CLARKE

Halifax, Canada

MD&A & Financial Statements
2017

Management's Discussion & Analysis

Clarke Inc.

December 31, 2017 and 2016

MANAGEMENT'S DISCUSSION & ANALYSIS

Management's Discussion & Analysis ("MD&A") presents management's view of the financial position and performance of Clarke Inc. ("Clarke" or the "Company") for the year ended December 31, 2017 compared with the year ended December 31, 2016. The following disclosures and associated consolidated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with the information disclosed within the consolidated financial statements and notes thereto for the year ended December 31, 2017 and the Company's Annual Information Form ("AIF"), including the risk factors described therein, available on SEDAR at www.sedar.com. This MD&A provides an overall discussion, followed by analyses of the performance of the Company's major investments. The MD&A is prepared as at February 13, 2018 (unless otherwise stated). All dollar amounts are shown in millions of Canadian dollars unless otherwise indicated.

OVERVIEW & STRATEGY

Clarke is an investment company. Our objective is to maximize shareholder value. While not the perfect metric, we believe that Clarke's book value per share, together with the dividends paid to shareholders, is an appropriate measure of our success in maximizing shareholder value over time.

We attempt to maximize shareholder value by allocating capital to investments that we believe will generate high returns and reallocating capital over time as needed. In doing this, Clarke's goal is to identify investments that are either undervalued or are underperforming and may be in need of positive change. These investments may be companies, securities or other assets such as real estate, and they may be public entities or private entities. We do not believe in limiting ourselves to specific types of investments. From time to time, Clarke will invest passively in a security where it believes the security is undervalued and there is no need for change or where it believes the security is undervalued but that the management team in place at the underlying company is doing an appropriate job to reduce the undervaluation. More often, Clarke will seek active involvement in the governance and/or management of the company in which it invests. In these cases, Clarke will have acquired the security with a view of changes that could be made to improve the underlying company's performance and maximize the company's value. When Clarke believes that an investee company has implemented appropriate changes and/or the value of the investee company has reached or exceeded its intrinsic value, Clarke may sell its investment. Clarke generally invests in industries that have hard assets, including manufacturing, industrial, energy and real estate businesses.

FULL YEAR REVIEW AND OUTLOOK

During 2017, the Company's book value per share decreased by $0.90 or 7.8%. The decrease can be ascribed mainly to (i) $0.24 per Clarke common share ("Common Share") of positive investment performance and net income, (ii) a positive $0.85 per Common Share resulting from the recognition of additional surplus in one of our pension plans, and (iii) the payment of a $2.00 per Common Share special dividend. Our book value per Common Share at the end of the year was $10.71 while our Common Share price was $10.45.

During 2017 we received aggregate distributions from our pension plans of $33.4 million. Following the wind-up of Clarke's Nova Scotia pension plan in the third quarter, Clarke received a distribution of this pension plan's surplus in the amount of $29.6 million. More than $20.0 million of this distribution was received in cash while approximately $7.3 million is expected to be received following the filing of Clarke's year-end tax return. In the fourth quarter, Clarke received a $3.8 million pre-tax distribution of surplus from its Quebec pension plan following amendments to the surplus withdrawal rules under the Quebec Supplemental Pension Plans Act. As a result of the new legislation, the Company expects to withdraw on an annual basis up to 20% of the surplus in its Quebec pension plan in excess of a 105% solvency ratio. We expect the next distribution from this pension plan to occur in the first quarter of 2018. These distributions are not included in our net income.

At the end of the fourth quarter, Clarke commenced a substantial issuer bid for its Common Shares. Subsequent to year-end, Clarke repurchased under this substantial issuer bid 1,851,579 Common Shares or 12.7% of the outstanding Common Shares for an aggregate purchase price of $19.4 million. The special dividend, normal course share repurchases and substantial issuer bid resulted in Clarke returning $51.5 million to shareholders since the start of 2017.

We continue to believe that our two core holdings remain undervalued. Holloway Lodging Corp. ("Holloway") has seen business levels improve modestly in Western Canada and is performing well throughout the rest of Canada. The company's

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