COLABOR GROUP INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
("MD&A")

Second quarter of 2019
For the 84 and 168-day periods ended June 15, 2019

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1. Scope of the MD&A and Notice to Investors

This Management's Discussion & Analysis ("MD&A") of Colabor Group Inc. (the "Company" or "Colabor") discusses the Company's net income, comprehensive income, financial situation and cash flows for the second quarter ended June 15, 2019. This report should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes for this period and the audited consolidated financial statements for the fiscal year ended December 29, 2018, and related notes, along with the associated annual MD&A. These financial statements are in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standard Board ("IASB"). The financial statements have been published on the following sites: www.sedar.com and www.colabor.com.

Unless otherwise indicated, the information in this MD&A is current as of July 26, 2019.

Forward-Looking Statements

This MD&A may contain certain forward-looking statements that reflect Colabor's current views or expectations regarding its performance and respective business activities and future events. In addition, this MD&A contains forward-looking statements and information concerning the sale of the Viandes Décarie division, the Company's future plans, objectives and intentions, the expected use of proceeds from the transaction and the amount receivable as a balance of purchase price. These statements are subject to a number of risks, uncertainties and assumptions. Actual results and events may differ. The Company undertakes no obligation to update these forward-looking statements to reflect changes in management's beliefs, estimates and opinions or other factors, except as required by law.

Seasonality

Colabor's fiscal year comprises of thirteen periods of four weeks each. The first three quarters comprise three periods each and the fourth quarter includes four periods. The Company's year-end is the last Saturday of December.

As a result, the operating results for the interim period are not necessarily indicative of the operating results for the full fiscal year. The Company expects the seasonal nature to be a significant factor in its quarterly results. The first quarter records the weakest results. The second and third quarters have better results than the first quarter. Finally, the fourth quarter is the most important, since there are 16 weeks of activities instead of 12 weeks, in the previous quarters.

The shares of Colabor Group Inc. are traded on the Toronto Stock Exchange under the symbol GCL, while its convertible debentures are traded under the symbol GCL.DB.A.

Additional information concerning the Company may be found on SEDAR at www.sedar.com and on Colabor's website at www.colabor.com. The information contained on the Company's website is not included by reference in this MD&A.

2. About Colabor

2.1 Business developments in the second quarter of 2019

During the second quarter of 2019, the following events have influenced the Company's general development and operations or reflect the evolution of Colabor's transformation and growth plan.

Changes to the Board of Directors

On May 2, 2019, the Company announced the appointment of Mr. Warren White as Chairman of the Board of Directors. Mr. White has been a member of Colabor's Board of Directors since January 1, 2018, and was a member of the Audit Committee. He replaces Mr. Robert Cloutier following the withdrawal of his candidacy for personal and professional reasons.

Executive Appointment

On May 2, 2019, the Corporation announces the appointment of Mr. Pierre Gagné, CPA, CA, MBA, to the position of Senior Vice-President and Chief Financial Officer, effective May 27, 2019. M. Gagné has over 30 years of experience in finance and held Chief Financial Officer positions at large private and public companies such as FLS Transportation Services Limited, GDI Integrated Facility Services Inc. and Cogeco Inc./Cogeco Communications Inc.

Sale of the Viandes Décarie Division

On May 10, 2019, the Company concluded the sale of its Viandes Décarie division for an aggregate amount of $20 million, including $17.8 million paid at closing, which was used to repay Colabor's debt. The balance will be payable over a maximum period of 5 years according to the terms of the agreement. This asset disposal is in line with the Company's intention to refocus its strategic broadline activities, while reducing its debt.

Viandes Décarie division's operating earnings, net earnings and cash flows for the period of 84 days and the cumulative period of 168 days ended June 15, 2019, and the corresponding periods of the previous fiscal year, have been reclassified as discontinued operations.

Refer to Section 4 "Discontinued operations".

2.2 Development Strategies and Outlook

Recent history

For several years now, Colabor has worked to grow its presence in the food service industry in Eastern Canada where it has a significant competitive advantage and stands out as a distributor serving the hotels, restaurants and institutions ("HRI market"). This is also where growth opportunities are favourable, both in terms of potential consolidation and organic growth opportunities.

Over the last few years, the Company has invested significantly in its broadline distribution activities in Quebec and has been able to grow the scope of its activities by offering a multi-service solution to its customers and access to high value-added products including private brands. The Company's broadline distribution activities in Québec has since enjoyed favorable growth and has helped sustain the Company's profitability.

Transformation and Growth Plan

In 2018, the Company made significant changes to its management team, implemented an action plan to optimize operations and improved its customer mix. Colabor began its 2019 fiscal year with an action plan based on three pillars:

1. Increase broadline distribution activities
    - Organic growth based on strategic categories (protein, fruits and vegetables) and reposition its private label.
2. Integrate and optimize business units
    - Evolve from a divisional structure to a functional structure with a single business model;
    - Instill rigour in all the Company's operations and activities, allowing for a better control of operating expenses.
3. Reduce the debt level
    - Evaluate strategic alternatives for certain assets that are not within Colabor's growth niches;
    - Increase adjusted EBITDA[(1)];
    - Optimize management of current assets and liabilities.

During the second quarter of 2019, in order to focus more on its growth niches and reduce its debt level, Colabor sold its meat wholesaling activities (the Viandes Décarie division). See Section 2.1 "Business Developments" and Section 4 "Discontinued Operations".

2.3 Performance Indicators

The management team assesses the Company's performance based primarily on improving its operating profitability and financial position.

Financial Position: Working Capital[(3)]

Working capital is an indicator of the Company's ability to hedge its current liabilities with its current assets.

At the end of the second quarter of 2019, the Company's working capital amounted to $71.5 million, slightly down from $71.7 million at the end of the corresponding fiscal year. This variation is explained by the increase in working capital when compared with the end of the previous fiscal year, which was mostly offset by the working capital following the sale of the Viandes Décarie division.

Operating Profitability: Adjusted EBITDA[(1)]

During the second quarter of 2019, adjusted EBITDA from continuing operations increased by 37.2%. This is primarily the result of the deployment of operational optimization measures and better cost control, particularly with the implementation of the rationalization plan.

Financial Position: Debt Leverage[(2)]

Debt leverage is an indicator of the Company's ability to service its long-term debt.

At the end of the second quarter of 2019, the debt leverage was 5.0 times, an improvement from 6.3 times one year ago. The net proceeds of $17.8 million from the sale of the Viandes Décarie division was used to reimburse $5.0 million of the subordinated debt, to reduce the balance of the credit facility of $5.2 million and to finance working capital for $7.6 million in anticipation of the beginning of the high summer season.

(1) EBITDA and adjusted EBITDA are non-IFRS measures. Refer to Section 6 "Non-IFRS performance measures" for definitions and reconciliations to the most directly comparable IFRS measures.

(2) Debt leverage is defined as the ratio of net debt to adjusted EBITDA. Refer to Section 6 "Non-IFRS performance measures" for the definition of net debt.

(3) Working capital is calculated as follows: trade and other receivables, plus inventory, less trade and other payables as described in the interim consolidated statements of financial position - Section 3.2.

3. Operational and Financial Results

3.1 Operating Results

Summary of Operating Results for the Second Quarter of 84-Day and the Cumulative Period of 168-Day
(unaudited, in thousands of dollars, except percentages)

	84-day			168-day		
	2019	**2018**	**Variance**	**2019**	**2018**	**Variance**
	$	$	**%**	**$**	**$**	%
Sales	**274,198**	273,564	0.2	**486,979**	496,168	(1.9)
Operating expenses, excluding costs not related to current operations, depreciation and amortization	**266,894**	268,241	(0.5)	**479,620**	492,335	(2.6)
Adjusted EBITDA (1)	**7,304**	5,323	37.2	**7,359**	3,833	92.0
Adjusted EBITDA margin (1)	**2.7%**	1.9%		**1.5%**	0.8%	

(1) The Adjusted EBITDA and the Adjusted EBITDA margin are non-IFRS measures. Refer to section 6. " Non-IFRS Performance Measures". The Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by sales for the corresponding period.

3.1.1 Segment sales

Consolidated Sales for the Second Quarter of 84-Day and the Cumulative Period of 168-Day

(unaudited, in thousands of dollars, except percentages)

	84-day			168-day		
	2019	2018	Variance	2019	2018	Variance
	$	$	%	$	$	%
Distribution Segment	**232,494**	229,853	1.1	**414,942**	422,765	(1.9)
Wholesale Segment	**57,932**	61,609	(6.0)	**97,405**	103,802	(6.2)
Intersegment eliminations and others	**(16,228)**	(17,898)		**(25,368)**	(30,399)	
Sales	**274,198**	273,564	0.2	**486,979**	496,168	(1.9)

Consolidated sales for the second quarter reached $274.2 million compared to $273.6 million during the corresponding quarter of last fiscal year, representing an increase of 0.2%.

- Sales in the Distribution segment increased by 1.1% mainly due to a retailer-led promotion, mitigated by changes in the customer mix for certain regions.
- Sales in the Wholesale segment decreased by 6.0%, mainly from the non-renewal of non-profitable contracts.

Cumulative consolidated sales for the 168-day period were $487.0 million compared to $496.2 million in the corresponding period of last fiscal year, a decrease of 1.9%.

- The 1.9% decrease in the Distribution segment's cumulative sales is mainly due to lower sales volume in Ontario resulting from the loss of a supply contract with a major restaurant chain and changes in the customer mix.
- Cumulative sales in the Wholesale segment were down 6.2% compared to the corresponding period of 2018. This decrease is explained by the non-renewal of non-profitable contracts.

3.1.2 Operating Expenses

Operating Expenses for the Second Quarter of 84-Day and the Cumulative Period of 168-Day

(unaudited, in thousands of dollars, except percentages)

	84-day			168-day		
	2019	2018	Variance	2019	2018	Variance
	$	$	%	$	$	%
Distribution Segment	**228,366**	227,340	0.5	**410,895**	422,920	(2.8)
Wholesale Segment	**52,962**	57,426	(7.8)	**90,635**	96,958	(6.5)
Intersegment eliminations and others	**(14,434)**	(16,525)		**(21,910)**	(27,543)	
Operating expenses, excluding costs not related to current operations, depreciation and amortization	**266,894**	268,241	(0.5)	**479,620**	492,335	(2.6)

Consolidated operating expenses for the second quarter were $266.9 million compared to $268.2 million for the corresponding period of last fiscal year, a decrease of 0.5%, due to tight cost control following the implementation of the rationalization plan of last November (" rationalization plan") and the deployment of operational optimization measures.

- Operating expenses in the Distribution segment increased by 0.5% due to higher costs of goods sold related to sales, partially offset by a tightening of operating costs.
- Operating expenses in the Wholesale segment decreased by 7.8%, mainly due to lower costs of goods sold related to sales and the tightening of operating costs.

Cumulative consolidated operating expenses for the 168-day period amounted to $479.6 million compared to $492.3 million in the corresponding quarter of last fiscal year, a decrease of 2.6%, mainly due to better costs control resulting of the rationalization plan and the deployment of operational optimization measures.

- The Distribution Segment's cumulative operating expenses decreased by 2.8% due to lower costs of goods sold related to sales, as well as a tightening of operating costs.
- Cumulative operating expenses in the Wholesale segment decreased by 6.5%, mainly due to lower costs of goods sold and the tightening of operating costs.

3.1.3 Operational Results

Operational Results Before Costs Not-Related to Current Operations, Depreciation and Amortization (Adjusted EBITDA) for the Second Quarter of 84-Day and the Cumulative Period of 168-Day

(unaudited, in thousands of dollars, except percentages)

	84-day			168-day		
	2019	2018	Variance	2019	2018	Variance
	$	$	%	$	$	%
Distribution Segment	**4,128**	2,513	64.3	**4,047**	(155)	—
Wholesale Segment	**4,970**	4,183	18.8	**6,770**	6,844	(1.1)
Intersegment eliminations and others	**(1,794)**	(1,373)		**(3,458)**	(2,856)	
Adjusted EBITDA [(1)]	**7,304**	5,323	37.2	**7,359**	3,833	92.0
Adjusted EBITDA margin[(1)]	**2.7%**	1.9%		**1.5 %**	0.8%	

(1) The Adjusted EBITDA and the Adjusted EBITDA margin are non-IFRS measures. Refer to section 6. " Non-IFRS Performance Measures". The Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by sales for the corresponding period.

Adjusted EBITDA for the second quarter of 2019 was $7.3 million, an increase of 37.2% or $2.0 million compared to the corresponding period of 2018. As a percentage of sales, adjusted EBITDA margins reached 2.7% compared to 1.9% in the corresponding quarter of 2018. This improvement is due to the deployment of operational optimization measures and the rationalization plan, which reduced operating expenses. In addition, sales growth from the Distribution segment, as well as the non-renewal of non-profitable contracts in the Wholesale segment, also contributed to the Adjusted EBITDA improvement.

Cumulative adjusted EBITDA for the 168-day reached $7.4 million, up 92.0% or $3.5 million from the corresponding period of 2018. As a percentage of sales, adjusted EBITDA margins reached 1.5% compared to 0.8% in the corresponding period of 2018. This improvement is due to the deployment of operational optimization measures and the rationalization plan, which reduced operating expenses. In addition, a reduction in sales volume from the Distribution segment and, to a lesser extent, a reduction in sales volume in the Wholesale segment due to the non-renewal of non-profitable contracts, also contributed to the Adjusted EBITDA improvement.

3.1.4 Costs not Related to Current Operations

For the 84-day and 168-day periods ended June 15, 2019, costs of $0.2 million related to the rationalization plan were recognized.

3.1.5 Depreciation and Amortization

Depreciation and Amortization for the Second Quarter of 84-Day and the Cumulative Period of 168-Day

(unaudited, in thousands of dollars, except percentages)

	84-day			168-day		
	2019	**2018**	**Variance**	**2019**	**2018**	**Variance**
	$	**$**	**%**	**$**	**$**	**%**
Depreciation of tangible assets	**620**	756	(18.0)	**1,234**	1,486	(17.0)
Depreciation of intangible assets	**1,586**	1,576	0.6	**3,167**	3,178	(0.3)
Depreciation and Amortization	2,206	2,332	(5.4)	4,401	4,664	(5.6)

For the 84-day and 168-day periods ended June 15, 2019, depreciation and amortization expense decreased by 5.4% and 5.6%, respectively, as acquisitions of property, plant and equipment decreased compared to the previous fiscal year.

3.1.6 Financial Expenses

Financial Expenses

Financial expenses for the second quarter of 2019 remained stable at $1.9 million compared to the corresponding period of 2018. The interest rate on subordinated debt was 8.0% in 2019, up from 7.0% in the previous fiscal year. During the second quarter, the Company repaid $5 million of the nominal value of subordinated debt, thus reducing it from $25 million to $20 million. For the 168-day cumulative period, financial expenses also remained stable at $3.7 million compared to the corresponding period of 2018.

3.1.7 Income Taxes

Income Tax Expense

Second quarter of 2019, income tax expense was $1.6 million compared to $0.4 million in the corresponding period of 2018. For the 168-day cumulative period, income tax expense was $0.6 million, compared to a recovery of $1.2 million, stemming mainly from the income taxes related to the increased Adjusted EBITDA.

3.1.8 Net Earnings

Net Earnings for the Second Quarter of 84-Day and the Cumulative Period of 168-Day

(unaudited, in thousands of dollars, except percentages)

	84-day			168-day		
	2019	**2018**	**Variance**	**2019**	**2018**	**Variance**
	$	**$**	**%**	**$**	**$**	**%**
Net earnings (loss) from continuing operations	**1,378**	498	176.7	**(1,558)**	(3,851)	59.5
Net earnings from discontinued operations	**7,661**	319	2,301.6	**7,863**	188	4,082.4
Net earnings (loss) for the period	**9,039**	817	1,006.4	**6,305**	(3,663)	—
Basic and diluted earnings (loss) per share of continuing operations	**0.01**	0.01	—	**(0.02)**	(0.04)	50.0
Basic and diluted earnings per share of discontinued operations	**0.08**	—	—	**0.08**	—	—
Basic and diluted earnings (loss) per share for the period	**0.09**	0.01	800.0	**0.06**	(0.04)	—

Net earnings for the second quarter reached $9.0 million, or $0.09 per share, up $8.2 million from $0.8 million, or $0.01 per share, for the corresponding period of last fiscal year. The net earnings of the Viandes Décarie division as discontinued operations, in the amount of $7.7 million, contributed to this growth, as did the adjusted EBITDA improvement, net of income taxes. Net earnings from continuing operations reached $1.4 million or $0.01 per share, up from $0.5 million or $0.01 per share in the corresponding period of last fiscal year. The increase mainly stemmed from the adjusted EBITDA growth net of income taxes. The weighted average number of shares outstanding during the period is 101,139,418, the same as the corresponding quarter of 2018.

Net earnings for the 168-day period was $6.3 million, or $0.06 per share, up $10.0 million from a net loss of $3.7 million or $0.04 per share in the corresponding period of last fiscal year. The net earnings of the Viandes Décarie division as discontinued operations, in the amount of $7.7 million, contributed to this growth, as did the improvement in adjusted EBITDA net of income taxes. Net loss from continuing operations was $1.6 million compared to $3.9 million for the corresponding period of 2018. This improvement stemmed from the adjusted EBITDA growth, net of income taxes.

The weighted average number of shares outstanding during the 168-day period is 101,139,418 compared to 101,222,891 for the corresponding period in 2018.

3.2. Financial Position

The following table presents the main elements of current assets and liabilities, that make up the Company's working capital. (unaudited, in thousands of dollars)

	As at June 15 2019	As at December 29 2018	Variance
	$	$	$
Current Assets			
Trade and other receivables	**89,616**	90,038	(422)
Inventory	**70,704**	78,229	(7,525)
	160,320	168,267	(7,947)
Current Liabilities			
Trade and other payables	**88,829**	96,562	(7,733)
Working Capital(1)	**71,491**	71,705	(214)

(1) Working capital is a non-IFRS performance measure. The Company calculates its working capital as described above. See Section 1 "Scope of the MD&A and Notice to Investors" for more information on the seasonality of sales.

Working capital fluctuaties during the fiscal year due to the seasonal nature of operations, are mainly in the Spring and Summer and during the Holiday Season (i.e. Christmas and Easter). In order to meet higher seasonal demand, inventory requirements increase and so do trade and other receivables. The credit facility fluctuates to support this seasonal activity.

As at June 15, 2019, the Company's working capital amounted to $71.5 million, down $0.2 million from the corresponding period of 2018. The decrease is explained as follows:

Trade and Other Receivables

Trade and other receivables were down $0.4 million from December 29, 2018, from the sale of the Viandes Décarie division, combined with the effect of higher sales in the quarter.

Inventory

The inventory balance decreased $7.5 million from December 29, 2018. This reduction is due to the effect of the sale of Viandes Décarie and improved inventory management, even with the high season effect.

Trade and Other Payables

The balance of trade and other payables decreased $7.7 million from December 29, 2018. This decrease is mainly due to the sale of the Viandes Décarie division, the reduction in inventory and the timing of supplier payments.

3.3. Other Significant Changes in Financial Position

The following table represents the other significant items of the Company's financial position as at June 15, 2019 and their variances from the fiscal year ended December 29, 2018.

(unaudited, in thousands of dollars)

	As at June 15 2019	**As at December 29 2018**	**Variance**
	$	**$**	**$**
Property, Plant and Equipment	**10,249**	11,142	(893)
Intangible Assets	**35,005**	38,090	(3,085)
Deferred Tax Asset	**3,039**	4,383	(1,344)
Long-Term Debt	**43,527**	50,847	(7,320)
Pension Obligations	**2,111**	1,066	1,045
Shareholders' Equity Attributable to Shareholders	**97,570**	92,355	5,215

Property, Plant and Equipment

The reduction in property, plant and equipment is mainly due to depreciation and amortization, mitigated by the acquisitions of property, plant and equipment.

Intangible Assets

The reduction in intangible assets is mainly due to depreciation and amortization.

Long-Term Debt

Long-term debt reduction is mainly due to the proceeds from the sale of the Viandes Décarie division, which was used to repay part of the subordinated debt and the credit facility.

Pension Obligations

The increase in the pension obligation is mainly due to the reduction in the discount rate used to calculate this obligation.

Shareholders' Equity Attributable to Shareholders

The increase in shareholders' equity is mainly due to the increase in net earnings.

3.4 Data Related to Outstanding Shares

The following table presents Colabor's share and option data as at July 26, 2019. Refer to Notes 11 and 12 of the condensed consolidated interim financial statements for further details.

(in thousands of dollars, except the number of shares and the number of options)

	Number of shares / stock-options	Amount $
Common shares		
Participating and voting common shares	101,177,932	255,639
Participating and voting stock-options		
Outstanding options	4,318,304	
Exercisable stock-options	789,600	

3.5 Cash Flows

The following table represents consolidated cash flows for the 84-day and 168-day periods ended June 15, 2019:

Consolidated Cash Flows Table

(unaudited, in thousands of dollars)

	84-day		168-day	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Cash flows used in operating activities	**(4,999)**	(4,225)	**(5,412)**	(4,920)
Cash flows used in investing activities	**230**	(871)	**(43)**	(1,340)
Cash flows used in financing activities	**(12,135)**	5,181	**(11,017)**	7,966
Net change in bank indebtedness of continuing operations	**(16,904)**	85	**(16,472)**	1,706
Net change in bank indebtedness of discontinued operations	**18,362**	(67)	**18,388**	(625)
Bank indebtedness at the beginning	**(5,226)**	(5,496)	**(5,684)**	(6,559)
Bank indebtedness at the end	**(3,768)**	(5,478)	**(3,768)**	(5,478)

Operating Activities

Cash flows from operating activities in the second quarter reached represented a deficit of $5.0 million and $5.4 million for the 168-day period, up from a deficit of $4.2 million and $4.9 million for the corresponding periods of 2018, respectively. This decrease is mainly due to a higher utilization of working capital, partially offset by the Adjusted EBITDA growth.

Investing Activities

Cash flows from investing activities in the second quarter of 2019 amounted to $0.2 million and $nil for the 168-day period, compared to a deficit of $0.9 million and $1.3 million for the corresponding periods in 2018, respectively. This improvement is due to the reduction in property, plant and equipment acquisitions and an increase in proceeds from the sale of property, plant and equipment.

Financing Activities

Cash flows used in financing activities in the second quarter reduced debt by $12.1 million compared to an increase of $5.2 million for the corresponding period of 2018. This change is mainly due to the repayment of $5.0 million of the subordinated debt and $5.2 million of the credit facility in the second quarter, compared to an increase of $7.2 million in the credit facility for the corresponding period of 2018. For the cumulative 168-day period, cash flows used in financing activities reduced debt by $11.0 million compared to an increase of $8.0 million for the corresponding period of 2018. This change is also due to the repayment of $10.2 million of the Company's debt in the second quarter of 2019, compared to a use of the credit facility of $11.7 million in the corresponding period of 2018.

3.6. Capital resources

As of June 15, 2019, the Company is in compliance with all its banking covenants. In order to meet its capital requirements, the Company has a credit facility of which $61.6 million is available as of June 15, 2019.

4. Discontinued Operations

On May 10, 2019, the Company announced the sale of the assets of the Viandes Décarie division for an amount of $20.0 million, subject to certain adjustments, $17.8 million paid at closing and a balance of purchase price of $2.3 million. The balance will be payable over a maximum period of 5 years according to the terms of the agreement.

The Company has reclassified as discontinued operations all earnings and cash flows for the current and previous periods, separately from its continuing operations.

The following table presents the preliminary gain on disposal and the carrying amount of net assets sold.

(unaudited, in thousands of dollars)

	$
Purchase price	20,000
Carrying amount of assets and liabilities sold :	
Trade and other receivables	7,329
Inventory	7,152
Prepaid expenses	133
Property, plant and equipment	722
Trade and other payables	(3,065)
	12,271
Gain on disposal	7,729

Net earnings summary for discontinued operations

(unaudited, in thousands of dollars)

	84-day		168-day	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Sales	**15,125**	26,334	**37,392**	49,620
Operating expenses, excluding depreciation and amortization	**14,729**	25,595	**36,770**	48,593
Operation earnings before depreciation and amortization	**396**	739	**622**	1,027
Gain on Business Disposal	**(7,729)**	—	**(7,729)**	—
Depreciation and amortization	**12**	413	**29**	827
Financial expenses	**(1)**	7	**6**	12
Earnings before taxes	**8,114**	319	**8,316**	188
Income taxes	**453**	—	**453**	—
Net earnings from discontinued operations	**7,661**	319	**7,863**	188

Sales

During the second quarter of fiscal 2019, sales from the Viandes Décarie division amounted to $15.1 million, down 42.5% from the corresponding period of 2018. Cumulative sales for the 168-day period were $37.4 million, down from $49.6 million in the corresponding period of last fiscal year. The reduction in sales is mainly due to a lower contribution in the second quarter and cumulative period of 2019, as the sale was completed on May 10, 2019.

Operating Expenses

Operating expenses from the Viandes Décarie division for the second quarter of fiscal 2019 were $14.7 million, down from $25.6 million in the corresponding period of 2018. For the cumulative 168-day period in fiscal 2019, operating expenses from the Viandes Décarie division amounted to $36.8 million, down from $48.6 million in the corresponding period of 2018, but also stable relative to sales levels. The sale of the Viandes Décarie division on May 10, 2019 explains the reduction in expenses.

Operating Earnings Before Depreciation and Amortization (Adjusted EBITDA)

During the second quarter of fiscal 2019, Adjusted EBITDA from the Viandes Décarie division amounted to $0.4 million, compared to $0.7 million in the corresponding period of 2018. Cumulative Adjusted EBITDA was $0.6 million, down from $1.0 million in the cumulative period last fiscal year.

Cash Flow Summary for Discontinued Operations

(unaudited, in thousands of dollars)

	84-day		168-day	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Cash flows used in operating activities	**589**	101	**622**	154
Cash flows used in investing activities	**17,772**	(161)	**17,772**	(767)
Cash flows used in financing activities	**1**	(7)	**(6)**	(12)
Net change in bank indebtedness of discontinued operations	**18,362**	(67)	**18,388**	(625)

During the second quarter of 2019, the net change in bank indebtedness from discontinued operations was $18.4 million, compared to $(0.1) million in the corresponding period of 2018. Cumulatively, the net change in bank indeptedness of discontinued operations stood at $18.4 million, compared with $(0.6) million in the cumulative period last fiscal year. This increase is explained mainly by the proceed of $17.8 million from the disposal of the Viandes Décarie division.

5. Summary of Recent Quarters

The following table presents a summary of results for the last eight quarters:

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

	2019		2018				2017	
	Q2 (84 days)	**Q1 (84 days)**	**Q4 (112 days)**	**Q3 (84 days)**	**Q2 (84 days)**	**Q1 (84 days)**	**Q4 (112 days)**	**Q3 (84 days)**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Sales[(1)]	**274,198**	212,781	334,739	265,504	273,564	222,604	368,980	292,652
Adjusted EBITDA[(1)]	**7,304**	55	5,402	6,859	5,323	(1,490)	6,296	7,237
Costs not related to current operations	**178**	—	2,419	(1,194)	—	—	—	6,961
Net earnings (loss) from continuing operations	**1,378**	(2,936)	(1,873)	823	498	(4,349)	306	(19,066)
Net earnings from discontinued operations	**7,661**	203	(31)	357	319	(131)	203	313
Net earnings (loss) for the period	**9,039**	(2,733)	(1,904)	1,180	817	(4,480)	509	(18,753)
Basic and diluted earnings (loss) per share of continuing operations	**0.01**	(0.03)	(0.02)	0.01	0.01	(0.04)	0.00	(0.19)
Basic and diluted earnings (loss) per share	**0.09**	(0.03)	(0.02)	0.01	0.01	(0.04)	0.00	(0.18)

(1) Sales, Adjusted EBITDA and net earnings have been restated to reclassify the results of the Viandes Décarie division as discontinued operations. Refer to Section 6 Discontinued operations.

6. Non-IFRS Performance Measures

This MD&A also contains information that are non-IFRS measures of performance. Such information should not be considered in isolation or as a substitute for other IFRS performance measures, but rather as supplementary information. These measures are widely used in the financial community to measure the profitability of operations. They reflect the inclusion or exclusion of certain amounts that are considered not representative of the Company's recurring financial performance. Since these concepts are not defined by IFRS, they may not be comparable with those of other companies.

Adjusted EBITDA

For example, the Company uses the concept of earnings before costs not related to current operations, depreciation and amortization, impairment loss on goodwill, intangible, assets and property, plant and equipment, impairment loss on financial instruments at fair value through profit and loss, financial expenses and income taxes ("Adjusted EBITDA"), presented in the financial statements under "Operating earnings before costs not related to current operations, depreciation and amortization."

Reconciliation of Net Earnings to Adjusted EBITDA

(unaudited, in thousands of dollars)

	84-day			**168-day**		
	2019	**2018**	**Variance**	**2019**	**2018**	**Variance**
	$	**$**	**$**	**$**	**$**	**$**
Net earnings (loss) from continuing operations	**1,378**	498	880	**(1,558)**	(3,851)	2,293
Income taxes	**1,607**	352	1,255	**557**	(1,198)	1,755
Financial expenses	**1,886**	1,853	33	**3,708**	3,685	23
Impairment loss on financial instruments at fair value through profit or loss	**—**	—	—	**—**	118	(118)
Depreciation and amortization	**2,206**	2,332	(126)	**4,401**	4,664	(263)
Impairment loss on goodwill, intangible assets and property, plant and equipment	**49**	288	(239)	**73**	415	(342)
EBITDA from continuing operations	**7,126**	5,323	1,803	**7,181**	3,833	3,348
Costs not related to current operations	**178**	—	178	**178**	—	178
Adjusted EBITDA	**7,304**	5,323	1,981	**7,359**	3,833	3,526

EBITDA Margin

The EBITDA or adjusted EBITDA margins correspond to the EBITDA or adjusted EBITDA as described above, divided by sales for the corresponding period as presented in Colabor's interim consolidated statements of net earnings.

Net Debt

Net debt corresponds to bank indebtedness, the current portion of long-term debt, long-term debt and convertible debentures as presented in Colabor's consolidated statements of financial position.

(unaudited, in thousands of dollars)

	As at June 15 2019	**As at December 29 2018**	**As at June 16 2018**
Bank indebtedness	**3,768**	5,684	5 478
Current portion of long-term debt	**992**	1,027	875
Long-term debt	**43,527**	50,847	66 822
Convertible debentures	**49,449**	49,341	49 214
Net debt	**97,736**	106,899	122 389

Financial Leverage Ratio

The net financial leverage ratio is defined as net debt divided by adjusted EBITDA from continuing operations for the last twelve months. Refer to the table 5. Summary of the Recent Quarters. For the calculation of the comparative leverage ratio, please refer to the Management's Discussion and Analysis for the second quarter of 2018.

7. Related Party Transactions

The Company's related party transactions are composed of sales concluded with Dubé & Loiselle Inc., an entity owned by one of the Company's directors. The transactions were carried out in accordance with various contracts governing relations between the Company and Dubé & Loiselle Inc., in the normal course of operations.

The following table presents transactions between the Company and Dubé & Loiselle Inc:

(unaudited, in thousands of dollars)

	84-day		**168-day**	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Sales	**5,726**	7,870	**11,019**	12,790
Trade and other receivables, net of remittances			**774**	1,748
Dubé & Loiselle Inc. Stock option [a]			**500**	500

[a] As part of the recapitalization transaction carried out in October 2016, the Company paid an amount of $0.5 M to Robraye Management Ltd. in consideration for the option to acquire Dubé & Loiselle Inc. in the three years following the closing of the recapitalization transaction. The Company believes that it has neither the control nor the influence to consolidate this entity in its financial statements; rather, Dubé & Loiselle Inc. is considered a related party of the Company.

8. Off-Balance Sheet Transactions

The Company does not have any off-balance sheet transaction obligations, other than $3.3 M in letters of credit to support the leasing of one of the Company's distribution centers and certain suppliers' line of credit.

9. Contingency

During the second quarter of 2019, a lawsuit of $7.7 million has been initiated by a client against the Company alleging a default to the terms of their agreement. The Company believes that this lawsuit is without merit and intends to defend itself vigorously.

10. Risks and Uncertainties

The Company's activities are subject to numerous risks and uncertainties that are described in detail in its February 21, 2019, Annual Information Form (the "AIF"), which may be viewed on the SEDAR website at www.sedar.com and on the Company's website at www.colabor.com. The risks described in the AIF are incorporated by reference in this MD&A.

11. Internal Controls Over Financial Reporting

Management has designed and assessed disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR) to provide reasonable assurance that the financial information presented by the Company is reliable and that its financial statements are prepared in accordance with IFRS. The President and CEO, and the Senior Vice-President and CFO assessed, in accordance with Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings, the design and operation of ICFR and DC&P as at June 15, 2019, and, on the basis of this assessment, they have concluded that the design and operation of ICFR and DC&P are efficient. For the period ended June 15, 2018, there were no changes in DC&P and ICFR that have materially affected, or are reasonably likely to materially affect the internal controls and procedures.

12. 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:

(unaudited, in thousands of dollars)

	As at June 15, 2019		**As at December 29, 2018**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	$	**$**	**$**	**$**
Financial liabilities				
Non-current				
Credit facility	**20,151**	**20,151**	22,106	22,106
Subordinated debt	**19,918**	**19,934**	24,862	24,929
Convertible debentures	**49,449**	**42,500**	49,341	31,500
	89,518	**82,585**	96,309	78,535

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 June 15, 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 June 15, 2019. The Company's financial liabilities are as follows: Credit facility (Level 1), Debenture (Level 1), Subordinated debt (Level 2).