amendments to IFRS 7, Classification and Measurement of Financial Instruments, including disclosure requirements relating to contractual financial assets and liabilities referencing a contingent event.
- Amendments to IFRS 9, Classification and Measurement of Financial Instruments, including guidance regarding electronic payments and the timing of derecognition of financial liabilities.
- Introduction of IFRS 18, Presentation and Disclosure in Financial Statements, specifying new presentation requirements for subtotals and totals within the Statement of Profit or Loss and disclosure requirements for management-defined performance measures.

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, but we currently do not expect any material impacts from an operational or cash flow perspective; however, there could be material changes to presentation and disclosure.



# Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, thousands of Canadian dollars except share and per share amounts, three and nine months ended September 30, 2025 and 2024)

## 4 Property, plant and equipment

	Land	Buildings	Laundry Equipment <sup>(1)</sup>	Office Equipment	Delivery Equipment	Computer Equipment	Leasehold Improvements	Spare Parts	Total
<b>Year ended, December 31, 2024</b>									
Opening net book amount	\$ 3,338	\$ 49,649	\$ 114,228	\$ 212	\$ 10,221	\$ 305	\$ 26,752	\$ 2,093	\$ 206,798
Additions <sup>(2)(3)(4)</sup>	\$ -	\$ 5,700	\$ 16,772	\$ 64	\$ 7,080	\$ 772	\$ 399	\$ 104	\$ 30,891
Change in asset retirement obligation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8	\$ -	\$ 8
Acquisition of businesses (notes 11, 12)	\$ 1,216	\$ 5,809	\$ 7,556	\$ 51	\$ 1,377	\$ 32	\$ -	\$ -	\$ 16,041
Disposals	\$ -	\$ -	\$ (249)	\$ -	\$ (560)	\$ -	\$ -	\$ (41)	\$ (850)
Assets classified as held for sale <sup>(5)</sup>	\$ (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
<b>Closing net book amount</b>	<b>\$ 4,574</b>	<b>\$ 54,145</b>	<b>\$ 125,652</b>	<b>\$ 238</b>	<b>\$ 13,692</b>	<b>\$ 673</b>	<b>\$ 23,695</b>	<b>\$ 2,156</b>	<b>\$ 224,825</b>
<b>At December 31, 2024</b>									
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)
<b>Net book amount</b>	<b>\$ 4,574</b>	<b>\$ 54,145</b>	<b>\$ 125,652</b>	<b>\$ 238</b>	<b>\$ 13,692</b>	<b>\$ 673</b>	<b>\$ 23,695</b>	<b>\$ 2,156</b>	<b>\$ 224,825</b>
<b>Period ended, September 30, 2025</b>									
Opening net book amount	\$ 4,574	\$ 54,145	\$ 125,652	\$ 238	\$ 13,692	\$ 673	\$ 23,695	\$ 2,156	\$ 224,825
Additions <sup>(2)(3)(4)</sup>	-	15	8,270	33	7,032	408	49	386	16,193
Change in asset retirement obligation	-	-	-	-	-	-	62	-	62
Acquisition of business (note 13)	-	40,828	41,022	874	7,662	477	-	-	90,863
Disposals	-	-	(51)	-	(11)	-	-	-	(62)
Depreciation charge	-	(7,745)	(12,507)	(324)	(5,490)	(545)	(2,571)	-	(29,182)
Effect of movement in exchange rates	44	486	984	4	388	-	9	-	1,915
<b>Closing net book amount</b>	<b>\$ 4,618</b>	<b>\$ 87,729</b>	<b>\$ 163,370</b>	<b>\$ 825</b>	<b>\$ 23,273</b>	<b>\$ 1,013</b>	<b>\$ 21,244</b>	<b>\$ 2,542</b>	<b>\$ 304,614</b>
<b>At September 30, 2025</b>									
Cost	\$ 4,618	\$ 135,766	\$ 301,516	\$ 2,406	\$ 51,869	\$ 5,664	\$ 61,432	\$ 2,542	\$ 565,813
Accumulated impairment losses	-	(207)	(2,113)	-	(5)	(14)	-	-	(2,339)
Accumulated depreciation	-	(47,830)	(136,033)	(1,581)	(28,591)	(4,637)	(40,188)	-	(258,860)
<b>Net book amount</b>	<b>\$ 4,618</b>	<b>\$ 87,729</b>	<b>\$ 163,370</b>	<b>\$ 825</b>	<b>\$ 23,273</b>	<b>\$ 1,013</b>	<b>\$ 21,244</b>	<b>\$ 2,542</b>	<b>\$ 304,614</b>

- (1) Included in laundry equipment are assets under development in the amount of \$3,043 (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 to be paid, with amounts remaining in accounts payable and accrued liabilities of \$330 (2024 - \$345).
- (3) Additions include amounts from the Canadian Division of \$9,301 (2024 - \$20,042) and from the UK Division of \$6,892 (2024 - \$10,849).
- (4) Includes ROUA additions from the Canadian Division of \$3,962 (2024 - \$7,019), comprised of buildings of \$0 (2024 - \$5,105) and vehicles of \$3,962 (2024 - \$1,914). From the UK Division, ROUA additions were \$3,060 (2024 - \$5,048), comprised of buildings of \$0 (2024 - \$596) and vehicles of \$3,060 (2024 - \$4,452). This has resulted in corresponding increases to the lease liabilities in the amount of \$3,962 (2024 - \$7,019) for the Canadian Division and \$3,060 (2024 - \$5,048) for the UK Division.
- (5) Assets classified as held for sale included an amount from the Canadian Division of \$338. This was comprised of land and a building in Granby, Quebec. 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) expense' line.

# Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, thousands of Canadian dollars except share and per share amounts, three and nine months ended September 30, 2025 and 2024)

## 5 Long-term debt

	Revolving Credit Facility <sup>(1, 3, 4)</sup>	Term Loan <sup>(2, 3, 4)</sup>	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 repayments of debt	\$ (9,341)	\$ (1,679)	\$ (11,020)
Fees paid related to term loan	-	(789)	(789)
Amortization of term loan fees	-	49	49
Net proceeds from term loan	-	134,300	134,300
Closing balance at September 30, 2025	\$ 114,437	\$ 131,881	\$ 246,318
Current portion of long-term debt	-	7,554	7,554
Non-current portion of long-term debt	114,437	124,327	238,764
Closing balance at September 30, 2025	\$ 114,437	\$ 131,881	\$ 246,318

- (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 September 30, 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 \$1,679, as well as term loan fees of \$789, of which \$49 were amortized. The revolving credit facility had repayments of \$9,000 and net outflows of \$341 as a result of operating activities for the nine months ended September 30, 2025. (For the nine months ended September 30, 2024, the revolving credit facility had drawdowns of \$66,694, repayments of \$0 and net inflows of \$1,066.)

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 September 30, 2025 and December 31, 2024.

# Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, thousands of Canadian dollars except share and per share amounts, three and nine months ended September 30, 2025 and 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 \$255,565 is utilized (including letters of credit totaling \$8,507) as at September 30, 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.

## 6 Contingencies and commitments

### a) Contingencies

The Corporation has standby letters of credit issued as part of normal business operations in the amount of \$8,507 (December 31, 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 labour 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.

### b) Commitments and contractual obligations

#### (i) Utility commitments

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

Remainder of 2025	\$	5,159
2026		12,702
2027		2,122
2028		2,122
2029		1,720
Subsequent		164
	\$	23,989

#### (ii) Linen purchase commitments

At September 30, 2025, the Corporation was committed to linen expenditure obligations in the amount of \$7,787 (December 31, 2024 – \$8,111) to be incurred within the next year.

# Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, thousands of Canadian dollars except share and per share amounts, three and nine months ended September 30, 2025 and 2024)

## (iii) Property, plant and equipment commitments

At September 30, 2025, the Corporation was committed to capital expenditure obligations in the amount of \$2,241 (December 31, 2024 – \$4,426) to be incurred within the next year.

## (iv) Trust funds on deposit

The 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. In Q2 2025, the account for funds held in trust was closed and funds were issued back to the customer. As at September 30, 2025, the Corporation held trust funds on deposit in the amount of \$0 (December 31, 2024 – \$1,116).

## 7 Dividends to shareholders

During the three months ended September 30, 2025, the Corporation declared total dividends to shareholders of \$3,897 or \$0.300 per share (September 30, 2024 - \$3,174 or \$0.300 per share). During the nine months ended September 30, 2025, the Corporation declared total dividends to shareholders of \$10,493 or \$0.900 per share (September 30, 2024 - \$9,520 or \$0.900 per share).

## 8 Net change in non-cash working capital items

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Accounts receivable	\$ (7,364)	\$ 4,926	\$ (11,077)	\$ (231)
Linen in service	(1,769)	(45)	(4,864)	(1,728)
Prepaid expenses and deposits	1,089	718	(459)	1,667
Accounts payable and other liabilities <sup>(1)</sup>	2,607	(2,446)	7,558	444
Income taxes payable / receivable	1,337	(2,550)	(22)	(2,450)
	<b>\$ (4,100)</b>	<b>\$ 603</b>	<b>\$ (8,864)</b>	<b>\$ (2,298)</b>

1) Accounts payable and other liabilities, include the net change of accounts payable, accrued liabilities, and current provision, but exclude the net change in non-cash amounts related to the acquisition of property, plant and equipment that have been committed to and accrued (paid) for in 2025 of (\$15) and 2024 of (\$11).

## 9 Financial instruments

The Corporation's financial instruments at September 30, 2025 and December 31, 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.

### Credit Risk

As per the Corporation's existing policy for accounts receivable as disclosed in the Corporation's annual Consolidated Financial Statements for the year ended December 31, 2024, the Corporation applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

# Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, thousands of Canadian dollars except share and per share amounts, three and nine months ended September 30, 2025 and 2024)

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To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due, and with an expected loss rate applied. The historical loss rates are adjusted to reflect current and forward-looking information based on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at September 30, 2025 was reviewed by management and adjusted for accordingly based off adjusted historical loss rates, in addition to considering the impact of rising interest rates and the incremental risk to the hospitality industry. Given the current economic environment, management has taken extra steps to mitigate the additional credit risk with a detailed review of amounts that are not current. This includes detailed assessments of the recoverability of accounts receivable balances of each customer taking into account historic collection trends, the contractual relationship with the customer and the nature of the customer.

## 10 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 division - provides laundry and linen services to the healthcare and hospitality sectors through eleven operating divisions 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 divisions are similar, and therefore they have been aggregated into one reportable segment which operates exclusively in Canada.
2. UK division - provides laundry and linen services to the healthcare and hospitality sectors, with other sectors including healthcare, manufacturing and pharmaceutical, through 14 sites which are located in Cupar, Perth, Newcastle, Livingston, Coatbridge, Lillyhall, Dumfries, Bermondsey, Derby, Dunstable, Sheffield, Slough (2), and St. Helens.

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 division.

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 and assets on a monthly basis.

### a) 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 a major customer is contractually committed to March 1,

# Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, thousands of Canadian dollars except share and per share amounts, three and nine months ended September 30, 2025 and 2024)

2027, and in Saskatchewan the major customer is contractually committed to June 1, 2031. For the nine months ended September 30, 2025, from these major customers the Corporation has recorded revenue of \$110,612 (2024 – \$106,261), representing 30.7% (2024 – 38.2%) of total revenue.

	Nine Months Ended September 30, 2025		Nine Months Ended September 30, 2024	
Healthcare	\$	148,213	41.0%	\$ 140,040 50.2%
Hospitality		60,473	16.8%	56,939 20.5%
<b>Canadian division</b>	<b>\$</b>	<b>208,686</b>	<b>57.8%</b>	<b>\$ 196,979 70.7%</b>
Healthcare	\$	42,682	12.0%	\$ 4,801 1.8%
Hospitality		108,623	30.2%	\$ 76,383 27.5%
<b>UK division</b>	<b>\$</b>	<b>151,305</b>	<b>42.2%</b>	<b>\$ 81,184 29.3%</b>
<b>Total segment revenue</b>	<b>\$</b>	<b>359,991</b>	<b>100.0%</b>	<b>\$ 278,163 100.0%</b>

## b) Segment net earnings and 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.

Nine Months Ended September 30, 2025	Canadian division	UK division	Total
Net earnings	\$ 7,568	\$ 7,532	\$ 15,100
EBITDA	\$ 40,707	\$ 25,113	\$ 65,820

Nine Months Ended September 30, 2024	Canadian division	UK division	Total
Net earnings	\$ 7,113	\$ 7,357	\$ 14,470
EBITDA	\$ 35,247	\$ 15,774	\$ 51,021

# Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, thousands of Canadian dollars except share and per share amounts, three and nine months ended September 30, 2025 and 2024)

<b>Nine Months Ended September 30, 2025</b>	<b>Canadian division</b>	<b>UK division</b>	<b>Total</b>
Revenue	\$ 208,686	\$ 151,305	\$ 359,991
Expenses			
Wages and benefits	82,038	55,776	137,814
Delivery	23,294	18,360	41,654
Linen	18,371	16,916	35,287
Utilities	11,157	11,524	22,681
Corporate	14,854	6,052	20,906
Materials and supplies	7,372	7,911	15,283
Repairs and maintenance	9,015	5,727	14,742
Occupancy costs	3,415	3,869	7,284
Other (recovery) expense	(1,537)	57	(1,480)
<b>EBITDA</b>	<b>40,707</b>	<b>25,113</b>	<b>65,820</b>
Depreciation of property, plant and equipment (note 4)	17,737	11,445	29,182
Amortization of intangible assets	1,285	4,124	5,409
Finance expense			11,920
Current income tax expense			4,530
Deferred income tax recovery			(321)
<b>Net Earnings</b>			<b>15,100</b>

  

<b>Nine Months Ended September 30, 2024</b>	<b>Canadian division</b>	<b>UK division</b>	<b>Total</b>
Revenue	\$ 196,979	\$ 81,184	\$ 278,163
Expenses			
Wages and benefits	79,321	26,595	105,916
Delivery	22,657	10,389	33,046
Linen	17,380	9,455	26,835
Utilities	11,651	9,031	20,682
Corporate	11,723	2,498	14,221
Materials and supplies	7,170	3,344	10,514
Repairs and maintenance	9,120	2,416	11,536
Occupancy costs	3,076	1,673	4,749
Gain on settlement of contingent consideration	(500)	-	(500)
Other expense	134	9	143
<b>EBITDA</b>	<b>35,247</b>	<b>15,774</b>	<b>51,021</b>
Depreciation of property, plant and equipment (note 4)	16,790	5,320	22,110
Amortization of intangible assets	1,010	1,127	2,137
Finance expense			8,129
Current income tax expense			2,819
Deferred income tax expense			1,356
<b>Net Earnings</b>			<b>14,470</b>

The Canadian division net earnings includes non-cash employee share based compensation expense of \$1,900 (2024 - \$1,497).

## c) 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.

# Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, thousands of Canadian dollars except share and per share amounts, three and nine months ended September 30, 2025 and 2024)

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

<b>At September 30, 2025</b>	<b>Canadian division</b>	<b>UK division</b>	<b>Total</b>
Total assets	\$ 285,819	\$ 432,737	\$ 718,556
Other:			
Cash	(3,154)	(22,857)	(26,011)
<b>Total segment assets</b>	<b>\$ 282,665</b>	<b>\$ 409,880</b>	<b>\$ 692,545</b>

<b>At December 31, 2024</b>	<b>Canadian division</b>	<b>UK division</b>	<b>Total</b>
Total assets	\$ 288,773	\$ 149,377	\$ 438,150
Other:			
Cash	(9)	(9,414)	(9,423)
<b>Total segment assets</b>	<b>\$ 288,764</b>	<b>\$ 139,963</b>	<b>\$ 428,727</b>



# Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, thousands of Canadian dollars except share and per share amounts, three and nine months ended September 30, 2025 and 2024)

## d) 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.

<b>At September 30, 2025</b>	<b>Canadian division</b>	<b>UK division</b>	<b>Total</b>
Total liabilities	\$ 338,866	\$ 101,890	\$ 440,756
Other:			
Debt (note 5)	(246,318)	-	(246,318)
<b>Total segment liabilities</b>	<b>\$ 92,548</b>	<b>\$ 101,890</b>	<b>\$ 194,438</b>

<b>At December 31, 2024</b>	<b>Canadian division</b>	<b>UK division</b>	<b>Total</b>
Total liabilities	\$ 215,486	\$ 33,253	\$ 248,739
Other:			
Debt (note 5)	(123,778)	-	(123,778)
<b>Total segment liabilities</b>	<b>\$ 91,708</b>	<b>\$ 33,253</b>	<b>\$ 124,961</b>

# Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, thousands of Canadian dollars except share and per share amounts, three and nine months ended September 30, 2025 and 2024)

## 11 Business Acquisition – Shortridge

In the nine months ended September 30, 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 quarter ended September 30, 2025.

## 12 Business Acquisition – Buanderie C.M.

In the nine months ended September 30, 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 Montreal 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 quarter ended September 30, 2025.

## 13 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.

At the time the financial statements were authorized for issue, and due to the timing of the Acquisition, the Corporation has not yet completed the accounting for the Stellar Mayan Acquisition. This includes the accounting for the amounts attributable to property, plant and equipment, intangible assets and the associated goodwill.

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

Cash consideration	\$	194,695
Total purchase price <sup>(1)</sup>	\$	194,695

<sup>1)</sup> This is presented net of cash acquired. Cash acquired was \$5,156.

# Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, thousands of Canadian dollars except share and per share amounts, three and nine months ended September 30, 2025 and 2024)

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

Net Assets Acquired:	
Accounts receivable	25,017
Prepaid expenses and deposits	3,867
Linen in service	28,553
Accounts payable and accrued liabilities	(27,911)
Lease liabilities	(27,892)
Provisions	(220)
Deferred income taxes	(8,938)
Property, plant and equipment <sup>(1)</sup>	90,863
Intangible assets	44,542
Net identifiable assets acquired	127,881
Goodwill	66,814
Net assets acquired	\$ 194,695

1) Includes ROUA from the UK Division of \$32,556.

The provisional intangible assets acquired are made up of \$33,173 related to customer contracts and \$11,369 related to the brands. 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.

## a) Acquisition related costs

For the nine months ended September 30, 2025, \$7,334 in professional fees associated with the Stellar Mayan Acquisition has been included in Corporate expenses.

## b) Revenue and profit information

The acquired business contributed revenues of \$53,867 to the Corporation for the period from June 12, 2025 to September 30, 2025. If the Acquisition had occurred on January 1, 2025, consolidated pro-forma revenue for the period ended September 30, 2025 would have been \$436,171.

The acquired business contributed a net deficit of (\$605) to the Corporation for the period from June 12, 2025 to September 30, 2025. If the Acquisition had occurred on January 1, 2025, consolidated pro-forma net earnings for the period ended September 30, 2025 would have been \$23,677, including the recognition of a non-recurring tax loss carryforward of \$8,133.

## 14 Share capital

### a) 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.

# Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, thousands of Canadian dollars except share and per share amounts, three and nine months ended September 30, 2025 and 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 nine months ended September 30, 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 September 30, 2025 relating to automatic share repurchases during the blackout period.

## 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 13) 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.

	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)
As at September 30, 2025	12,990,517	10,578,364
Unvested common shares held in trust for LTI	130,694	114,497

	2025
Gross proceeds from share issuance	\$ 80,657
Underwriter fee	(3,460)
Costs associated with share issuance	(1,586)
Net proceeds from share issuance	75,611
Deferred income tax impact of share issuance	1,227
<b>Total impact to share capital</b>	<b>\$ 76,838</b>

# Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, thousands of Canadian dollars except share and per share amounts, three and nine months ended September 30, 2025 and 2024)

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## 15 Subsequent events

### a) Dividends

On October 15, 2025, the Board declared an eligible dividend of \$0.1000 per common share of the Corporation payable on November 14, 2025 to shareholders of record on October 31, 2025.

On November 12, 2025, the Board declared an eligible dividend of \$0.1000 per common share of the Corporation payable on December 15, 2025 to shareholders of record on November 30, 2025.