



K·BRO



Interim Condensed Consolidated Financial Statements

Q2, 2026

Interim Condensed Consolidated Statements of Financial Position

(unaudited, thousands of Canadian dollars)

	June 30, 2026	December 31, 2025
ASSETS		
Current assets		
Cash	\$ 20,504	\$ 23,355
Accounts receivable	92,652	83,876
Income tax receivable	242	466
Prepays and other assets	11,980	11,861
Linen in service	76,916	75,229
	202,294	194,787
Assets classified as held for sale	803	789
	203,097	195,576
Property, plant and equipment (note 4)	302,345	303,128
Intangible assets	57,845	62,459
Goodwill	145,245	143,280
	\$ 708,532	\$ 704,443
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 74,023	\$ 74,076
Share repurchase liability (note 12)	1,875	-
Provisions	367	367
Current portion of long-term debt (note 5)	10,073	8,394
Lease liabilities	19,658	18,669
Income taxes payable	2,301	1,157
Dividends payable to shareholders	1,301	1,299
	109,598	103,962
Long-term debt (note 5)	223,901	229,157
Derivative financial instruments (note 9)	838	-
Lease liabilities	63,611	64,154
Provisions	3,722	3,671
Deferred income taxes	27,871	29,654
	\$ 429,541	\$ 430,598
SHAREHOLDERS' EQUITY		
Share capital	284,565	284,902
Share repurchase deficit	(7,378)	(4,356)
Contributed surplus	3,597	3,056
Deficit	(15,723)	(17,907)
Accumulated other comprehensive income	13,930	8,150
	\$ 278,991	\$ 273,845
	\$ 708,532	\$ 704,443

Contingencies and commitments (note 6)

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

Interim Condensed Consolidated Statements of Earnings & Comprehensive Income

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Revenue	\$ 150,358	\$ 113,074	\$ 289,467	\$ 204,043
Expenses				
Wages and benefits	59,200	42,262	114,551	77,169
Delivery	17,515	13,262	34,020	24,777
Linen	15,052	11,193	28,929	19,973
Utilities	8,848	6,538	18,050	13,155
Corporate	5,769	8,974	11,474	15,648
Materials and supplies	6,564	4,049	14,026	7,861
Repairs and maintenance	5,081	4,505	10,998	8,859
Occupancy costs	3,077	2,446	6,245	4,341
Fair value adjustments on derivative financial instruments (note 9)	838	-	838	-
Other recovery	(585)	(1,537)	(585)	(1,526)
	121,359	91,692	238,546	170,257
Earnings before interest, taxes, depreciation and amortization (EBITDA)	28,999	21,382	50,921	33,786
Other expenses				
Depreciation of property, plant and equipment (note 4)	12,419	9,178	24,580	17,113
Amortization of intangible assets	2,808	1,447	5,603	2,564
Finance expense	4,906	4,059	9,343	6,896
	20,133	14,684	39,526	26,573
Earnings before income taxes	8,866	6,698	11,395	7,213
Current income tax expense	2,501	1,208	3,392	1,573
Deferred income tax (recovery) expense	(1,289)	71	(1,981)	(605)
Income tax expense	1,212	1,279	1,411	968
Net earnings	\$ 7,654	\$ 5,419	\$ 9,984	\$ 6,245
Other comprehensive income				
Items that may be subsequently reclassified to earnings:				
Foreign currency translation differences on foreign operations	7,445	1,390	5,780	4,918
Total comprehensive income	\$ 15,099	\$ 6,809	\$ 15,764	\$ 11,163
Net earnings per share:				
Basic	\$ 0.59	\$ 0.49	\$ 0.77	\$ 0.57
Diluted	\$ 0.59	\$ 0.49	\$ 0.77	\$ 0.57
Weighted average number of shares outstanding:				
Basic	12,895,565	11,025,590	12,897,547	10,764,763
Diluted	12,973,887	11,086,981	12,961,521	10,814,232

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

Interim Condensed Consolidated Statements of Changes in Equity

(unaudited, thousands of Canadian dollars)

	Total Share Capital		Share repurchase deficit	Contributed surplus	Deficit	Accumulated other comprehensive income		Total equity				
As at December 31, 2025	\$	284,902	\$	(4,356)	\$	3,056	\$	(17,907)	\$	8,150	\$	273,845
Total comprehensive income		-		-		-		9,984		5,780		15,764
Dividends declared (note 7)		-		-		-		(7,800)		-		(7,800)
Employee share based compensation expense (note 10)		-		-		1,486		-		-		1,486
Repurchase of shares (note 12)		(1,282)		(1,147)		-		-		-		(2,429)
Change in share repurchase liability (note 12)		-		(1,875)		-		-		-		(1,875)
Shares vested during the period		945		-		(945)		-		-		-
As at June 30, 2026	\$	284,565	\$	(7,378)	\$	3,597	\$	(15,723)	\$	13,930	\$	278,991

	Total Share Capital		Share repurchase deficit	Contributed surplus	Deficit	Accumulated other comprehensive income		Total equity				
As at December 31, 2024	\$	206,010	\$	(4,356)	\$	2,397	\$	(21,507)	\$	6,867	\$	189,411
Total comprehensive income		-		-		-		6,245		4,918		11,163
Net proceeds from common shares issued		76,990		-		-		-		-		76,990
Dividends declared (note 7)		-		-		-		(6,596)		-		(6,596)
Employee share based compensation expense (note 10)		-		-		1,336		-		-		1,336
Shares vested during the period		845		-		(845)		-		-		-
As at June 30, 2025	\$	283,845	\$	(4,356)	\$	2,888	\$	(21,858)	\$	11,785	\$	272,304

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

Interim Condensed Consolidated Statements of Cash Flow

(unaudited, thousands of Canadian dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
OPERATING ACTIVITIES				
Net earnings	\$ 7,654	\$ 5,419	\$ 9,984	\$ 6,245
Depreciation of property, plant and equipment (note 4)	12,419	9,178	24,580	17,113
Amortization of intangible assets	2,808	1,447	5,603	2,564
Accretion expense	11	57	29	42
Employee share based compensation expense	754	687	1,486	1,336
Other recovery	(47)	(1,537)	(47)	(1,526)
Fair value adjustments on derivative financial instruments (note 9)	838	-	838	-
Amortization of term loan fees (note 5)	50	-	99	-
Deferred income tax (recovery) expense	(1,289)	71	(1,981)	(605)
	23,198	15,322	40,591	25,169
Change in non-cash working capital items (note 8)	(14,539)	(12,173)	(9,654)	(4,764)
Cash provided by operating activities	8,659	3,149	30,937	20,405
FINANCING ACTIVITIES				
Net proceeds from issuance of common shares (note 12)	-	75,815	-	75,815
Net proceeds (repayments) on revolving debt (note 5)	341	509	(318)	(3,974)
Repayments of term loan (note 5)	(1,679)	-	(3,358)	-
Fees paid relating to term loan (note 5)	-	(789)	-	(789)
Net proceeds from term loan (note 5)	-	134,300	-	134,300
Repurchase of shares (note 12)	(2,429)	-	(2,429)	-
Principal elements of lease payments	(4,419)	(3,133)	(8,808)	(5,856)
Dividends paid to shareholders	(3,903)	(3,181)	(7,800)	(6,355)
Cash (used) provided by financing activities	(12,089)	203,521	(22,713)	193,141
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(7,407)	(1,988)	(11,402)	(5,058)
Proceeds from disposal of property, plant and equipment (note 4)	104	1,874	104	1,874
Purchase of intangible assets	(21)	(104)	(21)	(220)
Acquisition of businesses, net of cash (note 11)	-	(194,695)	-	(194,695)
Cash used in investing activities	(7,324)	(194,913)	(11,319)	(198,099)
Change in cash during the period	(10,754)	11,757	(3,095)	15,447
Effect of exchange rate changes on cash	397	(133)	244	193
Cash, beginning of period	30,861	13,439	23,355	9,423
Cash, end of period	\$ 20,504	\$ 25,063	\$ 20,504	\$ 25,063
Supplementary cash flow information				
Interest paid	\$ 4,862	\$ 4,023	\$ 9,237	\$ 6,810
Income taxes paid	\$ 919	\$ 2,027	\$ 2,016	\$ 2,930

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

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, thousands of Canadian dollars except share and per share amounts, six months ended June 30, 2026 and 2025)

K-Bro Linen Inc. (the "Corporation" or "K-Bro") is incorporated in Canada under the Business Corporations Act (Alberta). K-Bro is the largest owner and operator of laundry and linen processing facilities in Canada and a national market leader for laundry and textile services in the UK. K-Bro and its wholly owned subsidiaries, operate across Canada and the United Kingdom ("UK"), provide a range of linen services to healthcare institutions, hotels and other commercial organizations that include the processing, management and distribution of general linen and operating room linen.

The Corporation's operations in Canada include eleven processing facilities and one distribution centre in nine Canadian cities: Québec City, Montréal, Toronto, Regina, Saskatoon, Edmonton, Calgary, Vancouver and Victoria. The processing facilities operate under the brands of K-Bro Linen Systems Inc. ("K-Bro"), Buanderie HMR, Paranet, Villaray and C.M.

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

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

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

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

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

These unaudited Interim Condensed Consolidated Financial Statements were approved and authorized for issuance by the Board of Directors ("the Board") on August 4, 2026.

1 Basis of Presentation

These unaudited Interim Condensed Consolidated Financial Statements have been prepared in accordance with IFRS Accounting Standards (as issued by the International Accounting Standards Board) applicable to preparation of interim financial statements under IAS 34, Interim Financial Reporting, and should be read in conjunction with the annual consolidated audited financial statements for the year ended December 31, 2025 which have been prepared in accordance with IFRS Accounting Standards. The

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, thousands of Canadian dollars except share and per share amounts, six months ended June 30, 2026 and 2025)

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

Recent Developments and Impact on Estimation Uncertainty

The timely preparation of the consolidated interim financial statements, in conformity with IFRS Accounting Standards, requires management of the Corporation to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

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

Economic Conditions

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

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

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

2 New Accounting Pronouncements Adopted

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

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

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, thousands of Canadian dollars except share and per share amounts, six months ended June 30, 2026 and 2025)

3 New standards and interpretations not yet adopted

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

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

- Introduction of IFRS 18, Presentation and Disclosure in Financial Statements, which will replace IAS 1, Presentation in Financial Statements. The issuance introduces new categories and subtotals in the statement of comprehensive income (loss), requires disclosure of management-defined performance measures ("MPMs"), and includes new requirements for the location, aggregation and disaggregation of financial information. The Corporation has identified the following potential impacts as part of a preliminary assessment:
 - There is not expected to be an impact on net income; however, items of income and expenses in the consolidated statement of comprehensive income (loss) may be grouped into new categories resulting in new subtotals and/or line items being presented.
 - There will be new disclosures required for MPMs, which the standards define as a subtotal of income and expenses that an entity uses in public communications outside financial statements, to communicate management's view of an aspect of the financial performance of the entity as a whole.

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

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

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, thousands of Canadian dollars except share and per share amounts, six months ended June 30, 2026 and 2025)

4 Property, plant and equipment

	Land	Buildings	Laundry Equipment ⁽¹⁾	Office Equipment	Delivery Equipment	Computer Equipment	Leasehold Improvements	Spare Parts	Total
Year ended, December 31, 2025									
Opening net book amount	\$ 4,574	\$ 54,145	\$ 125,652	\$ 238	\$ 13,692	\$ 673	\$ 23,695	\$ 2,156	\$ 224,825
Additions ⁽²⁾⁽³⁾⁽⁴⁾	-	122	13,904	51	16,378	506	187	390	31,538
Change in asset retirement obligation	-	-	-	-	-	-	2	-	2
Acquisition of business ⁽⁴⁾ (note 11)	-	38,685	41,022	874	7,662	477	246	-	88,966
Disposals	-	-	(51)	-	(1,098)	-	-	-	(1,149)
Transfers	-	(127)	618	(17)	(355)	-	(124)	-	(5)
Depreciation charge	-	(10,919)	(17,683)	(553)	(8,105)	(789)	(3,481)	-	(41,530)
Effect of movement in exchange rates	29	(43)	281	(4)	223	(5)	-	-	481
Closing net book amount	\$ 4,603	\$ 81,863	\$ 163,743	\$ 589	\$ 28,397	\$ 862	\$ 20,525	\$ 2,546	\$ 303,128
At December 31, 2025									
Cost	\$ 4,603	\$ 133,210	\$ 305,121	\$ 2,393	\$ 54,737	\$ 5,762	\$ 61,621	\$ 2,546	\$ 569,993
Accumulated impairment losses	-	(207)	(2,113)	-	(5)	(14)	-	-	(2,339)
Accumulated depreciation	-	(51,140)	(139,265)	(1,804)	(26,335)	(4,886)	(41,096)	-	(264,526)
Net book amount	\$ 4,603	\$ 81,863	\$ 163,743	\$ 589	\$ 28,397	\$ 862	\$ 20,525	\$ 2,546	\$ 303,128
Period ended, June 30, 2026									
Opening net book amount	\$ 4,603	\$ 81,863	\$ 163,743	\$ 589	\$ 28,397	\$ 862	\$ 20,525	\$ 2,546	\$ 303,128
Additions ⁽²⁾⁽³⁾⁽⁴⁾	-	2,755	12,218	35	5,829	298	62	256	21,453
Change in asset retirement obligation	-	-	-	-	-	-	6	-	6
Disposals	-	-	-	-	(57)	-	-	-	(57)
Depreciation charge	-	(6,659)	(10,438)	(453)	(4,770)	(509)	(1,751)	-	(24,580)
Effect of movement in exchange rates	22	759	1,216	2	385	4	7	-	2,395
Closing net book amount	\$ 4,625	\$ 78,718	\$ 166,739	\$ 173	\$ 29,784	\$ 655	\$ 18,849	\$ 2,802	\$ 302,345
At June 30, 2026									
Cost	\$ 4,625	\$ 137,013	\$ 318,926	\$ 2,389	\$ 60,243	\$ 6,071	\$ 61,699	\$ 2,802	\$ 593,768
Accumulated impairment losses	-	(207)	(2,113)	-	(5)	(14)	-	-	(2,339)
Accumulated depreciation	-	(58,088)	(150,074)	(2,216)	(30,454)	(5,402)	(42,850)	-	(289,084)
Net book amount	\$ 4,625	\$ 78,718	\$ 166,739	\$ 173	\$ 29,784	\$ 655	\$ 18,849	\$ 2,802	\$ 302,345

- (1) Included in laundry equipment are assets under development in the amount of \$3,191 (2025 - \$76). These assets are not available for service and accordingly are not presently being depreciated.
- (2) Total property, plant and equipment additions are inclusive of amounts incurred in the period that are yet to be paid, with amounts remaining in accounts payable and accrued liabilities of \$1,981 (2025 - \$390).
- (3) Additions include amounts from the Canadian Segment of \$9,093 (2025 - \$12,967) and from the UK Segment of \$12,360 (2025 - \$18,571).
- (4) Includes ROUA additions from the Canadian Segment of \$3,975 (2025 - \$4,993), comprised of buildings of \$1,420 (2025 - \$0) and vehicles of \$2,555 (2025 - \$4,993). From the UK Segment, ROUA additions were \$4,554 (2025 - \$44,039), comprised of buildings of \$1,260 (2025 - \$87), vehicles of \$3,294 (2025 - \$11,396) and through acquisition of business of \$0 (2025 - \$32,556). This has resulted in corresponding increases to the lease liabilities in the amount of \$3,975 (2025 - \$4,993) for the Canadian Segment and \$4,554 (2025 - \$39,375) for the UK Segment.

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, thousands of Canadian dollars except share and per share amounts, six months ended June 30, 2026 and 2025)

5 Long-term debt

	Revolving Credit Facility ^(1, 3, 4)	Term Loan ^(2, 3, 4)	Total
At January 1, 2025	\$ 123,778	\$ -	\$ 123,778
Net proceeds from term loan	-	134,300	134,300
Net repayments of debt	(16,479)	(3,358)	(19,837)
Fees paid related to term loan	-	(789)	(789)
Amortization of term loan fees	-	99	99
Closing balance at December 31, 2025	\$ 107,299	\$ 130,252	\$ 237,551
At January 1, 2026	\$ 107,299	\$ 130,252	\$ 237,551
Net repayments of debt	(318)	(3,358)	(3,676)
Amortization of term loan fees	-	99	99
Closing balance at June 30, 2026	\$ 106,981	\$ 126,993	\$ 233,974
Current portion of long-term debt	-	10,073	10,073
Non-current portion of long-term debt	106,981	116,920	223,901
Closing balance at June 30, 2026	\$ 106,981	\$ 126,993	\$ 233,974

- (1) The revolving credit facility is collateralized by a general security agreement, bears interest at prime, applicable banker's acceptance rate, SOFR or CORRA, plus an interest margin dependent on certain financial ratios, with a monthly repayment of interest only, maturing on June 10, 2029.
- (2) The term loan is collateralized by a general security agreement, bears interest at prime, applicable banker's acceptance rate, SOFR or CORRA, plus an interest margin dependent on certain financial ratios, with quarterly principal repayments, maturing on June 10, 2029. The original principal amount of the term loan is required to be repaid in quarterly installments commencing September 30, 2025. The principal repayment amounts per year are equal to: Year 1: 5.00%, Year 2: 7.50%, Year 3: 7.50%, Year 4: 10.00%.
- (3) The additional interest margin can range between 0.0% to 2.00% dependent upon the calculated Total Funded Debt / Credit Facility EBITDA financial ratio, with a range between 0 to 3.50x. The Funded Debt to EBITDA Ratio requirement has an increase to 4.00x for the first four quarters following any material acquisition. The required calculated Funded Debt / Credit Facility EBITDA financial ratio is subject to change based off certain terms and conditions. As at June 30, 2026 the combined interest rate was 5.45% (December 31, 2025 - 5.70%).
- (4) The term loan had drawdowns of \$0 (2025 - \$134,300) and a principal repayment of \$3,358 (2025 - \$3,358), as well as term loan fees of \$0 (2025 - \$789), of which \$99 (2025 - \$99) were amortized. The revolving credit facility had repayments of \$0 (2025 - \$16,000) and net outflows of \$318 (2025 - \$479) as a result of operating activities.

On June 11, 2025, the Corporation amended its existing three-year committed Syndicated Credit Facility Agreement to include a \$134,300 four-year amortizing term loan and to extend the term of the facility from March 25, 2027 to June 10, 2029. The amendment included a reduction in the accordion to \$50,000 from \$75,000.

Under the credit facility, the Corporation is required, among other conditions, to respect certain covenants on a consolidated basis. The main covenants are in regard to its Funded Debt to Credit Facility EBITDA ratio and Total Fixed Charge Coverage ratio. Management reviews compliance with these covenants on a quarterly basis in conjunction with filing requirements under its credit facility. All covenants have been met as at June 30, 2026 and December 31, 2025.

The Corporation has a syndicated credit facility of up to \$309,300 plus a \$50,000 accordion comprised of a revolving credit facility and a 4-year amortizing term loan, of which \$239,669 is utilized (including letters of credit totaling \$5,104) as at June 30, 2026. 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

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(unaudited, thousands of Canadian dollars except share and per share amounts, six months ended June 30, 2026 and 2025)

facility, repayments of the principal amount shall be repaid in quarterly installments which commenced September 30, 2025, in addition to required interest payments.

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

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

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

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

6 Contingencies and commitments

a) Contingencies

Contingent liabilities

The Corporation has standby letters of credit issued as part of normal business operations in the amount of \$5,104 (December 31, 2025 – \$5,028) which will remain outstanding for an indefinite period of time.

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

Contingent assets

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

b) Commitments and contractual obligations

Utility commitments

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

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, thousands of Canadian dollars except share and per share amounts, six months ended June 30, 2026 and 2025)

Remainder of 2026	\$	8,866
2027		2,465
2028		2,122
2029		1,720
2030		165
Subsequent		-
	\$	15,338

Linen purchase commitments

At June 30, 2026, the Corporation was committed to linen expenditure obligations in the amount of \$18,297 (December 31, 2025 – \$21,397) to be incurred within the next year.

Property, plant and equipment commitments

At June 30, 2026, the Corporation was committed to capital expenditure obligations in the amount of \$3,932 (December 31, 2025 – \$6,862) to be incurred within the next year.

7 Dividends to shareholders

During the three months ended June 30, 2026, the Corporation declared total dividends to shareholders of \$3,903 or \$0.300 per share (June 30, 2025 - \$3,422 or \$0.300 per share). During the six months ended June 30, 2026, the Corporation declared total dividends to shareholders of \$7,800 or \$0.600 per share (June 30, 2025 - \$6,596 or \$0.600 per share).

8 Net change in non-cash working capital items

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Accounts receivable	\$ (13,233)	\$ (9,120)	\$ (7,835)	\$ (3,713)
Linen in service	(704)	(1,860)	(811)	(3,095)
Prepays and other	603	(820)	25	(1,549)
Accounts payable and other liabilities ⁽¹⁾⁽²⁾	(2,785)	1,154	(2,407)	4,952
Income taxes payable / receivable	1,580	(1,527)	1,374	(1,359)
	\$ (14,539)	\$ (12,173)	\$ (9,654)	\$ (4,764)

1) Accounts payable and other liabilities, include the net change of accounts payable, accrued liabilities, and current provision, but exclude the net change in non-cash amounts related to the acquisition of property, plant and equipment that have been committed to and accrued (paid) for in 2026 of \$1,591 and 2025 of \$158.

2) The Corporation applies the amendments to IFRS 9 (issued in May 2024) as at January 1, 2026 without restating prior periods. Accounts payable and other liabilities includes the settlement of the liability of \$246 via cheque reflected as operating cash outflow in the period ending December 31, 2025. For the three and six months ended June 30, 2026, the change in accounts payable and other liabilities would be \$(3,031) and \$(2,653) respectively, when excluding the adjustment on initial application of amendments to IFRS 9 on January 1, 2026.

9 Financial instruments

The Corporation's financial instruments at June 30, 2026 and December 31, 2025 consist of cash, accounts receivable, accounts payable and accrued liabilities, lease liabilities, dividends payable to shareholders, long term debt, and derivative financial instruments. The carrying value of accounts receivable, accounts payable and accrued liabilities, lease liabilities, and dividends payable to shareholders, approximate fair value due to the immediate or short-term maturity of these financial instruments. The fair value of the Corporation's interest-bearing debt approximates the respective carrying amount due to the floating rate nature of the debt. The fair value of the derivative financial instruments is measured at fair value

Notes to the Interim Condensed Consolidated Financial Statements

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using valuation techniques based on observable market data, including forward interest rates and discounting methodologies. As the swap is recorded at fair value, the carrying amount approximates fair value.

Credit Risk

As per the Corporation's existing policy for accounts receivable as disclosed in the Corporation's annual Consolidated Financial Statements for the year ended December 31, 2025, the Corporation applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

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

On that basis, the loss allowance as at June 30, 2026 was reviewed by management and adjusted for accordingly based off adjusted historical loss rates, in addition to considering the impact of rising interest rates and the incremental risk to the hospitality industry. Given the current economic environment, management has taken extra steps to mitigate the additional credit risk with a detailed review of amounts that are not current. This includes detailed assessments of the recoverability of accounts receivable balances of each customer taking into account historic collection trends, the contractual relationship with the customer and the nature of the customer.

Interest Rate Risk

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

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

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

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10 Segmented information

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

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

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

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

a) Segment revenue

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

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

In Edmonton and Calgary, the Corporation is the significant supplier of laundry and linen services to the entity which manages all major healthcare facilities in the region and is contractually committed to July 31, 2032. In Vancouver, the major customer is contractually committed to March 1, 2027, and in Saskatchewan the major customer is contractually committed to June 1, 2031. For the six months ended June 30, 2026, from these three major customers the Corporation has recorded revenue of \$76,471 (2025 – \$73,726), representing 26.4% (2025 – 36.1%) of total revenue.

Notes to the Interim Condensed Consolidated Financial Statements

(unaudited, thousands of Canadian dollars except share and per share amounts, six months ended June 30, 2026 and 2025)

	Six Months Ended June 30, 2026			Six Months Ended June 30, 2025		
Healthcare	\$	102,867	35.5%	\$	98,685	48.2%
Hospitality		38,309	13.2%		37,274	18.3%
Canadian segment	\$	141,176	48.8%	\$	135,959	66.5%
Healthcare	\$	68,480	23.7%	\$	9,811	4.9%
Hospitality		79,811	27.6%	\$	58,273	28.6%
UK segment	\$	148,291	51.2%	\$	68,084	33.5%
Total segment revenue	\$	289,467	100.0%	\$	204,043	100.0%

b) Segment net earnings and EBITDA

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

Six Months Ended June 30, 2026	Canadian segment	UK segment	Total
Net earnings	\$ 5,384	\$ 4,600	\$ 9,984
EBITDA	\$ 28,043	\$ 22,878	\$ 50,921

Six Months Ended June 30, 2025	Canadian segment	UK segment	Total
Net earnings	\$ 3,698	\$ 2,547	\$ 6,245
EBITDA	\$ 24,303	\$ 9,483	\$ 33,786

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Six Months Ended June 30, 2026	Canadian segment	UK segment	Total
Revenue	\$ 141,176	\$ 148,291	\$ 289,467
Expenses			
Wages and benefits	55,327	59,224	114,551
Delivery	16,402	17,618	34,020
Linen	12,458	16,471	28,929
Utilities	6,943	11,107	18,050
Corporate	8,508	2,966	11,474
Materials and supplies	4,324	9,702	14,026
Repairs and maintenance	6,100	4,898	10,998
Occupancy costs	2,280	3,965	6,245
Gain on settlement of contingent consideration	838	-	838
Other (recovery) expense	(47)	(538)	(585)
EBITDA	28,043	22,878	50,921
Depreciation of property, plant and equipment (note 4)	11,941	12,639	24,580
Amortization of intangible assets	876	4,727	5,603
Finance expense			9,343
Current income tax expense			3,392
Deferred income tax recovery			(1,981)
Net earnings			9,984

Six Months Ended June 30, 2025	Canadian segment	UK segment	Total
Revenue	\$ 135,959	\$ 68,084	\$ 204,043
Expenses			
Wages and benefits	53,316	23,853	77,169
Delivery	15,349	9,428	24,777
Linen	12,275	7,698	19,973
Utilities	7,732	5,423	13,155
Corporate	11,277	4,371	15,648
Materials and supplies	4,860	3,001	7,861
Repairs and maintenance	6,010	2,849	8,859
Occupancy costs	2,374	1,967	4,341
Other expense	(1,537)	11	(1,526)
EBITDA	24,303	9,483	33,786
Depreciation of property, plant and equipment (note 4)	11,630	5,483	17,113
Amortization of intangible assets	852	1,712	2,564
Finance expense			6,896
Current income tax expense			1,573
Deferred income tax expense			(605)
Net earnings			6,245

The Canadian segment net earnings includes non-cash employee share based compensation expense of \$1,486 (2025 – \$1,336).

c) Segment assets

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

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

At June 30, 2026	Canadian segment	UK segment	Total
Total assets	\$ 278,731	\$ 429,801	\$ 708,532
Other:			
Cash	(3,365)	(17,139)	(20,504)
Total segment assets	\$ 275,366	\$ 412,662	\$ 688,028

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

d) Segment liabilities

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

At June 30, 2026	Canadian segment	UK segment	Total
Total liabilities	\$ 330,060	\$ 99,481	\$ 429,541
Other:			
Debt (note 5)	(233,974)	-	(233,974)
Total segment liabilities	\$ 96,086	\$ 99,481	\$ 195,567

At December 31, 2025	Canadian segment	UK segment	Total
Total liabilities	\$ 327,939	\$ 102,659	\$ 430,598
Other:			
Debt (note 5)	(237,551)	-	(237,551)
Total segment liabilities	\$ 90,388	\$ 102,659	\$ 193,047

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11 Business Acquisitions

a) Business Acquisition – Shortridge

As previously disclosed in the December 31, 2025 Annual Financial Statements, a contingent asset related to the Shortridge business acquisition remains in escrow as at June 30, 2026.

b) Business Acquisition – Stellar Mayan

As previously disclosed in the December 31, 2025 Annual Financial Statements, during 2025 the Corporation finalized the provisional purchase price allocation for the UK based Stellar Mayan Acquisition, a leading commercial laundry business in England serving the healthcare and hospitality markets. Stellar Mayan includes three operating businesses: (i) Synergy Health Managed Services Limited (“Synergy”); (ii) Grosvenor Contracts (London) Limited (“Grosvenor Contracts”, “GC”); and (iii) Aeroserve (MSP) Limited and Aeroserve Euro Limited, jointly referred to as Aeroserve Linen Services (“AeroServe”).

12 Share capital

a) Issued

On June 11, 2025, the Corporation closed the Stellar Mayan Acquisition. Through a bought deal, the Corporation issued 2,334,500 common shares at \$34.55 per share, which included full exercise of the over-allotment option. The proceeds of the common share offering were used to finance a portion of the Stellar Mayan Acquisition (Note 11) and pay certain fees and expenses related to acquisition and offering. The net proceeds of the offering after deducting expenses of the offering and the underwriter’s fee were \$75,611.

	2026	2025
Balance, beginning of year	12,990,517	10,578,364
Common shares issued under LTI	72,571	77,653
Common shares issued under equity offering	-	2,334,500
Common shares repurchased	(58,039)	-
As at June 30, 2026	13,005,049	12,990,517
Unvested common shares held in trust for LTI	139,351	130,694
		2025
Gross proceeds from share issuance		\$ 80,657
Underwriter fee		(3,460)
Costs associated with share issuance		(1,586)
Net proceeds from share issuance		75,611
Deferred income tax impact of share issuance		1,227
Total impact to share capital		\$ 76,838

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b) Normal Course Issuer Bid

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

For the six months ended June 30, 2026, the Corporation repurchased and cancelled 58,039 common shares for \$2,429 under the NCIB, net of transaction costs of \$1 which were recorded in share capital. The average share price was \$42.12.

The Corporation recorded a financial liability of \$1,875 related to the NCIB due to the automatic share repurchase plan for purchases that could be made from July 1 to August 6, 2026. During the blackout period, no changes can be made as it pertains to the automated share repurchase plan.

13 Subsequent events

a) Dividends

On July 15, 2026, the Board declared an eligible dividend of \$0.1000 per common share of the Corporation payable on August 14, 2026 to shareholders of record on July 31, 2026.