



NEWS RELEASE

FOR IMMEDIATE RELEASE

## COLABOR GROUP REPORTS RESULTS FOR THIRD QUARTER 2010

- Comparable sales down 3.3%
- EBITDA margin of 3.23%
- Net earnings of \$3.9 million
- Bank loan balance reduced \$11.3 million during the quarter

Boucherville, Quebec, October 6, 2010 – Colabor Group Inc. (TSX: GCL) (“Colabor” or the “Company”) today reported results for the third quarter of fiscal 2010 ended September 11, 2010. Results for Q3 2010 reflect the August 25, 2009 conversion of Colabor Income Fund to a corporation, while results for Q3 2009 reflect Colabor’s former corporate structure up to that date.

### THIRD-QUARTER RESULTS

Consolidated sales for the 84-day period ended September 11, 2010 were \$234.3 million, down 15.4% from \$276.8 million for the 84-day period ended September 12, 2009. The decline was due in large part to the loss of a major supply contract in February 2010. The effect of this loss on third-quarter sales was \$33.5 million. Excluding this loss, comparable sales showed a decline of 3.3%, attributable mainly to constraining business conditions in distribution sales to the foodservice industry.

Earnings before financial expenses, taxes, depreciation and amortization (“EBITDA”) were \$7.6 million, or 3.23% of sales, compared to \$10.0 million, or 3.62% of sales, a year earlier. The margin reduction is attributable to increased competition caused by the economic situation and to the effect of lower delivery volumes on the absorption of fixed costs. Net earnings were \$3.9 million, or \$0.18 per diluted share, compared to \$4.7 million, or \$0.30 per diluted unit, in the corresponding quarter of 2009. The results for the 2009 quarter included an income tax recovery of \$2.7 million related to the reversal of income tax charges recorded earlier in 2009. This recovery resulted from the acquisition of approximately \$130.0 million in tax losses at the time of Colabor’s conversion to a corporation on August 25, 2009. The 2009 results also included a non-recurring charge of \$2.1 million related to the restructuring and conversion.

Cash flow from operations, before changes in operating assets and liabilities, was \$6.5 million in the third quarter of 2010 compared to \$8.5 million a year earlier.

Financial highlights (thousands of dollars except per-share data)	Quarter ended		Nine months ended	
	Sept. 11, 2010	Sept. 12, 2009	Sept. 11, 2010	Sept. 12, 2009
Sales	234,309	276,841	704,819	817,508
EBITDA*	7,578	10,026	23,432	27,727
Net earnings	3,885	4,710	10,364	7,669
Per share/unit – basic (\$)	0.18	0.30	0.50	0.52
Per share/unit – diluted (\$)	0.18	0.30	0.49	0.52
Weighted average number of shares outstanding (basic, in thousands)	21,957	15,589	20,918	14,828

\* Earnings before financial expenses, taxes, depreciation and amortization

“Economic conditions have not improved as vigorously as initially expected and households have remained prudent in their discretionary spending, including meals taken away from home,” said Gilles C. Lachance, Colabor President and Chief Executive Officer. “In addition, these conditions have resulted in fiercer competition which forced us to slightly

reduce our margins to maintain market share mainly in the Distribution segment. On the other hand, our balance sheet has been steadily improving as a result of solid cash flow from operations.”

### **SEGMENTED RESULTS**

Sales of the **Wholesale** segment were \$92.3 million in Q3 2010, down 2.3% from \$94.5 million in Q3 2009. Since the two periods compared contained the same number of days, the amounts are comparable. The decrease was due essentially to a 3.2% decline in sales to the foodservice industry. Sales to retailers were almost flat, edging down 0.3%, a reflection of this sector’s greater resilience in the face of economic fluctuations.

Sales of the **Distribution** segment were \$142.0 million in Q3 2010, compared to \$182.3 million a year earlier. The decline of 22.1% is attributable mainly to the loss of a major contract in the restaurant sector served by the Summit Division. This supply contract ended at the beginning of February 2010. Excluding this loss, sales on a comparable basis were down 3.8% as a result of difficult conditions in the foodservice market, especially in Ontario.

### **NINE-MONTH RESULTS**

For the 254-day period ended September 11, 2010, sales were \$704.8 million, compared to \$817.5 million for the 255-day period ended September 12, 2009. Sales on a comparable basis were down 3.1%. Also on a comparable basis, Wholesale sales were down 0.7% and Distribution sales were down 4.3%.

EBITDA for the first nine months of 2010 was \$23.4 million, or 3.32% of sales, compared to \$27.7 million, or 3.39% of sales, in the first nine months of 2009. Net earnings were \$10.4 million, or \$0.49 per diluted share, in the 2010 period, compared to \$7.7 million or \$0.52 per diluted share, a year earlier. Cash flow from operations, before changes in operating assets and liabilities, was \$20.3 million compared to \$22.1 million in the year-earlier period.

### **SOLID FINANCIAL POSITION**

The Company’s balance sheet as of September 11, 2010 was sound, with only \$9.2 million drawn on its authorized bank credit facility of \$100.0 million, down from \$20.5 million at the end of the previous quarter. The reduction of \$11.3 million is attributable to a sound management of working capital. As of the same date, the ratio of total debt to EBITDA of the previous 12 months was 0.40:1.00, compared to the maximum of 3.00 prescribed by the Company’s credit agreement. The interest coverage ratio was 6.19:1.00, well above the required minimum of 3.50.

On September 21, 2010, Colabor completed its acquisition of the assets of RTD Distributions Ltée (“RTD”), financed by a draw of \$21.8 million from its available credit facilities.

As a result of solid cash flows generated over the current fiscal year, the per-share dividend attributable to the period amounted to 89% of cash flow per basic share and 97% of cash flow per diluted share.

### **OUTLOOK**

“In the short term, our priorities will be focused on integrating the assets of RTD. This strategic acquisition will further strengthen our presence in eastern Quebec and northeastern New Brunswick while bringing appreciable synergies in procurement, operations and transport. Our balance sheet remains solid and Colabor intends to actively pursue its initiatives aimed at expanding our product offering and our market penetration. Above all, we remain on the watch for business opportunities offering higher operating margins,” Mr. Lachance concluded.

### **CONFERENCE CALL**

Colabor will hold a conference call to discuss its third-quarter results on Wednesday, October 6, 2010, beginning at 3 p.m. Eastern Time. Interested parties can join the call by dialling 1-888-231-8191. If you are unable to participate, you can listen to a recording by dialling 1-800-642-1687 and entering the code 11980147 on your telephone keypad. The recording will be available from 6 p.m. Wednesday October 6 to 11:59 p.m. Wednesday October 13, 2010.

## NON-GAAP MEASURES

The information provided in this release includes non-GAAP measures, notably earnings before financial expenses, taxes, depreciation and amortization (EBITDA). Since these concepts are not defined in Canadian GAAP, they may not be comparable to those of other companies.

## ADDITIONAL INFORMATION

The Company's financial statements and *Management's Discussion and Analysis* will also 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, etc.), 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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