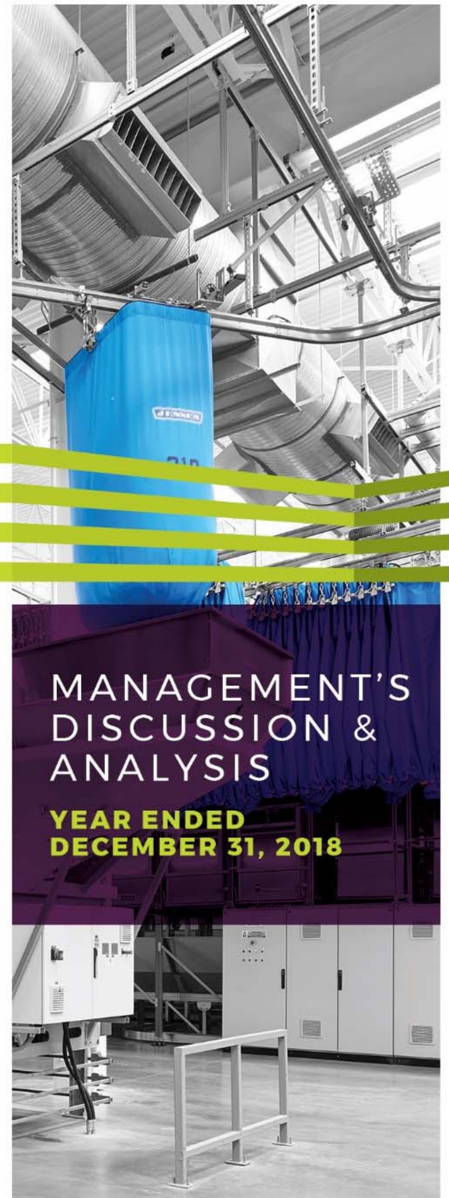

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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, 2018 and 2017, as well as the unaudited interim condensed Consolidated Financial Statements for the periods ended March 31, 2018, June 30, 2018 and September 30, 2018. The Corporation and its wholly-owned subsidiaries, including K-Bro Linen Systems Inc. and Fishers Topco Ltd., 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 13, 2019.

In the interest of providing current holders ("Shareholders") of common shares of K-Bro Linen Inc. 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 the possibility of undisclosed material liabilities; (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; (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 and the United Kingdom (the "UK"), which could have an adverse effect on expenses in respect of employees situated in those jurisdictions and while a portion of such expenses may be passed on to or be recoverable from customers, there can be no assurances that that will occur; (ix) the availability of future financing and (x) foreign exchange rates. 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) 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, the anticipated capital costs for the Toronto and Vancouver facilities, calculation of costs, including one-time costs impacting the quarterly financial results, 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 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 market leader for laundry and textile rental services in Scotland and the North East of England. K-Bro and its wholly owned subsidiaries, operate across Canada and the United Kingdom (“UK”), providing a range of linen services to healthcare institutions, hotels and other commercial accounts that include the processing, management and distribution of general linen and operating room linen.

The Corporation’s operations in Canada include nine processing facilities and two distribution centres under three distinctive brands: K-Bro Linen Systems Inc., Buanderie HMR, and Les Buanderies Dextraze. The Corporation operates in ten Canadian cities: Québec City, Montréal, Toronto, Regina, Saskatoon, Prince Albert, Edmonton, Calgary, Vancouver and Victoria.

The Corporation’s operations in the UK include Fishers Topco Ltd. ("Fishers") which was acquired by K-Bro on November 27, 2017. Fishers was established in 1900 and is a leading 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. The Corporation operates six sites, including one distribution center, which are located in Cupar, Perth, Newcastle, Livingston, Inverness and Coatbridge.

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

Our partnerships with healthcare institutions and hospitality clients across Canada and the UK demonstrate K-Bro’s commitment to building relationships that foster continuous improvement, providing flexibility to adjust

to changing circumstances as required and which incorporate incentives, penalties and the sharing of risks and rewards as circumstances warrant.

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

Industry Characteristics and Trends

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

> *Stable Industry with Moderate Cyclicality* – As evidenced by the stability in the number of approved hospital beds in the healthcare system and hotel rooms in the hospitality industry. The potential for step-changes in volumes and revenues that align with contractual arrangements exists within this industry. Service relationships are generally formalized through contracts in the healthcare sector that are typically long term (from five to ten years), while contracts in the hospitality sector usually range from two to five years.
>
> *Outsourcing and Privatization* – In Canada, healthcare institutions and regional authorities are facing funding pressures and must continually evaluate the allocation of scarce resources. Consequently, there are often advantages to healthcare institutions in outsourcing the processing of healthcare linen to private sector laundry companies such as K-Bro because of the economies of scale and significant management expertise that can be provided on a more comprehensive and cost-effective basis than customers can achieve in operating their own laundry facilities.
>
> *Fragmentation* – Most cities have at least one and sometimes several private sector competitors operating in the healthcare and hospitality sectors of 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.

Customers and Product Mix

K-Bro's Canadian customers include some of the largest healthcare institutions and hospitality providers in Canada. In the UK, Fishers customers include some of the largest hotel chains operating in Scotland. Healthcare customers include acute care hospitals and long-term care facilities primarily in Canada. Most of K-Bro's hospitality customers (typically greater than 250 rooms) generate between 0.5 million and 3 million pounds of linen per year. Most healthcare customers generate between 0.5 million pounds of linen per year for a hospital and up to 41 million pounds of linen per year for a Canadian healthcare region.

STRATEGY

K-Bro maintains the following three-part strategic 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 five 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. These new markets have contributed significantly to K-Bro's growth. Management believes that new outsourcing opportunities will continue to arise in the near to medium-term and that K-Bro is well-positioned for continued growth, particularly as healthcare and hospitality institutions continue to increase their focus on core services and confront pressures for capital and cost savings.

Management may in the future expand its core services to new markets either through acquisitions or by establishing new facilities. Its choice of areas for expansion will depend on the availability of suitable acquisition candidates, the volume of healthcare and hospitality linen to be processed and the policies of applicable governments.

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 ("KOR") services and on-site services. K-Bro performs the sterilization of operating room linen packs for six major hospitals in Toronto.

FOURTH QUARTER OVERVIEW

Revenue increased in the fourth quarter of 2018 to $59.4 million or by 25.1% compared to 2017. This increase was due to volume from the acquisition of Fishers, acquisition of Linitek, additional awarded healthcare volume from the Vancouver lower mainland contract, organic growth at existing customers, and new customers secured in existing markets.

EBITDA (see Terminology) increased in the fourth quarter to $6.6 million from $4.5 million in 2017, which is an increase of 48.6%. On a consolidated basis, the EBITDA margin increased from 9.4% in 2017 to 11.1% in 2018. For the UK division, corporate costs in the prior year include one-time costs of $2.8 million related to transaction costs for the acquisition of Fishers. For the Canadian division, the EBITDA margin decreased, in line with management expectations, to 10.7% from 16.3% for the comparative quarter of 2017. The change in the Canadian EBITDA margin, relates to the Vancouver transition, rising minimum wage rates in advance of future revenue price escalators, price increases from renewals of out-sourced freight contracts, and higher carbon taxes in Alberta as well as tight labour markets in both British Columbia and Quebec, offset with the efficiencies gained as a result of the capital expenditures made in Toronto. Management estimates the costs incurred related to the Vancouver transition and other one-time costs for the quarter were approximately $1.1 million. After adjusting for these one-time costs, the Canadian EBITDA margin would have been 13.2% as compared to 10.7% on an unadjusted basis.

SELECTED ANNUAL FINANCIAL INFORMATION

(thousands, except percentages and per share amounts)	Canadian Division 2018	UK Division 2018	2018	Canadian Division 2017	UK Division [(1)] 2017	2017	2016 [(1)]
Revenue	$ 179,889	$ 59,645	**$ 239,534**	$ 165,831	$ 4,728	$ 170,559	$ 159,089
EBITDA	21,370	8,211	**29,581**	26,493	(2,508)	23,985	28,131
Net earnings (loss)	2,701	3,468	**6,169**	8,599	(2,881)	5,718	11,527
Adjusted net earnings	2,701	3,468	**6,169**	8,599	(50)	8,549	11,527
Net earnings (loss) per share:							
Basic	$ 0.258	$ 0.331	**$ 0.589**	$ 0.947	$ (0.317)	$ 0.629	$ 1.449
Diluted	$ 0.257	$ 0.330	**$ 0.588**	$ 0.943	$ (0.316)	$ 0.627	$ 1.443
Adjusted net earnings (loss) per share:							
Basic	$ 0.258	$ 0.331	**$ 0.589**	$ 0.947	$ (0.006)	$ 0.941	$ 1.449
Diluted	$ 0.257	$ 0.330	**$ 0.588**	$ 0.943	$ (0.005)	$ 0.938	$ 1.443
Total assets			**$ 322,229**			$ 295,213	$ 168,289
Long-term debt			**70,203**			42,780	25,800
Weighted average number of shares outstanding:							
Basic			**10,466,458**			9,083,693	7,955,026
Diluted			**10,500,014**			9,114,874	7,986,729

1) Prior to the acquisition of Fishers on November 27, 2017, K-Bro was reporting and operating as a single Canadian division.

SUMMARY OF 2018 RESULTS, KEY EVENTS AND OUTLOOK

Financial Growth

Net earnings were $6.2 million or $0.59 per Common Share (basic). Cash flow from operating activities was $17.6 million and distributable cash flow was $24.8 million. Revenue increased in fiscal 2018 to $239.5 million or by 40.4% compared to 2017. This increase was due to the acquisition of Fishers, acquisition of Linitek, additional awarded healthcare volume from the Vancouver lower mainland contract, Trillium Health Partners volume, William Osler Health System Volume, organic growth at existing customers, and new customers secured in existing markets.

EBITDA (see Terminology) increased in 2018 to $29.6 million or by 23.3% compared to $24.0 million in 2017. The Corporation's EBITDA margin decreased from 14.1% in 2017 compared to 12.3% in 2018. For the UK division, corporate costs in the prior year include one-time costs of $2.8 million related to transaction costs for the acquisition of Fishers. The change in the Canadian EBITDA margin relates to the Vancouver transition, rising minimum wage rates in advance of future revenue price escalators, as well as tight labour markets in both British Columbia and Quebec, increased carbon taxes and increases in out-sourced freight costs, offset with the efficiencies gained as a result of the capital expenditures made in Toronto as well as costs related to the acquisition of Fishers included in Q4 2017. Management estimates the costs incurred related to the Vancouver transition and other one-time costs for the year were approximately $6.7 million. After adjusting for these one-time costs, the Canadian EBITDA margin would have been 15.6% as compared to 11.9% on an unadjusted basis.

Near-Term and Long-Term Growth and Margin Impact

Management has completed its strategy in its Toronto and Vancouver markets that it believes will position K-Bro for accelerated growth in its healthcare and hospitality businesses. The strategy included capital investments to build large efficient state-of-the-art facilities with meaningful additional capacity in Toronto and Vancouver. In addition, K-Bro made investments to upgrade one of its previous Vancouver plants to create a more efficient facility with meaningful additional capacity.

These investments have been made because management believes that new opportunities, both current and future, justify the significant additional capacity. The construction and/or upgrade of three of our large facilities enables us to bid on a significant amount of additional business, but has created margin pressure through 2017 and 2018 as K-Bro incurred significant one-time and transition costs associated with these large investments. Management believes that the one-time and transition costs incurred in 2018 will position K-Bro to achieve more growth and a lower cost structure into the future and that K-Bro will return to normalized margins, for its Canadian operations, closer to those achieved in 2015 as we progress through 2019.

Key events in our markets are summarized below.

Vancouver Facility Development

K-Bro has now completed the development of a new state-of-the-art facility located in Burnaby. As at December 31, 2018, K-Bro has completed the transition to the new facility and has incurred all the capital cost related to this facility. The new facility has enabled K-Bro to expand current capacity, to accommodate the additional awarded volume, and to provide the opportunity to consolidate the healthcare volume from its existing two Vancouver-area facilities.

In addition to investing in the new facility, K-Bro has upgraded and replaced equipment at one of its existing Vancouver-area facilities, which is being used to process the consolidated hospitality volume. During the third quarter of 2018, K-Bro completed the decommissioning of the third Vancouver-area facility, with related assets and volume transitioned to the existing upgraded Vancouver K-Bro facility.

K-Bro believes it will achieve significant operating efficiencies at both the new Vancouver plant and the upgraded Vancouver plant. It is anticipated that transition costs associated with both plants will continue to negatively impact EBITDA margins over the first and second quarters of 2019.

Business Acquisition

On October 3, 2018, the Corporation announced that it successfully completed the previously announced $4.7 million acquisition (the "Acquisition") of Linitek, a private laundry and linen services company operating in Calgary, Alberta. The acquisition is accounted for using the acquisition method, whereby the purchase consideration is allocated to the net assets acquired.

Alberta Contract Award

On March 1, 2019, K-Bro was awarded a one year extension to provide laundry and linen services to Calgary Alberta Health Services. The contract extends the existing relationship between K-Bro and Alberta Health Services Calgary.

National Contract Award

Effective January 1, 2019, K-Bro replaced its existing agreement with Avendra Canada, Inc. (“Avendra”) with a new five-year agreement pursuant to which K-Bro became an Avendra-approved provider of laundry and linen services across Canada, with exclusivity in K-Bro’s markets commencing at various stages throughout the term. Avendra is North America’s leading hospitality procurement and supply chain service provider. While K-Bro has existing contracts with and services the customers initially covered by the agreement, the new arrangement with Avendra will strengthen its relationships with these customers and secure K-Bro’s position with them as well as open up new opportunities in the hospitality segment. These existing customers currently represent approximately 24% of K-Bro’s Canadian hospitality revenue for the year ended December 31, 2018.

OUTLOOK

"The Linitek acquisition is a great example of our strategy to acquire high-quality operators in order to grow market share in key regions, and to focus on operations that are immediately accretive to earnings," said Linda McCurdy, President and Chief Executive Officer at K-Bro. "We believe the acquisition adds significant and immediate value to shareholders by strengthening our competitive position and growing market share in Calgary."

“With the successful transition to our newly constructed state-of-the-art Vancouver facility, we view 2018 as a transition year that have decreased margins, however going forward will enable us to realize additional efficiencies, increase capacity and increase market share. We believe that the one-time and transition costs incurred in 2018 will position the company to achieve more growth and a lower cost structure into the future and that the company will return to normalized margins closer to those achieved in 2015 as it progresses through 2019 for its Canadian operations. We remain excited about our growth plans and are confident in our ability to continue to provide value to our customers and our Shareholders.”

K-Bro’s focus is on profitable growth in the years to come as we execute our strategy of expanding geographically and adding new services for our customers. K-Bro is committed to building value for our shareholders, our customers and our employees.

K-Bro also has several proposals pending and has entered into discussions with potential new customers. In addition, K-Bro continues to seek potential acquisition candidates. Neither the timing nor the degree of likelihood of success of any of these proposals or acquisitions can be stated with any degree of accuracy.

Effects of Economic Uncertainty

K-Bro believes that it is positioned to withstand market volatility and uncertainty given that:

- Approximately 53.8% of the revenues were from large publicly funded Canadian healthcare customers which are geographically diversified across multiple provinces; and
- At December 31, 2018, K-Bro had unutilized borrowing capacity of $28.6 million or 28.6% of the revolving credit line available.

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. The following table outlines our results on a period-to-period comparative basis in each of these areas:

(thousands, except percentages and per share amounts) Category	Indicator	Canadian Division Q4 2018	UK Division Q4 2018	Q4 2018	Canadian Division Q4 2017	UK[3] Division Q4 2017	Q4 2017
Growth	EBITDA[1]	-30.5%	171.0%	**48.6%**	10.1%		-29.6%
	Adjusted EBITDA[4]	-30.5%	451.4%	**-9.1%**	10.1%		15.2%
	Revenue	5.3%	204.0%	**25.1%**	9.0%		21.0%
	Distributable cash flow			**109.7%**			-52.0%
Profitability	EBITDA[1]	$ 4,838	$ 1,781	**$ 6,619**	$ 6,961	$ (2,508)	$ 4,453
	EBITDA margin	10.7%	12.4%	**11.1%**	16.3%	-53.0%	9.4%
	Adjusted EBITDA[4]	$ 4,838	$ 1,781	**$ 6,619**	$ 6,961	$ 323	$ 7,284
	Adjusted EBITDA margin[2]	10.7%	12.4%	**11.1%**	16.3%	6.8%	15.3%
	Net earnings (loss)	$ 32	$ 1,020	**$ 1,052**	$ 1,594	$ (2,881)	$ (1,287)
	Adjusted net earnings (loss)[5]	$ 32	$ 1,020	**$ 1,052**	$ 1,594	$ (50)	$ 1,544
Stability	Debt to total capitalization[2]			**26.4%**			18.4%
	Unutilized line of credit			**$ 28,647**			$ 55,570
	Cash on hand			**$ 2,827**			$ 11,276
	Payout ratio			**54.5%**			107.1%
	Dividends declared per share			**$ 0.300**			$ 0.300
Cost containment	Wages and benefits	43.3%	36.3%	**41.6%**	41.7%	37.4%	41.3%
	Utilities	6.6%	7.9%	**6.9%**	5.7%	7.7%	5.9%
	Expenses included in EBITDA	89.3%	87.6%	**88.9%**	83.7%	153.0%	90.6%

(thousands, except percentages and per share amounts) Category	Indicator	Canadian Division YTD 2018	UK Division YTD 2018	YTD 2018	Canadian Division YTD 2017	UK[3] Division YTD 2017	YTD 2017
Growth	EBITDA[1]	-19.3%	427.4%	**23.3%**	-5.8%		-14.7%
	Adjusted EBITDA[4]	-19.3%	2442.1%	**10.3%**	-5.8%		-4.7%
	Revenue	8.5%	1161.5%	**40.4%**	4.2%		7.2%
	Distributable cash flow			**23.5%**			-9.2%
Profitability	EBITDA[1]	$ 21,370	$ 8,211	**$ 29,581**	$ 26,493	$ (2,508)	$ 23,985
	EBITDA margin	11.9%	13.8%	**12.3%**	16.0%	-53.0%	14.1%
	Adjusted EBITDA[4]	$ 21,370	$ 8,211	**$ 29,581**	$ 26,493	$ 323	$ 26,816
	Adjusted EBITDA margin[4]	11.9%	13.8%	**12.3%**	16.0%	6.8%	15.7%
	Net earnings (loss)	$ 2,701	$ 3,468	**$ 6,169**	$ 8,599	$ (2,881)	$ 5,718
	Adjusted net earnings (loss)[5]	$ 2,701	$ 3,468	**$ 6,169**	$ 8,599	$ (50)	$ 8,549
Stability	Debt to total capitalization[2]			**26.4%**			18.4%
	Unutilized line of credit			**$ 28,647**			$ 55,570
	Cash on hand			**$ 2,827**			$ 11,276
	Payout ratio			**51.1%**			55.5%
	Dividends declared per share			**$ 1.200**			$ 1.200
Cost containment	Wages and benefits	43.7%	36.0%	**41.7%**	41.4%	37.4%	41.2%
	Utilities	5.9%	7.2%	**6.3%**	6.0%	7.7%	6.1%
	Expenses included in EBITDA	88.1%	86.2%	**87.7%**	84.0%	153.0%	85.9%

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

(2) Debt to total capitalization is defined as total debt divided by total capital. See Terminology.

(3) Prior to the acquisition of Fishers on November 27, 2017, K-Bro was reporting and operating as a single Canadian division.

(4) Adjusted EBITDA is defined as EBITDA (defined above) with the exclusion of certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations. See Terminology for a complete description of the adjusted items.

(5) Adjusted net earnings is defined as net earnings with the exclusion of certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations. See Terminology for a complete description of the adjusted items.

Quarterly Financial Information - Consolidated

Historically, the Corporation's financial and operating results, particularly as it relates to Fishers, 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 K-Bro management for the preceding eight quarters:

Quarterly Financial Information - Consolidated	2018				2017			
(thousands, except percentages and per share amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Healthcare revenue	34,469	33,378	33,868	33,601	31,936	29,021	28,499	28,053
Hospitality revenue	24,971	30,594	26,870	21,783	15,573	14,577	11,995	10,905
Total revenue [4]	59,440	63,972	60,738	55,384	47,509	43,598	40,494	38,958
Expenses included in EBITDA	52,821	55,662	52,286	49,184	43,056	35,487	33,837	34,194
EBITDA[1]	6,619	8,310	8,452	6,200	4,453	8,111	6,657	4,764
EBITDA as a % of revenue (EBITDA margin)	11.1%	13.0%	13.9%	11.2%	9.4%	18.6%	16.4%	12.2%
Adjusted EBITDA[2]	6,619	8,310	8,452	6,200	7,284	8,111	6,657	4,764
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	11.1%	13.0%	13.9%	11.2%	15.3%	18.6%	16.4%	12.2%
Depreciation and amortization	5,252	5,069	4,271	4,283	4,105	3,213	3,246	2,809
Finance expense (recovery)	866	857	716	876	786	101	61	185
Earnings before income taxes	501	2,384	3,465	1,041	(438)	4,797	3,350	1,770
Income tax expense	(551)	498	881	394	849	1,379	1,013	520
Net earnings (loss)	1,052	1,886	2,584	647	(1,287)	3,418	2,337	1,250
Net earnings (loss) as a % of revenue	1.8%	2.9%	4.3%	1.2%	-2.7%	7.8%	5.8%	3.2%
Basic earnings (loss) per share	0.100	0.180	0.247	0.062	(0.132)	0.359	0.257	0.157
Diluted earnings (loss) per share	0.100	0.179	0.246	0.062	(0.132)	0.358	0.256	0.156
Adjusted net earnings[3]	1,052	1,886	2,584	647	1,544	3,418	2,337	1,250
Basic adjusted earnings (loss) per share[3]	0.100	0.180	0.247	0.062	0.159	0.359	0.257	0.157
Diluted adjusted earnings (loss) per share[3]	0.100	0.179	0.246	0.062	0.158	0.358	0.256	0.156
Total assets	322,229	316,968	317,051	312,193	295,213	199,452	195,957	180,583
Total long-term financial liabilities	87,831	84,436	86,675	72,189	57,594	9,205	8,407	41,134
Funds provided by (used in) operations	7,799	9,759	(4,629)	4,625	6,395	3,788	2,297	6,300
Long-term debt	70,203	67,045	70,505	56,356	42,780	-	-	32,363
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 (recovery) and depreciation and amortization). See Terminology.

(2) Adjusted EBITDA is defined as EBITDA (defined above) with the exclusion of certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations. See Terminology for a complete description of the adjusted items.

(3) Adjusted net earnings is defined as net earnings with the exclusion of certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations. See Terminology for a complete description of the adjusted items.

(4) For the UK Division, during Q3 2018, management revised the classification between healthcare revenue and hospitality revenue, and as a result the comparative figures for Q2 2018, Q1 208, and Q4 2017 have been restated to account for the revised classifications.

Quarterly Financial Information – Canadian Division

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

Quarterly Financial Information - Canadian Division	**2018**				**2017**			
(thousands, except percentages and per share amounts)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Healthcare revenue	**32,912**	31,818	32,193	32,010	31,375	29,021	28,499	28,053
Hospitality revenue	**12,155**	15,054	12,465	11,282	11,406	14,577	11,995	10,905
Total revenue	**45,067**	46,872	44,658	43,292	42,781	43,598	40,494	38,958
Expenses included in EBITDA	**40,229**	41,758	38,758	37,774	35,820	35,487	33,837	34,194
EBITDA(1)	**4,838**	5,114	5,900	5,518	6,961	8,111	6,657	4,764
EBITDA as a % of revenue (EBITDA margin)	**10.7%**	10.9%	13.2%	12.7%	16.3%	18.6%	16.4%	12.2%
Adjusted EBITDA(2)	**4,838**	5,114	5,900	5,518	6,961	8,111	6,657	4,764
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	**10.7%**	10.9%	13.2%	12.7%	16.3%	18.6%	16.4%	12.2%
Net earnings	**32**	200	1,421	1,048	1,594	3,418	2,337	1,250
Net earnings as a % of revenue	**0.1%**	0.4%	3.2%	2.4%	3.7%	7.8%	5.8%	3.2%
Basic earnings per share	**0.003**	0.019	0.136	0.100	0.164	0.359	0.257	0.157
Diluted earnings per share	**0.003**	0.019	0.135	0.100	0.163	0.358	0.256	0.156
Adjusted net earnings(3)	**32**	200	1,421	1,048	1,594	3,418	2,337	1,250
Basic adjusted earnings per share(3)	**0.003**	0.019	0.136	0.100	0.164	0.359	0.257	0.157
Diluted adjusted earnings per share(3)	**0.003**	0.019	0.135	0.100	0.163	0.358	0.256	0.156

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

(2) Adjusted EBITDA is defined as EBITDA (defined above) with the exclusion of certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations. See Terminology for a complete description of the adjusted items.

(3) Adjusted net earnings is defined as net earnings with the exclusion of certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations. See Terminology for a complete description of the adjusted items.

Quarterly Financial Information – UK Division

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

Quarterly Financial Information - UK Division *(in reporting currency Canadian $)* **(thousands, except percentages and per share amounts)**	**2018** **Q4**	Q3	Q2	Q1	**2017** Q4	Q3	Q2	Q1
Healthcare revenue	**1,557**	1,560	1,675	1,591	561	-	-	-
Hospitality revenue	**12,816**	15,540	14,405	10,501	4,167	-	-	-
Total revenue [4]	**14,373**	17,100	16,080	12,092	4,728	-	-	-
Expenses included in EBITDA	**12,592**	13,904	13,528	11,410	7,236	-	-	-
EBITDA[1]	**1,781**	3,196	2,552	682	(2,508)	-	-	-
EBITDA as a % of revenue (EBITDA margin)	**12.4%**	18.6%	15.9%	5.6%	-53.1%			
Adjusted EBITDA[2]	**1,781**	3,196	2,552	682	323	-	-	-
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	**12.4%**	18.6%	15.9%	5.6%	6.8%			
Net earnings (loss)	**1,020**	1,686	1,163	(401)	(2,881)	-	-	-
Net earnings (loss) as a % of revenue	**7.1%**	9.9%	7.2%	-3.3%	-60.9%			
Basic earnings (loss) per share	**0.097**	0.161	0.111	(0.038)	(0.296)	-	-	-
Diluted earnings (loss) per share	**0.097**	0.160	0.111	(0.038)	(0.295)	-	-	-
Adjusted net earnings (loss)[3]	**1,020**	1,686	1,163	(401)	(50)	-	-	-
Basic adjusted earnings (loss) per share[3]	**0.097**	0.161	0.111	(0.038)	(0.005)	-	-	-
Diluted adjusted earnings (loss) per share[3]	**0.097**	0.160	0.111	(0.038)	(0.005)	-	-	-

Quarterly Financial Information - UK Division *(in local currency Sterling £)* **(thousands, except percentages and per share amounts)**	**2018** **Q4**	Q3	Q2	Q1	**2017** Q4	Q3	Q2	Q1
Healthcare revenue	**917**	916	952	903	328	-	-	-
Hospitality revenue	**7,550**	9,077	8,201	5,963	2,433	-	-	-
Total revenue [4]	**8,467**	9,993	9,153	6,866	2,761	-	-	-
Expenses included in EBITDA	**7,413**	8,139	7,700	6,480	4,227	-	-	-
EBITDA[1]	**1,054**	1,854	1,453	386	(1,466)	-	-	-
EBITDA as a % of revenue (EBITDA margin)	**12.4%**	18.6%	15.9%	5.6%	-53.1%			
Adjusted EBITDA[2]	**1,054**	1,854	1,453	386	188	-	-	-
Adjusted EBITDA as a % of revenue (Adjusted EBITDA margin)	**12.4%**	18.6%	15.9%	5.6%	6.8%			
Net earnings (loss)	**600**	972	662	(229)	(1,670)	-	-	-
Net earnings (loss) as a % of revenue	**7.1%**	9.7%	7.2%	-3.3%	-60.5%			
Basic earnings (loss) per share	**0.057**	0.093	0.063	(0.022)	(0.172)	-	-	-
Diluted earnings (loss) per share	**0.057**	0.092	0.063	(0.022)	(0.171)	-	-	-
Adjusted net earnings (loss)[3]	**600**	972	660	(229)	(16)	-	-	-
Basic adjusted earnings (loss) per share[3]	**0.057**	0.093	0.063	(0.022)	(0.002)	-	-	-
Diluted adjusted earnings (loss) per share[3]	**0.057**	0.092	0.063	(0.022)	(0.002)	-	-	-

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

(2) Adjusted EBITDA is defined as EBITDA (defined above) with the exclusion of certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations. See Terminology for a complete description of the adjusted items.

(3) Adjusted net loss is defined as net earnings with the exclusion of certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations. See Terminology for a complete description of the adjusted items.

(4) For the UK Division, during Q3 2018, management revised the classification between healthcare revenue and hospitality revenue, and as a result the comparative figures for Q2 2018, Q1 208, and Q4 2017 have been restated to account for the revised classifications.

(5) For the UK Division, Q1 2018 includes $170k (98k GBP) in transaction costs related to the acquisition of Fishers.

Revenue, Earnings and EBITDA

For the year ended December 31, 2018, K-Bro's consolidated revenue increased by 40.4% to $239.5 million from $170.6 million in the comparative period. This increase was due to the acquisition of Fishers, acquisition of Linitek, additional awarded healthcare volume from the Vancouver lower mainland contract signed in 2016, Trillium Health Partners volume, William Osler Health System Volume, organic growth at existing customers, and new customers secured in existing markets. In 2018, approximately 56.5% of K-Bro's consolidated revenue was generated from healthcare institutions, which is lower compared to 68.9% in 2017, primarily related to Fishers' volume being concentrated within the hospitality sector.

Consolidated EBITDA increased in the year to $29.6 million from $24.0 million in 2017, which is an increase of 23.3%. The consolidated EBITDA margin decreased to 12.3% in 2018 compared to 14.1% in 2017. The change in EBITDA and margin is primarily associated with one-time acquisition costs related to Fishers in 2017, the efficiencies gained as a result of the capital expenditures made in Toronto, volume related to the acquisition of Fishers, and acquisition of Linitek, offset by Vancouver transition costs, tight labour markets in British Columbia and Quebec, and rising minimum wage rates the timing of which is not offset by price increases. Management estimates the one-time costs incurred related to the Vancouver transition for the year were approximately $6.7 million. After adjusting for these one-time costs, the Canadian EBITDA margin would have been 15.6% as compared to 12.3% on an unadjusted basis and the consolidated EBITDA margin would have been 15.2% as compared to 12.3% on an unadjusted basis.

Net earnings increased by $0.5 million or 7.9% from $5.7 million in 2017 to $6.2 million in 2018, and net earnings as a percentage of revenue decreased by 0.8% to 2.6% in 2018 from 3.4% in 2017. This increase in net earnings is primarily due to the flow through items in EBITDA discussed above, higher finance costs related with the revolving credit facility, higher depreciation of property, plant and equipment associated with new plant builds and the acquisition of Fishers, offset by a lower income tax expense

Operating Expenses

Wages and benefits increased to $100.0 million and to 41.7% as a percentage of revenues compared to $70.4 million and 41.2% in 2017, this includes $21.5 million related to our UK Division. The remaining increase in wages and benefits in the period is due to the incremental labour required to process higher volumes, one-time costs related to the Vancouver transition, higher labour costs from incremental increases in the wage rate, escalating minimum wage rates, and tight labour markets in British Columbia and Quebec.

Linen expenses increased to $26.7 million in 2018 from $19.0 million in 2017, and remained constant as a percentage of revenue at 11.1%, this includes $6.8 million related to our UK Division. The remaining increase is a result of increased healthcare volumes from new Canadian customers and the associated linen costs.

Utility costs increased to $15.0 million compared to $10.4 million in 2017 and increased as a percentage of revenue to 6.3% in 2018 from 6.1% in 2017, this includes $4.3 million related to our UK Division. The remaining variance is primarily due to incremental volume processed, transition of our Vancouver facilities, higher commodity costs in British Columbia as a result of a temporary natural gas supply shortage, and higher carbon levy rates in Alberta, offset by improved efficiencies in the new Toronto facility.

Delivery costs increased to $30.7 million and to 12.8% as a percentage of revenues compared to $18.3 million and 10.7% in 2017, this includes $10.9 million related to our UK Division. The remaining increase is a result of increased business activity, price increases from renewals of out-sourced freight contracts, transition of our Vancouver facilities, higher carbon levy rates in Alberta, and higher cost of diesel and external freight charges tied to diesel price.

Occupancy costs increased to $9.9 million and to 4.1% as a percentage of revenue, compared to $6.5 million and

3.8% in 2017, this includes $2.6 million related to our UK Division. The remaining increase is a result of 2018 being reflective of a full year of the occupancy costs related to the new Toronto facility and additional occupancy costs in Vancouver related to our plant build out strategy.

Materials and supplies increased to $8.5 million and to 3.5% as a percentage of revenue, compared to $5.5 million and 3.2% in 2017, this includes $2.6 million related to our UK Division. Materials and supplies as a percent of revenue increased primarily related to higher costs due to the transition of our Vancouver facilities and certain one-time set-up costs that were required.

Repairs and maintenance increased to $8.2 million and to 3.4% as a percentage of revenues, compared to $5.6 million and 3.3% in 2017, this includes $1.3 million related to our UK Division. Changes in repairs and maintenance are primarily due to the timing of scheduled maintenance activities and one-time costs related to the transition of our Vancouver facilities.

Corporate costs increased to $11.0 million and to 4.6% as a percentage of revenues compared to $10.9 million and 6.4% in 2017, this includes $1.4 million related to our UK Division. Changes in corporate costs are primarily related to initiatives to support the Corporation's growth and business strategies across the plants. Corporate costs in the prior year include $2.8 million related to transaction costs for the acquisition of Fishers.

Depreciation of property, plant and equipment and amortization of intangible assets represents the expense related to the appropriate matching of certain K-Bro long-term assets to the estimated useful life and period of economic benefit of those assets. The increase during the quarter is related to the completion of the new Toronto and Vancouver facilities and the acquisition of Fishers.

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 2018, cash generated by operating activities was $24.8 million with a debt to total capitalization of 26.4%. Management believes the unutilized balance of $28.6 million with respect to its revolving credit facility is sufficient for the Corporation's operations in the foreseeable future. However, management intends to continually assess its opportunities to maintain a conservative amount of leverage and balance sheet flexibility in the short and long-term basis in order to ensure that sufficient capital is available for future growth needs.

During 2018, cash generated by financing activities was $14.8 million compared to $93.8 million in 2017. Financing activities in 2018 consisted of net proceeds from the revolving credit facility, offset by dividends paid to shareholders, compared to 2017 which included $87.7 million net proceeds from issuance of Common Shares.

During 2018, cash used in investing activities was $40.9 million compared to $101.3 million in 2017. Investing activities related primarily to the purchase of plant equipment for the new Vancouver plant, the purchase of Linitek, and the purchase of equipment in existing plants to facilitate strategic growth.

Contractual Obligations

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

(thousands)	Payments due by Period					
		Total	< 1 Year	1 - 3 Years	4 - 5 Years	> 5 Years
Long-term debt	$	70,203	-	70,203	-	-
Operating lease commitments	$	61,188	9,181	13,685	10,379	27,943
Utility commitments	$	8,422	5,860	2,562	-	-
Linen purchase obligations	$	9,314	9,314	-	-	-
Property, plant and equipment commitments	$	1,622	1,622	-	-	-

The operating lease obligations are secured by automotive equipment and plants, and are more fully described in the Corporation's audited annual consolidated financial statements. 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)		2018		2017
Cash and cash equivalents	$	(2,827)	$	(11,276)
Long-term debt		70,203		42,780
Shareholders' equity		198,660		201,587
Total capitalization	$	266,036	$	233,091
Debt to total capitalization (see *Terminology* for definition)		26.4%		18.4%

For the year ended December 31, 2018, the Corporation had a debt to total capitalization of 26.4%, unused revolving credit facility of $28.6 million and has not incurred any events of default under the terms of its credit facility agreement.

As at December 31, 2018, the Corporation had net working capital of $34.8 million compared to its working capital position of $32.0 million at December 31, 2017. The increase in working capital is primarily attributable to timing differences related to the cash settlement of new plant equipment, timing of income tax recovery, deposits related to the acquisition of equipment related across the plants, and timing of cash receipts from customers.

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 revolving credit facility, K-Bro believes it is also able to issue additional shares or increase its borrowing capacity, if necessary, to provide for capital spending and sustain its property, plant and equipment.

DIVIDENDS

			2018		2017	
Fiscal Period	Payment Date	# of Shares outstanding	Amount per Share	Total Amount (1)(3)(5)(7)	Amount per Share	Total Amount (2)(4)(6)(8)
January	February 15	10,508,502	$ 0.10000	$ 1,051	$ 0.10000	$ 802
February	March 15	10,508,502	0.10000	1,051	0.10000	802
March	April 13	10,508,502	0.10000	1,051	0.10000	802
Q1			$ 0.30000	$ 3,153	$ 0.30000	$ 2,407
April	May 15	10,508,502	$ 0.10000	$ 1,051	$ 0.10000	$ 954
May	June 15	10,559,936	0.10000	1,056	0.10000	958
June	July 13	10,559,936	0.10000	1,056	0.10000	958
Q2			$ 0.30000	$ 3,163	$ 0.30000	$ 2,871
July	August 15	10,559,936	$ 0.10000	$ 1,056	$ 0.10000	$ 958
August	September 14	10,559,936	0.10000	1,056	0.10000	958
September	October 15	10,559,936	0.10000	1,056	0.10000	958
Q3			$ 0.30000	$ 3,168	$ 0.30000	$ 2,875
October	November 15	10,559,936	$ 0.10000	$ 1,056	$ 0.10000	$ 958
November	December 14	10,559,936	0.10000	1,056	0.10000	958
December	January 15	10,559,936	0.10000	1,056	0.10000	1,051
Q4			$ 0.30000	$ 3,168	$ 0.30000	$ 2,968
YTD			$ 1.20000	$ 12,651	$ 1.20000	$ 11,121

(1) The total amount of dividends declared was $0.10000 per share for a total of $1,050,850 per month for January - March 2018; when rounded in thousands, $3,153 of dividends were declared for the quarterly period.

(2) The total amount of dividends declared was $0.10000 per share for a total of $802,348 per month for January - March 2017; when rounded in thousands, $2,407 of dividends were declared for the quarterly period.

(3) The total amount of dividends declared was $0.10000 per share for a total of $1,050,850 per month for April - May 2018, and $1,055,994 for June 2018. When rounded in thousands, $3,163 of dividends were declared for the quarterly period.

(4) The total amount of dividends declared was $0.10000 per share for a total of $954,148 for April 2017, $958,390 for May 2017, and $958,390 for June 2017. When rounded in thousands, $2,871 of dividends were declared for the quarterly period.

(5) The total amount of dividends declared was $0.10000 per share for a total of $1,055,994 per month for July - September 2018; when rounded in thousands, $3,168 of dividends were declared in Q3.

(6) The total amount of dividends declared was $0.10000 per share for a total of $958,390 per month for July - September 2017; when rounded in thousands, $2,875 of dividends were declared in Q3.

(7) The total amount of dividends declared was $0.10000 per share for a total of $1,055,994 per month for October - December 2018; when rounded in thousands, $3,168 of dividends were declared in Q4.

(8) The total amount of dividends declared was $0.10000 per share for a total of $958,390 for October 2017, $958,390 for November 2017, and $1,050,850 for December 2017; when rounded in thousands, $2,968 of dividends were declared in Q4.

For the year ended December 31, 2018, the Corporation declared a $1.200 per Common Share dividend compared to $2.359 per Common Share of Distributable Cash Flow (see *Terminology*). The actual payout ratio was 51.1%

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 Directors of the Corporation. 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 $000's 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, is presented as follows:

(thousands, except percentages and per share amounts)	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Cash provided by (used in) operating activities	$ 7,799	$ 9,759	$ (4,629)	$ 4,625	$ 6,395	$ 3,788	$ 2,297	$ 6,300
Deduct (add):								
Net changes in non-cash working capital items[1]	1,082	1,176	(12,167)	(1,471)	2,942	(3,917)	(4,161)	1,214
Share-based compensation expense	380	403	625	409	333	276	494	405
Maintenance capital expenditures[2]	526	908	430	488	349	192	427	179
Distributable cash flow	$ 5,811	$ 7,272	$ 6,483	$ 5,199	$ 2,771	$ 7,237	$ 5,537	$ 4,502
Dividends declared	3,168	3,168	3,163	3,153	2,968	2,875	2,871	2,407
Dividends declared per share	0.300	0.300	0.300	0.300	0.300	0.300	0.300	0.300
Payout ratio[3]	54.5%	43.6%	48.8%	60.6%	107.1%	39.7%	51.8%	53.5%
Weighted average shares outstanding during the period, basic	10,479	10,470	10,462	10,454	9,718	9,511	9,104	7,979
Weighted average shares outstanding during the period, diluted	10,525	10,540	10,509	10,491	9,755	9,548	9,133	7,999
Trailing-twelve months ("TTM")								
Distributable cash flow	24,765	21,725	21,690	20,744	20,047	23,051	21,667	21,298
Dividends	12,651	12,452	12,159	11,867	11,121	10,560	10,092	9,624
Payout ratio[3]	51.1%	57.3%	56.1%	57.2%	55.5%	45.8%	46.6%	45.2%

(1) Net changes 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, 2018, the Corporation had 10,559,936 Common Shares outstanding. Basic and diluted weighted average number of Common Shares outstanding for 2018 were 10,466,458 and 10,500,014, respectively (9,083,693 and 9,114,874, respectively, for the comparative 2017 periods).

In accordance with the Corporation's long term incentive plan (the "LTI Plan") and in conjunction with the performance of the Corporation in the 2017 fiscal year, on April 16, 2018 the Compensation, Nominating and Corporate Governance Committee of the Board of Directors approved LTI compensation of $1.6 million (2017 – $1.7 million) to be paid as Common Shares issued from treasury. As at December 31, 2018, the value of the Common Shares held in trust by the LTI trustee was $3.0 million (December 31, 2017 – $2.3 million) which was comprised of 63,346 in unvested Common Shares (December 31, 2017 – 54,880) with a nil aggregate cost (December 31, 2017 – $nil).

As at March 13, 2019 there were 10,559,936 Common Shares issued and outstanding including 63,346 Common Shares issued but held as unvested treasury shares.

RELATED PARTY TRANSACTIONS

The Corporation incurred expenses in the normal course of business for advisory consulting services provided by Mr. Matthew Hills, a Director of the Corporation. The amounts charged are recorded at their exchange amounts and are on arm's length terms. For the year ended December 31, 2018, the Corporation incurred fees totaling $138,000 (2017 – $138,000).

CRITICAL ACCOUNTING ESTIMATES

The Corporation's summary of significant accounting policies are contained in Note 2 to the audited Consolidated Financial Statements.

The Corporation's Financial Statements include estimates and assumptions made by management in respect of operating results, financial conditions, contingencies, commitments, and related disclosures. Actual results may vary from these estimates. The following are, in the opinion of management, the Corporation's most critical accounting estimates, being those that involve the most difficult, subjective and complex judgments, and/or requiring estimates that are inherently uncertain and which may change in subsequent reporting periods.

K-Bro has continuously refined and documented its management and internal reporting systems to ensure that accurate, timely, internal and external information is gathered and disseminated. Management also regularly evaluates these estimates and assumptions which are based on past experience and other factors that are deemed reasonable under the circumstances.

K-Bro has hired individuals and consultants who have the skills required to make such estimates and ensures that individuals or departments with the most knowledge of the activity are responsible for the estimates. Furthermore, past estimates are reviewed and compared to actual results, and actual results are compared to budgets in order to make more informed decisions on future estimates.

K-Bro's leadership team's mandate includes ongoing development of procedures, standards and systems to allow K-Bro staff to make the best decisions possible and ensuring those decisions are in compliance with the Corporation's policies.

Preparation of the Corporation's consolidated financial statements requires management to make estimates and assumptions that affect:

- volume rebates;
- linen in service;
- intangible assets;
- goodwill;
- income taxes;
- provisions; and,
- allowance for doubtful accounts;
- segment information; and,
- business combinations.

The following discusses the most significant accounting judgments and estimates in the Corporation's Consolidated Financial Statements.

Impairment of goodwill and non-financial assets

The Corporation reviews goodwill at least annually and other non-financial assets when there is any indication that the asset might be impaired. The Corporation applies judgment in assessing the likelihood of renewal of significant contracts included in the intangible assets described in Note 9. The Corporation has estimated the fair value of CGUs to which goodwill is allocated based on value in use using discounted cash flow models that required assumptions about future cash flows, margins, and discount rates and the earnings multiple approach that utilizes Board approved budgets and implied multiples. The implied multiple is calculated by utilizing multiples of comparable public companies. Judgment is required in determining the appropriate comparable companies. Refer to Note 10 for more details amount methods and assumptions used in estimated net recoverable

Recognition of Rebate Liabilities

In applying its accounting policy for volume rebates, the Corporation must determine whether the processing volume thresholds will be achieved. The most difficult and subjective area of judgment is whether a contract will generate satisfactory volume to achieve minimum levels. Management considers all appropriate facts and circumstances in making this assessment including historical experience, current volumetric run-rates, and expected future events.

Linen in Service

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

Segment identification

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

Provisions

The Corporation is required to restore the leased premises of its leased plants. A provision has been recognized for the present value of the estimated expenditure required to remove any leasehold

improvements and installed equipment. Refer to Note 11 in the Corporation's Consolidated Financial Statements for more details about estimation and judgments for this provision.

Business Combinations

In a business combination the Corporation acquires assets and assumes liabilities of an acquired business. Judgement is required to determine the fair values assigned to the tangible and intangible assets acquired and liabilities assumed in the acquisition. Determining fair values involves a variety of assumptions, including revenue growth rates, expected operating income and discount rates. During a measurement period, not to exceed one year, adjustments of the initial estimates may be required to finalize the fair value of assets acquired and liabilities assumed.

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

TERMINOLOGY

EBITDA

K-Bro reports EBITDA (Earnings before interest, taxes, depreciation and amortization) as a key measure used by management to evaluate performance. EBITDA is utilized to measure compliance with debt covenants and to make decisions related to dividends to Shareholders. We believe 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 and costs of consuming tangible and intangible capital assets, which vary according to their vintage, technological currency and management's estimate of their useful life. Accordingly, EBITDA 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 in accordance with the amendments made to IAS 1 which became effective January 1, 2016. EBITDA is not considered an alternative to net earnings in measuring K-Bro's performance. EBITDA should not be used as an exclusive measure of cash flow since it does not account for the impact of working capital changes, capital expenditures, debt changes and other sources and uses of cash, which are disclosed in the consolidated statements of cash flows.

	Three Months Ended December 31,		Years Ended December 31,	
(thousands)	**2018**	2017	**2018**	2017
Net earnings (loss)	**$ 1,052**	$ (1,287)	**$ 6,169**	$ 5,718
Add:				
Income tax expense (recovery)	**(551)**	849	**1,222**	3,761
Finance expense	**866**	786	**3,315**	1,133
Depreciation of property, plant and equipment	**4,484**	3,543	**15,871**	11,606
Amortization of intangible assets	**768**	562	**3,004**	1,767
EBITDA	**$ 6,619**	$ 4,453	**$ 29,581**	$ 23,985

Non-GAAP Measures

Adjusted EBITDA

Adjusted EBITDA is a measure which has been reported in order to assist in the comparison of historical EBITDA to current results. Adjusted EBITDA is defined as EBITDA (defined above) with the exclusion of certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations.

The calculation of Adjusted EBITDA normalizes the impact of the transaction costs related to the acquisition of Fishers in 2017, and the related impact on EBITDA (as defined above). During the fourth quarter of 2017, K-Bro incurred $2.8 million in transaction costs directly related to the acquisition of Fishers, which is not expected to occur in the normal course of operations. The normalization of this expense from the calculation of EBITDA is considered by Management to be a more accurate representation of continuing operations. One-time costs related to the Vancouver plant transition have not been adjusted for in the table below.

	Three Months Ended December 31,					
(thousands)	Canadian Division 2018	UK Division 2018	**2018**	Canadian Division 2017	UK Division 2017	2017 (1)
EBITDA	$ 4,838	$ 1,781	**$ 6,619**	$ 6,961	$ (2,508)	$ 4,453
Add:						
Transaction costs incurred in the acquisition of Fishers	-	-	**-**	-	2,831	2,831
Adjusted EBITDA	$ 4,838	$ 1,781	**$ 6,619**	$ 6,961	$ 323	$ 7,284

(thousands)	Canadian Division 2018	UK Division 2018	2018	Canadian Division 2017	UK Division 2017	2017 (1)
	Years Ended December 31,					
EBITDA	$ 21,370	$ 8,211	$ 29,581	$ 26,493	$ (2,508)	$ 23,985
Add:				$	$	
Transaction costs incurred in the acquisition of Fishers	-	-	-	-	2,831	2,831
Adjusted EBITDA	$ 21,370	$ 8,211	$ 29,581	$ 26,493	$ 323	$ 26,816

Adjusted Net Earnings and Adjusted Net Earnings per Share

Adjusted net earnings and adjusted net earnings per share are measures which have been reported in order to assist in the comparison of historical net earnings to current results. Adjusted net earnings is defined as net earnings with the exclusion of certain material items that are unusual in nature, infrequently occurring or not considered part of our core operations.

The calculation of adjusted net earnings normalizes the impact of the transaction costs related to the acquisition of Fishers, and the related impact on net earnings and net earnings per share. The normalization of this net expense in the calculation of adjusted net earnings and adjusted net earnings per share is considered by management to be a more accurate representation of the net earnings from core operations.

(thousands)	Canadian Division 2018	UK Division 2018	2018	Canadian Division 2017	UK Division 2017	2017 (1)
	Three Months Ended December 31,					
Net earnings (loss)	$ 32	$ 1,020	$ 1,052	$ 1,594	$ (2,881)	$ (1,287)
Add (net of corporate income taxes):						
Transaction costs incurred in the acquisition of Fishers	-	-	-	-	2,831	2,831
Adjusted net earnings (loss)	$ 32	$ 1,020	$ 1,052	$ 1,594	$ (50)	$ 1,544
Weighted average number of shares outstanding:						
Basic	10,479,415	10,479,415	10,479,415	9,717,890	9,717,890	9,717,890
Diluted	10,525,450	10,525,450	10,525,450	9,755,183	9,755,183	9,755,183
Adjusted net earnings (loss) per share:						
Basic	$0.003	$0.097	$0.100	$0.164	($0.005)	$0.159
Diluted	$0.003	$0.097	$0.100	$0.163	($0.005)	$0.158

(thousands)	Canadian Division 2018	UK Division 2018	2018	Canadian Division 2017	UK Division 2017	2017 (1)
	Years Ended December 31,					
Net earnings (loss)	$ 2,701	$ 3,468	$ 6,169	$ 8,599	$ (2,881)	$ 5,718
Add (net of corporate income taxes):						
Transaction costs incurred in the acquisition of Fishers	-	-	-	-	2,831	2,831
Adjusted net earnings (loss)	$ 2,701	$ 3,468	$ 6,169	$ 8,599	$ (50)	$ 8,549
Weighted average number of shares outstanding:						
Basic	10,466,458	10,466,458	10,466,458	9,083,693	9,083,693	9,083,693
Diluted	10,500,014	10,500,014	10,500,014	9,114,874	9,114,874	9,114,874
Adjusted net earnings (loss) per share:						
Basic	$0.258	$0.331	$0.589	$0.947	($0.006)	$0.941
Diluted	$0.257	$0.330	$0.588	$0.943	($0.005)	$0.938

Distributable Cash Flow

Distributable cash flow is a measure used by management to evaluate its performance. While the closest IFRS 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 shall 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, and maintenance capital expenditures.

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 Capitalization

Debt to total capitalization is defined by management as the total long-term debt less cash and cash equivalents divided by the Corporation's total shareholder's equity. This is a measure used by investors to assess the Corporation's financial structure.

Distributable Cash Flow, Payout Ratio, Debt to Total Capitalization, Adjusted EBITDA, Adjusted net earnings, and Adjusted net earnings per share are not calculations based on IFRS and are not considered an alternative to IFRS measures in measuring K-Bro's performance. Distributable Cash Flow, Payout Ratio, Adjusted EBITDA, Adjusted net earnings, and Adjusted net earnings per share do not have standardized meanings in IFRS and are therefore not likely to be comparable with similar measures used by other issuers.

Off Balance Sheet Arrangements

As at December 31, 2018, the Corporation has not entered into any off balance sheet arrangements.

CHANGES IN ACCOUNTING POLICIES

The Corporation has prepared its December 31, 2018 audited consolidated financial statements in accordance with IFRS. See Note 2 of the Corporation's audited annual Consolidated Financial Statements for more information regarding the significant accounting principles used to prepare the Consolidated Financial Statements.

RECENT ACCOUNTING PRONOUNCEMENTS

Significant accounting policies adopted January 1, 2018

The following standards have been applied in preparing the consolidated financial statements.

- IFRS 9, Financial Instruments, was issued in July 2014 by the IASB and supersedes IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. IFRS 9 is to be applied retrospectively and is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Corporation adopted the requirements of IFRS 9 using the retrospective approach without restating comparative information effective January 1, 2018. The adoption of IFRS 9 had no impact on the Corporation's financial position or results of operations.

No retrospective adjustments were required in relation to amendments made to the Corporation's credit facility prior to January 1, 2018, as the amendments were considered to be an extinguishment. The Corporation considers both quantitative and qualitative factors to assess if an amendment should be accounted for as an extinguishment or a modification.

- IFRS 15, Revenue from Contracts with Customers, was issued in May 2014 by the IASB and supersedes IAS 18, "Revenue", IAS 11 "Construction Contracts" and other interpretive guidance associated with revenue recognition. IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 is to be applied using a full retrospective or a modified retrospective approach and is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The core principle of IFRS 15 is that an entity should recognize revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, IFRS 15 introduces a 5-step approach to revenue recognition:

  Step 1: Identify the contract(s) with a customer.
  Step 2: Identify the performance obligations in the contract.
  Step 3: Determine the transaction price.
  Step 4: Allocate the transaction price to the performance obligations in the contract.
  Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

  Under IFRS 15, an entity recognizes revenue as a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. The Corporation adopted the requirements of IFRS 15 using the modified retrospective approach, effective January 1, 2018, for any accounting or disclosure changes required under this standard. The adoption of IFRS 15 had no impact on the Corporation's financial position or results of operations.

  IFRS 15 also requires disclosure of the aggregation of revenue into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Corporation determined this disclosure was already provided through the segment disclosure in Note 26.

- On June 20, 2016 the IASB issued an amendment to IFRS 2 "Share based Payment" addressing three classification and measurement issues. The amendment clarifies the measurement basis for cash-settled, share based payments and the accounting for modifications that change an award from cash-settled to equity settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly-equity settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share based payment and pay that amount to the tax authority. The amendments are effective for periods beginning on or after January 1, 2018. The Corporation adopted the amended requirements of IFRS 2 effective January 1, 2018, for any accounting or disclosure changes required under this standard. Adoption of the amendments did not result in any changes to the presentation or disclosures in the financial statements.

New Standards and interpretations not yet adopted

The following standards have been issued but have not yet been applied in preparing the Consolidated Financial Statements.

- IFRS 16, Leases, was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors

provide relevant information that faithfully represents those transactions. IFRS 16 will supersede the current lease recognition guidance including IAS 17 "Leases" and the related interpretations when it becomes effective. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Corporation evaluated the impact the adoption of this standard will have on its consolidated financial statements and expects:

- IFRS 16 will result in on-balance sheet recognition of most of its leases that are considered operating leases under IAS 17. This will result in the gross-up of the balance sheet through the recognition of a right-of-use asset and a liability for the present value of the future lease payments.
- This change in policy is expected to result in the recognition of right-of-use assets and lease liabilities amounting to approximately $50 million to $55 million. In addition, the Corporation has $2.9 million of liabilities at December 31, 2018 that are recorded in unamortized leasehold inducements that will be reclassified to lease liability on January 1, 2019.
- The Corporation continues to assess the impact of adopting IFRS 16 on deferred tax balances.
- Depreciation expense on the right-of-use asset and interest expense on the lease liability will replace the operating lease expense.
- Cash flows from operating activities is expected to increase under IFRS 16 as lease payments for substantially all leases will be recorded as financing outflows in the statement of cash flows as opposed to operating cash flows.

IFRS 16 will applied for the 2019 using the modified approach and the Corporation will therefore not be restating comparative information. In addition, the Corporation has elected to use the following practical expedients on adoption of IFRS 16:

- The Corporation has not reassessed, under IFRS 16, contracts that were identified as leases under previous accounting standard (IAS 17).
- The Corporation will use a single discount rate to a portfolio of leases with reasonably similar underlying characteristics.
- The Corporation has used hindsight in determining the lease term where the lease contracts contain options to extend or terminate the lease.
- The Corporation expects to adopt the recognition exemptions permitted for short-term leases (less than twelve months) and leases for which the underlying asset has a low value, whereby the lease payments associated with these leases will continue to be expensed on a straight-line basis over the lease term.

In determining the lease term, Management consider all factors that may create an economic incentive to exercise a renewal option or termination option where determining the lease term under the new standard.

FINANCIAL INSTRUMENTS

The Corporation's financial instruments at December 31, 2018 consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, dividends payable, and long-term debt. The Corporation does not enter into financial instruments for trading or speculative purposes.

The Corporation classifies its financial assets as those to be measured subsequently at fair value (either through other comprehensive income or loss, or though profit or loss), and those to be measured at amortized cost. The Corporation's financial assets are measured at amortized cost using the effective interest method under IFRS 9 and were previously measured at amortized cost under IAS 39. At initial recognition, K-Bro measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

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

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

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

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period and included as part of the profit and loss. Derivative financial instruments are utilized by the Corporation to manage cash flow risk against the volatility in interest rates on its long-term debt and foreign exchange rates on its equipment purchase commitments. The Corporation typically does not utilize derivative financial instruments for trading or speculative purposes.

The Corporation has a floating interest rate debt that gives rise to risks that its earnings and cash flows may be adversely impacted by fluctuations in interest rates. In order to manage these risks, the Corporation may enter into interest rate swaps, forward contracts on foreign currency, utilities and textiles or option contracts.

The Corporation has entered into several electrical and natural gas contracts at December 31, 2018. The Corporation has examined the terms of the natural gas and electricity contracts and has determined that these contracts will be physically settled and as such are not considered to be financial instruments.

CRITICAL RISKS AND UNCERTAINTIES

As at December 31, 2018, there are no material changes in the Corporation's risks or risk management activities since December 31, 2017. The Corporation's results of operations, business prospects, financial condition, cash dividends to Shareholders and the trading price of the Corporation's 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 competitive environment; 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.

For a discussion of these risks and other risks associated with an investment in Corporation 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.sedar.com.

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 year ended December 31, 2018, 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 year ended December 31, 2018, did not materially affect, or are reasonably likely to materially affect, the Corporation's ICFR. Based upon their evaluation of these controls for the year ended December 31, 2018, 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.

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.sedar.com; 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.sedar.com, le site Web du Système électronique de données, d'analyse et de recherche (« SEDAR »).