



**Interim Consolidated Financial Statements
As at June 14, 2014 and June 15, 2013
(2nd Quarter)
(Unaudited)**

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Colabor Group Inc.
Consolidated Statements of Earnings

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

	Notes	2014-06-14 (84 days) \$	2013-06-15 (84 days) \$	2014-06-14 (165 days) \$	2013-06-15 (166 days) \$
Sales of goods	4	347,200	345,817	626,518	639,397
Operating expenses excluding costs not relating to current operations, depreciation and amortization		337,696	336,089	616,866	627,360
Operating earnings before costs not relating to current operations, depreciation and amortization		9,504	9,728	9,652	12,037
Costs not relating to current operations	5				247
Depreciation of property, plant and equipment		1,013	896	1,988	2,115
Amortization of intangible assets		3,466	3,491	6,745	6,514
		4,479	4,387	8,733	8,876
Operating earnings		5,025	5,341	919	3,161
Finance costs	6	2,823	2,146	6,214	4,469
Earnings before tax		2,202	3,195	(5,295)	(1,308)
Deferred income tax expense (recovery)		572	805	(1,359)	(340)
Earnings		1,630	2,390	(3,936)	(968)
Basic and diluted earnings per share	7	0.06 \$	0.09 \$	(0.15 \$)	(0.04 \$)

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)

	2014-06-14 (84 days)	2013-06-15 (84 days)	2014-06-14 (165 days)	2013-06-15 (166 days)
	\$	\$	\$	\$
Earnings	1,630	2,390	(3,936)	(968)
Other comprehensive income that will be subsequently reclassified in earnings				
Available-for-sale financial asset				
Loss for the period	(424)	(3,138)	(789)	(5,500)
Reclassified in earnings				2,342
Cash flow hedges – gain (loss) for the period				
Gain (loss) for the period		253	(190)	104
Reclassified in earnings			268	
Taxes on other comprehensive income that will be subsequently reclassified in earnings	56	342	82	384
	(368)	(2,543)	(629)	(2,670)
Other comprehensive income that will not be reclassified in earnings				
Re-measurement of pension obligation	(354)	520	(904)	745
Taxes on other comprehensive income that will not be reclassified in earnings	92	(135)	235	(194)
	(262)	385	(669)	551
Total other comprehensive income	(630)	(2,158)	(1,298)	(2,119)
Total comprehensive income	1,000	232	(5,234)	(3,087)

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 debt 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, 2014	208,622	1,742	1,326	(381)	—	(57)	(37,439)	173,813
Earnings							(3,936)	(3,936)
Other comprehensive income								
Loss on available-for-sale financial asset					(789)			(789)
Reclassification in earnings						268		268
Loss on cash flow hedge						(190)		(190)
Re-measurement of pension obligation							(904)	(904)
Taxes on other comprehensive income					103	(21)	235	317
Total comprehensive income	—	—	—	—	(686)	57	(4,605)	(5,234)
Dividend declared							(3,251)	(3,251)
Stock-based compensation plan expenses			65					65
Transactions with owners	—	—	65	—	—	—	(3,251)	(3,186)
Balance as at June 14, 2014	208,622	1,742	1,391	(381)	(686)	—	(45,295)	165,393
Balance as at January 1, 2013	179,652	1,742	1,136	(381)	(1,003)	(50)	(23,679)	157,417
Earnings							(968)	(968)
Other comprehensive income								
Loss on available-for-sale financial asset					(5,500)			(5,500)
Reclassification in earnings					2,342			2,342
Loss on cash flow hedge						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)
Dividend declared							(4,876)	(4,876)
Issuance of shares	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	(28,972)	178,462

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	2014-06-14 (84 days) \$	2013-06-15 (84 days) \$	2014-06-14 (165 days) \$	2013-06-15 (166 days) \$
Operating activities					
Earnings before income taxes		2,202	3,195	(5,295)	(1,308)
Depreciation of property, plant and equipment		1,013	896	1,988	2,115
Amortization of intangible assets		3,466	3,491	6,745	6,514
Gain on disposal of property, plant and equipment		(93)		(93)	
Change in provisions		(335)		(695)	
Finance costs	6	2,823	2,146	6,214	4,469
Stock-based compensation plan expenses		40	13	65	26
		9,116	9,741	8,929	11,816
Income tax withholdings		(92)	10	(199)	(164)
Net changes in working capital	8	(7,424)	12,109	4,817	(15,581)
Cash flows from operating activities		<u>1,600</u>	<u>21,860</u>	<u>13,547</u>	<u>(3,929)</u>
Investing activities					
Business acquisitions, net of cash acquired	3				(10,000)
Dividends received from Colabor Investments Inc.					2,342
Purchase of property, plant and equipment		(499)	(3,436)	(772)	(4,068)
Disposal of property, plant and equipment		125		133	
Purchase of intangible assets		(858)	(137)	(1,777)	(137)
Cash flows from investing activities		<u>(1,232)</u>	<u>(3,573)</u>	<u>(2,416)</u>	<u>(11,863)</u>
Financing activities					
Bank borrowings	9	4,075	(14,632)	(17,380)	(2,685)
Lease payment		(54)		(62)	
Issuance of shares			(11)		28,627
Dividends paid		(3,251)	(4,876)	(3,251)	(9,037)
Refund of advance received on dividends to be declared by Colabor Investments Inc.					(1,722)
Payment of balances of purchase price				(10,735)	(404)
Repayment of long-term debt	10			(15,000)	
Net issuance of long-term debt	10			42,087	
Finance costs paid	6	(2,412)	(1,990)	(5,147)	(4,097)
Cash flows from financing activities		<u>(1,642)</u>	<u>(21,509)</u>	<u>(9,488)</u>	<u>10,682</u>
Net change in bank overdraft		<u>(1,274)</u>	<u>(3,222)</u>	<u>1,643</u>	<u>(5,110)</u>
Bank overdraft, beginning of period		(3,911)	(7,882)	(6,828)	(5,994)
Bank overdraft, end of period		<u>(5,185)</u>	<u>(11,104)</u>	<u>(5,185)</u>	<u>(11,104)</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)

	2014-06-14	2013-12-31
	\$	\$
ASSETS		
Current		
Trade and other receivables	117,123	114,803
Recoverable tax assets	3,052	2,853
Inventory	79,862	80,243
Prepaid expenses	4,483	1,996
<i>Current assets</i>	<u>204,520</u>	<u>199,895</u>
Non-current		
Equity investment in Colabor Investments Inc.	4,324	5,113
Property, plant and equipment	16,298	16,615
Intangible assets	126,144	131,112
Goodwill	115,065	115,065
<i>Non-current assets</i>	<u>261,831</u>	<u>267,905</u>
Total assets	<u><u>466,351</u></u>	<u><u>467,800</u></u>
LIABILITIES AND EQUITY		
LIABILITIES		
Current		
Bank overdraft	5,185	6,828
Trade and other payables	93,814	84,684
Rebates payable	8,708	8,663
Balances of purchase price payable	761	11,496
Bank borrowings	9 6,000	
Obligations under leases	182	
Deferred revenue	241	41
Provisions	831	1,111
<i>Current liabilities</i>	<u>115,722</u>	<u>112,823</u>
Non-current		
Bank borrowings	9 85,626	108,684
Derivative financial instrument		78
Long-term debt	10 42,125	14,737
Convertible debentures	47,699	47,373
Obligations under leases	695	
Pension obligation	1,292	520
Provisions	4,068	4,365
Deferred income tax liabilities	3,731	5,407
<i>Non-current liabilities</i>	<u>185,236</u>	<u>181,164</u>
Total liabilities	<u><u>300,958</u></u>	<u><u>293,987</u></u>
EQUITY		
Share capital	208,622	208,622
Deficit	(45,295)	(37,439)
Other components of equity	2,066	2,630
<i>Total equity</i>	<u>165,393</u>	<u>173,813</u>
Total liabilities and equity	<u><u>466,351</u></u>	<u><u>467,800</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 16, 2014.

Colabor Group Inc.

Notes to Consolidated Financial Statements

(Unaudited, 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.

As of 2014, the Company's year end will be the last Saturday in the month of December, that is, December 27, 2014 for the current year.

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 consolidated financial statements for the year ended December 31, 2013. The accounting policies have been similarly applied throughout all periods presented in the financial statements. They do not include all the information and disclosures required by IFRS applicable for annual financial statements and, therefore, they should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2013.

3. **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. Operating results 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.

Colabor Group Inc.

Notes to Consolidated Financial Statements

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

3. BUSINESS COMBINATION (continued)

The purchase price allocation is determined as follows:

	Value recognized on the acquisition date \$
Trade and other receivables	4,122
Inventory	7,960
Prepaid expenses	38
Property, plant and equipment	1,071
Intangible assets	2,215
Trade and other payables	(2,795)
Deferred income tax liabilities	(81)
Acquisition cost and fair value of consideration transferred	12,530
Portion paid in balances of purchase price	(2,530)
Net cash flows on acquisition and fair value of portion transferred to cash	10,000

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

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.

4. 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:

	2014-06-14 (84 days)		
	Distribution Segment	Wholesale Segment	Total
	\$	\$	\$
Segment sales of goods	233,101	162,685	395,786
Segment operating expenses			
Cost of goods sold	201,934	153,183	355,117
Employee remuneration	16,995	2,420	19,415
Other expenses	8,781	1,353	10,134
	227,710	156,956	384,666
Segment earnings	5,391	5,729	11,120

Colabor Group Inc.

Notes to Consolidated Financial Statements

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

4. SEGMENT REPORTING (continued)

	2013-06-15 (84 days)		
	Distribution Segment	Wholesale Segment	Total
	\$	\$	\$
Segment sales of goods	233,936	158,439	392,375
Segment operating expenses			
Cost of goods sold	202,756	148,898	351,654
Employee remuneration	15,761	2,740	18,501
Other expenses	9,554	1,422	10,976
	228,071	153,060	381,131
Segment earnings	5,865	5,379	11,244
	2014-06-14 (165 days)		
	Distribution Segment	Wholesale Segment	Total
	\$	\$	\$
Segment sales of goods	426,390	286,327	712,717
Segment operating expenses			
Cost of goods sold	370,571	270,617	641,188
Employee remuneration	32,965	4,852	37,817
Other expenses	18,188	2,733	20,921
	421,724	278,202	699,926
Segment earnings	4,666	8,125	12,791
	2013-06-15 (166 days)		
	Distribution Segment	Wholesale Segment	Total
	\$	\$	\$
Segment sales of goods	442,352	279,388	721,740
Segment operating expenses			
Cost of goods sold	385,094	263,645	648,739
Employee remuneration	32,298	4,749	37,047
Other expenses	18,539	3,095	21,634
	435,931	271,489	707,420
Segment earnings	6,421	7,899	14,320

Colabor Group Inc.

Notes to Consolidated Financial Statements

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

4. SEGMENT REPORTING (continued)

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:

	2014-06-14 (84 days)	2013-06-15 (84 days)	2014-06-14 (165 days)	2013-06-15 (166 days)
	\$	\$	\$	\$
Sales of goods				
Total segment earnings	395,786	392,375	712,717	721,740
Elimination of intersegment earnings	(48,586)	(46,558)	(86,199)	(82,343)
Company sales of goods	<u>347,200</u>	<u>345,817</u>	<u>626,518</u>	<u>639,397</u>
Earnings				
Total segment earnings	11,120	11,244	12,791	14,320
Employee remuneration not allocated	(1,165)	(955)	(2,189)	(1,692)
Other expenses not allocated	(451)	(561)	(950)	(591)
Costs not relating to current operations				(247)
Depreciation of property, plant and equipment	(1,013)	(896)	(1,988)	(2,115)
Amortization of intangible assets	(3,466)	(3,491)	(6,745)	(6,514)
Company operating earnings	5,025	5,341	919	3,161
Finance costs	(2,823)	(2,146)	(6,214)	(4,469)
Company earnings before taxes	<u>2,202</u>	<u>3,195</u>	<u>(5,295)</u>	<u>(1,308)</u>

5. COSTS NOT RELATING TO CURRENT OPERATIONS

	2014-06-14 (84 days)	2013-06-15 (84 days)	2014-06-14 (165 days)	2013-06-15 (166 days)
	\$	\$	\$	\$
Costs directly relating to business acquisition				247
Dividends received from Colabor Investments Inc.				(2,342)
Writedown in Colabor Investments Inc. investment				2,342
				<u>247</u>

Colabor Group Inc.

Notes to Consolidated Financial Statements

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

6. FINANCE COSTS AND FINANCE COSTS PAID

	2014-06-14 (84 days)	2013-06-15 (84 days)	2014-06-14 (165 days)	2013-06-15 (166 days)
			\$	\$
Finance costs	2,823	2,146	6,214	4,469
Non-cash portion of effective interest on long-term debt and debentures and write-off of deferred transaction costs	(190)	(170)	(627)	(337)
Credit facility amendment fees	15	66	31	66
Amortization of prepaid finance costs included in finance costs	(118)	(52)	(353)	(101)
Financial accretion expenses on provision for onerous contracts	(118)		(118)	
Finance costs paid	<u>2,412</u>	<u>1,990</u>	<u>5,147</u>	<u>4,097</u>

7. DATA PER SHARE

Earnings per share

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

	2014-06-14 (84 days)	2013-06-15 (84 days)	2014-06-14 (165 days)	2013-06-15 (166 days)
			\$	\$
Earnings	<u>1,630</u>	<u>2,390</u>	<u>(3,936)</u>	<u>(968)</u>
Weighted average number of outstanding shares used to calculate basic and diluted earnings per share	<u>27,062,315</u>	<u>27,062,315</u>	<u>27,062,315</u>	<u>25,578,050</u>
Basic and diluted earnings per share	<u>0.06 \$</u>	<u>0.09 \$</u>	<u>(0.15 \$)</u>	<u>(0.04 \$)</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 earnings per share because they had an antidilutive effect.

Colabor Group Inc.

Notes to Consolidated Financial Statements

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

8. NET CHANGE IN WORKING CAPITAL

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

	2014-06-14 (84 days)	2013-06-15 (84 days)	2014-06-14 (165 days)	2013-06-15 (166 days)
	\$	\$	\$	\$
Trade and other receivables	(16,328)	4,739	(2,320)	(1,761)
Inventory	(6,441)	(6,689)	381	3,957
Prepaid expenses	(2,103)	(1,724)	(2,487)	(1,567)
Trade and other payables	16,383	15,221	9,130	(17,580)
Rebates payable	1,299	769	45	1,780
Deferred revenue	(168)	(141)	200	(279)
Pension obligation	(66)	(66)	(132)	(131)
	<u>(7,424)</u>	<u>12,109</u>	<u>4,817</u>	<u>(15,581)</u>

9. BANK BORROWINGS

9.1 Credit facilities

On January 31, 2014, the Company finalized two agreements on the refinancing of its credit facilities and long-term debt.

First, a banking syndicate granted the Company a credit facility of a maximum amount of \$140,000,000 over a three-year term. By mutual agreement, the credit facility may be increased by an additional \$30,000,000. It matures in January 2017 and is secured by a first-ranking hypothec on the Company's present and future assets. Amounts borrowed from the credit facility come in various forms and the interest rate varies based on the type of loan. As at June 14, 2014, the facility is composed of a loan and banker's acceptances bearing interest at rates varying between 3.25% and 3.75%.

The Company was also granted term credit facilities of a total amount of \$18,000,000 to be used for specific purposes and repayable over 24 months starting on the date they are used, as applicable. The Company used \$12,000,000 of this credit facility. During the year, \$2,000,000 was repaid. It is secured by a first-ranking hypothec on the amount of the Company's present and future assets. As at June 14, 2014, the facility is composed of a loan and banker's acceptances bearing interest at rates varying between 4.14% and 4.75%.

The credit facilities' interest rates are determined according to a calculation table that takes into account their usage.

Under certain circumstances, the Company is required to respect a ratio. As at June 14, 2014, this ratio has been respected.

Colabor Group Inc.

Notes to Consolidated Financial Statements

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

9.2 Average bank borrowings

The Company, based on the nature of its business agreements, is subject to significant fluctuations on its daily bank borrowings. The daily average bank borrowing was a measure used in the past to respect certain ratios and conditions. For the periods ended June 14, 2014 and June 15, 2013, the average bank borrowing was respectively \$89,647,000 and \$115,055,000 for the quarter and \$92,870,000 and \$121,575,000 for the year to date.

10. LONG-TERM DEBT

	2014-06-14	
	Par value	Book value
	\$	\$
Unsecured debt, 6.5%, maturing on February 28, 2017, issued on December 28, 2011		
Balance as at December 31, 2013	15,000	14,737
Non-cash portion of effective interest on long-term debt		5
Write-off of deferred transaction costs after repayment of debt		258
Balance repaid	(15,000)	(15,000)
Balance, end of year	<u>-</u>	<u>-</u>

In connection with its bank refinancing, the Company entered into a loan agreement for a total capital amount of \$42,500,000. The loan agreement was signed with the banking syndicate made up of several creditors. A \$12,500,000 portion is secured by a second-ranking hypothec on the Company's present and future assets. One of the lenders has an option to become a secured creditor under certain conditions.

	2014-06-14	
	Par value	Book value
	\$	\$
Debt, 9.1%, maturing on February 1, 2018, issued on January 31, 2014		
Initial disbursement on January 31, 2014 (net of transaction costs)	42,500	42,087
Non-cash portion of effective interest on long-term debt		38
Balance, end of year	<u>42,500</u>	<u>42,125</u>

Colabor Group Inc.

Notes to Consolidated Financial Statements

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

11. *EMPLOYEE REMUNERATION*

Stock option plan

On May 8, 2014, the Company issued 500,000 stock options for common shares of the Group. The weighted average cost of the fair value of the options granted in 2014 of \$0.78 per option has been estimated at the grant date using a binomial option pricing model on the basis of the weighted averages of the following assumptions for options granted during the period:

Risk-free interest rate	1.61%
Expected volatility of share	33%
Expected annual dividend	0.24
Expected life	5.5 years
Share price on grant date	\$4.12
Exercise price on grant date	\$3.70

The underlying expected volatility has been determined on the basis of historical data relating to the Group's common shares since 2009.

12. *SUBSEQUENT EVENT*

On July 3, 2014, the Company finalized an agreement to settle litigation under which it was the subject of a motion for partial cancellation of an arbitration award in June 2009 and an appeal of a 2013 Superior court ruling, the Company has reached an agreement with the counterparty to definitively conclude all outstanding cases under the following terms: \$1,000,000 payable on July 4, \$1,000,000 plus accrued interest at 4% payable on January 2, 2015 and \$500,000 plus accrued interest at 4% payable on March 31, 2015. As amounts have already been recognized in its accounts, the Company will be required to record an estimated \$1,100,000 of not relating to current operations costs in its statement of earnings of the third quarter of 2014.