



Interim condensed consolidated Financial Statements
(unaudited)
First quarter of 2022
12-week period ended March 19, 2022
(in thousands of Canadian dollars)

Notice of No Auditor Review of Interim Condensed Consolidated Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors, PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., have not performed a review of the unaudited interim condensed consolidated financial statements for the 12-week period ended March 19, 2022.

Interim Condensed Consolidated Statements of Earnings
(unaudited)

For the 12-week periods ended March 19, 2022 and March 20, 2021

(in thousands of Canadian dollars, except per share data)

	Notes	12 weeks	
		2022	2021
		\$	\$
Sales	3	97,169	85,811
Cost of goods sold		80,541	71,442
Gross Margin		16,628	14,369
Operating expenses	4	14,394	10,543
Depreciation and amortization	5	3,234	3,260
Costs not related to current operations	6	314	91
Operating (loss) earnings		(1,314)	475
Financial expenses		971	1,737
Loss before taxes		(2,285)	(1,262)
Income taxes recovery		(632)	(251)
Net loss from continuing operations		(1,653)	(1,011)
Net loss from discontinued operations		(53)	(16)
Net loss		(1,706)	(1,027)
Basic and diluted net loss per share from continuing operations	7	(0.02)	(0.01)
Basic and diluted net loss per share from discontinued operations	7	—	—
Basic and diluted net loss per share	7	(0.02)	(0.01)

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

Interim Condensed Consolidated Statements of Comprehensive income
(unaudited)

For the 12-week periods ended March 19, 2022 and March 20, 2021

(in thousands of Canadian dollars)

	12 weeks	
	2022	2021
	\$	\$
Net loss from continuing operations	(1,653)	(1,011)
Other comprehensive income (loss) that will be subsequently reclassified to earnings:		
Changes in fair value of interest rate swap designated as cash flow hedge	195	—
Income taxes	(52)	—
Other comprehensive income from continuing operations	143	—
Comprehensive loss from continuing operations	(1,510)	(1,011)
Net loss from discontinued operations	(53)	(16)
Other comprehensive income (loss) that will not be subsequently reclassified to earnings:		
Remeasurement of defined benefit pension obligation	444	29
Income taxes	(118)	(8)
Other comprehensive income from discontinued operations	326	21
Comprehensive income from discontinued operations	273	5
Comprehensive loss	(1,237)	(1,006)

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

Interim Condensed Consolidated Statements of Changes in Equity

(unaudited)

For the 12-week periods ended March 19, 2022 and March 20, 2021

(in thousands of Canadian dollars)

	Note	Share capital \$	Convertible debenture conversion options \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive income \$	Total Equity \$
Balance as at December 25, 2021		257,008	—	6,033	(165,558)	107	97,590
Net loss		—	—	—	(1,706)	—	(1,706)
Other comprehensive income		—	—	—	326	143	469
Comprehensive income (loss)		—	—	—	(1,380)	143	(1,237)
Stock-based compensation	9	—	—	79	—	—	79
Balance as at March 19, 2022		257,008	—	6,112	(166,938)	250	96,432

	Note	Share capital \$	Convertible debenture conversion options \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive income \$	Total Equity \$
Balance as at December 26, 2020		256,300	1,742	4,011	(173,486)	—	88,567
Net loss		—	—	—	(1,027)	—	(1,027)
Other comprehensive income		—	—	—	21	—	21
Comprehensive loss		—	—	—	(1,006)	—	(1,006)
Conversion of debentures		692	(23)	—	—	—	669
Stock-based compensation	9	—	—	22	—	—	22
Balance as at March 20, 2021		256,992	1,719	4,033	(174,492)	—	88,252

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

Interim Condensed Consolidated Statements of Cash Flows

(unaudited)

For the 12-week periods ended March 19, 2022 and March 20, 2021

(in thousands of Canadian dollars)

	Notes	12 weeks	
		2022	2021
		\$	\$
Cash flows from operating activities			
Net loss from continuing operations		(1,653)	(1,011)
Non-cash items			
Deferred income taxes		(632)	(251)
Depreciation and amortization	5	3,234	3,260
Financial expenses		971	1,737
Other		39	19
		1,959	3,754
Net changes in working capital		10,467	1,622
		12,426	5,376
Cash flows from investing activities			
Acquisitions of property, plant and equipment		(513)	(62)
Proceeds on disposals of property, plant and equipment		41	3
Acquisitions of intangible assets		(95)	(59)
Other		116	(9)
		(451)	(127)
Cash flows from financing activities			
Net change in the credit facility	8	(7,750)	—
Lease liability payments		(1,755)	(1,880)
Increase in subordinated debt		—	15,000
Repayment of subordinated debt		—	(12,000)
Financing cost paid		(9)	(513)
Financial expenses paid		(915)	(1,534)
		(10,429)	(927)
Net change in cash and cash equivalents from continuing operations		1,546	4,322
Net change in cash and cash equivalents from discontinued operations		(8)	(272)
Cash and cash equivalents at the beginning		2,006	9,194
Cash and cash equivalents at the end		3,544	13,244

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

Interim Condensed Consolidated Statements of Financial Position

(unaudited)

(in thousands of Canadian dollars)

	Notes	As at March 19, 2022 \$	As at December 25, 2021 \$
Assets			
Current assets			
Cash and cash equivalent		3,544	2,006
Trade and other receivables		37,760	45,745
Inventories		34,102	38,692
Other		2,569	1,921
		77,975	88,364
Non-current assets			
Property, plant and equipment		5,604	5,568
Intangible assets		22,080	22,855
Right-of-use assets		38,332	33,471
Goodwill		70,813	70,813
Deferred tax assets		5,255	4,775
Other		3,491	3,588
		145,575	141,070
Total assets		223,550	229,434
Liabilities			
Current liabilities			
Trade and other payables		42,345	43,667
Current portion of long-term debt	8	3,000	3,000
Current portion of lease liabilities		8,765	7,828
Other		259	212
		54,369	54,707
Non-current liabilities			
Long-term debt	8	39,264	46,989
Lease liabilities		31,254	27,471
Pension obligations		2,214	2,658
Deferred tax liabilities		17	19
		72,749	77,137
Total liabilities		127,118	131,844
Equity			
Equity attributable to shareholders		96,432	97,590
Total liabilities and equity		223,550	229,434

Contingency (Note 11)

Subsequent events (Note 12)

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

1 Nature of operations

Colabor Group Inc. (hereinafter the “Company”) distributes and markets food and food-related products in Canada.

The Company is incorporated under the *Canada Business Corporations Act*. It is a Canadian company headquartered at 1620 De Montarville Boulevard, Boucherville, Quebec, J4B 8P4. The Company’s shares are listed on the Toronto Stock Exchange under the symbol GCL.

Covid-19

During the first quarter of 2022, the Covid-19 pandemic ("pandemic") continued to affect the markets in which the Company and its suppliers operate and to impact customer demand, resulting in lower sales. The restaurant dining rooms were closed from December 31, 2021 to January 31, 2022 due to restrictions imposed by the Government of Quebec. It is prudent to predict that the disruptions could still persist in the coming quarters in the restaurant industry given the uncertainties surrounding new variants of the virus, new government measures, and the gradual return of workers in their workplaces and tourism, as well as the longer-term impact on the economy and health regulations that will apply.

The duration and impact of the pandemic are unknown at this time, and it is impossible for management to reliably estimate the extent and impact of these developments, as well as the impact on the Company's financial results and financial position for the coming year. Depending on the occurrence of new waves, their scale and changes in the industry, the impacts could be significant.

2 Significant accounting policies

General information

These interim condensed consolidated financial statements of the Company were prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Some information and notes disclosure in the consolidated annual financial statements have not been presented or are summarized when they are not considered essential to understanding the Company's interim financial statements. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 25, 2021.

These interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies that have been adopted by the Company in its consolidated financial statements for the year ended December 25, 2021. The accounting policies have been applied consistently for all the periods presented.

The interim condensed consolidated financial statements have been prepared on a going concern and historical cost basis, except for certain financial instruments and pension plan's assets that are measured at fair value, and for defined pension obligations and provisions that have been recorded at present value. Financial information is presented in Canadian dollars, which is the Company's functional currency.

The net loss for these interim financial statements are not necessarily indicative of the full-year net earnings. The seasonal nature is a significant factor in its quarterly results. Lower earnings are recorded during the first quarter. The second and third quarters are generally recording higher earnings than those recorded during the first quarter (see note 1 for the

pandemic situation). Finally, since there are 16 weeks of operations in the last quarter compared to 12 weeks in the previous quarters, the fourth quarter is the most important one.

These interim condensed consolidated financial statements have been approved by the Company's Board of Directors on April 27, 2022. The Company's auditors have not performed a review of these unaudited interim condensed consolidated financial statements.

3 Operating segments

The Company has two reportable segments: Distribution and Wholesale. These operating segments are monitored and strategic decisions are made on the basis of segment operating earnings. Management does not take assets and liabilities into account when analyzing individual segments.

The Distribution segment's operations include the distribution of food products and related products in hotels, restaurants and institutions ("HRI") and retail market. In that segment, the Company distributes specialized products such as meat, fish and sea food ("Specialty Distribution") as well as general food-related products ("Broadline Distribution"). These different types of products are grouped under the same segment because of their similar nature, type of clients and distribution methods.

The Wholesale segment's operations include the sale of general food-related products to distributors from its distribution center in Boucherville.

The Company and its chief operating decision maker are assessing the performance of each segment based on adjusted EBITDA, which corresponds to sales minus cost of goods sold and operating expenses from current operations. The other expenses are recorded on a consolidated basis, therefore they are not considered in the adjusted EBITDA. Inter-segment eliminations and others eliminate all inter-segment transactions included in the operating earnings for each segment and include headquarters' operations. Transactions between segments are recorded at a value agreed upon by both parties.

	12 weeks							
	Distribution segment		Wholesale segment		Intersegment eliminations and others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$	\$	\$
Segment sales	67,216	57,252	38,280	36,685	(8,327)	(8,126)	97,169	85,811
Operating expenses	66,415	55,139	34,946	33,256	(6,505)	(6,432)	94,856	81,963
Adjusted EBITDA	801	2,113	3,334	3,429	(1,822)	(1,694)	2,313	3,848

Notes to the Interim Condensed Consolidated Financial Statements
(unaudited)

For the 12-week periods ended March 19, 2022 and March 20, 2021

(in thousands of Canadian dollars, except number of shares and per share data)

The following table presents a reconciliation of the Company's operating segments results with key financial figures presented in its consolidated financial statements:

	Notes	12 weeks	
		2022	2021
		\$	\$
Net loss from continuing operations		(1,653)	(1,011)
Income taxes recovery		(632)	(251)
Financial expenses		971	1,737
Operating (loss) earnings		(1,314)	475
Costs from stock base compensation	9	79	22
Costs not related to current operations	6	314	91
Depreciation and amortization	5	3,234	3,260
Adjusted EBITDA		2,313	3,848

Notes to the Interim Condensed Consolidated Financial Statements
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4 Operating expenses

	Note	12 weeks	
		2022	2021
		\$	\$
Employee compensation ⁽¹⁾	9	10,511	8,235
Service contracts and variable portion related to lease contracts		722	591
Repair and maintenance		569	558
Utilities		1,079	800
Other expenses ⁽²⁾		1,513	359
		14,394	10,543

⁽¹⁾ During the first quarter 2022, employee compensation is net of Canada Emergency Salary Subsidy ("CEWS") obtained in connection with the pandemic amounting to nil (\$1,095 in 2021).

⁽²⁾ During the first quarter of 2022, the other expenses are net of Canada Emergency Rent Subsidy ("CERS") obtained in connection with the pandemic amounting to nil (\$184 in 2021).

5 Depreciation and amortization

	12 weeks	
	2022	2021
	\$	\$
Depreciation of property, plant and equipment	476	516
Amortization of intangible assets	869	965
Depreciation of right-of-use assets	1,889	1,779
	3,234	3,260

6 Costs not related to current operations

Costs not related to current operations related to continuing operations represent legal fees and other charges related to non-current activities and acquisitions, as mentioned in note 12 Subsequent events.

Notes to the Interim Condensed Consolidated Financial Statements
(unaudited)

For the 12-week periods ended March 19, 2022 and March 20, 2021

(in thousands of Canadian dollars, except number of shares and per share data)

7 Per share data

Loss per share

The following table presents the basic and diluted loss per share:

	12 weeks	
	2022	2021
	\$	\$
Net loss from continuing operations	(1,653)	(1,011)
Net loss from discontinued operations	(53)	(16)
Net loss	(1,706)	(1,027)
Weighted average number of basic outstanding shares	101,954,885	101,659,664
Effect of dilutive stock options	391,354	598,869
Weighted average number of diluted outstanding shares	102,346,239	102,258,533
Basic and diluted net loss per share from continuing operations	(0.02)	(0.01)
Basic and diluted net loss per share from discontinued operations	—	—
Basic and diluted net loss per share	(0.02)	(0.01)

As at March 19, 2022, 3,782,628 stock options (2,175,113 stock options in 2021) were not included in the calculation of diluted earnings per share for the 12-week periods because of their non-dilutive effect.

Notes to the Interim Condensed Consolidated Financial Statements
(unaudited)

For the 12-week periods ended March 19, 2022 and March 20, 2021

(in thousands of Canadian dollars, except number of shares and per share data)

8 Long-term debt

	As at March 19, 2022 \$	As at December 25, 2021 \$
Credit facility		
Term loan	27,750	28,500
Revolving credit	—	7,000
Subordinated debts	15,000	15,000
Less unamortized financing costs	(486)	(511)
Total debt	42,264	49,989
Current portion of long-term debt	3,000	3,000
Total long-term debt	39,264	46,989

As at March 19, 2022, the availability under the credit facility is \$48,986 and the Company was in compliance with all of its bank covenants.

9 Employee compensation

Stock-based compensation

Stock option plan

During the 12-week period ended March 19, 2022, the Company has not granted any stock options of the Company's common shares (200,000 during the corresponding period of 2021). A summary of the Company's stock option plan and the changes that have occurred during the years is presented in the following:

	12 weeks			
	Number of options	2022 Weighted average exercise price \$	Number of options	2021 Weighted average exercise price \$
Outstanding, beginning of the period	4,173,982	0.92	2,658,982	0.84
Granted	—	—	200,000	1.09
Forfeiture	—	—	(37,500)	0.60
Expired	—	—	(47,500)	0.97
Outstanding, end of the period	4,173,982	0.92	2,773,982	0.86
Exercisable options	1,861,482	0.89	1,423,936	1.04

Forfeited stock options have generated an employee compensation charge reversal of \$8 during the 12-week period ended March 20, 2021.

10 Financial Instruments

A) Fair value

Fair value of cash and cash equivalent, trade and other receivables as well as trade and other payables is equivalent to the carrying amount due to their short-term maturity. Therefore, the time value of money is non-significant.

The carrying amount and fair value of the other financial instruments in the consolidated statements of financial position are as follows:

	As at March 19, 2022		As at December 25, 2021	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Financial asset				
Non-current				
Derivative financial instrument	340	340	145	145
Financial liabilities				
Non-current				
Credit facility	27,454	27,750	35,185	35,500
Subordinated debt	14,810	15,000	14,804	15,000
	42,264	42,750	49,989	50,500

The fair value of the credit facility is comparable to the carrying amount as the interest rate fluctuates with the market rate with conditions comparable to those prevailing in the market.

The fair value of subordinated debt was determined by discounting future cash flows at 7.25% (7.25% as at December 25, 2021), the current rate of subordinated debt.

The fair value of the interest rate swap entered in April 2021 is calculated at the present value of the estimated future cash flows using an appropriate interest rate yield curve. Assumptions are based on market conditions prevailing at each reporting date. The fair value of derivative instrument reflects the estimated amounts that the Company would receive or pay to settle the contract at the reporting date. As at March 19, 2022, the fair value of the interest rate swap is an asset of \$340 and is accounted for under Other in the non-current assets of the consolidated statement of financial position.

Fair value measurement

The valuation techniques as well as the significant observable market data used in the measurement of Level 2 fair values are the same as those described in the consolidated financial statements for the year ended December 25, 2021.

There was no transfer between the levels during the 12-week period ended March 19, 2022.

B) Financial risks management

The Company is exposed to various financial risks resulting from its operating, investing and financing activities. The Company's management manages financial risks in the purpose of limiting the Company's main financial risk exposure. The Company does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

There were no significant changes in the Company's risk exposure during the 12-week period ended March 19, 2022 compared to the description given in the consolidated financial statements for the year closed on December 25, 2021.

11 Contingency

Since the second quarter of 2019, a lawsuit from a client for an amount of \$5,250 (US\$4,200) has been initiated against the Company, alleging a default to the terms of the agreement. The Company intends to defend itself vigorously.

12 Subsequent events

On April 4, 2022, the Company acquired all of the shares of Le Groupe Resto-Achats Inc. and its subsidiaries ("GRA") for an amount of \$4,500, of which \$2,000 was payable at the closing date, \$1,000 is payable April 4, 2023 and \$1,500 in contingent consideration based on the achievement of certain income thresholds. The contingent consideration is payable in two equal installments of \$750 in May 2024 and May 2025. Working capital adjustments will also be payable in the next fiscal year.

Founded in 2008 and headquartered in Quebec City, GRA is a major purchasing group for independent restaurants and seniors' residences located primarily in eastern Quebec. With more than 200 active members and nearly \$4,000 in supplier revenues for the year ended December 31, 2021, GRA provides access to group business terms for food supply and other services related to restaurants.

On April 11, 2022, the Company announced the completion of the acquisition of certain assets from Ben Deshaies Inc. ("Ben Deshaies") at the effective date of April 22, 2022 for an amount of \$442. The acquisition includes, in particular, Ben Deshaies' assets related to foodservice activities in the Outaouais and Laurentians regions, as well as certain related equipments. These activities represent approximately \$13,000 in annual revenues and will be served from a facility located in Mont-Laurier.

Given the very limited time between the closing date of these acquisitions and the publication of these interim condensed consolidated financial statements, some information to be disclosed in respect of business combinations under IFRS 3, particularly the preliminary purchase price allocation, was not provided as the information was not available. The Company is in the process of conducting a fair value analysis of the assets acquired and the liabilities assumed.