


**NEWS RELEASE**
**FOR IMMEDIATE RELEASE**

## COLABOR GROUP REPORTS RESULTS FOR SECOND QUARTER OF 2012

- 4.1% increase in EBITDA to \$10.7 million, or 3.01% of sales
- Cash flow up 3.8% to \$7.6 million, or \$0.33 per share
- Total sales up 11.6% (comparable sales up 0.8%)
- New contracts and agreement renewals valued at approximately \$100 million
- Rigorous, on-schedule execution of action plan

**Boucherville, Quebec, July 18, 2012** – Colabor Group Inc. (TSX: GCL) (“Colabor” or the “Company”) today reported results for the second quarter of fiscal 2012 ended June 16, 2012.

“Colabor’s EBITDA and cash flow grew slightly in the second quarter despite highly competitive business conditions,” said Claude Gariépy, President and Chief Executive Officer of Colabor. “More importantly, we are on schedule with the disciplined execution of our action plan to improve the Company’s profitability without delay for the benefit of our shareholders.”

Financial highlights (thousands of dollars except per-share data)	Quarter ended		Six months ended	
	June 16, 2012	June 18, 2011	June 16, 2012	June 18, 2011
<b>Sales</b>	<b>354,294</b>	317,411	<b>652,227</b>	556,827
<b>EBITDA*</b>	<b>10,651</b>	10,227	<b>16,107</b>	15,131
<b>Net earnings</b>	<b>2,903</b>	1,675	<b>2,167</b>	1,727
<b>Per share – basic (\$)</b>	<b>0.13</b>	0.07	<b>0.09</b>	0.07
<b>Cash flow*</b>	<b>7,567</b>	7,290	<b>10,842</b>	10,411
<b>Per share – basic (\$)</b>	<b>0.33</b>	0.32	<b>0.47</b>	0.45
<b>Weighted average number of shares outstanding (basic, in thousands)</b>	<b>23,076</b>	23,100	<b>23,069</b>	23,042

\* Cash flow from operations before changes in operating assets and liabilities less purchases of property, plant and equipment and interest paid.

### SECOND-QUARTER RESULTS

Consolidated sales for the 84-day period ended June 16, 2012 were \$354.3 million, compared to \$317.4 million for the 84-day period ended June 18, 2011. The increase of 11.6% was due essentially to the acquisition of Viandes Décarie Inc. on January 1, 2012 and to the contribution of The Skor Food Group Inc. (“Skor”) over the full quarter, compared to 40 days in 2011. These acquisitions accounted for \$34.2 million in additional sales in the second quarter of 2012. Comparable sales, excluding acquisitions, were up 0.8%.

Earnings before financial expenses, income taxes, depreciation and amortization (“EBITDA”) were up 4.1% to \$10.7 million, or 3.01% of sales, from \$10.2 million, or 3.22% of sales, a year earlier. The reduction in percentage of sales reflects continuing stiff competition in the foodservice distribution industry, with distributors reducing their margins to preserve market share in an economy that has constrained consumers’ discretionary purchasing power.

Cash flow was up 3.8% to \$7.6 million, or \$0.33 per share, compared to \$7.3 million, or \$0.32 per share, in the second quarter of 2011. Given higher non-monetary charges for depreciation and amortization of tangible and intangible assets resulting from the acquisitions of recent years, management considers that cash flow is a better indicator of Colabor’s financial performance.

The ratio of dividend payout to cash flow per share over the previous 12 months was 78% as at June 16, 2012. This ratio takes into account the change in dividend effective for the second half of the 12-month period. If the change in dividend had been in effect over the entire 12 months, the ratio would have been 62%.

Net earnings for the second quarter were \$2.9 million, or \$0.13 per share, compared to \$1.7 million, or \$0.07 per share, in the corresponding quarter of 2011. The results for the 2012 quarter are net of a \$253,000 asset writeoff charge related to the integration of information systems in Ontario. The results for the 2011 quarter are net of acquisition-related charges of \$1.8 million.

### **SEGMENTED RESULTS**

Sales of the Wholesale segment were \$104.3 million in the second quarter of 2012, up from \$88.6 million a year earlier. The 17.8% increase reflects mainly the contribution of Viandes Décarie, offset in part by the elimination of sales to Colabor divisions. Comparable sales were up 1.7%.

Sales of the Distribution segment were \$250.0 million in the second quarter of 2012, compared to \$228.8 million a year earlier. The 9.2% increase is attributable essentially to the contribution of Skor over the full period, compared to 40 days in 2011. Comparable sales were up 0.5%.

### **SIX-MONTH RESULTS**

For the 168-day period ended June 16, 2012, consolidated sales were \$652.2 million, up 17.1% from \$556.8 million for the 169-day period ended June 18, 2011. Apart from the acquisitions noted above, the increase reflects the contributions of Edfrex Inc. and Les Pêcheries Norref Québec Inc. ("Norref") over the full 2012 period, compared to 81 days and 111 days, respectively, in 2011. Excluding acquisitions, and on the basis of an equal number of days, comparable sales were up 0.4%.

EBITDA for the first six months of 2012 was \$16.1 million, or 2.47% of sales, compared to \$15.1 million, or 2.72% of sales, in the first six months of 2011. Net earnings for the period were \$2.2 million, or \$0.09 per share, compared to \$1.7 million, or \$0.07 per share, in the year-earlier period. Cash flow was \$10.8 million, or \$0.47 per share, compared to \$10.4 million, or \$0.45 per share, a year earlier.

### **NEW CONTRACTS AND AGREEMENT RENEWALS**

The Company is pleased to announce the signature of multi-year supply agreements with major players in the foodservice and food retailing industry.

Colabor signed two contracts with MTY Food Group Inc. (TSX: MTY), one of the leading companies in the Canadian quick-service restaurant industry. The first, which is a new agreement for Colabor, calls for the supply of MTY's Country Style outlets in Ontario. Annual sales under this agreement are estimated at \$25 million. The second agreement is the renewal of a contract to supply MTY's Mr. Sub outlets, also in Ontario. This agreement is also valued at \$25 million in annual sales. Both contracts extend to 2015.

Colabor has also announced a three-year extension, to 2017, of a major agreement with Sobeys Inc. for the supply, through Norref, of fish and seafood products to IGA food retailers in Quebec. Annual sales under this agreement are estimated at more than \$50 million.

### **ACTION PLAN: INTEGRATION AND RATIONALIZATION OF OPERATIONS**

Colabor is actively pursuing the execution of its action plan to optimize its operating efficiency and to foster and accelerate the realization of synergies. The Company wants to provide an update on certain key elements of this plan:

- In Ontario, the administrative operations and sales forces of Summit and Skor have been merged and the Company has completed the integration of its IT platform.
- The same initiatives are under way in the Eastern Quebec and New Brunswick division, scheduled for completion by the end of 2012.
- To maximize purchasing power, the Eastern Quebec and New Brunswick division is now procuring all meat products through Viandes Décarie. The same change will be made in the Ontario division over the coming months. Similar measures are also being instituted to centralize fish and seafood procurement through Norref.

“Building on our new corporate structure, the heads of our three divisions are putting the final touches on their respective teams. These teams are being put in place according to the specific operating characteristics and needs of each division. As a result of these initiatives, the benefits of our action plan will gradually be felt beginning in the third quarter of this year and should further accelerate in 2013,” added Mr. Gariépy.

#### **FINANCIAL POSITION**

As of June 16, 2012, the Company had drawn \$108.7 million on its authorized bank credit facility of \$150.0 million. The ratio of total debt at June 16, 2012 to EBITDA of the previous 12 months was 3.11:1.00, below the prescribed limit of 3.50:1.00. The interest coverage ratio was 4.26:1.00, above the required minimum of 3.50:1.00.

#### **OUTLOOK**

“Our priority for 2012 remains the execution of our action plan. The achievement of the objectives of this plan will make Colabor a more dynamic company that will be well-positioned to play an active role in the consolidation of the industry. Any future development will leverage the strength of our network, resulting in significant synergies. Colabor’s orderly progress in implementing these initiatives leaves us confident of attaining our operating and financial objectives for the current year,” concluded Mr. Gariépy.

#### **CONFERENCE CALL**

Colabor will hold a conference call to discuss these results on Wednesday, July 18, 2012, beginning at 3 p.m. Eastern Time. Interested parties can join the call by dialling 647-427-7450 (from Toronto and overseas) or 1-888-231-8191 (from elsewhere in North America). If you are unable to participate, you can listen to a recording by dialling 1-855-859-2056 and entering the code 93884324# on your telephone keypad. The recording will be available from 6 p.m. Wednesday, July 18, 2012 to 11:59 p.m. Wednesday, July 25, 2012.

#### **NON-IFRS MEASURES**

The information provided in this release includes non-IFRS performance measures, notably earnings before financial expenses, income taxes, depreciation and amortization (“EBITDA”) and cash flow. Since these concepts are not defined by IFRS, they may not be comparable to those of other companies.

#### **ADDITIONAL INFORMATION**

The *Management Discussion and Analysis* and financial statements of the Company will be available at SEDAR ([www.sedar.com](http://www.sedar.com)) following publication of this release. Additional information about Colabor Group Inc. may also be found at SEDAR and on the Company’s website at [www.colabor.com](http://www.colabor.com).

#### **ABOUT COLABOR**

Colabor is a wholesaler and distributor of food and non-food products serving the retail market (grocery stores, convenience stores, etc.) and the foodservice market (cafeterias, restaurants, hotels, restaurant chains) in Quebec, Ontario and the Atlantic provinces.

#### **FORWARD-LOOKING STATEMENTS**

This news release may contain forward-looking statements reflecting the opinions or current expectations of Colabor Group Inc. concerning its performance and business operations and future events. These statements are subject to risks, uncertainties and assumptions. Actual results or events may differ.

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