



K·BRO



MANAGEMENT'S DISCUSSION & ANALYSIS

Year Ended
December 31, 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 audited consolidated Financial Statements of K-Bro Linen Inc. ("the Corporation") for the years ended December 31, 2025 and 2024 (the "2025 Audited Financial Statements"), as well as the unaudited interim condensed consolidated financial statements for the periods ended March 31, 2025, June 30, 2025 and September 30, 2025. The Corporation and its wholly-owned subsidiaries, including K-Bro Linen Systems Inc., Buanderie C.M. Inc, Fishers Topco Ltd., Shortridge Ltd., and Stellar Mayan Ltd. (and its subsidiaries) are collectively referred to as "K-Bro" in this MD&A.

Management is responsible for the information contained in this MD&A and its consistency with information presented to the Audit Committee and Board of Directors. All information in this document has been reviewed and approved by the Audit Committee and Board of Directors. This review was performed by management with information available as of March 19, 2026.

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

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

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

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

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INTRODUCTION

Core Business

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

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

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

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

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

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

Industry and Market

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

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

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

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

Industry Characteristics and Trends

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

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

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

Fragmentation – Regional healthcare and hospitality markets remain fragmented within the laundry and linen services industry. Management believes that the presence of these operators provides consolidation opportunities for larger industry participants with the financial means to complete acquisitions. Management evaluates M&A opportunities on an ongoing basis and looks to leverage the Corporation's strong liquidity position, balance sheet and access to the capital markets to execute on these opportunities as they arise.

Customers and Product Mix

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

STRATEGY

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

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

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

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

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

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

Extend Core Services to New Markets – Management has demonstrated its ability to successfully expand K-Bro's business into new markets from its established bases. Since 2005, K-Bro has entered four new geographic markets across Canada, and in late 2017 entered into the UK market. In April 2024, K-Bro further expanded its UK footprint through the acquisition of Shortridge Ltd. ("Shortridge") a high-quality hospitality laundry provider based in the North West of England (see "Summary of 2025 Results and Key Events"). In June 2025, K-Bro established a national footprint in the UK commercial laundry and textile rental sector through the acquisition of Stellar Mayan Ltd., doing business as Synergy, Grosvenor Contracts and AeroServe, a leading commercial laundry business in England serving the healthcare and hospitality markets (see "Summary of 2025 Results and Key Events"). These new markets have contributed significantly

to K-Bro's growth. Management believes that new outsourcing opportunities will continue to arise in the near to medium-term and that K-Bro is well-positioned for continued growth, particularly as healthcare and hospitality organizations continue to increase their focus on core services and confront pressures for capital and cost savings.

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

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

FOURTH QUARTER OVERVIEW

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

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

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

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

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

(1) Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Earnings and Adjusted Net Earnings per share are non-GAAP measures. See "Terminology" for further information on the definition and composition of these measures.

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

SELECTED ANNUAL FINANCIAL INFORMATION

(In reporting currency \$ Canadian)

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

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

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

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

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

SUMMARY OF 2025 RESULTS AND KEY EVENTS

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

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

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

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

For the UK segment, the Adjusted EBITDA margin decreased to 18.1% in 2025 from 19.8% in 2024. The decrease is due to the combination of the Stellar Mayan margin profile. The EBITDA margin for the UK segment decreased to 15.9% in 2025 from 19.3% in 2024. The decrease in EBITDA margin is due to the

combination of the Stellar Mayan margin profile as well as adjusting items in the quarter related to Stellar Mayan transition and transaction costs, as detailed within “Terminology”.

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

Key events in our markets are summarized below.

Business Acquisition – Stellar Mayan

On May 13, 2025, the Corporation announced the signing of a share purchase agreement to acquire 100% of UK based Stellar Mayan. Stellar Mayan includes three operating businesses: (i) Synergy Health Managed Services Limited (“Synergy”); (ii) Grosvenor Contracts (London) Limited (“Grosvenor Contracts”, “GC”); and (iii) Aeroserve (MSP) Limited and Aeroserve Euro Limited, jointly referred to as Aeroserve Linen Services (“AeroServe”).

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

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

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

	<i>(in thousands)</i>
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:

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

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

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

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

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

Acquisition related costs

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

Revenue and profit information

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

The acquired business contributed a net deficit of (\$1,879) to the Corporation for the period from June 12, 2025 to December 31, 2025. If the Acquisition had occurred on January 1, 2025, consolidated pro-forma

net earnings for the period ended December 31, 2025 would have been \$26,567, including the recognition of a non-recurring tax loss carryforward of \$8,133.

Common Share Offering

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

Revolving Credit Facility

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

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

The term loan and revolving credit facility are collateralized by a general security agreement, bear interest at prime or the applicable banker's acceptance rate, plus an interest margin dependent on certain financial ratios. Interest payments only are due during the term for the revolving portion of the syndicated credit facility. For the term loan portion of the syndicated credit facility, repayments of the principal amount shall be repaid in quarterly installments commencing September 30, 2025, in addition to required interest payments. The additional interest margin can range between 0.00% to 2.00% dependent upon the calculated Total Funded Debt / Credit Facility EBITDA financial ratio, with a range between 0 to 3.50x. The Funded Debt to EBITDA Ratio requirement has an increase to 4.00x for the first four quarters following any material acquisition. The required calculated Funded Debt / Credit Facility EBITDA financial ratio is subject to change based off certain terms and conditions. As at December 31, 2025 the combined interest rate was 5.70%.

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

Business Acquisition - Shortridge

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

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

Business Acquisition - Buanderie C.M.

In the year ended December 31, 2025, the provisional amounts that were previously disclosed in the December 31, 2024 Annual Financial Statements, associated with the 100% share capital acquisition of Buanderie C.M., a private laundry and linen operator located in 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 year ended December 31, 2025.

Normal Course Issuer Bid

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

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

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

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

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

Capital Investment Plan

For fiscal 2026, the Corporation’s planned capital spending excluding right-of-use assets is expected to be in the range of \$20.0 to \$22.0 million on a consolidated basis. This guidance includes both strategic and maintenance capital requirements to support existing base business in both Canada and the UK. These amounts are reflective of incremental capital required for Stellar Mayan, for which the capital investment was initially announced at acquisition to be \$9.3 million (£5.0 million). The 2026 guidance includes the remaining amount to be spent for this capital project. We will continue to assess capital needs within our facilities and prioritize projects that have shorter term paybacks as well as those that are required to maintain efficient and reliable operations.

Economic Conditions

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

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

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

Impairment of Assets

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

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

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

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

Testing Methodology

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

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

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

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

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

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

Conclusion

- i) Based on testing performed at December 31, 2025 and December 31, 2024, no impairment was determined to exist.
- ii) The recoverable amount of each CGU is sensitive to changes in market conditions which could result in material changes. For the year ended December 31, 2025, where discounted cash flow testing was used, the sensitivity of key assumptions to a reasonable change was assessed. The Corporation does not believe there is a reasonable change in the key assumptions that would cause the carrying value of the CGU to exceed its recoverable amount. The table below summarizes the results of the impact on key assumptions to a reasonable change.

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

OUTLOOK

On June 11, 2025, the Corporation completed its acquisition of Stellar Mayan establishing a national footprint in the UK commercial laundry and textile rental sector, enhancing revenue diversification by geographic mix and business mix. Based on annualized consolidated revenue, K-Bro's combined business is approximately evenly split between Canada and the UK with national platforms in both countries. Management sees a positive outlook for its business in both Canada and the UK.

K-Bro's UK Managing Director oversees its UK operations, including the Stellar Mayan business integration plan. Management anticipates business integration will take 12 to 18 months from closing, and a transition team is executing the plan. The team is reviewing cost synergies, operational efficiencies and platform optimizations to best position the combined UK business for long-term growth. Integration

has been progressing as expected, and management anticipates run-rate cost synergies will be realized towards the end of anticipated timelines to achieve. Post acquisition debt and leverage levels have been consistent with management expectations.

The Corporation's healthcare and hospitality segments continue to experience steady volume trends. Management believes the UK healthcare market shares similar characteristics and trends to the Canadian healthcare market. For the healthcare segment, management expects steady increases to activity levels supported by a continued focus on reducing wait times and enhancing patient care. For the hospitality segment, management expects solid activity levels from both business and leisure travel reflecting historical seasonal trends.

Going forward, management expects the Adjusted EBITDA margin for the Canadian segment to remain at similar levels to seasonally adjusted historical margins. In-line with management's expectations, due to the lower EBITDA margin profile of Stellar Mayan, the consolidated UK segmental adjusted EBITDA margins will be lower than seasonally adjusted historical margins. The Corporation continues to monitor evolving global and Canadian foreign policies, geopolitical events and economic conditions, which could have a direct or indirect impact on the business.

Management's near-term focus is on the business integration of Stellar Mayan. However, K-Bro evaluates potential strategic acquisitions that may complement its platform. Over the medium and longer-term, management sees opportunities to accelerate growth in North America, Europe, and similar geographies which remain highly fragmented. K-Bro will look to leverage its strong liquidity position, balance sheet and access to the capital markets to execute on these opportunities, should they arise. For further information about the impact of other economic factors on our business, see the "Summary of 2025 Results and Key Events".

RESULTS OF OPERATIONS

KEY PERFORMANCE DRIVERS

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

		Three Months Ended December 31,					
(thousands, except percentages and per share amounts)		Canadian Division	UK Division		Canadian Division	UK Division	
Category	Indicator	2025	2025	2025	2024	2024	2024
Growth	EBITDA ⁽¹⁾	9.5%	111.6%	39.5%	8.5%	106.3%	26.1%
	Adjusted EBITDA ⁽²⁾	18.2%	129.1%	51.9%	1.7%	75.9%	16.6%
	Revenue	4.0%	173.8%	53.8%	6.9%	44.5%	15.7%
	Distributable cash flow ⁽³⁾			38.1%			35.4%
Profitability	EBITDA ⁽¹⁾	\$ 13,909	\$ 11,205	\$ 25,114	\$ 12,704	\$ 5,295	\$ 17,999
	EBITDA margin	19.8%	14.6%	17.1%	18.8%	18.9%	18.9%
	Adjusted EBITDA ⁽²⁾	\$ 14,314	\$ 12,129	\$ 26,443	\$ 12,110	\$ 5,295	\$ 17,405
	Adjusted EBITDA margin	20.4%	15.8%	18.0%	18.0%	18.9%	18.2%
	Net earnings	\$ 2,652	\$ 238	\$ 2,890	\$ 2,380	\$ 1,858	\$ 4,238
	Adjusted net earnings ⁽⁴⁾	\$ 3,057	\$ 4,133	\$ 7,190	\$ 1,786	\$ 1,858	\$ 3,644
Stability	Debt to total capital ⁽⁵⁾			48.7%			40.7%
	Unutilized line of credit			\$ 66,031			\$ 46,200
	Cash on hand			\$ 23,355			\$ 9,423
	Payout ratio ⁽⁶⁾			28.9%			32.5%
	Dividends declared per share			\$ 0.300			\$ 0.300
Cost containment	Wages and benefits	39.0%	40.4%	39.8%	39.8%	33.8%	38.0%
	Utilities	5.0%	7.8%	6.5%	6.0%	11.3%	7.5%
	Delivery	11.4%	11.3%	11.3%	11.5%	13.9%	12.2%
	Expenses included in EBITDA	80.2%	85.4%	82.9%	81.2%	81.1%	81.1%
		Years Ended December 31,					
(thousands, except percentages and per share amounts)		Canadian Division	UK Division		Canadian Division	UK Division	
Category	Indicator	2025	2025	2025	2024	2024	2024
Growth	EBITDA ⁽¹⁾	13.9%	72.4%	31.7%	7.3%	74.0%	21.5%
	Adjusted EBITDA ⁽²⁾	13.9%	90.8%	36.9%	11.0%	71.9%	24.2%
	Revenue	5.4%	108.8%	35.7%	9.7%	36.9%	16.4%
	Distributable cash flow ⁽³⁾			19.5%			22.4%
Profitability	EBITDA ⁽¹⁾	\$ 54,616	\$ 36,318	\$ 90,934	\$ 47,951	\$ 21,069	\$ 69,020
	EBITDA margin	19.6%	15.9%	17.9%	18.1%	19.3%	18.5%
	Adjusted EBITDA ⁽²⁾	\$ 57,510	\$ 41,176	\$ 98,686	\$ 50,482	\$ 21,577	\$ 72,059
	Adjusted EBITDA margin	20.6%	18.1%	19.5%	19.1%	19.8%	19.3%
	Net earnings	\$ 10,220	\$ 7,770	\$ 17,990	\$ 9,493	\$ 9,215	\$ 18,708
	Adjusted net earnings ⁽⁴⁾	\$ 13,114	\$ 17,295	\$ 30,409	\$ 12,024	\$ 9,723	\$ 21,747
Stability	Debt to total capital ⁽⁵⁾			48.7%			40.7%
	Unutilized line of credit			\$ 66,031			\$ 46,200
	Cash on hand			\$ 23,355			\$ 9,423
	Payout ratio ⁽⁶⁾			30.4%			32.0%
	Dividends declared per share			\$ 1.200			\$ 1.200
Cost containment	Wages and benefits	39.2%	38.1%	38.7%	40.1%	33.0%	38.1%
	Utilities	5.3%	7.7%	6.4%	5.9%	11.2%	7.5%
	Delivery	11.2%	11.8%	11.5%	11.5%	13.1%	12.0%
	Expenses included in EBITDA	80.4%	84.1%	82.1%	81.9%	80.7%	81.5%

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

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

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

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

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

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

Quarterly Financial Information - Consolidated

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

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

Quarterly Financial Information - Consolidated (thousands, except percentages and per share amounts)	2025				2024			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Healthcare revenue	85,589	82,399	57,903	50,593	50,918	49,398	47,955	47,488
Hospitality revenue	61,196	73,549	55,171	40,376	44,528	55,071	45,512	32,739
Total revenue	146,785	155,948	113,074	90,969	95,446	104,469	93,467	80,227
Expenses included in EBITDA	121,671	123,914	91,692	78,565	77,447	81,626	76,894	68,622
EBITDA ⁽¹⁾	25,114	32,034	21,382	12,404	17,999	22,843	16,573	11,605
EBITDA as a % of revenue (EBITDA margin)	17.1%	20.5%	18.9%	13.6%	18.9%	21.9%	17.7%	14.5%
Adjusted EBITDA ⁽²⁾	26,443	33,523	23,727	14,993	17,405	22,972	18,247	13,435
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	18.0%	21.5%	21.0%	16.5%	18.2%	22.0%	19.5%	16.7%
Depreciation and amortization	15,146	14,914	10,625	9,052	9,432	8,911	8,029	7,307
Finance expense	4,625	5,024	4,059	2,837	3,173	3,322	2,884	1,923
Earnings before income taxes	5,343	12,096	6,698	515	5,394	10,610	5,660	2,375
Income tax expense (recovery)	2,453	3,241	1,279	(311)	1,156	2,481	1,125	569
Net earnings	2,890	8,855	5,419	826	4,238	8,129	4,535	1,806
Net earnings as a % of revenue	2.0%	5.7%	4.8%	0.9%	4.4%	7.8%	4.9%	2.3%
Basic earnings per share	0.224	0.689	0.491	0.079	0.401	0.778	0.432	0.172
Diluted earnings per share	0.223	0.684	0.489	0.078	0.398	0.771	0.431	0.171
Adjusted net earnings ⁽³⁾	7,190	12,040	7,764	3,415	3,644	8,258	6,209	3,636
Adjusted basic earnings per share ⁽³⁾	0.558	0.936	0.706	0.325	0.344	0.791	0.594	0.345
Adjusted diluted earnings per share ⁽³⁾	0.554	0.929	0.700	0.323	0.340	0.783	0.590	0.343
Total assets	704,443	718,556	716,762	438,446	438,150	452,077	444,380	361,859
Total long-term financial liabilities	326,636	331,860	339,408	183,784	190,418	203,863	202,050	128,584
Funds provided by operating activities	21,695	20,609	3,149	17,256	11,011	18,384	7,863	12,692
Debt (excludes lease liabilities) ⁽⁴⁾	237,551	246,318	253,315	119,295	123,778	135,875	134,789	65,727
Dividends declared per share	0.300	0.300	0.300	0.300	0.300	0.300	0.300	0.300

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

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

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

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

Quarterly Financial Information – Canadian Segment

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

Quarterly Financial Information - Canadian Division (thousands, except percentages and per share amounts)	2025				2024			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Healthcare revenue	51,509	49,528	49,670	49,015	49,360	47,662	46,370	46,008
Hospitality revenue	18,616	23,199	19,717	17,557	18,083	21,948	18,299	16,692
Total revenue	70,125	72,727	69,387	66,572	67,443	69,610	64,669	62,700
Expenses included in EBITDA	56,216	56,323	55,105	56,551	54,739	55,229	53,682	52,821
EBITDA ⁽¹⁾	13,909	16,404	14,282	10,021	12,704	14,381	10,987	9,879
EBITDA as a % of revenue (EBITDA margin)	19.8%	22.6%	20.6%	15.1%	18.8%	20.7%	17.0%	15.8%
Adjusted EBITDA ⁽²⁾	14,314	16,599	14,656	11,941	12,110	14,510	12,244	11,618
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	20.4%	22.8%	21.1%	17.9%	18.0%	20.8%	18.9%	18.5%
Net earnings	2,652	3,870	2,852	846	2,380	3,659	1,775	1,679
Net earnings as a % of revenue	3.8%	5.3%	4.1%	1.3%	3.5%	5.3%	2.7%	2.7%
Basic earnings per share	0.206	0.301	0.258	0.081	0.225	0.350	0.169	0.160
Diluted earnings per share	0.205	0.299	0.257	0.080	0.224	0.347	0.169	0.159
Adjusted net earnings ⁽³⁾	3,057	4,065	3,226	2,766	1,786	3,788	3,032	3,418
Adjusted basic earnings per share ⁽³⁾	0.237	0.316	0.294	0.263	0.167	0.363	0.290	0.325
Adjusted diluted earnings per share ⁽³⁾	0.236	0.314	0.291	0.262	0.165	0.359	0.288	0.323

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

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

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

Quarterly Financial Information – UK Segment

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

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

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

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

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

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

Revenue, Earnings and EBITDA

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

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

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

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

Operating Expenses

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

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

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

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

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

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

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

Corporate costs for the year increased by \$8.2 million to \$27.4 million compared to \$19.2 million in the comparative period of 2024, and as a percentage of revenue increased by 0.3 percentage points to 5.4%. The increase as a percentage of revenue is primarily related to higher management share-based compensation and adjusting items including transaction costs, legal, professional and consulting fee expenditures related to the acquisition of Stellar Mayan, as well as structural financing costs. These items are considered to be adjusting items for the purposes of calculating Adjusted EBITDA, Adjusted Net Income and Adjusted Earnings per share (Basic and Diluted) and are further detailed within the “Terminology” section.

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

The Corporation’s capital structure includes working capital, a committed syndicated credit facility, which includes a revolver and an amortizing term loan, and share capital. We continuously monitor actual and forecast cash flows and monitor the availability on our syndicated credit facility. Management believes the unutilized balance of \$66.0 million with respect to its syndicated credit facility plus the accordion is sufficient for the Corporation’s operations in the foreseeable future. However, management intends to continually assess its opportunities to maintain a conservative amount of leverage and balance sheet flexibility in the short and long-term basis in order to ensure that sufficient capital is available for future growth needs.

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

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

Contractual Obligations

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

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

The lease liabilities are secured by automotive equipment and plants and are more fully described in the Corporation's audited annual consolidated financial statements for the year ended December 31, 2025. The source of funds for these commitments will be from operating cash flow and, if necessary, the undrawn portion of the revolving credit facility.

Financial Position

(thousands, except percentages)	Year Ended December 31,	Year Ended December 31,
	2025	2024
Cash	\$ (23,355)	\$ (9,423)
Debt (excludes lease liabilities) ⁽¹⁾	237,551	123,778
Shareholders' equity	273,845	189,411
Total capital	\$ 488,041	\$ 303,766
Debt to total capital (see <i>Terminology</i> for definition)	48.7%	40.7%

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

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

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

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

DIVIDENDS

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

- (1) The total amount of dividends declared was \$0.10000 per share for a total of \$1,057,836 per month for January - March 2025; when rounded in thousands, \$3,174 of dividends were declared in Q1 2025.
- (2) The total amount of dividends declared was \$0.10000 per share for a total of \$1,060,849 for January 2024, \$1,059,230 for February 2024, and \$1,057,092 for March 2024. When rounded in thousands, \$3,177 of dividends were declared in Q1 2024.
- (3) The total amount of dividends declared was \$0.10000 per share for a total of \$1,057,836 for April 2025, \$1,065,602 for May 2025, and \$1,299,052 for June 2025. When rounded in thousands, \$3,422 of dividends were declared in Q2 2025.
- (4) The total amount of dividends declared was \$0.10000 per share for a total of \$1,053,435 for April 2024, \$1,057,836 for May 2024, and \$1,057,836 for June 2024. When rounded in thousands, \$3,169 of dividends were declared in Q2 2024.
- (5) The total amount of dividends declared was \$0.10000 per share for a total of \$1,299,052 per month for July - September 2025; when rounded in thousands, \$3,897 of dividends were declared in Q3 2025.
- (6) The total amount of dividends declared was \$0.10000 per share for a total of \$1,057,836 per month for July - September 2024; when rounded in thousands, \$3,174 of dividends were declared in Q3 2024.
- (7) The total amount of dividends declared was \$0.10000 per share for a total of \$1,299,052 per month for October - December 2025; when rounded in thousands, \$3,897 of dividends were declared in Q4 2025.
- (8) The total amount of dividends declared was \$0.10000 per share for a total of \$1,057,836 per month for October - December 2024; when rounded in thousands, \$3,174 of dividends were declared in Q4 2024.

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

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

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

DISTRIBUTABLE CASH FLOW (SEE "TERMINOLOGY")

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

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

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

- (1) Net change in non-cash working capital is excluded from the calculation as management believes it would introduce significant cash flow variability and affect underlying cash flow from operating activities. Significant variability can be caused by such things as the timing of receipts (which individually are large because of the nature of K-Bro's customer base and timing may vary due to the timing of customer approval, vacations of customer personnel, etc.) and the timing of disbursements (such as the payment of large volume rebates done once annually). As well, large increases in working capital are generally required when contracts with new customers are signed as linen is purchased and accounts receivable increase. Management feels that this amount should be excluded from the distributable cash flow calculation.
- (2) Maintenance capital expenditures include costs required to maintain or replace assets which do not have a discrete return on investment.
- (3) The ratio of dividends paid compared to distributable cash flow is periodically reviewed by the Board of Directors to take into account the current and prospective performance of the business and other items considered to be prudent. Payout ratio is calculated on the dividends declared divided by the distributable cash flow.

OUTSTANDING SHARES

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

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

As at March 19, 2026 there were 12,990,517 Common Shares issued and outstanding including 89,014 Common Shares issued but held as unvested treasury shares.

CRITICAL ACCOUNTING ESTIMATES

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

TERMINOLOGY

EBITDA

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

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

(thousands)	Three Months Ended December 31,		Years Ended December 31,	
	2025	2024	2025	2024
Net earnings	\$ 2,890	\$ 4,238	\$ 17,990	\$ 18,708
Add:				
Income tax expense	2,453	1,156	6,662	5,331
Finance expense	4,625	3,173	16,545	11,302
Depreciation of property, plant and equipment	12,348	8,324	41,530	30,434
Amortization of intangible assets	2,798	1,108	8,207	3,245
EBITDA	\$ 25,114	\$ 17,999	\$ 90,934	\$ 69,020

Non-GAAP Measures

Adjusted EBITDA

K-Bro reports Adjusted EBITDA (Earnings before interest, taxes, depreciation and amortization) as a key measure used by management to evaluate performance. We believe Adjusted EBITDA assists investors to assess our performance on a consistent basis as it is an indication of our capacity to generate income from operations before taking into account management's financing decisions as well as costs of acquiring tangible and intangible capital assets. The Corporation modified its definition for Adjusted EBITDA in 2024 and has updated its comparative quarters to reflect the modified definition.

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

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

(thousands)	Three Months Ended December 31,					
	Canadian Division	UK Division		Canadian Division	UK Division	
	2025	2025	2025	2024	2024	2024
EBITDA	\$ 13,909	\$ 11,205	\$ 25,114	\$ 12,704	\$ 5,295	\$ 17,999
Adjusting Items:	\$ -	\$ -	-	-	-	-
Transaction Costs ¹	405	-	405	-	-	-
Syndication/Structural Finance Costs ²	-	-	-	-	-	-
Transition Costs ³	-	924	924	63	-	63
Restructuring Costs ⁴	-	-	-	250	-	250
Gain on settlement of contingent consideration	-	-	-	-	-	-
Non-recurring gains ⁵	-	-	-	(907)	-	(907)
Adjusted EBITDA	\$ 14,314	\$ 12,129	\$ 26,443	\$ 12,110	\$ 5,295	\$ 17,405

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

² Relates to costs related to syndication and credit agreement restructuring costs.

³ Relates to transition costs incurred as a result of the Corporation's acquisitions.

⁴ Relates to restructuring provision.

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

(thousands)	Years Ended December 31,					
	Canadian Division	UK Division		Canadian Division	UK Division	
	2025	2025	2025	2024	2024	2024
EBITDA	\$ 54,616	\$ 36,318	\$ 90,934	\$ 47,951	\$ 21,069	\$ 69,020
Adjusting Items:	-	-	-	-	-	-
Transaction Costs ¹	4,438	2,789	7,227	822	508	1,330
Syndication/Structural Finance Costs ²	484	-	484	1,892	-	1,892
Transition Costs ³	62	2,069	2,131	974	-	974
Restructuring Costs ⁴	-	-	-	250	-	250
Gain on settlement of contingent consideration ⁵	-	-	-	(500)	-	(500)
Non-recurring gains ⁶	(2,090)	-	(2,090)	(907)	-	(907)
Adjusted EBITDA	\$ 57,510	\$ 41,176	\$ 98,686	\$ 50,482	\$ 21,577	\$ 72,059

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

² Relates to costs related to syndication and credit agreement restructuring costs.

³ Relates to transition costs incurred as a result of the Corporation's acquisitions.

⁴ Relates to restructuring provision.

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

⁶ 2025 relates to non-recurring gain of \$1,519 from the sale of the Granby facility and a gain of \$571 related to a one-time gain on a customer contract.

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

Adjusted Net Earnings 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 December 31,						
(thousands)	Canadian Division 2025	UK Division 2025	2025	Canadian Division 2024	UK Division 2024	2024
Net Earnings	\$ 2,652	\$ 238	\$ 2,890	\$ 2,380	\$ 1,858	\$ 4,238
<i>Adjusting Items:</i>						
Transaction Costs ¹	405	-	405	-	-	-
Syndication/Structural Finance Costs ²	-	-	-	-	-	-
Transition Costs ³	-	924	924	63	-	63
Restructuring Costs ⁴	-	-	-	250	-	250
Gain on settlement of contingent consideration	-	-	-	-	-	-
Non-recurring gains ⁵	-	-	-	(907)	-	(907)
Stellar Mayan intangible asset amortization ⁶	-	1,650	1,650	-	-	-
Stellar Mayan Acquisition contingent income tax provision ⁷	-	1,321	1,321	-	-	-
Adjusted Net Earnings	\$ 3,057	\$ 4,133	\$ 7,190	\$ 1,786	\$ 1,858	\$ 3,644

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

² Relates to costs related to syndication and credit agreement restructuring costs.

³ Relates to transition costs incurred as a result of the Corporation's acquisitions.

⁴ Relates to restructuring provision.

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

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

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

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

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

² Relates to costs related to syndication and credit agreement restructuring costs.

³ Relates to transition costs incurred as a result of the Corporation's acquisitions.

⁴ Relates to restructuring provision.

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

⁶ 2025 relates to non-recurring gain of \$1,519 from the sale of the Granby facility and a gain of \$571 related to a one-time gain on a customer contract.

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

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

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

Three Months Ended December 31,

<i>(thousands)</i>	Canadian Division 2025	UK Division 2025	2025	Canadian Division 2024	UK Division 2024	2024
Basic Earnings per Share	0.206	0.018	0.224	0.225	0.176	0.401
<i>Adjusting Items:</i>						
Transaction Costs ¹	0.031	-	0.031	-	-	-
Syndication/Structural Finance Costs ²	-	-	-	-	-	-
Transition Costs ³	-	0.072	0.072	0.006	-	0.006
Restructuring Costs ⁴	-	-	-	0.025	-	0.025
Gain on settlement of contingent consideration	-	-	-	-	-	-
Non-recurring gains ⁵	-	-	-	(0.088)	-	(0.088)
Stellar Mayan intangible asset amortization ⁶	-	0.128	0.128	-	-	-
Stellar Mayan Acquisition contingent income tax provision ⁷	-	0.103	0.103	-	-	-
Adjusted Basic Earnings per Share	0.237	0.321	0.558	0.168	0.176	0.344

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

² Relates to costs related to syndication and credit agreement restructuring costs.

³ Relates to transition costs incurred as a result of the Corporation's acquisitions.

⁴ Relates to restructuring provision.

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

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

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

Years Ended December 31,

<i>(thousands)</i>	Canadian Division 2025	UK Division 2025	2025	Canadian Division 2024	UK Division 2024	2024
Basic Earnings per Share	0.864	0.657	1.521	0.904	0.879	1.783
<i>Adjusting Items:</i>						
Transaction Costs ¹	0.376	0.236	0.612	0.078	0.050	0.128
Syndication/Structural Finance Costs ²	0.041	-	0.041	0.180	-	0.180
Transition Costs ³	0.005	0.175	0.180	0.093	-	0.093
Restructuring Costs ⁴	-	-	-	0.024	-	0.024
Gain on settlement of contingent consideration ⁵	-	-	-	(0.048)	-	(0.048)
Non-recurring gains ⁶	(0.177)	-	(0.177)	(0.086)	-	(0.086)
Stellar Mayan intangible asset amortization ⁷	-	0.283	0.283	-	-	-
Stellar Mayan Acquisition contingent income tax provision ⁸	-	0.112	0.112	-	-	-
Adjusted Basic Earnings per Share	1.109	1.463	2.572	1.145	0.929	2.074

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

² Relates to costs related to syndication and credit agreement restructuring costs.

³ Relates to transition costs incurred as a result of the Corporation's acquisitions.

⁴ Relates to restructuring provision.

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

⁶ 2025 relates to non-recurring gain of \$1,519 from the sale of the Granby facility and a gain of \$571 related to a one-time gain on a customer contract.

⁷ 2024 Relates to non-recurring reimbursement received from supplier related to a negotiated contract settlement.

⁸ Relates to amortization of acquired intangible assets from Stellar Mayan acquisition on June 11, 2025.

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

Three Months Ended December 31,

<i>(thousands)</i>	Canadian Division 2025	UK Division 2025	2025	Canadian Division 2024	UK Division 2024	2024
Diluted Earnings per Share	0.205	0.018	0.223	0.224	0.174	0.398
<i>Adjusting Items:</i>						
Transaction Costs ¹	0.031	-	0.031	-	-	-
Syndication/Structural Finance Costs ²	-	-	-	-	-	-
Transition Costs ³	-	0.071	0.071	0.006	-	0.006
Restructuring Costs ⁴	-	-	-	0.025	-	0.025
Gain on settlement of contingent consideration	-	-	-	-	-	-
Non-recurring gains ⁵	-	-	-	(0.089)	-	(0.089)
Stellar Mayan intangible asset amortization ⁶	-	0.127	0.127	-	-	-
Stellar Mayan Acquisition contingent income tax provision ⁷	-	0.102	0.102	-	-	-
Adjusted Diluted Earnings per Share	0.236	0.318	0.554	0.166	0.174	0.340

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

² Relates to costs related to syndication and credit agreement restructuring costs.

³ Relates to transition costs incurred as a result of the Corporation's acquisitions.

⁴ Relates to restructuring provision.

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

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

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

Years Ended December 31,

<i>(thousands)</i>	Canadian Division 2025	UK Division 2025	2025	Canadian Division 2024	UK Division 2024	2024
Diluted Earnings per Share	0.858	0.653	1.511	0.899	0.872	1.771
<i>Adjusting Items:</i>						
Transaction Costs ¹	0.373	0.234	0.607	0.077	0.049	0.126
Syndication/Structural Finance Costs ²	0.041	-	0.041	0.179	-	0.179
Transition Costs ³	0.005	0.174	0.179	0.090	-	0.090
Restructuring Costs ⁴	-	-	-	0.023	-	0.023
Gain on settlement of contingent consideration ⁵	-	-	-	(0.047)	-	(0.047)
Non-recurring gains ⁶	(0.176)	-	(0.176)	(0.086)	-	(0.086)
Stellar Mayan intangible asset amortization ⁷	-	0.281	0.281	-	-	-
Stellar Mayan Acquisition contingent income tax provision ⁸	-	0.111	0.111	-	-	-
Adjusted Diluted Earnings per Share	1.101	1.453	2.554	1.135	0.921	2.056

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

² Relates to costs related to syndication and credit agreement restructuring costs.

³ Relates to transition costs incurred as a result of the Corporation's acquisitions.

⁴ Relates to restructuring provision.

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

⁶ 2025 relates to non-recurring gain of \$1,519 from the sale of the Granby facility and a gain of \$571 related to a one-time gain on a customer contract.

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

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

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

Distributable Cash Flow

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

Payout Ratio

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

Debt to Total Capital

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

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

Off Balance Sheet Arrangements

As at December 31, 2025, the Corporation has not entered into any off balance sheet arrangements.

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED

The Corporation adopted the following accounting standards and amendments that were effective for our annual consolidated financial statements commencing January 1, 2025. These changes did not have a material impact on our financial results and are not expected to have a material impact in the future.

- Amendments to IAS 21, Lack of Exchangeability, including guidance about the determination of the exchange rate and disclosure when a currency is not exchangeable.

RECENT ACCOUNTING PRONOUNCEMENTS

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

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

- Amendments to IFRS 7, Classification and Measurement of Financial Instruments, including disclosure requirements relating to contractual financial assets and liabilities referencing a contingent event.
- Amendments to IFRS 9, Classification and Measurement of Financial Instruments, including guidance regarding electronic payments and the timing of derecognition of financial liabilities.
- Introduction of IFRS 18, Presentation and Disclosure in Financial Statements, which will replace IAS 1, Presentation in Financial Statements. The issuance introduces new categories and subtotals in the statement of comprehensive income (loss), requires disclosure of management-defined performance measures (“MPMs”), and includes new requirements for the location, aggregation and disaggregation of financial information. The Corporation has identified the following potential impacts as part of a preliminary assessment:

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

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

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

CRITICAL RISKS AND UNCERTAINTIES

As at December 31, 2025, there are no material changes in the Corporation's risks or risk management activities since December 31, 2024. The Corporation's results of operations, business prospects, financial condition, cash dividends to Shareholders and the trading price of the Common Shares are subject to a number of risks. These risk factors include: dependence on long-term contracts and the associated renewal risk thereof; the effects of market volatility and uncertainty; potential future tax changes; the Corporation's competitive environment and increased competition; our ability to acquire and successfully integrate and operate additional businesses; utility costs; the labour markets; the fact that our credit facility imposes numerous covenants and encumbers assets; and, environmental matters.

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

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

CONTROLS 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 December 31, 2025, and the CEO and CFO have concluded that these controls were operating effectively.

Internal Controls over Financial Reporting

The CEO and CFO acknowledge responsibility for the design of internal controls over financial reporting (“ICFR”). Consequently the CEO and CFO confirm that the additions to these controls that occurred during the period ended December 31, 2025, did not materially affect, or are reasonably likely to materially affect, the Corporation’s ICFR. Based upon their evaluation of these controls for the period ended December 31, 2025, the CEO and CFO have concluded that these controls were operating effectively.

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

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

Limitation on Scope of Design

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

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

Stellar Mayan (thousands)	203-day period ended December 31, 2025
Revenue	\$ 99,074
Expense	\$ 100,953
Net Earnings	\$ (1,879)

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

Vous pouvez obtenir des renseignements supplémentaires sur la Société, y compris les documents déposés auprès des autorités de réglementation, sur notre site Web, au www.k-brolinen.com et sur le

site Web des autorités canadiennes en valeurs mobilières au www.sedarplus.ca, le site Web du Système électronique de données, d'analyse et de recherche (« SEDAR+ »).