



K·BRO



MANAGEMENT'S DISCUSSION & ANALYSIS

Q3, 2025



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

The following Management's Discussion and Analysis ("MD&A") is supplemental to, and should be read in conjunction with, the unaudited interim Condensed Consolidated Financial Statements of K-Bro Linen Inc. ("the Corporation") for the nine months ended September 30, 2025 and the audited Consolidated Financial Statements, as well as the MD&A, for the year ended December 31, 2024. The Corporation and its wholly-owned subsidiaries, including K-Bro Linen Systems Inc., Buanderie C.M. Inc, Fishers Topco Ltd., Shortridge Ltd., and Stellar Mayan Ltd. (and its subsidiaries) are collectively referred to as "K-Bro" in this MD&A.

Management is responsible for the information contained in this MD&A and its consistency with information presented to the Audit Committee and Board of Directors. All information in this document has been reviewed and approved by the Audit Committee and Board of Directors. This review was performed by management with information available as of November 12, 2025.

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

This MD&A contains forward-looking information that represents internal expectations, estimates or beliefs concerning, among other things, future activities or future operating results and various components thereof. The use of any of the words "anticipate", "continue", "expect", "may", "will", "project", "should", "believe", and similar expressions suggesting future outcomes or events are intended to identify forward-looking information. Statements regarding such forward-looking information reflect management's current beliefs and are based on information currently available to management.

These statements are not guarantees of future performance and are based on management's estimates and assumptions that are subject to risks and uncertainties, which could cause K-Bro's actual performance and financial results in future periods to differ materially from the forward-looking information contained in this MD&A. These risks and uncertainties include, among other things: (i) risks associated with acquisitions, including (a) the possibility of undisclosed material liabilities, disputes or contingencies, (b) challenges or delays in achieving synergy and integration targets, (c) the diversion of management's time and focus from other business concerns and (d) the use of resources that may be needed in other parts of our business; (ii) K-Bro's competitive environment; (iii) utility costs, minimum wage legislation and labour costs; (iv) K-Bro's dependence on long-term contracts with the associated renewal risk and the risks associated with maintaining short term contracts; (v) increased capital expenditure requirements; (vi) reliance on key personnel; (vii) changing trends in government outsourcing; (viii) changes or proposed changes to minimum wage laws in Ontario, British Columbia, Alberta, Quebec, Saskatchewan and the United Kingdom (the "UK"); (ix) the availability and terms of future financing; (x) textile demand; (xi) availability and access to labour; (xii) rising wage rates in all jurisdictions the Corporation operates and (xiii) 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.

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INTRODUCTION

Core Business

The Corporation is the largest owner and operator of laundry and linen processing facilities in Canada and a national market leader for laundry and textile rental services in the UK. K-Bro and its wholly owned subsidiaries operate across Canada and the UK, providing a range of linen services to healthcare institutions, 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: Bermondsey, Derby, Dunstable, Sheffield, Slough (2), and St. Helens, in addition to a distribution depot in Manchester.

Industry and Market

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

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

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

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

Industry Characteristics and Trends

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

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

Fragmentation – Regional healthcare and hospitality markets remain fragmented within the laundry and linen services industry. Management believes that the presence of these operators provides consolidation opportunities for larger industry participants with the financial means to complete acquisitions. Management evaluates M&A opportunities on an ongoing basis and looks

to leverage the Corporation's strong liquidity position, balance sheet and access to the capital markets to execute on these opportunities as they arise.

Customers and Product Mix

K-Bro's Canadian customers include some of the largest healthcare institutions 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 nationwide hotel chains, airlines, ferries, and private clients.

SELECTED QUARTERLY FINANCIAL INFORMATION

(In reporting currency \$ Canadian)

(thousands, except percentages and per share amounts)	Three Months Ended September 30,									
	Canadian Division		UK Division		Canadian Division		UK Division		Canadian Division	
	2025	2025	2025	2024	2024	2024	2023	2023	2023	2023
Revenue	\$ 72,727	\$ 83,221	\$ 155,948	\$ 69,610	\$ 34,859	\$ 104,469	\$ 63,379	\$ 23,513	\$ 86,892	
EBITDA ⁽¹⁾	16,404	15,630	32,034	14,381	8,462	22,843	12,924	4,769	17,693	
Adjusted EBITDA ⁽²⁾	16,599	16,924	33,523	14,510	8,462	22,972	13,288	4,769	18,057	
Net earnings ⁽³⁾	3,870	4,985	8,855	3,659	4,470	8,129	4,169	2,498	6,667	
Net earnings per share:										
Basic	\$ 0.301	\$ 0.388	\$ 0.689	\$ 0.350	\$ 0.428	\$ 0.778	\$ 0.392	\$ 0.235	\$ 0.627	
Diluted	\$ 0.299	\$ 0.385	\$ 0.684	\$ 0.347	\$ 0.424	\$ 0.771	\$ 0.389	\$ 0.233	\$ 0.622	
Adjusted net earnings ⁽³⁾	4,065	7,975	12,040	3,788	4,470	8,258	4,533	2,498	7,031	
Adjusted net earnings per share: ⁽³⁾										
Basic	\$ 0.316	\$ 0.620	\$ 0.936	\$ 0.363	\$ 0.428	\$ 0.791	\$ 0.426	\$ 0.235	\$ 0.660	
Diluted	\$ 0.314	\$ 0.615	\$ 0.929	\$ 0.359	\$ 0.424	\$ 0.783	\$ 0.422	\$ 0.233	\$ 0.655	
Total assets			\$ 718,556			\$ 452,077				\$ 341,662
Debt (excludes lease liabilities) ⁽⁴⁾			246,318			\$ 135,875				55,162
Weighted average number of shares outstanding:										
Basic			12,859,822			10,446,055				10,645,029
Diluted			12,957,176			10,538,560				10,729,425

(thousands, except percentages and per share amounts)	Nine Months Ended September 30,									
	Canadian Division		UK Division		Canadian Division		UK Division		Canadian Division	
	2025	2025	2025	2024	2024	2024	2023	2023	2023	2023
Revenue	\$ 208,686	\$ 151,305	\$ 359,991	\$ 196,979	\$ 81,184	\$ 278,163	\$ 178,039	\$ 60,381	\$ 238,420	
EBITDA ⁽¹⁾	40,707	25,113	65,820	35,247	15,774	51,021	32,987	9,540	42,527	
Adjusted EBITDA ⁽²⁾	43,196	29,047	72,243	38,372	16,282	54,654	33,559	9,540	43,099	
Net earnings	7,568	7,532	15,100	7,113	7,357	14,470	9,243	4,115	13,358	
Net earnings per share:										
Basic	\$ 0.660	\$ 0.656	\$ 1.316	\$ 0.679	\$ 0.703	\$ 1.382	\$ 0.865	\$ 0.385	\$ 1.250	
Diluted	\$ 0.656	\$ 0.652	\$ 1.308	\$ 0.675	\$ 0.698	\$ 1.373	\$ 0.860	\$ 0.383	\$ 1.243	
Adjusted net earnings ⁽³⁾	10,057	13,162	23,219	10,238	7,865	18,103	9,815	4,115	13,930	
Adjusted net earnings per share:										
Basic	\$ 0.877	\$ 1.147	\$ 2.024	\$ 0.978	\$ 0.753	\$ 1.731	\$ 0.920	\$ 0.385	\$ 1.305	
Diluted	\$ 0.870	\$ 1.140	\$ 2.010	\$ 0.970	\$ 0.747	\$ 1.717	\$ 0.914	\$ 0.383	\$ 1.297	
Total assets			\$ 718,556			\$ 452,077				\$ 341,662
Debt (excludes lease liabilities) ⁽⁴⁾			246,318			\$ 135,875				55,162
Weighted average number of shares outstanding:										
Basic			11,470,790			10,523,759				10,689,006
Diluted			11,540,808			10,596,625				10,750,178

(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.

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 2024, which is not incorporated by reference herein.

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

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

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

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

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

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

SUMMARY OF INTERIM RESULTS AND KEY EVENTS

Net earnings for the third quarter of 2025 were \$8.9 million or \$0.69 per Common Share (basic) and Adjusted Net earnings⁽¹⁾ were \$12.0 million or \$0.94 per Common Share (basic). Cash flow from operating activities was \$20.6 million and distributable cash flow⁽²⁾ was \$19.6 million. Consolidated revenue for the third quarter of 2025 increased to \$155.9 million or by 49.3% compared to 2024, primarily related to the acquisition of Stellar Mayan in June 2025.

Adjusted EBITDA⁽¹⁾ (see “Terminology”) increased in the third quarter of 2025 to \$33.5 million or by 45.9% compared to \$23.0 million in 2024. On a consolidated basis, Adjusted EBITDA margin⁽¹⁾ decreased to 21.5% in 2025 from 22.0% in 2024. The decrease is due to the combination of the Stellar Mayan margin profile.

EBITDA (see “Terminology”) increased in the third quarter of 2025 to \$32.0 million or by 40.2% compared to \$22.8 million in 2024. On a consolidated basis, EBITDA margin decreased to 20.5% in 2025 from 21.9% in 2024.

For the Canadian division, the Adjusted EBITDA margin in the third quarter increased to 22.8% in 2025 compared to 20.8% 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 22.6% in the third quarter of 2025 from 20.7% in 2024.

For the UK division, the Adjusted EBITDA margin in the third quarter decreased to 20.3% in 2025 compared to 24.3% in 2024. The decrease is due to the combination of the Stellar Mayan margin profile. The EBITDA margin for the UK division decreased to 18.8% in the third quarter of 2025 compared to 24.3% 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) Aeroseve (MSP) Limited and Aeroseve Euro Limited, jointly referred to as Aeroseve 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.

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:

(in thousands)	
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:

(in thousands)	
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 ⁽¹⁾	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 \$33.2 million related to customer relationships and \$11.3 million 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.

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.

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.

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 September 30, 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 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.

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.

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 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 \$10.4 million under the NCIB.

No financial liability existed as at September 30, 2025 relating to automatic share repurchases during the blackout period.

Capital Investment Plan

For fiscal 2025, the Corporation's planned capital spending is expected to be in the range of \$10.0 to \$12.0 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 not reflective of incremental capital required for Stellar Mayan, for which the capital investment is anticipated to be \$9.3 million (\$5.0 million GBP). 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.

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. Prior to the acquisition, Stellar Mayan had experienced both new customer wins and customer losses, which were factored into the negotiation of the final purchase price. The net impact to Stellar Mayan revenue and adjusted EBITDA on a run-rate basis has been consistent with management expectations.

The UK Managing Director oversees K-Bro's UK operations, including the Stellar Mayan business integration plan. The Corporation anticipates business integration will take 12 to 18 months, and a transition team is executing the business integration plan. The transition team is reviewing cost synergies, operational efficiencies and platform optimizations to position the combined UK business for long-term growth. Management anticipates run-rate cost synergies will be realized towards the end of anticipated timelines to achieve.

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 division 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 divisional 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. The Corporation is not currently expecting meaningful impacts on the business, as key customers and suppliers are not US-based.

In 2024, the Corporation modified its definition of Adjusted EBITDA. As K-Bro actively pursues its growth opportunities, the Corporation will continue to incur certain transaction, transition, syndication/structural financing costs. In this context, management believes 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. Adjusting items are detailed in the tables within "Terminology".

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

RESULTS OF OPERATIONS

KEY PERFORMANCE DRIVERS

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

(thousands, except percentages and per share amounts)		Three Months Ended September 30,					
		Canadian Division 2025	UK Division 2025	2025	Canadian Division 2024	UK Division 2024	2024
Growth	EBITDA ⁽¹⁾		14.1%	84.7%	40.2%	11.3%	77.4%
	Adjusted EBITDA ⁽²⁾		14.4%	100.0%	45.9%	9.2%	77.4%
	Revenue		4.5%	138.7%	49.3%	9.8%	48.3%
	Distributable cash flow ⁽³⁾				37.9%		26.4%
Profitability	EBITDA ⁽¹⁾	\$ 16,404	\$ 15,630	\$ 32,034	\$ 14,381	\$ 8,462	\$ 22,843
	EBITDA margin	22.6%	18.8%	20.5%	20.7%	24.3%	21.9%
	Adjusted EBITDA ⁽²⁾	\$ 16,599	\$ 16,924	\$ 33,523	\$ 14,510	\$ 8,462	\$ 22,972
	Adjusted EBITDA margin	22.8%	20.3%	21.5%	20.8%	24.3%	22.0%
	Net earnings	\$ 3,870	\$ 4,985	\$ 8,855	\$ 3,659	\$ 4,470	\$ 8,129
	Adjusted net earnings ⁽⁴⁾	\$ 4,065	\$ 7,975	\$ 12,040	\$ 3,788	\$ 4,470	\$ 8,258
Stability	Debt to total capital ⁽⁵⁾				49.5%		44.8%
	Unutilized line of credit			\$ 53,735		\$ 33,599	
	Cash on hand			\$ 26,011		\$ 20,805	
	Payout ratio ⁽⁶⁾				19.9%		22.3%
	Dividends declared per share			\$ 0.300		\$ 0.300	
Cost containment	Wages and benefits	39.5%	38.4%	38.9%	40.3%	31.9%	37.5%
	Utilities	4.7%	7.3%	6.1%	5.6%	9.9%	7.0%
	Delivery	10.9%	10.7%	10.8%	11.4%	12.1%	11.6%
	Expenses included in EBITDA	77.4%	81.2%	79.5%	79.3%	75.7%	78.1%

(thousands, except percentages and per share amounts)		Nine Months Ended September 30,					
		Canadian Division 2025	UK Division 2025	2025	Canadian Division 2024	UK Division 2024	2024
Growth	EBITDA ⁽¹⁾		15.5%	59.2%	29.0%	6.9%	65.3%
	Adjusted EBITDA ⁽²⁾		12.6%	78.4%	32.2%	14.3%	90.1%
	Revenue		5.9%	86.4%	29.4%	10.6%	34.5%
	Distributable cash flow ⁽³⁾				13.5%		18.6%
Profitability	EBITDA ⁽¹⁾	\$ 40,707	\$ 25,113	\$ 65,820	\$ 35,247	\$ 15,774	\$ 51,021
	EBITDA margin	19.5%	16.6%	18.3%	17.9%	19.4%	18.3%
	Adjusted EBITDA ⁽²⁾	\$ 43,196	\$ 29,047	\$ 72,243	\$ 38,372	\$ 16,282	\$ 54,654
	Adjusted EBITDA margin	20.7%	19.2%	20.1%	19.5%	20.1%	19.6%
	Net earnings	\$ 7,568	\$ 7,532	\$ 15,100	\$ 7,113	\$ 7,357	\$ 14,470
	Adjusted net earnings ⁽⁴⁾	\$ 10,057	\$ 13,162	\$ 23,219	\$ 10,238	\$ 7,865	\$ 18,103
Stability	Debt to total capital ⁽⁵⁾				49.5%		44.8%
	Unutilized line of credit			\$ 53,735		\$ 33,599	
	Cash on hand			\$ 26,011		\$ 20,805	
	Payout ratio ⁽⁶⁾				31.0%		31.9%
	Dividends declared per share			\$ 0.900		\$ 0.900	
Cost containment	Wages and benefits	39.3%	36.9%	38.3%	40.3%	32.8%	38.1%
	Utilities	5.3%	7.6%	6.3%	5.9%	11.1%	7.4%
	Delivery	11.2%	12.1%	11.6%	11.5%	12.8%	11.9%
	Expenses included in EBITDA	80.5%	83.4%	81.7%	82.1%	80.6%	81.7%

1) EBITDA is defined as revenue less operating expenses (which equates to net earnings before income tax, finance expense, and depreciation and amortization). See "Terminology".

2) Adjusted EBITDA is a non-GAAP measure. See "Terminology" for further information on the definition and composition of this measure.

3) Distributable cash flow is a non-GAAP measure. Effective January 1, 2019, distributable cash flow includes the addition of principal elements of lease payments. This accounts for the change in accounting policies and the adoption of IFRS 16, where now the principal elements of lease payments flow through financing outflows opposed to operating cash flows.

4) Adjusted Net Earnings and Adjusted EPS are non-GAAP measures. See "Terminology" for further information on the definition and composition of these measures.

5) Debt to total capital is defined by management as the total long term debt (excludes lease liabilities) divided by the Corporation's total capital. See "Terminology".

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

Quarterly Financial Information - Consolidated

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

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

Quarterly Financial Information - Consolidated <i>(thousands, except percentages and per share amounts)</i>	2025			2024			2023
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Healthcare revenue	82,399	57,903	50,593	50,918	49,398	47,955	47,488
Hospitality revenue	73,549	55,171	40,376	44,528	55,071	45,512	32,739
Total revenue	155,948	113,074	90,969	95,446	104,469	93,467	80,227
Expenses included in EBITDA	123,914	91,692	78,565	77,447	81,626	76,894	68,622
EBITDA ⁽¹⁾	32,034	21,382	12,404	17,999	22,843	16,573	11,605
EBITDA as a % of revenue (EBITDA margin)	20.5%	18.9%	13.6%	18.9%	21.9%	17.7%	14.5%
Adjusted EBITDA ⁽²⁾	33,523	23,727	14,993	17,405	22,972	18,247	13,435
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	21.5%	21.0%	16.5%	18.2%	22.0%	19.5%	16.7%
Depreciation and amortization	14,914	10,625	9,052	9,432	8,911	8,029	7,307
Finance expense	5,024	4,059	2,837	3,173	3,322	2,884	1,923
Earnings before income taxes	12,096	6,698	515	5,394	10,610	5,660	2,375
Income tax expense (recovery)	3,241	1,279	(311)	1,156	2,481	1,125	569
Net earnings	8,855	5,419	826	4,238	8,129	4,535	1,806
Net earnings as a % of revenue	5.7%	4.8%	0.9%	4.4%	7.8%	4.9%	2.3%
Basic earnings per share	0.689	0.491	0.079	0.401	0.778	0.432	0.172
Diluted earnings per share	0.684	0.489	0.078	0.398	0.771	0.431	0.171
Adjusted net earnings ⁽³⁾	12,040	7,764	3,415	3,644	8,258	6,209	3,636
Adjusted basic earnings per share ⁽³⁾	0.936	0.706	0.325	0.344	0.791	0.594	0.345
Adjusted diluted earnings per share ⁽³⁾	0.929	0.700	0.323	0.340	0.783	0.590	0.343
Total assets	718,556	716,762	438,446	438,150	452,077	444,380	361,859
Total long-term financial liabilities	331,860	339,408	183,784	190,418	203,863	202,050	128,584
Funds provided by operating activities	20,609	3,149	17,256	11,011	18,384	7,863	12,692
Debt (excludes lease liabilities) ⁽⁴⁾	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

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 Division

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

<i>Quarterly Financial Information - Canadian Division</i> <i>(thousands, except percentages and per share amounts)</i>	2025			2024			2023	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Healthcare revenue	49,528	49,670	49,015	49,360	47,662	46,370	46,008	46,952
Hospitality revenue	23,199	19,717	17,557	18,083	21,948	18,299	16,692	16,138
Total revenue	72,727	69,387	66,572	67,443	69,610	64,669	62,700	63,090
Expenses included in EBITDA	56,323	55,105	56,551	54,739	55,229	53,682	52,821	51,378
EBITDA ⁽¹⁾	16,404	14,282	10,021	12,704	14,381	10,987	9,879	11,712
EBITDA as a % of revenue (EBITDA margin)	22.6%	20.6%	15.1%	18.8%	20.7%	17.0%	15.8%	18.6%
Adjusted EBITDA ⁽²⁾	16,599	14,656	11,941	12,110	14,510	12,244	11,618	11,913
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	22.8%	21.1%	17.9%	18.0%	20.8%	18.9%	18.5%	18.9%
Net earnings	3,870	2,852	846	2,380	3,659	1,775	1,679	3,341
Net earnings as a % of revenue	5.3%	4.1%	1.3%	3.5%	5.3%	2.7%	2.7%	5.3%
Basic earnings per share	0.301	0.258	0.081	0.225	0.350	0.169	0.160	0.314
Diluted earnings per share	0.299	0.257	0.080	0.224	0.347	0.169	0.159	0.311
Adjusted net earnings ⁽³⁾	4,065	3,226	2,766	1,786	3,788	3,032	3,418	3,542
Adjusted basic earnings per share ⁽³⁾	0.316	0.294	0.263	0.167	0.363	0.290	0.325	0.337
Adjusted diluted earnings per share ⁽³⁾	0.314	0.291	0.262	0.165	0.359	0.288	0.323	0.335

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 Division

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			2024			2023
	Q3	Q2	Q1	Q4	Q3	Q2	Q4
Healthcare revenue	32,871	8,233	1,578	1,558	1,736	1,585	1,480
Hospitality revenue	50,350	35,454	22,819	26,445	33,123	27,213	16,047
Total revenue	83,221	43,687	24,397	28,003	34,859	28,798	17,527
Expenses included in EBITDA	67,591	36,587	22,014	22,708	26,397	23,212	15,801
EBITDA ⁽¹⁾	15,630	7,100	2,383	5,295	8,462	5,586	1,726
EBITDA as a % of revenue (EBITDA margin)	18.8%	16.3%	9.8%	18.9%	24.3%	19.4%	9.8%
Adjusted EBITDA ⁽²⁾	16,924	9,071	3,052	5,295	8,462	6,003	1,817
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	20.3%	20.8%	12.5%	18.9%	24.3%	20.8%	10.4%
Net earnings (loss)	4,985	2,567	(20)	1,858	4,470	2,760	127
Net earnings (loss) as a % of revenue	6.0%	5.9%	-0.1%	6.6%	12.8%	9.6%	0.7%
Basic earnings (loss) per share	0.388	0.233	(0.002)	0.176	0.428	0.263	0.012
Diluted earnings (loss) per share	0.385	0.232	(0.002)	0.174	0.424	0.262	0.012
Adjusted net earnings ⁽³⁾	7,975	4,538	649	1,858	4,470	3,177	218
Adjusted basic earnings per share ⁽³⁾	0.620	0.412	0.062	0.176	0.428	0.304	0.021
Adjusted diluted earnings per share ⁽³⁾	0.615	0.409	0.061	0.174	0.424	0.302	0.021
							0.128

Quarterly Financial Information - UK Division (in local currency Sterling £) (thousands, except percentages and per share amounts)	2025			2024			2023
	Q3	Q2	Q1	Q4	Q3	Q2	Q4
Healthcare revenue	17,699	4,453	873	870	978	918	865
Hospitality revenue	27,109	19,179	12,619	14,757	18,671	15,757	9,383
Total revenue	44,808	23,632	13,492	15,627	19,649	16,675	10,248
Expenses included in EBITDA	36,393	19,793	12,174	12,670	14,881	13,440	9,238
EBITDA ⁽¹⁾	8,415	3,839	1,318	2,957	4,768	3,235	1,010
EBITDA as a % of revenue (EBITDA margin)	18.8%	16.2%	9.8%	18.9%	24.3%	19.4%	9.9%
Adjusted EBITDA ⁽²⁾	9,111	4,905	1,688	2,957	4,768	3,476	1,064
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	20.3%	20.8%	12.5%	18.9%	24.3%	20.8%	10.4%
Net earnings (loss)	2,684	1,385	(10)	1,038	2,519	1,597	76
Net earnings (loss) as a % of revenue	6.0%	5.9%	-0.1%	6.6%	12.8%	9.6%	0.7%
Basic earnings (loss) per share	0.209	0.126	(0.001)	0.101	0.241	0.153	0.007
Diluted earnings (loss) per share	0.207	0.125	(0.001)	0.100	0.239	0.152	0.007
Adjusted net earnings ⁽³⁾	4,293	2,451	360	1,038	2,519	1,838	130
Adjusted basic earnings per share ⁽³⁾	0.334	0.222	0.034	0.101	0.241	0.176	0.012
Adjusted diluted earnings per share ⁽³⁾	0.331	0.221	0.034	0.101	0.239	0.175	0.012
							0.075

(1) EBITDA is defined as revenue less operating expenses (which equates to net earnings before income tax, finance expense, and depreciation and amortization). See "Terminology".

(2) Adjusted EBITDA is a non-GAAP measure. See "Terminology" for further information on the definition and composition of this measure.

(3) Adjusted Net Earnings and Adjusted EPS are non-GAAP measures. See "Terminology" for further information on the definition and composition of these measures.

Revenue, Earnings and EBITDA

For the three months ended September 30, 2025, K-Bro's consolidated revenue increased by 49.3% to \$155.9 million from \$104.5 million in the comparative period of 2024. On a year-to-date basis, consolidated revenue increased by 29.4% to \$360.0 million compared to \$278.2 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 the third quarter of 2025, approximately 52.8% of K-Bro's consolidated revenue was generated from healthcare institutions, which is an increase compared to 47.3% in 2024 due to the acquisition of Stellar Mayan. For consolidated hospitality revenue, the Corporation saw an increase of 33.6% over the comparable 2024 period. The increase in hospitality revenue is related to the acquisition of Stellar Mayan.

Consolidated Adjusted EBITDA (see "Terminology") increased in the third quarter of 2025 to \$33.5 million from \$23.0 million in 2024, which is an increase of 45.9%. The consolidated adjusted EBITDA margin decreased to 21.5% in 2025 from 22.0% in 2024. The decrease in adjusted EBITDA margin is due to the combination of the Stellar margin profile. Adjusting items in the quarter include transaction costs and transition costs as detailed in the tables within "Terminology". Without adjusting items, consolidated EBITDA increased in the third quarter of 2025 to \$32.0 million from \$22.8 million in 2024, which is an increase of 40.2%. The consolidated EBITDA margin decreased to 20.5% in 2025 from 21.9% in 2024.

Adjusted net earnings (see "Terminology") increased in the third quarter of 2025 to \$12.0 million from \$8.3 million in 2024. Adjusting items in the quarter include transaction costs, transition costs and intangible asset amortization related to the acquisition of Stellar Mayan as detailed in the tables within "Terminology". Without adjusting items, net earnings increased by \$0.8 million in the third quarter of 2025 or 8.9% from \$8.1 million in 2024 to \$8.9 million in 2025, and net earnings as a percentage of revenue decreased to 5.7% in 2025 compared to 7.8% in 2024.

On a year-to-date basis, Adjusted EBITDA (see "Terminology") increased to \$72.2 million from \$54.7 million in 2024, which is an increase of 32.2%. The consolidated adjusted EBITDA margin increased to 20.1% in 2025 compared to 19.6% in 2024. The increase in 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 \$65.8 million in 2025 from \$51.0 million in 2024, which is an increase of 29.0%. The consolidated EBITDA margin remained constant at 18.3% in 2025 compared to 18.3% in 2024.

Adjusted net earnings (see "Terminology") increased on a year-to-date basis to \$23.2 million from \$18.1 million in 2024. Adjusting items in the year include transaction costs, transition costs, structural financing costs, non-recurring gains and intangible asset amortization related to the acquisition of Stellar Mayan as detailed in the tables within "Terminology". Without adjusting items, net earnings increased by \$0.6 million in 2025 or 4.4% from \$14.5 million in 2024 to \$15.1 million in 2025, and net earnings as a percentage of revenue decreased by 1.0% to 4.2% in 2025 from 5.2% 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 in the third quarter of 2025 increased by \$21.4 million to \$60.6 million compared to \$39.2 million in the comparative period of 2024, and as a percentage of revenue increased by 1.4 percentage points to 38.9%. This increase as a percentage of revenue is primarily due to the combination of the Stellar Mayan cost structure. On a year-to-date basis, wages and benefits increased by \$31.9 million to \$137.8 million compared to \$105.9 million in the comparative period of 2024, and as a percentage of revenue remained relatively constant at 38.3%.

Linen in the third quarter of 2025 increased by \$5.3 million to \$15.3 million compared to \$10.0 million in the comparative period of 2024, and as a percentage of revenue increased by 0.2 percentage points to 9.8%. On a year-to-date basis, linen increased by \$8.5 million to \$35.3 million compared to \$26.8 million in the comparative period of 2024, and as a percentage of revenue remained relatively constant at 9.8%.

Utilities in the third quarter of 2025 increased by \$2.1 million to \$9.5 million compared to \$7.4 million in the comparative period of 2024, and as a percentage of revenue decreased by 0.9 percentage points to 6.1%. On a year-to-date basis, utilities increased by \$2.0 million to \$22.7 million compared to \$20.7 million in the comparative period of 2024, and as a percentage of revenue decreased by 1.1 percentage points to 6.3%. 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 in the third quarter of 2025 increased by \$4.7 million to \$16.9 million compared to \$12.2 million in the comparative period of 2024, and as a percentage of revenue decreased by 0.8 percentage points to 10.8%. On a year-to-date basis, delivery increased by \$8.7 million to \$41.7 million compared to \$33.0 million in the comparative period of 2024, and as a percentage of revenue decreased by 0.3 percentage points to 11.6%. 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 in the third quarter of 2025 increased by \$1.3 million to \$2.9 million compared to \$1.6 million in the comparative period of 2024, and as a percentage of revenue increased by 0.3 percentage points to 1.9%. On a year-to-date basis, occupancy costs increased by \$2.6 million to \$7.3 million compared to \$4.7 million in the comparative period of 2024, and as a percentage of revenue increased by 0.3 percentage points to 2.0%. The increase as a percentage of revenue is primarily related to higher facility operating costs.

Materials and supplies in the third quarter of 2025 increased by \$3.8 million to \$7.4 million compared to \$3.6 million in the comparative period of 2024, and as a percentage of revenue increased by 1.3 percentage points to 4.8%. On a year-to-date basis, materials and supplies increased by \$4.8 million to \$15.3 million compared to \$10.5 million in the comparative period of 2024, and as a percentage of revenue increased by 0.4 percentage points to 4.2%. The increase as a percentage of revenue is primarily related to the combination of the Stellar Mayan cost structure.

Repairs and maintenance in the third quarter of 2025 increased by \$2.0 million to \$5.9 million compared to \$3.9 million in the comparative period of 2024, and as a percentage of revenue increased by 0.1 percentage points to 3.8%. On a year-to-date basis, repairs and maintenance increased by \$3.2 million to \$14.7 million compared to \$11.5 million in the comparative period of 2024, and as a percentage of revenue remained constant at 4.1%.

Corporate costs in the third quarter of 2025 increased by \$1.1 million to \$5.3 million compared to \$4.2 million in the comparative period of 2024, and as a percentage of revenue decreased by 0.6 percentage points to 3.4%. The decrease as a percentage of revenue is primarily related to the combination of the Stellar Mayan cost structure. On a year-to-date basis, corporate costs increased by \$6.7 million to \$20.9 million compared to \$14.2 million in the comparative period of 2024, and as a percentage of revenue

increased by 0.7 percentage points to 5.8%. The year-to-date increase as a percentage of revenue is primarily related to higher transaction costs, including legal, professional and consulting fee expenditures related to the acquisition of Stellar Mayan, as well as structural financing costs, partially offset by a non-recurring gain. 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 expense (recovery) in the third quarter of 2025 decreased by \$0.1 million to nil compared to \$0.1 million in the comparative period of 2024. On a year-to-date basis, Other expense (recovery) decreased by \$1.6 million to (\$1.5) million compared to \$0.1 million in the comparative period of 2024 resulting in a year-to-date gain. This decrease 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 AND CAPITAL RESOURCES

During Q3 2025, cash generated by operating activities was \$20.6 million with a debt to total capitalization of 49.5%. 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 \$53.7 million with respect to its syndicated credit facility 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.

In the third quarter of 2025, cash used in financing activities was \$15.6 million compared to \$4.8 million in 2024. Financing activities consisted of 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.

In the third quarter of 2025, cash used in investing activities was \$4.2 million compared to \$2.5 million in 2024. Investing activities are primarily related to the purchase of plant equipment.

Contractual Obligations

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

(thousands)	Payments due by year				
	Total	Remainder of 2025	2026 to 2027	2028 to 2029	Subsequent
Revolving credit facility	\$ 114,437	-	-	114,437	-
Interest on long-term debt	\$ 50,775	3,521	27,124	20,131	-
Principal on term loan	\$ 132,621	1,679	18,466	112,476	-
Lease liabilities	\$ 95,753	6,113	36,716	25,270	27,654
Utility commitments	\$ 23,989	5,159	14,824	3,842	164
Linen purchase obligations	\$ 7,787	7,787	-	-	-
Property, plant and equipment commitments	\$ 2,241	2,241	-	-	-

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, 2024. The source of funds for these commitments will be from operating cash flow and, if necessary, the undrawn portion of the revolving credit facility.

Financial Position

(thousands, except percentages)	Nine Months Ended September 30,		Nine Months Ended September 30, 2024
	2025	2024	
Cash	\$ (26,011)	\$ (20,805)	
Debt (excludes lease liabilities) ⁽¹⁾	\$ 246,318	\$ 135,875	
Shareholders' equity	\$ 277,800	\$ 188,353	
Total capital	\$ 498,107	\$ 303,423	
Debt to total capital (see <i>Terminology</i> for definition)	49.5%	44.8%	

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

For the period ended September 30, 2025, the Corporation had a debt to total capital of 49.5%, unused revolving credit facility of \$53.7 million and has not incurred any events of default under the terms of its credit facility.

As at September 30, 2025, the Corporation had net working capital of \$95.7 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	Amount per Share	2025		2024	
				Total Amount (1),(3),(5)	Amount per Share	Total Amount (2),(4),(6)	
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	

- (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.

For the nine months ended September 30, 2025, the Corporation declared a \$0.900 per Common Share dividend compared to \$2.935 per Common Share of Distributable Cash Flow (see "Terminology"). The actual payout ratio was 31.0%.

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

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

DISTRIBUTABLE CASH FLOW (see "Terminology")

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

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

(thousands, except percentages and per share amounts)	2025				2024				2023
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	
Cash provided by operating activities	\$ 20,609	\$ 3,149	\$ 17,256	\$ 11,011	\$ 18,384	\$ 7,863	\$ 12,692	\$ 7,817	
<i>Deduct (add):</i>									
Net changes in non-cash working capital items ⁽¹⁾	(4,100)	(12,173)	7,409	(2,108)	603	(6,093)	3,192	(3,448)	
Share-based compensation expense	564	687	649	418	443	546	508	410	
Maintenance capital expenditures ⁽²⁾	99	2,974	720	267	464	1,064	387	1,103	
Principal elements of lease payments	4,452	3,133	2,723	2,679	2,670	2,668	2,631	2,547	
Distributable cash flow	\$ 19,594	\$ 8,528	\$ 5,755	\$ 9,755	\$ 14,204	\$ 9,678	\$ 5,974	\$ 7,205	
Dividends declared	3,897	3,422	3,174	3,174	3,174	3,169	3,177	3,200	
Dividends declared per share	0.300	0.300	0.300	0.300	0.300	0.300	0.300	0.300	
Payout ratio ⁽³⁾	19.9%	40.1%	55.1%	32.5%	22.3%	32.7%	53.2%	44.4%	
Weighted average shares outstanding during the period, basic	12,860	11,026	10,501	10,232	10,446	10,435	10,527	10,510	
Weighted average shares outstanding during the period, diluted	12,957	11,087	10,564	10,316	10,539	10,502	10,590	10,588	
Trailing-twelve months ("TTM")									
Distributable cash flow	43,632	38,242	39,392	39,611	37,061	34,094	33,227	32,370	
Dividends	13,667	12,944	12,691	12,694	12,720	12,774	12,842	12,896	
Payout ratio ⁽³⁾	31.3%	33.8%	32.2%	32.0%	34.3%	37.5%	38.6%	39.8%	

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

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

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

OUTSTANDING SHARES

As at September 30, 2025, the Corporation had 12,990,517 Common Shares outstanding. Basic and diluted weighted average number of Common Shares outstanding for 2025 were 11,470,790 and 11,540,808, respectively (10,523,759 and 10,596,625, 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 September 30, 2025, the value of the Common Shares held by the LTI custodian was \$4.7 million (December 31, 2024 – \$2.9 million) which was comprised of 130,694 in unvested Common Shares (December 31, 2024 – 77,325) with a nil aggregate cost (December 31, 2024 – \$nil).

As at November 12, 2025 there were 12,990,517 Common Shares issued and outstanding including 130,694 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 2024 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.

(thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Net earnings	\$ 8,855	\$ 8,129	\$ 15,100	\$ 14,470
Add:				
Income tax expense	3,241	2,481	4,209	4,175
Finance expense	5,024	3,322	11,920	8,129
Depreciation of property, plant and equipment	12,069	7,823	29,182	22,110
Amortization of intangible assets	2,845	1,088	5,409	2,137
EBITDA	\$ 32,034	\$ 22,843	\$ 65,820	\$ 51,021

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.

(thousands)	Three Months Ended September 30,					
	Canadian Division 2025	UK Division 2025	2025	Canadian Division 2024	UK Division 2024	2024
EBITDA	\$ 16,404	\$ 15,630	\$ 32,034	\$ 14,381	\$ 8,462	\$ 22,843
<i>Adjusting Items:</i>						
Transaction Costs ¹	133	149	282	139	-	139
Syndication/Structural Finance Costs ²	-	-	-	-	-	-
Transition Costs ³	62	1,145	1,207	490	-	490
Gain on settlement of contingent consideration ⁴	-	-	-	(500)	-	(500)
Adjusted EBITDA	\$ 16,599	\$ 16,924	\$ 33,523	\$ 14,510	\$ 8,462	\$ 22,972

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

(thousands)	Nine Months Ended September 30,					
	Canadian Division 2025	UK Division 2025	2025	Canadian Division 2024	UK Division 2024	2024
EBITDA	\$ 40,707	\$ 25,113	\$ 65,820	\$ 35,247	\$ 15,774	\$ 51,021
<i>Adjusting Items:</i>						
Transaction Costs ¹	4,033	2,789	6,822	822	508	1,330
Syndication/Structural Finance Costs ²	484	-	484	1,892	-	1,892
Transition Costs ³	62	1,145	1,207	911	-	911
Gain on settlement of contingent consideration ⁴	-	-	-	(500)	-	(500)
Non-recurring gains ⁵	(2,090)	-	(2,090)	-	-	-
Adjusted EBITDA	\$ 43,196	\$ 29,047	\$ 72,243	\$ 38,372	\$ 16,282	\$ 54,654

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

⁵ Relates to non-recurring gain of \$1,519 from the sale of the Granby facility and a gain of \$571 related to a one-time gain on a customer contract.

Adjusted Net Earnings and Adjusted Earnings per Share

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

Three Months Ended September 30,

(thousands)	Canadian Division 2025	UK Division 2025	2025	Canadian Division 2024	UK Division 2024	2024
Net Earnings	\$ 3,870	\$ 4,985	\$ 8,855	\$ 3,659	\$ 4,470	\$ 8,129
<i>Adjusting Items:</i>						
Transaction Costs ¹	133	149	282	139	-	139
Syndication/Structural Finance Costs ²	-	-	-	-	-	-
Transition Costs ³	62	1,145	1,207	490	-	490
Gain on settlement of contingent consideration ⁴	-	-	-	(500)	-	(500)
Stellar Mayan intangible asset amortization ⁵	-	1,696	1,696	-	-	-
Adjusted Net Earnings	\$ 4,065	\$ 7,975	\$ 12,040	\$ 3,788	\$ 4,470	\$ 8,258

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

⁵ Relates to amortization of acquired intangible assets from Stellar Mayan acquisition on June 11, 2025.

Nine Months Ended September 30,

(thousands)	Canadian Division 2025	UK Division 2025	2025	Canadian Division 2024	UK Division 2024	2024
Net Earnings	\$ 7,568	\$ 7,532	\$ 15,100	\$ 7,113	\$ 7,357	\$ 14,470
<i>Adjusting Items:</i>						
Transaction Costs ¹	4,033	2,789	6,822	822	508	1,330
Syndication/Structural Finance Costs ²	484	-	484	1,892	-	1,892
Transition Costs ³	62	1,145	1,207	911	-	911
Gain on settlement of contingent consideration ⁴	-	-	-	(500)	-	(500)
Non-recurring gains ⁵	(2,090)	-	(2,090)	-	-	-
Stellar Mayan intangible asset amortization ⁶	-	1,696	1,696	-	-	-
Adjusted Net Earnings	\$ 10,057	\$ 13,162	\$ 23,219	\$ 10,238	\$ 7,865	\$ 18,103

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

⁵ Relates to non-recurring gain of \$1,519 from the sale of the Granby facility and a gain of \$571 related to a one-time gain on a customer contract.

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

Three Months Ended September 30,

(thousands)	Canadian Division 2025	UK Division 2025	2025	Canadian Division 2024	UK Division 2024	2024
Basic Earnings per Share	0.301	0.388	0.689	0.350	0.428	0.778
<i>Adjusting Items:</i>						
Transaction Costs ¹	0.010	0.012	0.022	0.014	-	0.014
Syndication/Structural Finance Costs ²	-	-	-	-	-	-
Transition Costs ³	0.005	0.088	0.093	0.047	-	0.047
Gain on settlement of contingent consideration ⁴	-	-	-	(0.048)	-	(0.048)
Stellar Mayan intangible asset amortization ⁵	-	0.132	0.132	-	-	-
Adjusted Basic Earnings per Share	0.316	0.620	0.936	0.363	0.428	0.791

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

⁵ Relates to amortization of acquired intangible assets from Stellar Mayan acquisition on June 11, 2025.

Nine Months Ended September 30,

(thousands)	Canadian Division 2025	UK Division 2025	2025	Canadian Division 2024	UK Division 2024	2024
Basic Earnings per Share	0.660	0.656	1.316	0.679	0.703	1.382
<i>Adjusting Items:</i>						
Transaction Costs ¹	0.352	0.243	0.595	0.080	0.050	0.130
Syndication/Structural Finance Costs ²	0.042	-	0.042	0.180	-	0.180
Transition Costs ³	0.005	0.100	0.105	0.087	-	0.087
Gain on settlement of contingent consideration ⁴	-	-	-	(0.048)	-	(0.048)
Non-recurring gains ⁵	(0.182)	-	(0.182)	-	-	-
Stellar Mayan intangible asset amortization ⁶	-	0.148	0.148	-	-	-
Adjusted Basic Earnings per Share	0.877	1.147	2.024	0.978	0.753	1.731

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

⁵ Relates to non-recurring gain of \$1,519 from the sale of the Granby facility and a gain of \$571 related to a one-time gain on a customer contract.

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

Three Months Ended September 30,

(thousands)	Canadian Division 2025	UK Division 2025	2025	Canadian Division 2024	UK Division 2024	2024
Diluted Earnings per Share	0.299	0.385	0.684	0.347	0.424	0.771
<i>Adjusting Items:</i>						
Transaction Costs ¹	0.010	0.012	0.022	0.013	-	0.013
Syndication/Structural Finance Costs ²	-	-	-	-	-	-
Transition Costs ³	0.005	0.088	0.093	0.047	-	0.047
Gain on settlement of contingent consideration ⁴	-	-	-	(0.048)	-	(0.048)
Stellar Mayan intangible asset amortization ⁵	-	0.130	0.130	-	-	-
Adjusted Diluted Earnings per Share	0.314	0.615	0.929	0.359	0.424	0.783

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

⁵ Relates to amortization of acquired intangible assets from Stellar Mayan acquisition on June 11, 2025.

Nine Months Ended September 30,

(thousands)	Canadian Division 2025	UK Division 2025	2025	Canadian Division 2024	UK Division 2024	2024
Diluted Earnings per Share	0.656	0.652	1.308	0.675	0.698	1.373
<i>Adjusting Items:</i>						
Transaction Costs ¹	0.348	0.243	0.591	0.077	0.049	0.126
Syndication/Structural Finance Costs ²	0.042	-	0.042	0.179	-	0.179
Transition Costs ³	0.005	0.099	0.104	0.086	-	0.086
Gain on settlement of contingent consideration ⁴	-	-	-	(0.047)	-	(0.047)
Non-recurring gains ⁵	(0.181)	-	(0.181)	-	-	-
Stellar Mayan intangible asset amortization ⁶	-	0.146	0.146	-	-	-
Adjusted Diluted Earnings per Share	0.870	1.140	2.010	0.970	0.747	1.717

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

⁵ Relates to non-recurring gain of \$1,519 from the sale of the Granby facility and a gain of \$571 related to a one-time gain on a customer contract.

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

Distributable Cash Flow

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

Payout Ratio

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

Debt to Total Capital

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

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

Off Balance Sheet Arrangements

As at September 30, 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, 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.

CRITICAL RISKS AND UNCERTAINTIES

As at September 30, 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. This uncertainty has become more pronounced with the conflict in the Ukraine which began in late February 2022 and has resulted in significant volatility in natural gas supply rates.

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

CONTROLS AND PROCEDURES

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

Disclosure Controls and Procedures

The Corporation has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related financial statements of K-Bro was properly recorded, processed, summarized and reported to the Board of Directors and the Audit Committee. The Corporation's CEO and

CFO have evaluated the effectiveness of these disclosure controls and procedures for the period ended September 30, 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 September 30, 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 September 30, 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.

As at September 30, 2025	
Stellar Mayan	
(thousands)	
Current assets	\$ 72,709
Non-current assets	\$ 198,971
Current liabilities	\$ 38,665
Non current liabilities	\$ 31,226

Nine months ended September 30, 2025	
Stellar Mayan	
(thousands)	
Revenue	\$ 53,867
Expense	\$ 54,472
Net Earnings	\$ (605)

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+ »).