



Interim Consolidated Financial Statements
As at June 15, 2013 and June 16, 2012
(2nd quarter)
(Unaudited)

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The interim consolidated financial statements were not reviewed by the Company's auditor.

Colabor Group Inc.
Consolidated Statements of Earnings

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

	Notes	2013-06-15 (84 days) \$	2012-06-16 (84 days) \$	2013-06-15 (166 days) \$	2012-06-16 (168 days) \$
Sales of goods	5	345,817	354,294	639,397	652,227
Operating expenses excluding costs not relating to current operations, depreciation and amortization		<u>336,089</u>	<u>343,643</u>	<u>627,360</u>	<u>636,120</u>
Operating earnings before costs not relating to current operations, depreciation and amortization		<u>9,728</u>	<u>10,651</u>	<u>12,037</u>	<u>16,107</u>
Costs not relating to current operations	6		253	247	253
Depreciation of property, plant and equipment		896	944	2,115	1,948
Amortization of intangible assets		<u>3,491</u>	<u>3,316</u>	<u>6,514</u>	<u>6,600</u>
		<u>4,387</u>	<u>4,513</u>	<u>8,876</u>	<u>8,801</u>
Operating earnings		<u>5,341</u>	<u>6,138</u>	<u>3,161</u>	<u>7,306</u>
Finance costs	7	<u>2,146</u>	<u>2,266</u>	<u>4,469</u>	<u>4,416</u>
Earnings before tax		<u>3,195</u>	<u>3,872</u>	<u>(1,308)</u>	<u>2,890</u>
Income taxes					
Current		—	—	—	—
Deferred		<u>805</u>	<u>969</u>	<u>(340)</u>	<u>723</u>
		<u>805</u>	<u>969</u>	<u>(340)</u>	<u>723</u>
Earnings		<u>2,390</u>	<u>2,903</u>	<u>(968)</u>	<u>2,167</u>
After-tax cash flows per share	8	<u>\$ 0.15</u>	<u>\$ 0.33</u>	<u>\$ 0.15</u>	<u>\$ 0.47</u>
Basic and diluted earnings per share	8	<u>\$ 0.09</u>	<u>\$ 0.13</u>	<u>\$ (0.04)</u>	<u>\$ 0.09</u>

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

Colabor Group Inc.
Consolidated Statements of Comprehensive Income

(unaudited, in thousands of Canadian dollars)

	2013-06-15 (84 days)	2012-06-16 (84 days)	2013-06-15 (166 days)	2012-06-16 (168 days)
	\$	\$	\$	\$
Earnings	2,390	2,903	(968)	2,167
Other comprehensive income that will be subsequently reclassified in earnings				
Available-for-sale financial asset				
Loss for the period	(3,138)	43	(5,500)	(1,488)
Reclassification in earnings	2,342		2,342	
Cash flow hedges – gain (loss) for the period	253	(919)	104	157
Taxes on other comprehensive income that will be subsequently reclassified in earnings	342	232	384	151
	(201)	(644)	(2,670)	(1,180)
Other comprehensive income that will not be reclassified in earnings				
Re-measurement of pension obligation	520	(210)	745	(210)
Taxes on other comprehensive income that will not be reclassified in earnings	(135)	55	(194)	55
	385	(155)	551	(155)
Total other comprehensive income	184	(799)	(2,119)	(1,335)
Total comprehensive income	2,574	2,104	(3,087)	832

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

Colabor Group Inc.
Consolidated Statements of Changes in Equity

(unaudited, in thousands of Canadian dollars)

	Share capital	Convertible debenture conversion options	Contributed surplus	Shares held under stock-based compensation plans	Available-for-sale financial asset	Cash flow hedge	Deficit	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at January 1, 2013	179,652	1,742	1,136	(381)	(1,003)	(50)	(21,639)	159,457
Earnings							(968)	(968)
Other comprehensive income								
Loss on available-for-sale financial asset					(5,500)			(5,500)
Reclassification in earnings					2,342			2,342
Gain on cash flow hedges						104		104
Re-measurement of pension obligation							745	745
Taxes on other comprehensive income					411	(27)	(194)	190
Total comprehensive income					(2,747)	77	(417)	(3,087)
Declared dividend							(4,876)	(4,876)
Issuance of shares (Note 3)	28,982							28,982
Stock-based compensation plan expenses			26					26
Transactions with owners	28,982		26				(4,876)	24,132
Balance as at June 15, 2013	208,634	1,742	1,162	(381)	(3,750)	27	(26,932)	180,502
Balance as at January 1, 2012	179,652	1,742	1,206	(622)	1,154	(457)	(6,661)	176,014
Earnings							2,167	2,167
Other comprehensive income								
Loss on available-for-sale financial asset					(1,488)			(1,488)
Gain on cash flow hedges						157		157
Re-measurement of pension obligation							(210)	(210)
Taxes on other comprehensive income					192	(41)	55	206
Total comprehensive income					(1,296)	116	2,012	832
Declared dividend							(4,161)	(4,161)
Stock-based compensation plan expenses			7					7
Shares released for stock-based compensation plans			(241)	241				
Transactions with owners			(234)	241			(4,161)	(4,154)
Balance as at June 16, 2012	179,652	1,742	972	(381)	(142)	(341)	(8,810)	172,692

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

Colabor Group Inc.

Consolidated Statements of Cash Flows

(unaudited, in thousands of Canadian dollars)

	Notes	2013-06-15 (84 days)	2012-06-16 (84 days)	2013-06-15 (166 days)	2012-06-16 (168 days)
		\$	\$	\$	\$
Operating activities					
Earnings before income taxes		3,195	3,872	(1,308)	2,890
Fixed assets write-off following an internal restructuring of operations			253		253
Depreciation of property, plant and equipment		896	944	2,115	1,948
Amortization of intangible assets		3,491	3,316	6,514	6,600
Finance costs		2,146	2,266	4,469	4,416
Stock-based compensation plan expenses		13	(30)	26	7
		9,741	10,621	11,816	16,114
Income tax withholdings		10	(1,678)	(164)	(2,010)
Net changes in working capital	9	12,109	(427)	(15,581)	(6,850)
Cash flows from operating activities		<u>21,860</u>	<u>8,516</u>	<u>(3,929)</u>	<u>7,254</u>
Investing activities					
Business acquisitions, net of cash acquired	3		1,371	(10,000)	(6,069)
Dividends received from Colabor Investments Inc.				2,342	
Purchase of property, plant and equipment		(3,436)	(901)	(4,068)	(1,127)
Purchase of intangible assets		(137)	(47)	(137)	(47)
Cash flows from investing activities		<u>(3,573)</u>	<u>423</u>	<u>(11,863)</u>	<u>(7,243)</u>
Financing activities					
Bank borrowings		(14,632)	(11,779)	(2,685)	12,630
Issuance of shares	3	(11)		28,627	
Dividends paid		(4,876)	(4,161)	(9,037)	(10,381)
Refund of advance received on dividends to be declared by Colabor Investments Inc.				(1,722)	
Payment of balances of purchase price				(404)	(87)
Finance costs paid	7	(1,990)	(2,234)	(4,097)	(4,192)
Cash flows from financing activities		<u>(21,509)</u>	<u>(18,174)</u>	<u>10,682</u>	<u>(2,030)</u>
Net change in bank overdraft		<u>(3,222)</u>	<u>(9,235)</u>	<u>(5,110)</u>	<u>(2,019)</u>
Bank overdraft, beginning of period		<u>(7,882)</u>	<u>(2,935)</u>	<u>(5,994)</u>	<u>(10,151)</u>
Bank overdraft, end of period		<u><u>(11,104)</u></u>	<u><u>(12,170)</u></u>	<u><u>(11,104)</u></u>	<u><u>(12,170)</u></u>

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

Colabor Group Inc.

Consolidated Statements of Financial Position

(unaudited, in thousands of Canadian dollars)

	2013-06-15	2012-12-31
	\$	\$
ASSETS		
Current		
Trade and other receivables	119,378	113,495
Recoverable tax assets	2,964	2,800
Inventory	89,481	85,167
Prepaid expenses	4,748	3,143
<i>Current assets</i>	<u>216,571</u>	<u>204,605</u>
Non-current		
Equity investment in Colabor Investments Inc.	4,432	9,932
Derivative financial instrument	37	
Property, plant and equipment	18,704	15,930
Intangible assets	137,231	142,358
Goodwill	115,696	115,065
<i>Non-current assets</i>	<u>276,100</u>	<u>283,285</u>
Total assets	<u><u>492,671</u></u>	<u><u>487,890</u></u>
LIABILITIES AND EQUITY		
LIABILITIES		
Current		
Bank overdraft	11,104	5,994
Trade and other payables	117,890	134,670
Dividends payable		4,161
Rebates payable	13,518	11,738
Balances of purchase price payable	13,265	10,735
Deferred revenue	198	477
<i>Current liabilities</i>	<u>155,975</u>	<u>167,775</u>
Non-current		
Bank borrowings	85,358	88,008
Derivative financial instrument		67
Balances of purchase price payable		404
Long-term debt	14,697	14,665
Convertible debentures	47,008	46,703
Pension obligation	1,523	2,399
Deferred income tax liabilities	7,608	8,412
<i>Non-current liabilities</i>	<u>156,194</u>	<u>160,658</u>
Total liabilities	<u><u>312,169</u></u>	<u><u>328,433</u></u>
EQUITY		
Share capital	208,634	179,652
Deficit	(26,932)	(21,639)
Other components of equity	(1,200)	1,444
<i>Total equity</i>	<u>180,502</u>	<u>159,457</u>
Total liabilities and equity	<u><u>492,671</u></u>	<u><u>487,890</u></u>

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

The Board of Directors approved and authorized the publication of the interim consolidated financial statements on July 17, 2013.

Colabor Group Inc.

Notes to Consolidated Financial Statements

(Amounts in the tables are in thousands of Canadian dollars, except data per share.)

1. NATURE OF OPERATIONS

Colabor Group Inc. (hereafter the "Group") and its wholly-owned subsidiaries (hereafter, collectively the "Company") distribute and market food and food-related products in Canada.

Sales of goods and operating profits are proportionately at their lowest in the first quarter and at their highest in the fourth quarter. Additionally, the fourth quarter has 33% more operating days than other quarters. However, costs incurred are distributed more evenly than sales throughout the year given the Company's fixed cost structure. The Company's operating margins generally increase as the year progresses. Accordingly, it would be more meaningful to compare earnings for an entire year or with the prior year's corresponding quarter than to compare two consecutive quarters.

Colabor Group Inc., the group's ultimate parent 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 shares and convertible debentures of Colabor Group Inc. are listed on the Toronto Stock Exchange (TSX: GCL and TSX: GCL.DB.A).

2. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

These interim consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") and prepared in accordance with IAS 34, *Interim Financial Reporting*, taking into account the accounting policies that the Company adopted for its financial statements for the year ended December 31, 2012. The accounting policies have been similarly applied throughout all periods presented in the financial statements.

3. ISSUANCE OF SHARES AND BUSINESS COMBINATION

Acquisition of T. Lauzon Ltd. Assets

On March 4, 2013, the Company acquired substantially all of the assets of T. Lauzon Ltd. (hereafter "Lauzon"), a company operating in the Distribution and Wholesale Segments primarily in Quebec. The results of operation are included in the consolidated statement of earnings since the acquisition date. The acquisition of Lauzon reflects Colabor's strategic objective to broaden its product offering.

The preliminary purchase price allocation is determined as follows:

	Value recognized on the acquisition date \$
Trade and other receivables	4,122
Inventory	8,271
Prepaid expenses	38
Property, plant and equipment	821
Intangible assets	1,250
Goodwill	631
Trade and other payables	(2,522)
Deferred income tax liabilities	(81)
Acquisition cost and fair value of consideration transferred	<u>12,530</u>
Portion paid in balances of purchase price	<u>(2,530)</u>
Net cash flows on acquisition and fair value of portion transferred to cash	<u><u>10,000</u></u>

Colabor Group Inc.

Notes to Consolidated Financial Statements

(Amounts in the tables are in thousands of Canadian dollars, except data per share.)

3. **ISSUANCE OF SHARES AND BUSINESS COMBINATION (continued)**

The purchase price allocation is still preliminary because some items used in the purchase price determination have to be determined and management is currently concluding its evaluation of the assets acquired and liabilities assumed.

Business acquisition-related costs amounting to \$247,000 are not included as part of acquisition cost and have been recognized as costs not relating to current operations in the consolidated statements of earnings.

Lauzon has contributed a total of \$20,272,000 to the Company's sale of goods and \$125,000 to operating earnings before depreciation and amortization for the period between the acquisition date and the end of the quarter.

Trade and other receivables

The contractual amount of trade and other receivables amounts to \$4,122,000 at the acquisition date. Based on the best estimate of contractual cash flows, all amounts are expected to be recovered.

Goodwill

Goodwill primarily relates to forecasted growth, future profitability, expertise and significant employee competencies as well as expected cost synergies. Goodwill from this business combination is expected to be deductible for tax purposes.

Issuance of shares

To finance the acquisition of Lauzon, the Company issued 3,974,000 common shares at \$7.55 a share for a total of \$30,004,000. The \$176,000 in share issue costs and \$1,201,000 in underwriters' compensation are applied against the shares issued while a \$355,000 deferred income tax asset was recognized as an increase in the shares issued.

4. **CHANGES TO ACCOUNTING POLICIES**

Consolidation standards

A series of consolidation standards apply to fiscal periods beginning on or after January 1, 2013. Information on these new standards is presented below. There has been no material impact on the Company's consolidated financial statements.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces IAS 27 Consolidated and Separate Financial Statements, and SIC-12 Consolidation – Special Purpose Entities. It modifies the definition of control and the related guidance to identify an interest in a subsidiary. However, consolidation requirements and mechanisms and the recognition of a non-controlling interest and any change in control remain unchanged.

Colabor Group Inc.

Notes to Consolidated Financial Statements

(Amounts in the tables are in thousands of Canadian dollars, except data per share.)

4. **CHANGES TO ACCOUNTING POLICIES (continued)**

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 incorporates and enhances the consistency of disclosure requirements for various interests, in particular, unconsolidated structured entities. It enhances the disclosure requirements regarding an entity's exposure to risk associated with its interest in a structured entity.

Fair Value Measurement

IFRS 13 Fair Value Measurement

IFRS 13 does not impact items to be measured at fair value, it clarifies the definition of fair value, provides related guidance and requires enhanced disclosures on fair value measurements. There has been no material impact on the Company's consolidated financial statements.

Presentation of Financial Statements

Amendment to IAS 1 Presentation of Financial Statements

The changes to IAS 1 require an entity to present items in other comprehensive income that, based on other IFRS standards, (a) will not be reclassified subsequently to profit or loss and (b) might be reclassified to profit or loss if certain conditions are satisfied. This standard had an impact on the presentation of other comprehensive income, but had no impact on the measurement or recognition of these items

Employee Benefits

Amendments to IAS 19 Employee Benefits

The changes include a number of specific changes to the standard, the most significant of which are related to defined benefit plans. These changes:

- eliminate the corridor approach and require recognition of gains and losses arising in defined benefit plans in the period in which they occur;
- simplify the presentation of changes in the plan assets and liabilities; and
- improve disclosure requirements, in particular concerning the characteristics of defined benefit plans and the risks arising from those plans.

The major impacts of the application of this new standard will be a \$2,057,000 and \$989,000 increase in the pension obligation, a \$514,000 and \$247,000 decrease in deferred income tax liabilities and a \$1,543,000 and \$742,000 decrease in equity for balances as at December 31, 2012 and 2011 respectively.

Colabor Group Inc.

Notes to Consolidated Financial Statements

(Amounts in the tables are in thousands of Canadian dollars, except data per share.)

5. SEGMENT REPORTING

The Company has two reportable segments: distribution to food service enterprises (Distribution Segment) and distribution to food distributors (Wholesale Segment). These operating segments are monitored and strategic decisions are made on the basis of segment operating results. Management does not take assets and liabilities into account in the analysis of the various segments.

Segment information can be analyzed as follows:

	2013-06-15 (84 days)		
	Distribution Segment	Wholesale Segment	Total
	\$	\$	\$
Segment sales of goods	233,936	159,695	393,631
Segment operating expenses			
Cost of goods sold	203,968	148,898	352,866
Employee remuneration	15,511	2,863	18,374
Other expenses	9,804	1,299	11,103
	229,283	153,060	382,343
Segment earnings	4,653	6,635	11,288

	2012-06-16 (84 days)		
	Distribution Segment	Wholesale Segment	Total
	\$	\$	\$
Segment sales of goods	250,594	152,932	403,526
Segment operating expenses			
Cost of goods sold	218,395	143,869	362,264
Employee remuneration	17,479	2,001	19,480
Other expenses	8,401	1,565	9,966
	244,275	147,435	391,710
Segment earnings	6,319	5,497	11,816

	2013-06-15 (164 days)		
	Distribution Segment	Wholesale Segment	Total
	\$	\$	\$
Segment sales of goods	442,352	281,358	723,710
Segment operating expenses			
Cost of goods sold	387,209	263,645	650,854
Employee remuneration	31,860	4,946	36,806
Other expenses	18,977	2,898	21,875
	438,046	271,489	709,535
Segment earnings	4,306	9,869	14,175

Colabor Group Inc.

Notes to Consolidated Financial Statements

(Amounts in the tables are in thousands of Canadian dollars, except data per share.)

5. SEGMENT REPORTING (continued)

	2012-06-16 (168 days)		
	Distribution Segment	Wholesale Segment	Total
	\$	\$	\$
Segment sales of goods	465,711	270,030	735,741
Segment operating expenses			
Cost of goods sold	404,587	254,538	659,125
Employee remuneration	33,975	4,025	38,000
Other expenses	17,115	2,874	19,989
	455,677	261,437	717,114
Segment earnings	10,034	8,593	18,627

The following table presents a reconciliation of the Company's total operating segment earnings and key financial data as presented in its consolidated financial statements:

	2013-06-15 (84 days)	2012-06-16 (84 days)	2013-06-15 (166 days)	2012-06-16 (168 days)
	\$	\$	\$	\$
Sales of goods				
Total segment earnings	393,631	403,526	723,710	735,741
Elimination of intersegment earnings	(47,814)	(49,232)	(84,313)	(83,514)
Company sales of goods	345,817	354,294	639,397	652,227
Earnings				
Total segment earnings	11,288	11,816	14,175	18,627
Employee remuneration not allocated	(541)	(343)	(1,040)	(886)
Other expenses not allocated	(975)	(911)	(1,243)	(1,795)
Costs not relating to current operations		(253)	(247)	(253)
Depreciation of property, plant and equipment	(896)	(944)	(2,115)	(1,948)
Amortization of intangible assets	(3,491)	(3,316)	(6,514)	(6,600)
Elimination of intersegment earnings	(44)	89	145	161
Company operating earnings	5,341	6,138	3,161	7,306
Finance costs	(2,146)	(2,266)	(4,469)	(4,416)
Company earnings before taxes	3,195	3,872	(1,308)	2,890

6. COSTS NOT RELATING TO CURRENT OPERATIONS

	2013-06-15 (84 days)	2012-06-16 (84 days)	2013-06-15 (166 days)	2012-06-16 (168 days)
	\$	\$	\$	\$
Direct costs relating to business acquisition			247	
Fixed assets write-off following an internal restructuring of operations				253
Dividends received from Colabor Investments Inc.			(2,342)	
Writedown in Colabor Investments Inc. investment			2,342	
			247	253

Colabor Group Inc.
Notes to Consolidated Financial Statements

(Amounts in the tables are in thousands of Canadian dollars, except data per share.)

7. FINANCE COSTS AND FINANCE COSTS PAID

	2013-06-15 (84 days)	2012-06-16 (84 days)	2013-06-15 (166 days)	2012-06-16 (168 days)
	\$	\$	\$	\$
Credit facility renewal or amendment fees	2,146	2,266	4,469	4,416
Finance costs	(170)	(160)	(337)	(318)
Non-cash portion of effective interest on long-term debt and debentures included in finance costs	66	165	66	165
Credit facility renewal or amendment fees	(52)	(37)	(101)	(71)
Amortization of prepaid finance costs included in finance costs	<u>1,990</u>	<u>2,234</u>	<u>4,097</u>	<u>4,192</u>
Finance costs paid				

8. DATA PER SHARE

After-tax cash flows per share	2013-06-15 (84 days)	2012-06-16 (84 days)	2013-06-15 (166 days)	2012-06-16 (168 days)
	\$	\$	\$	\$
Cash flows from operating activities before income tax recovery (withholdings) and net changes in working capital	9,741	10,621	11,816	16,114
Costs not relating to current operations	(2,146)	(2,266)	(4,469)	(4,416)
Finance costs	170	160	337	318
Non-cash portion of the effective interest on long-term debt and debentures included in finance costs	(3,436)	(901)	(4,068)	(1,127)
Purchase of property, plant and equipment	(137)	(47)	(137)	(47)
Purchase of intangible assets	<u>4,192</u>	<u>7,567</u>	<u>3,726</u>	<u>10,842</u>
Weighted average number of shares outstanding	<u>27,062,315</u>	<u>23,075,795</u>	<u>25,578,050</u>	<u>23,068,571</u>
After-tax cash flows per share	<u>0.15 \$</u>	<u>0.33 \$</u>	<u>0.15 \$</u>	<u>0.47 \$</u>
Current period portion of the annual dividend declared	<u>0.06 \$</u>	<u>0.17 \$</u>	<u>0.24 \$</u>	<u>0.33 \$</u>

Colabor Group Inc.

Notes to Consolidated Financial Statements

(Amounts in the tables are in thousands of Canadian dollars, except data per share.)

8. DATA PER SHARE (continued)

Earnings per share

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

	2013-06-15 (84 days)	2012-06-16 (84 days)	2013-06-15 (166 days)	2012-06-16 (168 days)
	\$	\$	\$	\$
Earnings	<u>2,390</u>	<u>2,903</u>	<u>(968)</u>	<u>2,167</u>
Weighted average number of shares used to calculate basic and diluted earnings per share	<u>27,062,315</u>	<u>23,075,795</u>	<u>25,578,050</u>	<u>23,068,571</u>
Basic and diluted earnings per share	<u>\$ 0.09</u>	<u>\$ 0.13</u>	<u>\$ (0.04)</u>	<u>\$ 0.09</u>

Shares that were hypothetically issued after the conversion of convertible debentures, the exercise of stock options and the release of shares in connection with different stock-based compensation plans were not included in the calculation of diluted net earnings per share because they had an antidilutive effect.

9. NET CHANGES IN WORKING CAPITAL

Net changes in working capital between the two year-ends taking into account the working capital items assumed on the business combinations and disposal of a wholly-owned subsidiary:

	2013-06-15 (84 days)	2012-06-16 (84 days)	2013-06-15 (166 days)	2012-06-16 (168 days)
	\$	\$	\$	\$
Trade and other receivables	4,739	(2,503)	(1,761)	(1,557)
Inventory	(6,689)	(9,191)	3,957	(1,026)
Prepaid expenses	(1,724)	(1,403)	(1,567)	(2,105)
Trade and other payables	15,221	10,800	(17,580)	(5,761)
Rebates payable	769	2,093	1,780	3,543
Deferred revenue	(141)	(156)	(279)	189
Pension obligation	(66)	(67)	(131)	(133)
	<u>12,109</u>	<u>(427)</u>	<u>(15,581)</u>	<u>(6,850)</u>