



Interim consolidated Financial Statements
(unaudited)
First quarter of 2019
(in thousands of Canadian dollars)

Consolidated Statements of Earnings

For the 84-day periods ended March 23, 2019 and March 24, 2018

(in thousands of Canadian dollars)

		2019	2018
	Notes	\$	\$
Sales	3	235,048	245,890
Operating expenses, excluding costs not related to current operations, depreciation and amortization		234,767	247,092
Operating earnings before costs not related to current operations, depreciation and amortization		281	(1,202)
Costs not related to current operations		—	—
Depreciation and amortization		2,212	2,746
Impairment loss on goodwill, intangible assets and property, plant and equipment		24	127
		2,236	2,873
Operating earnings (loss)	3	(1,955)	(4,075)
Impairment loss on financial instruments at fair value through profit or loss		—	118
Financial expenses		1,829	1,837
		1,829	1,955
Earnings (loss) before taxes		(3,784)	(6,030)
Income taxes (recovery)		(1,051)	(1,550)
Net earnings (loss)		(2,733)	(4,480)
Basic and diluted earnings (loss) per share	5	(0.03)	(0.04)

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

Consolidated Statements of Comprehensive income

For the 84-day periods ended March 23, 2019 and March 24, 2018

(in thousands of Canadian dollars)

	2019	2018
	\$	\$
Net earnings (loss)	(2,733)	(4,480)
Other comprehensive income (loss) that will be subsequently reclassified to earnings		
Loss on financial instruments at fair value through profit or loss	—	(118)
Reclassification to earnings	—	118
	—	—
Other comprehensive income (loss) that will not be reclassified to earnings		
Remeasurement of pension obligation	(883)	77
Taxes on other comprehensive income (loss)	236	(21)
	(647)	56
Total other comprehensive income (loss)	(647)	56
Total comprehensive income (loss)	(3,380)	(4,424)

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

Consolidated Statements of Changes in Equity
For the 84-day periods ended March 23, 2019 and March 24, 2018

(in thousands of Canadian dollars)

	Share capital \$	Convertible debenture conversion options \$	Contributed surplus \$	Deficit \$	Total Equity \$
Balance as at December 29, 2018	255,639	1,742	3,891	(168,917)	92,355
Net loss	—	—	—	(2,733)	(2,733)
Other comprehensive income	—	—	—	(647)	(647)
Total comprehensive loss	—	—	—	(3,380)	(3,380)
Stock-based compensation	—	—	(217)	—	(217)
Balance as at March 23, 2019	255,639	1,742	3,674	(172,297)	88,758

	Share capital \$	Convertible debenture conversion options \$	Contributed surplus \$	Deficit \$	Total Equity \$
Balance as at December 30, 2017	258,005	1,742	2,506	(164,691)	97,562
Net loss	—	—	—	(4,480)	(4,480)
Other comprehensive loss	—	—	—	56	56
Total comprehensive income	—	—	—	(4,424)	(4,424)
Shares issued during the period	(2,365)	—	—	—	(2,365)
Stock-based compensation	—	—	1,168	—	1,168
Balance as at March 24, 2018	255,640	1,742	3,674	(169,115)	91,941

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

Consolidated Statements of Cash Flows

For the 84-day periods ended March 23, 2019 and March 24, 2018

(in thousands of Canadian dollars)

	2019	2018
	\$	\$
Operating activities		
Net earnings (loss)	(2,733)	(4,480)
Deferred income taxes	(900)	(1,221)
Depreciation and amortization	2,212	2,746
Impairment loss on goodwill, intangible assets and property, plant and equipment	24	127
Financial expenses	1,829	1,837
Other	(313)	(252)
	119	(1,243)
Net changes in working capital	(645)	601
Cash flows used in operating activities	(526)	(642)
Investing activities		
Purchase of property, plant and equipment	(121)	(1,062)
Proceeds on disposal of property, plant and equipment	17	15
Purchase of intangible assets	(55)	(79)
Other	31	51
Cash flows used in investing activities	(128)	(1,075)
Financing activities		
Use of the credit facility	3,007	4,607
Lease payments	(251)	(187)
Financial expenses paid	(1,644)	(1,640)
Cash flows from financing activities	1,112	2,780
Net change in bank overdraft	458	1,063
Bank overdraft at the beginning of the period	(5,684)	(6,559)
Bank overdraft at the end of the period	(5,226)	(5,496)

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

Consolidated Statements of Financial Position
(unaudited)

(in thousands of Canadian dollars)

	As at March 23, 2019	As at December 29, 2018
	\$	\$
Assets		
Current		
Trade and other receivables	78,735	90,038
Inventory	75,379	78,229
Prepaid expenses	2,932	2,911
Other	1,814	1,621
Current assets	158,860	172,799
Non-current		
Property, plant and equipment	10,622	11,142
Intangible assets	36,551	38,090
Goodwill	70,813	70,813
Deferred tax assets	5,265	4,383
Other	492	581
Non-current assets	123,743	125,009
Total assets	282,603	297,808
Liabilities		
Current		
Bank overdraft	5,226	5,684
Trade and other payables	81,587	96,562
Current portion of long-term debt	988	1,027
Other	916	533
Current liabilities	88,717	103,806
Non-current		
Long-term debt	53,771	50,847
Convertible debentures	49,395	49,341
Pension obligations	1,928	1,066
Provisions	34	140
Deferred tax liabilities	—	253
Non-current liabilities	105,128	101,647
Total liabilities	193,845	205,453
Equity		
Share capital	88,758	92,355
Total liabilities and equity	282,603	297,808

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

1 Nature of operations

Groupe Colabor Inc. (hereinafter the “Group”) and its wholly owned subsidiaries (hereinafter collectively the “Company”) distribute and market food and food-related products in Canada.

The Group is incorporated under the *Canada Business Corporations Act*. It is a Canadian company headquartered at 1620 De Montarville Boulevard, Boucherville, Quebec, J4B 8P4. The Group’s shares and convertible debentures are listed on the Toronto Stock Exchange (TSX: GCL and TSX: GCL.DB.A).

2 Significant accounting policies

General information

These interim consolidated financial statements of the Company were prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, of the International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board (IASB), taking into account the accounting policies adopted by the Company for its consolidated financial statements for the year ended December 28, 2019. The accounting policies have been applied consistently for all the periods presented. They do not include all the information required by the IFRS for annual financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 28, 2019.

3 Segment reporting

The Company has two reportable segments: distribution to mostly food service enterprises (the Distribution segment) and sales to food distributors (the Wholesale segment). 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.

Accompanying notes

(unaudited)

For the 84-day periods ended March 23, 2019 and March 24, 2018

(in thousands of Canadian dollars)

Segment information can be analyzed as follows:

	2019			2018		
	Distribution Segment	Wholesale Segment	Total	Distribution Segment	Wholesale Segment	Total
	\$	\$	\$	\$	\$	\$
Segment sales	182,448	67,148	249,596	192,912	71,530	264,442
Segment operating expenses						
Cost of goods sold	157,416	61,668	219,084	168,476	65,253	233,729
Employee compensation	16,202	2,218	18,420	17,735	2,248	19,983
Other expenses	8,912	1,235	10,147	9,369	1,079	10,448
	182,530	65,121	247,651	195,580	68,580	264,160
Segment earnings	(82)	2,027	1,945	(2,668)	2,950	282

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

	2019	2018
	\$	\$
Sales		
Total segment sales	249,596	264,442
Elimination of intersegment sales	(14,548)	(18,552)
Company sales	235,048	245,890
Earnings		
Total segment earnings	1,945	282
Employee compensation not allocated	1,068	1,075
Other expenses (revenue) not allocated	596	409
Depreciation and amortization	2,212	2,746
Impairment loss on goodwill, intangible assets and property, plant and equipment	24	127
Operating earnings	(1,955)	(4,075)

Accompanying notes

(unaudited)

For the 84-day periods ended March 23, 2019 and March 24, 2018

(in thousands of Canadian dollars)

4 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

	As at March 23, 2019		As at March 24, 2018	
	Number	Amount \$	Number	Amount \$
Outstanding, beginning of the period	101,177,932	255,640	102,112,832	258,005
Cancelled during the period	—	—	(934,900)	(2,365)
Outstanding, end of the period	101,177,932	255,640	101,177,932	255,640

There were no outstanding preferred shares during the periods covered.

On January 15, 2018, Colabor announced the reduction in the number of its outstanding shares resulting from the ongoing liquidation and dissolution of Investments Colabor Inc., an investment company in which Colabor was a shareholder. Colabor received its proportionate allocation of the shares, being 934,900 shares or just under 1% of its outstanding shares, which were automatically canceled. The number of outstanding shares was reduced from 102,112,832 to 101,177,932 at the date of this announcement.

Accompanying notes

(unaudited)

For the 84-day periods ended March 23, 2019 and March 24, 2018

(in thousands of Canadian dollars)

5 Per-share data

Earnings (loss) per share

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

	2019 \$	2018 \$
Net earnings (loss)	(2,733)	(4,480)
Weighted average number of outstanding shares used to calculate the basic and diluted earnings per share	101,139,418	101,306,364
Basic and diluted earnings (loss) per share	(0.03)	(0.04)

Shares hypothetically issued as a result of the conversion of the convertible debentures (20,000,000 shares in 2019) and the exercise of stock options (3,307,304 shares in 2019, 5,550,420 shares in 2018) were not included in the calculation of diluted earnings per share for the periods ended March 23, 2019 and March 24, 2018 because of an anti-dilutive effect.

6 Fair value of financial instruments

The fair value of the trade and other receivables, the loans receivable, the bank overdraft, the trade and other payables (excluding taxes and salaries payable) as well as the short-term portion of bank borrowing, 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:

Accompanying notes

(unaudited)

For the 84-day periods ended March 23, 2019 and March 24, 2018

(in thousands of Canadian dollars)

	As at March 23, 2019		As at December 30, 2018	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Financial liabilities				
Non-current				
Credit facility	25,228	25,228	22,108	22,108
Subordinated debt	24,879	24,919	24,862	24,929
Convertible debentures	49,395	38,500	49,341	31,500
	99,502	88,647	96,311	78,537

The fair value of the financial instruments at fair value through profit or loss was primarily determined using the bid price on the closing date for the underlying asset.

The fair value of the non-current portion of bank borrowings is equivalent to the carrying amount.

The fair value of subordinated debt was determined by discounting future cash flows at 8.0% (7.0% as at December 29, 2018), the current rate of subordinated debt.

The fair value of the liability component of the convertible debentures was determined based on the trading price on March 23, 2019.

Financial instruments measured at fair value

Financial assets and liabilities measured at fair value are presented using a three-level fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements of these items. The three fair value hierarchy levels are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs for the asset or liability that are not based on observable market data.

The Company's financial instruments measured at fair value consisted of the equity investment in Colabor Investments Inc. (Level 2) during the periods of 2017. Following the liquidation of Colabor Investments Inc. in the first quarter of 2018, the Company no longer holds financial assets measured at fair value (level 2) as at March 23, 2019. The Company's financial liabilities are as follows: Credit facility (Level 1), Debenture (Level 1), Subordinated debt (Level 2).