YEAR ENDED
DECEMBER 31, 2019

MANAGEMENT'S DISCUSSION & ANALYSIS

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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, 2019 and 2018 (the "2019 Audited Financial Statements"), as well as the unaudited interim condensed consolidated financial statements for the periods ended March 31, 2019, June 30, 2019 and September 30, 2019. 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 19, 2020.

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, Quebec, Saskatchewan 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; (x) textile demand; (xi) the adverse impact of the coronavirus (COVID-19) pandemic on the Corporation, which is likely to be significant, particularly to our hospitality segment; and (xii) foreign currency risk. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information include: (i) volumes and pricing assumptions; (ii) expected impact of labour cost initiatives; (iii) frequency of one-time costs impacting quarterly and annual financial results; (iv) 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, anticipated future capital spending and statements with respect to future expectations on margins and volume growth.

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

This MD&A also makes reference to certain measures in this document that do not have any standardized meaning as prescribed by IFRS 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 UK sites located in Cupar, Perth, Newcastle, Livingston 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 has historically exhibited 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. We note that the ongoing coronavirus ("COVID-19") pandemic has introduced atypical instability in the hospitality sector which is inconsistent with the historical characteristics of and trends in K-Bro's industry. The continued spread of COVID-19 throughout Canada and the UK, at least in the short-term, is expected to have a significant negative impact on the Corporation's hospitality business (though, to date, we have seen a slight increase in our healthcare business).

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) have historically generated between 0.5 million and 3 million pounds of linen per year. Most healthcare customers have historically generated between 0.5 million pounds of linen per year for a hospital and up to approximately 40 million pounds of linen per year for a Canadian healthcare region. We note that the ongoing coronavirus ("COVID-19") pandemic has introduced atypical instability in the hospitality sector which is inconsistent with such historical linen generation trends. As COVID-19 continues to spread throughout Canada and the UK, at least in the short term, we expect significant reductions in linen volume generation by our

customers in the hospitality segment, primarily as a result of decreased willingness and ability of the general population to travel to and within Canada and the UK during the course of the pandemic.

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 2019 to $62.9 million or by 5.8% compared to 2018. This increase was due to volume from the acquisition of an Aberdeen laundry, organic growth at existing customers, and new customers secured in existing markets. Net earnings for the fourth quarter were $2.2 million or $0.21 per share (basic). Cash generated by operating activities for the quarter was $11.6 million and distributable cash flow was $7.0 million compared to $7.8 million and $5.8 million respectively for the comparative quarters in the previous fiscal year.

EBITDA (see Terminology) increased in the fourth quarter to $11.1 million from $6.6 million in 2018, which is an increase of 67.7%. On a consolidated basis, the EBITDA margin increased from 11.1% in 2018 to 17.7% in 2019. For the Canadian division, the EBITDA margin increased to 19.0% from 10.7% for the comparative quarter of 2019, which primarily relates to the operating efficiencies gained in the Canadian division in the quarter and the adoption of IFRS 16 Leases. For the UK division, the EBITDA margin increased to 14.0% from 12.4% for the comparative quarter of 2019, which primarily relates to the adoption of IFRS 16 Leases, offset by higher commodity costs in the UK related to timing of contracts and market conditions, and higher corporate costs. On a consolidated basis, the adoption of the IFRS 16 Leases resulted in an increase to EBITDA of $2.0 million and accounts for 3.2% of the change

in EBITDA margin for the three months ended December 31, 2019. The remainder of the increase is due to the flow through of revenue growth as discussed above, efficiencies gained as a result of the capital expenditures made in our new facilities and the associated operational efficiencies, offset by rising minimum wage rates in advance of future revenue price escalators, and tight labour markets in both British Columbia and Quebec.

SELECTED ANNUAL FINANCIAL INFORMATION

(thousands, except percentages and per share amounts)	Canadian Division 2019	UK Division 2019	2019[2]	Canadian Division 2018	UK Division 2018	2018	2017 [1]
Revenue	$ 186,624	$ 65,786	**$ 252,410**	$ 179,889	$ 59,645	$ 239,534	$ 170,559
EBITDA	35,843	11,730	**47,573**	21,370	8,211	29,581	23,985
EBITDA without adoption of IFRS 16	30,052	8,641	**38,693**	21,370	8,211	29,581	23,985
Net earnings	7,787	3,119	**10,906**	2,701	3,468	6,169	5,718
Net earnings without adoption of IFRS 16	7,997	3,342	**11,339**	2,701	3,468	6,169	5,718
Net earnings per share:							
Basic	$ 0.741	$ 0.297	**$ 1.038**	$ 0.258	$ 0.331	$ 0.589	$ 0.629
Diluted	$ 0.737	$ 0.295	**$ 1.032**	$ 0.257	$ 0.330	$ 0.588	$ 0.627
Net earnings without adoption of IFRS 16 per share:							
Basic	$ 0.761	$ 0.318	**$ 1.079**	$ 0.258	$ 0.331	$ 0.589	$ 0.629
Diluted	$ 0.756	$ 0.316	**$ 1.072**	$ 0.257	$ 0.330	$ 0.588	$ 0.627
Total assets			**$ 352,059**			$ 322,229	$ 295,213
Long-term debt			**62,494**			$ 70,203	42,780
Weighted average number of shares outstanding:							
Basic			**10,508,080**			10,466,458	9,083,693
Diluted			**10,571,347**			10,500,014	9,114,874

(1) Prior to the acquisition of Fishers on November 27, 2017, K-Bro was reporting and operating as a single Canadian division.
(2) Effective January 1, 2019, the Corporation has adopted IFRS 16 Leases ("IFRS 16") using the modified retrospective method but has not restated comparatives for the prior periods, as permitted under the specific transitional provisions of IFRS 16. To enable the comparability of previous periods, the Corporation has provided the 2019 figures for both EBITDA and net earnings without adoption of IFRS 16 as separate line items. Refer to the Accounting Changes section of this MD&A for more information.

SUMMARY OF 2019 RESULTS, KEY EVENTS AND OUTLOOK

Financial Growth

Net earnings were $10.9 million or $1.04 per Common Share (basic). Cash flow from operating activities was $43.9 million and distributable cash flow was $29.6 million. Revenue increased in fiscal 2019 to $252.4 million or by 5.4% compared to 2018. This increase was due to volume from the acquisition of Linitek, acquisition of an Aberdeen laundry, organic growth at existing customers, and new customers secured in existing markets.

EBITDA (see Terminology) increased in 2019 to $47.6 million or by 60.8% compared to $29.6 million in 2018. On a consolidated basis, EBITDA margin increased from 12.3% in 2018 to 18.8% in 2019. For the Canadian division, the EBITDA margin increased to 19.2% in 2019 from 11.9% in 2018. For the UK division, the EBITDA margin increased to 17.8% in 2019 from 13.8% in 2018. The changes in EBITDA and EBITDA margin relates primarily to the operating efficiencies gained in the Canadian division, as well as changes in accounting policies and the adoption of IFRS 16 Leases. The adoption of the IFRS 16 Leases in 2019 resulted in an increase to EBITDA of $8.9 million and accounts for 3.5% of the change in EBITDA margin. The remainder of the increase is due to the flow through of revenue growth as discussed above, efficiencies gained as a result of the capital expenditures made in our new facilities and the associated operational efficiencies, offset by rising minimum wage rates in advance of future revenue price escalators, and tight labour markets in both British Columbia and Quebec.

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 has made investments to upgrade one of its existing Vancouver plants to create a more efficient facility with meaningful 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 created margin pressure through 2017, 2018 and Q1 2019 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 will position K-Bro to achieve more growth and a lower cost structure into the future and that K-Bro will ultimately return to normalized margins upon resolution of the coronavirus ("COVID-19") pandemic, as more specifically discussed below.

As disclosed above, the continued spread of COVID-19 throughout Canada and the UK, at least in the short-term, is expected to have a significant negative impact on the amount of volume processed by the Corporation's hospitality segment. Management believes that, depending on the duration of the pandemic, the Corporation's capital investments in Vancouver and Toronto could position us to profitably grow our business as, for example, hotel occupancy rates rebound upon resolution of the public health crisis.

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, BC and has incurred all of the capital costs related to this facility. The new facility has enabled K-Bro to expand current capacity, to accommodate 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 this 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.

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.

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.

Revolving Credit Facility

During 2019 K-Bro completed amendments to its existing $100 million revolving credit facility, which extended the agreement to July 31, 2022 and made changes to the definitions within the agreement to clarify that all financial covenants would be tested on a pre-IFRS 16 Leases basis.

UK Acquisition

On July 19, 2019, the Corporation signed a share purchase agreement to acquire all the assets of a Scotland-incorporated private laundry and linen services company operating in Aberdeen. This acquisition closed in September 2019 for a total consideration of £775k plus a working capital adjustment. For accounting purposes, the transaction has been treated as an asset acquisition, whereby the net working capital was recorded at closing, and the customer contracts acquired have been recorded as an intangible asset for £883k representing the total purchase price of £775k and associated transaction costs of £88k.

Capital Investment Plan

For fiscal 2020, K-Bro had previously anticipated capital spending to be approximately $5.0 million on a consolidated basis. However, in light of the current public health crisis, management is considering whether to significantly lower the Corporation's planned capital spending for fiscal 2020 in order to mitigate the expected significant negative impacts of the COVID-19 pandemic on the Corporation's results of operations. This guidance includes both strategic and maintenance capital requirements to support existing base business in both Canada and the UK.

Alberta Contract Award

On March 1, 2020, the Corporation was awarded a one-year extension to provide laundry and linen services to Alberta Health Services Calgary. The contract extends the existing relationship between the Corporation and Alberta Health Services Calgary.

Loss of Whitbread Group Contract

Subsequent to the 2019 fiscal year, the Corporation was unsuccessful in renewing its UK-based contract with the Whitbread Group. The associated volume will be phased out of the relevant plant over the first two quarters of 2020. For the year ended December 31, 2019, this contract accounted for approximately 14% of Fishers' overall revenue.

Coronavirus ("COVID-19") Pandemic

The ongoing COVID-19 pandemic has caused world governments to institute travel restrictions both in and out of and within Canada and the UK, which has had, and is expected to continue to have, a significant adverse impact on the Corporation's hospitality business, the duration of which we are unable to predict with any degree of accuracy. In recent weeks, we have seen significantly reduced hotel occupancy rates compared to historical levels. More recently, demand for both business and leisure airline travel has declined significantly on a global basis, and airlines are responding by cancelling international and domestic flights. Accordingly, hospitality volume in all of our Canadian and UK markets have slowed to historically low levels. To date, we have seen a slight increase in our healthcare business as the result of increased demand for certain products caused by COVID-19.

We have adjusted operations at many of our plants that have experienced significant declines in hospitality volume, including by reducing the size of the workforce. We anticipate implementing further adjustments as circumstances develop.

Management believes that liquidity remains strong, with cash flow generation and access to significant undrawn credit line capacity being sufficient throughout 2020.

The extent of such negative effects on our hospitality business and our financial and operational performance will depend on future developments, including the duration, spread and severity of the outbreak, the duration and geographic scope of related travel advisories and restrictions and the extent of the impact of COVID-19 on overall demand for personal and business travel, all of which are highly uncertain and cannot be predicted with any degree of accuracy. If hotels continue to experience significantly reduced occupancy rates for an extended period, our 2020 consolidated results of operations will be significantly impacted. The extent to which the outbreak affects our earnings will depend in part on our ability to implement various measures intended to reduce expenses, including consolidating production capacity and laying off additional workers. Earnings in the hospitality segment will continue to be particularly affected if we continue to experience further reductions in travel. Additionally, our suppliers or other third parties we rely upon may experience delays or shortages, which could have an adverse effect on our business prospects and results of operations.

OUTLOOK

While COVID-19 will have a significant negative impact on our hospitality revenue, management believes the prospects for the Corporation's healthcare business remains strong in the medium- to long-term. In addition, management believes that the financial flexibility provided by our strong balance sheet will enable us to operate without disruption to our business model while maintaining our ability to service the healthcare and hospitality sectors in our Canadian and UK markets. For further information about the impact of COVID-19 on our business, see the "Summary of 2019 Results, Key Events and Outlook – Coronavirus ("COVID-19") Pandemic".

RESULTS OF OPERATIONS

KEY PERFORMANCE DRIVERS

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

(thousands, except percentages and per share amounts) Category	Indicator	Canadian Division Q4 2019	UK Division Q4 2019	Q4[3] 2019	Canadian Division Q4 2018	UK Division Q4 2018	Q4 2018
Growth	EBITDA[1]	80.6%	32.8%	**67.7%**	-30.5%	171.0%	48.6%
	EBITDA without adoption of IFRS 16	50.5%	2.9%	**37.7%**	-30.5%	171.0%	48.6%
	Revenue	2.1%	17.5%	**5.8%**	5.3%	204.0%	25.1%
	Distributable cash flow[4]			**21.2%**			109.7%
Profitability	EBITDA[1]	$ 8,737	$ 2,365	**$ 11,102**	$ 4,838	$ 1,781	$ 6,619
	EBITDA margin	19.0%	14.0%	**17.7%**	10.7%	12.4%	11.1%
	EBITDA without adoption of IFRS 16	$ 7,283	$ 1,833	**$ 9,116**	$ 4,838	$ 1,781	$ 6,619
	EBITDA without adoption of IFRS 16 margin	15.8%	10.9%	**14.5%**	10.7%	12.4%	11.1%
	Net earnings	$ 1,760	$ 435	**$ 2,195**	$ 32	$ 1,020	$ 1,052
	Net earnings without adoption of IFRS 16	$ 1,835	$ 573	**$ 2,408**	$ 32	$ 1,020	$ 1,052
Stability	Debt to total capital[2]			**24.7%**			26.4%
	Unutilized line of credit			**$ 36,356**			$ 28,647
	Cash on hand			**$ 5,301**			$ 2,827
	Payout ratio			**45.2%**			54.5%
	Dividends declared per share			**$ 0.300**			$ 0.300
Cost containment	Wages and benefits	40.5%	35.8%	**39.3%**	43.3%	36.3%	41.6%
	Utilities	5.4%	8.9%	**6.3%**	6.6%	7.9%	6.9%
	Expenses included in EBITDA	81.0%	86.0%	**82.3%**	89.3%	87.6%	88.9%

(thousands, except percentages and per share amounts) Category	Indicator	Canadian Division YTD 2019	UK Division YTD 2019	YTD[3] 2019	Canadian Division YTD 2018	UK Division YTD 2018	YTD 2018
Growth	EBITDA[1]	67.7%	42.9%	**60.8%**	-19.3%	-427.4%	23.3%
	EBITDA without adoption of IFRS 16	40.6%	5.2%	**30.8%**	-19.3%	-427.4%	23.3%
	Revenue	3.7%	10.3%	**5.4%**	8.5%	1161.5%	40.4%
	Distributable cash flow[4]			**19.6%**			23.5%
Profitability	EBITDA[1]	$ 35,843	$ 11,730	**$ 47,573**	$ 21,370	$ 8,211	$ 29,581
	EBITDA margin	19.2%	17.8%	**18.8%**	11.9%	13.8%	12.3%
	EBITDA without adoption of IFRS 16	$ 30,052	$ 8,641	**$ 38,693**	$ 21,370	$ 8,211	$ 29,581
	EBITDA without adoption of IFRS 16 margin	16.1%	13.1%	**15.3%**	11.9%	13.8%	12.3%
	Net earnings	$ 7,787	$ 3,119	**$ 10,906**	$ 2,701	$ 3,468	$ 6,169
	Net earnings without adoption of IFRS 16	$ 7,997	$ 3,342	**$ 11,339**	$ 2,701	$ 3,468	$ 6,169
Stability	Debt to total capital[2]			**24.7%**			26.4%
	Unutilized line of credit			**$ 36,356**			$ 28,647
	Cash on hand			**$ 5,301**			$ 2,827
	Payout ratio			**42.9%**			51.1%
	Dividends declared per share			**$ 1.200**			$ 1.200
Cost containment	Wages and benefits	40.9%	35.4%	**39.4%**	43.7%	36.0%	41.7%
	Utilities	5.7%	8.9%	**6.5%**	5.9%	7.2%	6.3%
	Expenses included in EBITDA	80.8%	82.2%	**81.2%**	88.1%	86.2%	87.7%

(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 capital is defined as total debt divided by total capital. See Terminology.
(3) Effective January 1, 2019, the Corporation has adopted IFRS 16 Leases ("IFRS 16") using the modified retrospective method but has not restated comparatives for the prior periods, as permitted under the specific transitional provisions of IFRS 16. To enable the comparability of previous periods, the Corporation has provided the 2019 figures for both EBITDA and net earnings without adoption of IFRS 16 as separate line items. Refer to the Accounting Changes section of this MD&A for more information.
(4) Effective January 1, 2019, distributable cash flow includes the addition of principal elements of lease payments. This accounts for the change in accounting policies and the adoption of IFRS 16, where now the principal elements of lease payments flow through financing outflows opposed to operating cash flows.

Financial Impact of the adoption of new accounting standards

As discussed in Note 3 – Changes in accounting policies to the 2019 Audited Financial Statements, the Corporation has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions set out in IFRS 16.

The tables below provide a reconciliation of actual Q4 2019 financial results compared with what would have occurred had we not adopted this new accounting policy.

EBITDA without adoption of IFRS 16 Leases

For the three months ended December 31,	Segment EBITDA 2019	Adjustments on adoption of IFRS 16 2019	EBITDA without adoption of IFRS 16 2019	2018
Canadian Division	$ 8,737	$ (1,454)	$ 7,283	$ 4,838
UK Division	2,365	(532)	1,833	1,781
	$ 11,102	**$ (1,986)**	**$ 9,116**	**$ 6,619**

For the years ended December 31,	Segment EBITDA 2019	Adjustments on adoption of IFRS 16 2019	EBITDA without adoption of IFRS 16 2019	2018
Canadian Division	$ 35,843	$ (5,791)	$ 30,052	$ 21,370
UK Division	11,730	(3,089)	8,641	8,211
	$ 47,573	**$ (8,880)**	**$ 38,693**	**$ 29,581**

Net earnings without adoption of IFRS 16 Leases

For the three months ended December 31,	Segment Net earnings (loss) 2019	Adjustments on adoption of IFRS 16 2019	Net earnings (loss) without adoption of IFRS 16 2019	2018
Canadian Division	$ 1,760	$ 75	$ 1,835	$ 32
UK Division	435	138	573	1,020
	$ 2,195	**$ 213**	**$ 2,408**	**$ 1,052**

For the years ended December 31,	Segment Net earnings (loss) 2019	Adjustments on adoption of IFRS 16 2019	Net earnings (loss) without adoption of IFRS 16 2019	2018
Canadian Division	$ 7,787	$ 210	$ 7,997	$ 2,701
UK Division	3,119	223	3,342	3,468
	$ 10,906	**$ 433**	**$ 11,339**	**$ 6,169**

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	2019 (2)				2018			
(thousands, except percentages and per share amounts)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Healthcare revenue	**35,482**	34,710	34,729	34,103	34,469	33,378	33,868	33,601
Hospitality revenue	**27,410**	33,132	29,164	23,680	24,971	30,594	26,870	21,783
Total revenue	**62,892**	67,842	63,893	57,783	59,440	63,972	60,738	55,384
Expenses included in EBITDA	**51,790**	53,225	51,154	48,668	52,821	55,662	52,286	49,184
EBITDA(1)	**11,102**	14,617	12,739	9,115	6,619	8,310	8,452	6,200
EBITDA as a % of revenue (EBITDA margin)	**17.7%**	21.5%	19.9%	15.8%	11.1%	13.0%	13.9%	11.2%
EBITDA without adoption of IFRS 16	**9,116**	12,286	10,488	6,803	6,619	8,310	8,452	6,200
EBITDA without adoption of IFRS 16 as % of revenue	**14.5%**	18.1%	16.4%	11.8%	11.1%	13.0%	13.9%	11.2%
Depreciation and amortization	**7,011**	7,059	6,979	6,916	5,252	5,069	4,271	4,283
Finance expense	**1,213**	1,510	1,566	1,513	866	857	716	876
Earnings before income taxes	**2,878**	6,048	4,194	686	501	2,384	3,465	1,041
Income tax expense	**683**	1,379	647	191	(551)	498	881	394
Net earnings	**2,195**	4,669	3,547	495	1,052	1,886	2,584	647
Net earnings as a % of revenue	**3.5%**	6.9%	5.6%	0.9%	1.8%	2.9%	4.3%	1.2%
Basic earnings per share	**0.209**	0.444	0.338	0.047	0.100	0.180	0.247	0.062
Diluted earnings per share	**0.207**	0.441	0.336	0.047	0.100	0.179	0.246	0.062
Net earnings without adoption of IFRS 16	**2,408**	4,736	3,637	558	1,052	1,886	2,584	647
Basic earnings per share without adoption of IFRS 16	**0.229**	0.451	0.346	0.053	0.100	0.180	0.247	0.062
Diluted earnings per share without adoption of IFRS 16	**0.227**	0.447	0.344	0.053	0.100	0.179	0.246	0.062
Total assets	**352,059**	353,021	361,018	360,563	322,229	316,968	317,051	312,193
Total long-term financial liabilities	**116,455**	119,102	129,862	123,049	87,831	84,436	86,675	72,189
Funds provided by (used in) operations	**11,555**	19,816	2,875	9,670	7,799	9,759	(4,629)	4,625
Long-term debt	**62,494**	66,070	75,952	67,444	70,203	67,045	70,505	56,356
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) Effective January 1, 2019, the Corporation has adopted IFRS 16 Leases ("IFRS 16") using the modified retrospective method but has not restated comparatives for the prior periods, as permitted under the specific transitional provisions of IFRS 16. To enable the comparability of previous periods, the Corporation has provided the 2019 figures for both EBITDA and net earnings without adoption of IFRS 16 as separate line items. Refer to the Accounting Changes section of this MD&A for more information.

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	2019 (2)				2018			
(thousands, except percentages and per share amounts)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Healthcare revenue	**33,839**	33,224	33,122	32,435	32,912	31,818	32,193	32,010
Hospitality revenue	**12,162**	16,267	13,477	12,098	12,155	15,054	12,465	11,282
Total revenue	**46,001**	49,491	46,599	44,533	45,067	46,872	44,658	43,292
Expenses included in EBITDA	**37,264**	39,068	37,300	37,149	40,229	41,758	38,758	37,774
EBITDA[(1)]	**8,737**	10,423	9,299	7,384	4,838	5,114	5,900	5,518
EBITDA as a % of revenue (EBITDA margin)	**19.0%**	21.1%	20.0%	16.6%	10.7%	10.9%	13.2%	12.7%
EBITDA without adoption of IFRS 16	**7,283**	8,925	7,884	5,960	4,838	5,114	5,900	5,518
EBITDA without adoption of IFRS 16 as % of revenue	**15.8%**	18.0%	16.9%	13.4%	10.7%	10.9%	13.2%	12.7%
Net earnings	**1,760**	2,893	2,403	731	32	200	1,421	1,048
Net earnings as a % of revenue	**3.8%**	5.8%	5.2%	1.6%	0.1%	0.4%	3.2%	2.4%
Basic earnings per share	**0.167**	0.275	0.229	0.070	0.003	0.019	0.136	0.100
Diluted earnings per share	**0.166**	0.273	0.228	0.069	0.003	0.019	0.135	0.100
Net earnings without adoption of IFRS 16	**1,835**	2,919	2,456	787	32	200	1,421	1,048
Basic earnings per share without adoption of IFRS 16	**0.174**	0.278	0.234	0.075	0.003	0.019	0.136	0.100
Diluted earnings per share without adoption of IFRS 16	**0.173**	0.276	0.233	0.075	0.003	0.019	0.135	0.100

(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) Effective January 1, 2019, the Corporation has adopted IFRS 16 Leases ("IFRS 16") using the modified retrospective method but has not restated comparatives for the prior periods, as permitted under the specific transitional provisions of IFRS 16. To enable the comparability of previous periods, the Corporation has provided the 2019 figures for both EBITDA and net earnings without adoption of IFRS 16 as separate line items. Refer to the Accounting Changes section of this MD&A for more information.

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)	2019[2]				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Healthcare revenue	**1,643**	1,486	1,607	1,668	1,557	1,560	1,675	1,591
Hospitality revenue	**15,248**	16,865	15,687	11,582	12,816	15,540	14,405	10,501
Total revenue	**16,891**	18,351	17,294	13,250	14,373	17,100	16,080	12,092
Expenses included in EBITDA	**14,526**	14,157	13,854	11,519	12,592	13,904	13,528	11,410
EBITDA[1]	**2,365**	4,194	3,440	1,731	1,781	3,196	2,552	682
EBITDA as a % of revenue (EBITDA margin)	**14.0%**	22.9%	19.9%	13.1%	12.4%	18.6%	15.9%	5.6%
EBITDA without adoption of IFRS 16	**1,833**	3,361	2,604	843	1,781	3,196	2,552	682
EBITDA without adoption of IFRS 16 as % of revenue	**10.9%**	18.3%	15.1%	6.4%	12.4%	18.6%	15.9%	5.6%
Net earnings (loss)	**435**	1,776	1,144	(236)	1,020	1,686	1,163	(401)
Net earnings (loss) as a % of revenue	**2.6%**	9.7%	6.6%	-1.8%	7.1%	9.9%	7.2%	-3.3%
Basic earnings (loss) per share	**0.041**	0.169	0.109	(0.022)	0.097	0.161	0.111	(0.038)
Diluted earnings (loss) per share	**0.041**	0.168	0.108	(0.022)	0.097	0.160	0.111	(0.038)
Net earnings (loss) without adoption of IFRS 16	**573**	1,817	1,181	(229)	1,020	1,686	1,163	(401)
Basic earnings (loss) per share without adoption of IFRS 16	**0.054**	0.173	0.112	(0.022)	0.097	0.161	0.111	(0.038)
Diluted earnings (loss) per share without adoption of IFRS 16	**0.054**	0.172	0.112	(0.022)	0.097	0.160	0.111	(0.038)

Quarterly Financial Information - UK Division *(in local currency Sterling £)* (thousands, except percentages and per share amounts)	2019[2]				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Healthcare revenue	**966**	913	935	963	917	916	952	903
Hospitality revenue	**8,967**	10,359	9,126	6,689	7,550	9,077	8,201	5,963
Total revenue	**9,933**	11,272	10,061	7,652	8,467	9,993	9,153	6,866
Expenses included in EBITDA	**8,543**	8,696	8,058	6,654	7,413	8,139	7,700	6,480
EBITDA[1]	**1,390**	2,576	2,003	998	1,054	1,854	1,453	386
EBITDA as a % of revenue (EBITDA margin)	**14.0%**	22.9%	19.9%	13.1%	12.4%	18.6%	15.9%	5.6%
EBITDA without adoption of IFRS 16	**1,077**	2,065	1,517	485	1,054	1,854	1,453	386
EBITDA without adoption of IFRS 16 as % of revenue	**10.9%**	18.3%	15.1%	6.4%	12.4%	18.6%	15.9%	5.6%
Net earnings (loss)	**254**	1,091	668	(138)	600	972	662	(229)
Net earnings (loss) as a % of revenue	**2.6%**	9.7%	6.6%	-1.8%	7.1%	9.7%	7.2%	-3.3%
Basic earnings (loss) per share	**0.024**	0.104	0.064	(0.013)	0.057	0.093	0.063	(0.022)
Diluted earnings (loss) per share	**0.024**	0.103	0.063	(0.013)	0.057	0.092	0.063	(0.022)
Net earnings (loss) without adoption of IFRS 16	**336**	1,115	690	(134)	600	972	662	(229)
Basic earnings (loss) per share without adoption of IFRS 16	**0.032**	0.106	0.066	(0.013)	0.057	0.093	0.063	(0.022)
Diluted earnings (loss) per share without adoption of IFRS 16	**0.032**	0.105	0.065	(0.013)	0.057	0.092	0.063	(0.022)

(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) Effective January 1, 2019, the Corporation has adopted IFRS 16 Leases ("IFRS 16") using the modified retrospective method but has not restated comparatives for the prior periods, as permitted under the specific transitional provisions of IFRS 16. To enable the comparability of previous periods, the Corporation has provided the 2019 figures for both EBITDA and net earnings without adoption of IFRS 16 as separate line items. Refer to the Accounting Changes section of this MD&A for more information.

Revenue, Earnings and EBITDA

For the year ended December 31, 2019, K-Bro's consolidated revenue increased by 5.4% to $252.4 million from $239.5 million in the comparative period. This increase was due to the acquisition of Linitek, acquisition of an Aberdeen laundry, organic growth at existing customers, and new customers secured in existing markets. In 2019, approximately 55.1% of K-Bro's consolidated revenue was generated from healthcare institutions, which is lower compared to 56.5% in 2018, primarily related to the most recent acquisitions being concentrated within the hospitality sector.

Consolidated EBITDA increased in the year to $47.6 million from $29.6 million in 2018, which is an increase of 60.8%. The consolidated EBITDA margin increased to 18.8% in 2019 compared to 12.3% in 2018. EBITDA benefited significantly from operating efficiencies gained in our Canadian division as a result of capital investments made in 2018. The adoption of IFRS 16 Leases, increased EBITDA by $8.9 million and accounts for 3.5% of the increase in EBITDA margin. The remainder of the increase in EBITDA is due to flow through of revenue growth as discussed above, offset by higher commodity costs in the UK, higher costs in British Columbia as a result of a temporary natural gas supply shortage during the first quarter, rising minimum wage rates in advance of future revenue price escalators, and tight labour markets in both British Columbia and Quebec.

Net earnings increased by $4.7 million or 76.8% from $6.2 million in 2018 to $10.9 million in 2019, and net earnings as a percentage of revenue increased by 1.7% to 4.3% in 2019 from 2.6% in 2018. The change in net earnings is primarily related to the flow through items in EBITDA discussed above, offset by higher depreciation and finance costs due to the adoption of IFRS 16 Leases of $9.4 million, higher depreciation associated with new plant builds and acquisitions, higher finance costs related to the revolving credit facility, and offset by a higher income tax expense.

Operating Expenses

Wages and benefits decreased by $0.4 million to $99.6 million compared to $100.0 million in the same comparative period of 2018, and as a percentage of revenue decreased by 2.3% to 39.4%. The decrease as a percentage of revenue is primarily related to the elimination of one-time costs related to the Vancouver transition when compared to 2018, improved labour efficiencies, offset by wages and benefits is related to incremental labour required to process higher volumes, escalating minimum wage rates, and tight labour markets in British Columbia and Quebec.

Linen increased by $0.8 million to $27.5 million compared to $26.7 million in the same comparative period of 2018, and as a percentage of revenue decreased by 0.2% to 10.9%. The decrease as a percentage of revenue is primarily related to the higher proportion of hospitality revenue in the quarter that doesn't require linen replacement.

Utilities increased by $1.4 million to $16.4 million compared to $15.0 million in the same comparative period of 2018, and as a percentage of revenue increased by 0.2% to 6.5%. The increase as a percentage of revenue is primarily related to higher commodity costs in the UK related to timing of contracts and market conditions, higher utility costs in British Columbia as a result of a temporary natural gas supply shortage during the end of 2018 and first quarter of 2019, and offset by improved efficiencies in the new Vancouver facilities.

Delivery decreased by $1.9 million to $28.8 million compared to $30.7 million in the same comparative period of 2018, and as a percentage of revenue decreased by 1.4% to 11.4%. The decrease as a percentage of revenue is primarily related to the adoption of IFRS 16 Leases, which accounts for 1.3% and a decrease to delivery costs of $3.4 million. The remaining decrease is a result of diminishing one-time costs related to the Vancouver transition when compared to 2018, offset by increased business activity, price increases

from renewals of out-sourced freight contracts, and higher cost of diesel and external freight charges tied to diesel price.

Occupancy costs decreased by $5.4 million to $4.5 million compared to $9.9 million in the same comparative period of 2018, and as a percentage of revenue decreased by 2.3% to 1.8%. The decrease as a percentage of revenue is primarily related to the adoption of IFRS 16 Leases, which accounts for 2.2% and a decrease to occupancy costs of $5.5 million, and one-time Vancouver transition costs, partially offset by costs associated with the acquisition of Linitek.

Materials and supplies decreased by $0.2 million to $8.3 million compared to $8.5 million in the same comparative period of 2018, and as a percentage of revenue decreased by 0.2% to 3.3%. The decrease as a percentage of revenue is primarily related to costs related to the transition of our Vancouver facilities and certain one-time recoverable costs.

Repairs and maintenance increased by $0.6 million to $8.8 million compared to $8.2 million in the same comparative period of 2018, and as a percentage of revenue increased by 0.1% to 3.5%. The increase as a percentage of revenue is primarily related to the timing of maintenance activities, and non-reoccurring costs related to laundry accreditation and health and safety initiatives, offset by one-time Vancouver transition costs in 2018.

Corporate costs increased by $0.1 million to $11.1 million compared to $11.0 million in the same comparative period of 2018, and as a percentage of revenue decreased by 0.2% to 4.4%. The decrease as a percentage of revenue is primarily related to the timing of initiatives to support the Corporation’s growth and business strategies across the plants.

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. Depreciation of property, plant and equipment increased by $8.8 million to $24.7 million compared to $15.9 million in the same comparative period of 2018, the increase is primarily related to the adoption of IFRS 16 Leases of $7.4 million, and the completion of the new Toronto and Vancouver facilities.

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 2019, cash generated by operating activities was $43.9 million with a debt to total capitalization of 24.7%. The change in cash from operations is primarily due to the change in working capital items driven mainly from the timing of business activity, along with increased earnings from operations, and the adoption of IFRS 16 Leases, where the principal elements of lease payments are now recorded as financing outflows as opposed to flowing through operating cash flows. Management believes the unutilized balance of $36.4 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 2019, cash used in financing activities was $27.1 million compared to cash generated by financing activities of $14.8 million in 2018. Financing activities consisted of net repayment of the revolving credit facility, offset by dividends paid to shareholders, and principal elements of lease payments.

During 2019, cash used in investing activities was $14.3 million compared to $40.9 million in 2018. Investing activities related primarily to the purchase of plant equipment.

Contractual Obligations

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

(thousands)	Payments due by Period					
		Total	< 1 Year	1 - 3 Years	4 - 5 Years	> 5 Years
Long-term debt	$	62,494	-	62,494	-	-
Lease liabilities	$	63,004	8,207	13,784	10,450	30,563
Utility commitments	$	10,625	6,401	4,224	-	-
Linen purchase obligations	$	9,821	9,821	-	-	-
Property, plant and equipment commitments	$	641	641	-	-	-

The lease liabilities are secured by automotive equipment and plants, and are more fully described in the 2019 Audited 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)		Years Ended December 31, 2019		Year ended December 2018
Cash and cash equivalents	**$**	**(5,301)**	$	(2,827)
Long-term debt (excludes lease liabilities)		**62,494**		70,203
Shareholders' equity		**196,051**		198,660
Total capital	**$**	**253,244**	$	266,036
Debt to total capital (see *Terminology* for definition)		**24.7%**		26.4%

For the year ended December 31, 2019, the Corporation had a debt to total capital of 24.7%, unused revolving credit facility of $36.4 million and has not incurred any events of default under the terms of its credit facility agreement.

As at December 31, 2019, the Corporation had net working capital of $31.0 million compared to its working capital position of $34.8 million at December 31, 2018. The decrease in working capital is primarily attributable to the adoption of IFRS 16 Leases, offset by an increase in cash and cash equivalents, timing differences related to cash settlement of new plant equipment, income tax payments, deposits related to the acquisition of equipment related across the plants, and 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 raise capital through equity issuances in the market or increase its borrowing capacity, if necessary, to provide for capital spending and to sustain its property, plant and equipment.

DIVIDENDS

Fiscal Period	Payment Date	# of Shares outstanding	2019 Amount per Share	2019 Total Amount (1)(3)(5)(7)	2018 Amount per Share	2018 Total Amount (2)(4)(6)(8)
January	February 15	10,559,936	$ 0.10000	$ 1,056	$ 0.10000	$ 1,051
February	March 15	10,559,936	0.10000	1,056	0.10000	1,051
March	April 15	10,559,936	0.10000	1,056	0.10000	1,051
Q1			$ 0.30000	$ 3,168	$ 0.30000	$ 3,153
April	May 15	10,559,936	$ 0.10000	$ 1,056	$ 0.10000	$ 1,051
May	June 14	10,604,029	0.10000	1,060	0.10000	1,056
June	July 15	10,604,382	0.10000	1,060	0.10000	1,056
Q2			$ 0.30000	$ 3,177	$ 0.30000	$ 3,163
July	August 15	10,604,382	$ 0.10000	$ 1,060	$ 0.10000	$ 1,056
August	September 13	10,604,382	0.10000	1,060	0.10000	1,056
September	October 15	10,604,382	0.10000	1,060	0.10000	1,056
Q3			$ 0.30000	$ 3,181	$ 0.30000	$ 3,168
October	November 15	10,604,382	$ 0.10000	$ 1,060	$ 0.10000	$ 1,056
November	December 13	10,604,382	0.10000	1,060	0.10000	1,056
December	January 15	10,604,382	0.10000	1,060	0.10000	1,056
Q4			$ 0.30000	$ 3,181	$ 0.30000	$ 3,168
YTD			$ 1.20000	$ 12,707	$ 1.20000	$ 12,651

(1) The total amount of dividends declared was $0.10000 per share for a total of $1,055,994 per month for January - March 2019; when rounded in thousands, $3,168 of dividends were declared in Q1 2019.

(2) 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 in Q1 2018.

(3) The total amount of dividends declared was $0.10000 per share for a total of $1,055,994 for April, $1,060,403 for May 2019, and $1,060,438 for June 2019. When rounded in thousands, $3,177 of dividends were declared in Q2 2019.

(4) 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 in Q2 2018.

(5) The total amount of dividends declared was $0.10000 per share for a total of $1,060,438 per month for July - September 2019; when rounded in thousands, $3,181 of dividends were declared in Q3 2019.

(6) 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 2018.

(7) The total amount of dividends declared was $0.10000 per share for a total of $1,060,438 per month for October - December 2019; when rounded in thousands, $3,181 of dividends were declared in Q4 2019.

(8) 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 2018.

For the year ended December 31, 2019, the Corporation declared a $1.200 per Common Share dividend compared to $2.801 per Common Share of Distributable Cash Flow (see *Terminology*). The actual payout ratio was 42.9%.

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)	2019 [4]				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Cash provided by (used in) operating activities	**$ 11,555**	$ 19,816	$ 2,875	$ 9,670	$ 7,799	$ 9,759	$ (4,629)	$ 4,625
Deduct (add):								
Net changes in non-cash working capital items [1]	**1,534**	7,463	(8,615)	1,484	1,082	1,176	(12,167)	(1,471)
Share-based compensation expense	**404**	427	439	540	380	403	625	409
Maintenance capital expenditures [2]	**1,072**	1,352	1,143	374	526	908	430	488
Principal elements of lease payments [5]	**1,501**	1,806	1,736	1,648	-	-	-	-
Distributable cash flow [5]	**$ 7,044**	$ 8,768	$ 8,172	$ 5,624	$ 5,811	$ 7,272	$ 6,483	$ 5,199
Dividends declared	**3,181**	3,181	3,177	3,168	3,168	3,168	3,163	3,153
Dividends declared per share	**0.300**	0.300	0.300	0.300	0.300	0.300	0.300	0.300
Payout ratio [3]	**45.2%**	36.3%	38.9%	56.3%	54.5%	43.6%	48.8%	60.6%
Weighted average shares outstanding during the period, basic	**10,521**	10,511	10,504	10,497	10,479	10,470	10,462	10,454
Weighted average shares outstanding during the period, diluted	**10,588**	10,584	10,558	10,546	10,525	10,540	10,509	10,491
Trailing-twelve months ("TTM")								
Distributable cash flow	**29,608**	28,375	26,879	25,190	24,765	21,725	21,690	20,744
Dividends	**12,707**	12,694	12,681	12,667	12,651	12,452	12,159	11,867
Payout ratio [3]	**42.9%**	44.7%	47.2%	50.3%	51.1%	57.3%	56.1%	57.2%

(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.

(4) Effective January 1, 2019, the Corporation has adopted IFRS 16 Leases ("IFRS 16") using the modified retrospective method but has not restated comparatives for the prior periods, as permitted under the specific transitional provisions of IFRS 16. Refer to the Accounting Changes section of this MD&A for more information.

(5) Effective January 1, 2019, distributable cash flow includes the addition of principal elements of lease payments. This accounts for the change in accounting policies and the adoption of IFRS 16, where now the principal elements of lease payments flow through financing outflows opposed to operating cash flows.

OUTSTANDING SHARES

As at December 31, 2019, the Corporation had 10,604,382 Common Shares outstanding. Basic and diluted weighted average number of Common Shares outstanding for 2019 were 10,508,080 and 10,571,347, respectively (10,466,458 and 10,500,014, respectively, for the comparative 2018 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 2018 fiscal year, on April 16, 2019 the Compensation, Nominating and Corporate Governance Committee of the Board of Directors approved LTI compensation of $1.7 million (2018 – $1.7 million) to be paid as Common Shares issued from treasury. As at December 31, 2019, the value of the shares held by the LTI administrator was $2.7 million (December 31, 2018 – $2.1 million) which was comprised of 64,924 in unvested common shares (December 31, 2018 – 63,346) with a nil aggregate cost (December 31, 2018 – $nil).

As at March 19, 2020 there were 10,604,382 common shares issued and outstanding including 64,924 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, 2019, the Corporation incurred fees totaling $138,000 (2018 – $138,000).

CRITICAL ACCOUNTING ESTIMATES

The Corporation's summary of significant accounting policies are contained in Note 2 to the 2019 Audited Financial Statements.

The 2019 Audited 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; and,
- lease terms.

The following discusses the most significant accounting judgments and estimates in the 2019 Audited 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 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.

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For many of the leases the cash outflows associated with the lease extension term would be material. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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)	**2019**	2018	**2019**	2018
Net earnings	**$ 2,195**	$ 1,052	**$ 10,906**	$ 6,169
Add:				
Income tax expense	**683**	(551)	**2,900**	1,222
Finance expense	**1,213**	866	**5,802**	3,315
Depreciation of property, plant and equipment	**6,053**	4,484	**24,705**	15,871
Amortization of intangible assets	**958**	768	**3,260**	3,004
EBITDA	**$ 11,102**	$ 6,619	**$ 47,573**	$ 29,581

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.

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.

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, maintenance capital expenditures and principal elements of lease payments.

Payout Ratio

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

Debt to Total Capital

Debt to Total Capital is defined by management as the total long-term debt divided by the Corporation's total capital. This is a measure used by investors to assess the Corporation's financial structure.

Distributable Cash Flow, Payout Ratio, Debt to Total Capital 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, 2019, the Corporation has not entered into any off balance sheet arrangements.

CHANGES IN ACCOUNTING POLICIES

The Corporation has prepared its December 31, 2019 audited consolidated financial statements in accordance with IFRS. See Note 2 of the 2019 Audited Financial Statements for more information regarding the significant accounting principles used to prepare the 2019 Audited Financial Statements.

RECENT ACCOUNTING PRONOUNCEMENTS

Significant accounting policies adopted January 1, 2019

The Corporation has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in IFRS 16. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019.

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Corporation recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The average lessee's incremental borrowing rate applied to the Corporation's lease liabilities on January 1, 2019 for the Canadian division were 4.0% to 4.7%, and for the UK division were 3.7% to 3.8%.

		2019
Operating lease commitments disclosed as at December 31, 2018	$	62,655
Discounted using the lessee's incremental borrowing rate of at the date of initial application	$	51,861
Less: short-term leases recognised on a straight-line basis as expense		(57)
Less: low-value leases recognised on a straight-line basis as expense		(111)
Lease liability recognised as at January 1, 2019	**$**	**51,693**

Of which are:		
Current lease liabilities	$	8,921
Non-current lease liabilities		42,772
	$	51,693

The associated right-of-use assets for building leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018. There were no material onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following types of assets:

	December 31, 2019	January 1, 2019
Buildings	$ 34,593	$38,141
Vehicles	6,310	8,129
Total right-of-use assets	**$ 40,903**	$46,270

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

a. right-of-use assets – increased by $46,270
b. deferred tax assets – increased by $668
c. lease liabilities:
   i. lease liabilities increased by $51,693
   ii. unamortized lease inducements decreased by $2,854
   iii. current portion of unamortized lease inducements decreased by $171

The net impact on retained earnings on January 1, 2019 was a decrease of $1,730.

(i) Impact on segment disclosures and earnings per share

Segment EBITDA, segment assets and segment liabilities for December 31, 2019 all increased as a result of the change in accounting policy. The following segments were affected by the change in policy:

	Segment EBITDA	Segment assets	Segment liabilities
Canadian Division	$ 5,791	$ 29,768	$ 31,978
UK Division	3,089	11,135	11,213
	$ 8,880	**$ 40,903**	**$ 43,191**

Basic and diluted earnings per share for the Years ended December 31, 2019 decreased by 0.04 as a result of the adoption of IFRS 16.

(ii) Practical expedients applied

In applying IFRS 16 for the first time, the Corporation has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Corporation has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition

date the Corporation relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

New Standards and interpretations not yet adopted

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

FINANCIAL INSTRUMENTS

The Corporation's financial instruments at December 31, 2019 and 2018 consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, lease liabilities, dividends payable to shareholders, 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. 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. Lease liabilities are recognized initially at their net present value and subsequently measured at amortized cost using the effective interest method. The Corporation's financial liabilities consist of accounts payable and accrued liabilities, lease liabilities, dividends payable to shareholders, and long-term debt.

Long-term debt and borrowings are initially recognized at fair value, net of transaction costs incurred and are 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, 2019. 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, 2019, there are no material changes in the Corporation's risks or risk management activities since December 31, 2018. 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, 2019, 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, 2019, 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, 2019, 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 »).