COLABOR

Interim condensed consolidated Financial Statements
(unaudited)

Second quarter of 2023

12 and 24-week periods ended June 17, 2023

(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 and 24-week periods ended June 17, 2023.

Interim Condensed Consolidated Statements of Earnings
(unaudited)
For the 12 and 24-week periods ended June 17, 2023 and June 11, 2022
(in thousands of Canadian dollars, except per share data)

		12 weeks		24 weeks	
		2023	**2022**	**2023**	**2022**
	Notes	**$**	**$**	**$**	**$**
Sales	3	**164,186**	137,986	**298,109**	235,155
Cost of goods sold		**134,618**	112,693	**243,446**	193,234
Gross margin		**29,568**	25,293	**54,663**	41,921
Operating expenses	4	**20,334**	17,410	**39,944**	31,804
Depreciation and amortization	5	**4,681**	3,708	**9,142**	6,942
Costs not related to current operations	6	**2**	831	**51**	1,145
Operating earnings		**4,551**	3,344	**5,526**	2,030
Financial expenses		**1,383**	979	**2,625**	1,950
Earnings before taxes		**3,168**	2,365	**2,901**	80
Income taxes		**854**	675	**747**	43
Net earnings from continuing operations		**2,314**	1,690	**2,154**	37
Net loss from discontinued operations		**—**	(14)	**—**	(67)
Net earnings (loss)		**2,314**	1,676	**2,154**	(30)
Basic and diluted net earnings per share from continuing operations	7	**0.02**	0.02	**0.02**	—
Basic and diluted net loss per share from discontinued operations	7	**—**	—	**—**	—
Basic and diluted net earnings (loss) per share	7	**0.02**	0.02	**0.02**	—

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

Interim Condensed Consolidated Statements of Comprehensive loss

(unaudited)

For the 12 and 24-week periods ended June 17, 2023 and June 11, 2022

(in thousands of Canadian dollars)

		12 weeks		24 weeks	
		2023	**2022**	**2023**	**2022**
	Notes	**$**	**$**	**$**	**$**
Net earnings from continuing operations		**2,314**	1,690	**2,154**	37
Other comprehensive income (loss) that will be subsequently reclassified to earnings:					
Changes in fair value of interest rate swap designated as cash flow hedge	11	**173**	386	**(24)**	581
Income taxes		**(46)**	(102)	**6**	(154)
Other comprehensive income (loss) from continuing operations		**127**	284	**(18)**	427
Comprehensive income from continuing operations		**2,441**	1,974	**2,136**	464
Net loss from discontinued operations		**—**	(14)	**—**	(67)
Other comprehensive income (loss) that will not be subsequently reclassified to earnings:					
Remeasurement of defined benefit pension obligation		**(53)**	89	**(104)**	533
Income taxes		**15**	(23)	**28**	(141)
Other comprehensive (loss) income from discontinued operations		**(38)**	66	**(76)**	392
Comprehensive (loss) income from discontinued operations		**(38)**	52	**(76)**	325
Comprehensive income		**2,403**	2,026	**2,060**	789

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 24-week periods ended June 17, 2023 and June 11, 2022
(in thousands of Canadian dollars)

	Notes	Share capital $	Contributed surplus $	Deficit $	Accumulated other comprehensive income $	Total equity $
Balance as at December 31, 2022		**257,008**	**6,508**	**(161,166)**	**544**	**102,894**
Net earnings		**—**	**—**	**2,154**	**—**	**2,154**
Other comprehensive loss		**—**	**—**	**(76)**	**(18)**	**(94)**
Comprehensive income (loss)		**—**	**—**	**2,078**	**(18)**	**2,060**
Stock-based compensation	10	**—**	**149**	**—**	**—**	**149**
Stock options exercised	9, 10	**46**	**(46)**	**—**	**—**	**—**
Balance as at June 17, 2023		**257,054**	**6,611**	**(159,088)**	**526**	**105,103**

	Note	Share capital $	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		—	—	(30)	—	(30)
Other comprehensive income		—	—	392	427	819
Comprehensive income		—	—	362	427	789
Stock-based compensation	10	—	202	—	—	202
Balance as at June 11, 2022		257,008	6,235	(165,196)	534	98,581

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 and 24-week periods ended June 17, 2023 and June 11, 2022

(in thousands of Canadian dollars)

		12 weeks		24 weeks	
		2023	**2022**	**2023**	**2022**
	Notes	**$**	**$**	**$**	**$**
Cash flows from operating activities					
Net earnings from continuing operations		**2,314**	1,690	**2,154**	37
Non-cash items					
Deferred income taxes		**4**	545	**(196)**	(87)
Depreciation and amortization	5	**4,681**	3,708	**9,142**	6,942
Financial expenses		**1,383**	979	**2,625**	1,950
Other		**60**	117	**149**	156
		8,442	7,039	**13,874**	8,998
Net changes in working capital		**2,826**	(8,260)	**(1,799)**	2,207
		11,268	(1,221)	**12,075**	11,205
Cash flows from investing activities					
Acquisitions of property, plant and equipment		**(1,130)**	(994)	**(2,507)**	(1,507)
Proceeds on disposals of property, plant and equipment		**—**	5	**—**	46
Acquisitions of intangible assets		**(207)**	(539)	**(340)**	(634)
Business acquisition, net of cash acquired		**(1,000)**	(1,461)	**(1,000)**	(1,461)
Other		**114**	87	**240**	203
		(2,223)	(2,902)	**(3,607)**	(3,353)
Cash flows from financing activities					
Net change in the credit facility	8	**(750)**	5,250	**3,250**	(2,500)
Lease liability payments		**(2,898)**	(1,740)	**(5,503)**	(3,495)
Financing cost paid		**—**	—	**—**	(9)
Financial expenses paid		**(1,421)**	(949)	**(2,462)**	(1,864)
		(5,069)	2,561	**(4,715)**	(7,868)
Net change in cash and cash equivalents from continuing operations		**3,976**	(1,562)	**3,753**	(16)
Net change in cash and cash equivalents from discontinued operations		**—**	—	**—**	(8)
(Bank indebtedness) cash and cash equivalents at the beginning		**(1,498)**	3,544	**(1,275)**	2,006
Cash and cash equivalents at the end		**2,478**	1,982	**2,478**	1,982

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 June 17, 2023 $	As at December 31, 2022 $
Assets			
Current assets			
Cash and cash equivalent		**2,478**	—
Trade and other receivables		**54,434**	45,776
Inventories		**51,360**	45,084
Other		**2,856**	1,920
		111,128	92,780
Non-current assets			
Property, plant and equipment		**8,746**	8,247
Intangible assets		**20,533**	22,079
Right-of-use assets		**39,509**	38,057
Goodwill		**73,072**	73,072
Deferred tax assets		**3,185**	3,026
Other		**2,799**	3,430
		147,844	147,911
Total assets		**258,972**	240,691
Liabilities			
Current liabilities			
Bank indebtedness		**—**	1,275
Trade and other payables		**56,305**	42,060
Current portion of long-term debt	8	**3,000**	3,000
Current portion of lease liabilities		**10,869**	11,977
Other		**281**	1,448
		70,455	59,760
Non-current liabilities			
Long-term debt	8	**46,695**	43,375
Lease liabilities		**32,403**	30,480
Pension obligations		**2,383**	2,279
Contingent consideration		**1,289**	1,188
Deferred tax liabilities		**644**	715
		83,414	78,037
Total liabilities		**153,869**	137,797
Equity			
Equity attributable to shareholders		**105,103**	102,894
Total liabilities and equity		**258,972**	240,691

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

1 Nature of operations

Colabor Group Inc. (hereinafter the "Company") is a distributor and wholesaler of food and related products serving the hotel, restaurant and institutional markets or "HRI" in Quebec and in the Atlantic provinces, as well as the retail market.

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.

2 Material 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 31, 2022.

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 31, 2022, except for the new accounting policies adopted as described below. 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. Finally, the fourth quarter is the most important one, since there are 16 weeks of operations in the last quarter compared to 12 weeks in the previous quarters.

These interim condensed consolidated financial statements have been approved by the Company's Board of Directors on July 25, 2023. The Company's auditors have not performed a review of these unaudited interim condensed consolidated financial statements.

Changes to accounting standards adopted during fiscal 2023

On January 1, 2023, the Corporation adopted the following new standards and interpretations which did not have an impact on these unaudited condensed interim consolidated financial statements:

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB amended IAS 1, Presentation of Financial Statements, to require entities to disclose their material accounting policy information rather than their significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company adopted the amendments on January 1, 2023, with no impact to the interim condensed consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the IASB amended IAS 12, Income Taxes, to clarify how companies should account for deferred tax on certain transactions that on initial recognition give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company adopted the amendments on January 1, 2023, with no impact to the 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' and Le Groupe Resto-Achats Inc.'s operations. Transactions between segments are recorded at a value agreed upon by both parties.

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

	12 weeks							
	Distribution segment		Wholesale segment		Intersegment eliminations and others		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	$	$	$	$	$	$	$	$
Segment sales	**117,500**	93,568	**57,265**	56,315	**(10,579)**	(11,897)	**164,186**	137,986
Operating expenses	**110,609**	88,173	**52,506**	51,740	**(8,223)**	(9,933)	**154,892**	129,980
Adjusted EBITDA	**6,891**	5,395	**4,759**	4,575	**(2,356)**	(1,964)	**9,294**	8,006

	24 weeks							
	Distribution segment		Wholesale segment		Intersegment eliminations and others		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	$	$	$	$	$	$	$	$
Segment sales	**214,218**	160,784	**104,685**	94,595	**(20,794)**	(20,224)	**298,109**	235,155
Operating expenses	**203,750**	154,588	**95,982**	86,686	**(16,491)**	(16,438)	**283,241**	224,836
Adjusted EBITDA	**10,468**	6,196	**8,703**	7,909	**(4,303)**	(3,786)	**14,868**	10,319

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

		12 weeks		24 weeks	
		2023	2022	2023	2022
	Notes	$	$	$	$
Net earnings from continuing operations		**2,314**	1,690	**2,154**	37
Income taxes		**854**	675	**747**	43
Financial expenses		**1,383**	979	**2,625**	1,950
Operating earnings		**4,551**	3,344	**5,526**	2,030
Expenses for stock-based compensation plan	10	**60**	123	**149**	202
Costs not related to current operations	6	**2**	831	**51**	1,145
Depreciation and amortization	5	**4,681**	3,708	**9,142**	6,942
Adjusted EBITDA		**9,294**	8,006	**14,868**	10,319

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

4 Operating expenses

		12 weeks		24 weeks	
		2023	**2022**	**2023**	**2022**
	Note	**$**	**$**	**$**	**$**
Employee compensation	10	**14,115**	12,558	**27,340**	23,069
Service contracts and variable portion related to lease contracts		**945**	758	**2,181**	1,480
Repair and maintenance		**956**	775	**1,807**	1,344
Utilities		**938**	1,297	**1,988**	2,376
Other expenses		**3,380**	2,022	**6,628**	3,535
		20,334	17,410	**39,944**	31,804

5 Depreciation and amortization

	12 weeks		24 weeks	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Depreciation of property, plant and equipment	**1,002**	527	**2,008**	1,003
Amortization of intangible assets	**941**	966	**1,886**	1,835
Depreciation of right-of-use assets	**2,738**	2,215	**5,248**	4,104
	4,681	3,708	**9,142**	6,942

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.

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

7 Per share data

Earnings (loss) per share

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

	12 weeks		24 weeks	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Net earnings from continuing operations	**2,314**	1,690	**2,154**	37
Net loss from discontinued operations	**—**	(14)	**—**	(67)
Net earnings (loss)	**2,314**	1,676	**2,154**	(30)
Weighted average number of basic outstanding shares	**101,967,291**	101,954,885	**101,961,088**	101,954,885
Effect of dilutive stock options	**414,584**	521,327	**426,890**	462,279
Weighted average number of diluted outstanding shares	**102,381,875**	102,476,212	**102,387,978**	102,417,164
Basic and diluted net earnings per share from continuing operations	**0.02**	0.02	**0.02**	—
Basic and diluted net loss per share from discontinued operations	**—**	—	**—**	—
Basic and diluted net earnings (loss) per share	**0.02**	0.02	**0.02**	—

As at June 17, 2023, 4,197,092 stock options (4,601,703 stock options in 2022) were not included in the calculation of diluted earnings per share for the 12 and 24-week periods because of their non-dilutive effect.

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

8 Long-term debt

	As at June 17, 2023 $	As at December 31, 2022 $
Credit facility		
Term loan	**24,000**	24,750
Revolving credit	**11,000**	7,000
Subordinated debts	**15,000**	15,000
Less unamortized financing costs	**(305)**	(375)
Total debt	**49,695**	46,375
Current portion of long-term debt	**3,000**	3,000
Total long-term debt	**46,695**	43,375

As at June 17, 2023, the availability under the credit facility is $37,986 and the Company was in compliance with all of its bank covenants.

9 Share-capital

Authorized

Unlimited number of participating, voting common shares without par value

Unlimited number of preferred shares that may be issued in series, whose designation, rights, restrictions and conditions related to each series shall be established at their time of issue

Issued and fully paid common shares

	Number	As at June 17, 2023 Amount $	Number	As at June 11, 2022 Amount $
Outstanding, beginning of the period	**101,954,885**	**257,008**	101,954,885	257,008
Issued during the period	**31,579**	**46**	—	—
Outstanding, end of the period	**101,986,464**	**257,054**	101,954,885	257,008

There were no outstanding preferred shares during the periods covered.

On May 15, 2023, 31,579 common shares were issued and an amount of $46 was transferred from contributed surplus to share capital as part of conversion of stock-option.

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

10 Employee compensation

Stock-based compensation

Stock option plan

During the 12 and 24-week periods ended June 17, 2023, the Company granted 150,000 stock options of the Company's common shares (1,000,000 during the corresponding periods of 2022). The weighted average fair value of the options granted has been estimated at the award date using a binomial option pricing model based on the following assumptions during the 24-week period ended June 17, 2023 and June 11, 2022:

	2023	2022
	24-week period ended June 17, 2023	**24-week period ended June 11, 2022**
Weighted average fair value of the options	**$0.34**	$0.33
Risk-free interest rate	**3.59%**	2.74%
Expected volatility of shares	**57%**	62%
Expected annual dividend	**—**	—
Expected term	**5.5 years**	4.2 years
Share price at date of grant	**$0.77**	$0.87
Exercise price at date of grant	**$0.77**	$1.00

A summary of the Company's stock option plan and the changes that have occurred during the years is presented in the following:

	24 weeks			
		2023		**2022**
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		$		**$**
Outstanding, beginning of the period	**4,698,982**	**0.94**	4,173,982	0.92
Granted	**150,000**	**0.77**	1,000,000	1.00
Exercised	**(150,000)**	**0.60**	—	—
Forfeiture	**(56,250)**	**1.00**	—	—
Expired	**(18,750)**	**1.00**	(110,000)	1.04
Outstanding, end of the period	**4,623,982**	**0.77**	5,063,982	0.93
Exercisable options	**2,331,482**	**0.90**	1,955,232	0.89

Forfeited stock options have generated an employee compensation charge reversal of $8 during the 24-week period ended June 17, 2023 ($nil in 2022).

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

11 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 June 17, 2023		**As at December 31, 2022**
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair value $**
Financial asset				
Non-current				
Derivative financial instrument	**716**	**716**	740	740
Financial liabilities				
Current				
Purchase price balance	—	—	993	1,000
Non-current				
Credit facility	**34,828**	**35,000**	31,531	31,750
Subordinated debt	**14,867**	**15,000**	14,844	15,000
Contingent consideration	**1,289**	**1,289**	1,188	1,188
	50,984	**51,289**	48,556	48,938

The fair value of the interest rate swap 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 June 17, 2023, the fair value of the interest rate swap is an asset of $716 and is accounted for under Other in the non-current assets of the consolidated statement of financial position.

The fair value of contingent consideration was determined by discounting future cash flows at the Company's marginal borrowing rate.

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 31, 2022), the current rate of subordinated debt.

Fair value measurement

The valuation techniques as well as the significant observable market data used in the measurement of Level 2 and Level 3 fair values are the same as those described in the consolidated financial statements for the year ended December 31, 2022.

There was no transfer between the levels during the 12 and 24-week periods ended June 17, 2023.

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 24-week period ended June 17, 2023 compared to the description given in the consolidated financial statements for the year closed on December 31, 2022.