COLABOR GROUP INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

FIRST QUARTER OF THE 2013 FISCAL YEAR

82-DAY PERIOD ENDED MARCH 23, 2013

MAY 1, 2013

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May 1, 2013

1. Scope of MD&A and Notice to Investors

This Management's Discussion & Analysis ("MD&A") of Colabor Group Inc. ("GCL", the "Company" or "Colabor"), formerly Colabor Income Fund (the "Fund"), discusses the comprehensive income, financial situation and cash flows for the first quarter of the fiscal year ending December 31, 2013. These financial statements are in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been published on SEDAR at the following sites: www.sedar.com and www.colabor.com.

Colabor's fiscal year comprises thirteen periods, the first three quarters comprise three periods each and the fourth quarter includes four periods. The Company's year-end is December 31. As a result, the Company's sales and earnings have been proportionately lower in the first quarter and higher in the fourth quarter because the fourth quarter generally has 33% more operating days than the other quarters of the year.

This report also contains information that is a non-IFRS measure of performance, such as the concept of earnings before financial expenses, depreciation and amortization and income taxes (EBITDA), presented in the financial statements under "Operating profit before depreciation and amortization". Since these concepts are not defined in IFRS, they may not be comparable with those of other companies.

In reviewing Colabor's financial statements, investors should consider that the statements of earnings include significant depreciation expenses for property, plant and equipment and amortization expense for intangible assets resulting from Colabor's acquisitions in recent years, for deferred taxes and a non-cash portion of the implicit interest on debentures. The depreciation, amortization and non-cash transactions have a major impact on the basic and diluted earnings per share calculation. Investors often compare this basic and diluted earnings per share amount to the annual dividend amount of $0.72 per share. *For a more in-depth analysis of Colabor, investors should analyze the cash flows per share calculations in Section 6.1 (Operating earnings – Earning per Share) in the MD&A as they are a better indication of the Company's ability to support its annual dividend.*

2. Forward-looking Statements

The MD&A is intended to assist shareholders in understanding the nature and extent of changes and trends, as well as risks and uncertainties. Consequently, actual results may differ significantly from information reported or inferred in these statements. The main factors that could result in a significant difference between Colabor's actual results and the projections or expectations set out in the forward-looking statements are described herein under *Risks and Uncertainties*.

3. General

Corporate arrangement resulting in the creation of Colabor Group Inc.

The Fund was an unincorporated, open-ended, limited purpose trust that was established under the laws of the Province of Quebec under a Declaration of Trust dated May 19, 2005. The Fund's units were traded on the Toronto Stock Exchange under the symbol CLB.UN.

On July 8, 2009, the Fund had announced its intention to convert from an income trust structure to a corporation (the "Conversion"). In order to effect the Conversion, on that date, Colabor had entered into an arrangement agreement (the "Arrangement Agreement") with ConjuChem Biotechnologies Inc. ("ConjuChem"), in order to conclude the Conversion pursuant to a statutory plan of arrangement of ConjuChem (the "Plan of Arrangement") under Section 192 of the *Canada Business Corporations Act* ("CBCA"). The Conversion was completed on August 25, 2009, further to the approval of the unitholders of the Fund, which was obtained at a special meeting held on August 19, 2009.

Additional information

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

Additional information on GCL, and previously the Fund, may be found on SEDAR at www.sedar.com and on its information site www.colabor.com.

4. Corporate Profile

Activities

Colabor was founded in 1962 and is a wholesaler and master food distributor serving the foodservice (cafeterias, restaurants, hotels, restaurant chains) and the retail markets (small-sized grocery stores, convenience stores, etc.). It currently carries out its activities through two segments and three divisions: Ontario, Central Quebec and Eastern Quebec and New Brunswick.

Distribution Segment

This Segment includes the following operating activities:

1. Summit Foodservice (Summit) (Ontario Division)

Summit distributes more than 8,000 products from warehouses in Ottawa, London, Mississauga and Vaughan to more than 3,000 customers, including Cara (Swiss Chalet, Harvey's, Kelsey's Neighbourhood Bar and Grill, Montana's Cookhouse and Milestone's Grill and Bar), County Style, Extendicare, Mr Sub, Wild Wing, other foodservice chains and independent restaurants as well as to institutions, including hospitals, schools and government institutions. Summit's product line includes frozen products, dry staples, dairy products, meat, seafood, fruits and vegetables and sanitation products.

This division services primarily the Ontario market, but also distributes Cara restaurant products in Quebec.

This division, with about 700 employees, operates four distribution centres, including the London head office, where administrative services are located.

These warehouses cover about 550,000 square feet, allocated as follows:

Mississauga:	127,961 square feet
London:	113,595 square feet (could be expanded)
Ottawa:	103,460 square feet (could be expanded)
Vaughan:	205,000 square feet

2. Colabor Eastern Quebec and New Brunswick Division (Colabor)

Colabor Eastern Quebec and New Brunswick Division is a major distributor to foodservice and retail customers in the Québec City, Saguenay, eastern Quebec and northern New Brunswick regions and part of the North Shore and the Lower North Shore regions. It employs approximately 650 people, distributes over 12,000 products from its four strategically located warehouses in Lévis, Saguenay Rimouski and Edmundston, totalling approximately 580,000 square feet. This division's customers consist primarily of foodservice operators, specialty food stores, institutional accounts such as healthcare institutions, schools and universities, certain other retail customers, in all reaching approximately 4,000 customers. With a complete product offering, including frozen products, dry staples, dairy products, fresh meat, fresh fish and seafood, poultry, fresh fruits and vegetables, disposables and sanitation products as well as meat processing and preparation services, it therefore offers its customers a "one-stop-shop" solution.

3. Les Pêcheries Norref Québec Inc. (Norref) (Central Quebec Division)

Norref is a fresh fish and seafood products importer and distributor in the province of Quebec and the Ottawa region and is recognized as the leading importer and distributor of this type in Quebec.

Norref operates from a 40,000 square-feet warehouse in Montréal, and distributes a full range of fresh and frozen fish products as well as ready-to-eat fish and seafood meals. Its diversified client base is comprised of supermarkets, restaurants, hotels, caterers and fish stores. It has about 200 employees and 50% of its sales are from medium-term contracts.

4. Skor Cash & Carry Division (Ontario Division):

This division operates five "Cash & Carry" locations in southern Ontario and offers over 12,000 retail and food service products to convenience stores, small grocery stores, cafeterias and restaurants.

5. Lauzon Meats (Central Quebec Division)

Lauzon is an important distributor of Cargill beef brands as Angus Pride, Sterling Silver, producing and processing high quality protein products throughout the provinces of Quebec and Ontario. As a well-known and established distributor in Quebec, it holds a reputation for excellent products and experienced, skilled employees providing effective and flexible service to the restaurant and hotel industries from a recently renovated 68,000 square-feet federally approved plant located in Montréal.

Wholesale Segment:

1. Boucherville Distribution Centre (Boucherville) (Central Quebec Division)

Sales of the Boucherville Distribution Centre consist of food, food-related and non-food products that it purchases and supplies to wholesalers that, in turn, redistribute these products to over 25,000 customers operating in the retail or foodservice market segments in Quebec and the Atlantic provinces.

Products are sold either directly from its distribution centre ("warehouse sales") or through direct delivery from manufacturers and suppliers to the warehouses of wholesalers ("direct sales").

This Centre generally sells its products at the manufacturers' and suppliers' list price. Accordingly, it generates gross profit on sales as follows:

(a) From a profit on warehouse sales:
Through a mark-up of the cost price of its private brand-name products and by making purchases from manufacturers and suppliers before a price increase and subsequently selling such products at the manufacturer's new price. There is no profit margin on direct sales.

(b) Primarily from rebates from suppliers:
These rebates consist of: (i) agreements with suppliers relating principally to distribution agreements, central billing, truck load allowance and other incentives, (ii) rebates received from suppliers based on buying volumes, (iii) cash discounts on purchases based on terms of sale, and (iv) net advertising funds received in connection with promotional activities.

The Centre, that employs about 125 people, operates a 371,120 square-feet distribution centre in Boucherville that could be expanded to 650,000 square feet.

2. Viandes Décarie (Décarie) (Central Quebec Division)

Décarie is a wholesaler and distributor in the meat and meat products market. It has a distribution centre of about 27,000 square feet located in Montréal. As a wholesaler, it distributes a wide range of fresh and frozen meat including beef, veal, lamb, pork and poultry. It has a diversified customer base of foodservice distributors, food retailers and specialty butchers. Décarie's facilities are Hazard Analysis and Critical Control Points (HACCP) certified and they hold a federal permit giving them the opportunity to sell their products across Canada.

Nearly 50% of the Company's sales are covered by long-term contracts.

5. Main Resources and Competencies:

5.1 Board of Directors

	Role	Occupation
Jacques Landreville	Chairman	Corporate Director
Richard Lord, FCMA	Chairman, Human Resources and Corporate Governance Committee	President and Chief Executive Officer, Quincaillerie Richelieu Ltée
Robert Panet-Raymond	Chairman, Audit Committee	Corporate Director
Gilles C. Lachance	Director	Corporate Director
Donald Dubé	Director	Corporate Director

5.2 Management

Claude Gariépy	President and Chief Executive Officer	Colabor Group Inc.
Michel Loignon, CPA, CA	Vice-President and Chief Financial Officer	Colabor Group Inc.
Jack Battersby	President	Ontario Division
Marko Potvin	Vice-President, Corporate Purchasing	Colabor Group Inc.
Denis Pascal	Vice-President and General Manager	Eastern Quebec and New Brunswick Division
Michel Delisle	Vice-President Information Technology	Colabor Group Inc.
Geneviève Brouillette, CPA, CA	Vice-President and General Manager	Central Quebec Division

6. Performance Analysis

6.1 Earnings

Earnings, and their comparison with the comparable period of 2012, should be read in conjunction with the *Current Economic Situation* section presented further on in this MD&A and the following facts:

- The Company's sales and profit margins in some of its divisions continue to be impacted by the economic situation prevailing in Eastern Canada which led to intense competition among players in the foodservice distribution sector.
- As a result of high fuel prices, commodity taxes and household debt, there is less disposable income for purchases of all non-essential products including eating out (discretionary products).
- On March 4, 2013, the Company concluded the acquisition of the assets of T. Lauzon. Lauzon's financial results are included in the Company's income from March 4, 2013 but not for the comparative 2012 quarter.

Consolidated Statements of Earnings

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

	2013-03-23 (82 days)		2012-03-24 (84 days)		Variance	
	$		$		$	
Sales of goods	**293,580**	**100.00%**	**297,933**	**100.00%**	**(4,353)**	**-1.46%**
Operating expenses, excluding costs not relating to current operations, depreciation and amortization	291,271	99.21%	292,477	98.17%	(1,206)	-0.41%
Operating earnings before costs not relating to current operations, depreciation and amortization	2,309	0.79%	5,456	1.83%	(3,147)	-57.68%
Costs not relating to current operations	247	0.08%			247	N/A
Depreciation of property, plant and equipment	1,219	0.42%	1,004	0.34%	215	21.41%
Amortization of intangible assets	3,023	1.03%	3,284	1.10%	(261)	-7.95%
	4,489	1.53%	4,288	1.44%	201	4,69%
Operating earnings	(2,180)	-0.74%	1,168	0.39%	(3,348)	-286,64%
Finance costs	2,323	0.79%	2,150	0.72%	173	8,05%
Earnings before tax	(4,503)	-1.53%	(982)	-0.33%	(3,521)	N/A
Income taxes						
Current						
Deferred	(1,145)	-0.39%	(246)	-0.08%	(899)	N/A
	(1,145)	-0.39%	(246)	-0.08%	(899)	N/A
Earnings	(3,358)	-1.14%	(736)	-0.25%	(2,622)	N/A
After-tax cash flows per share	$(0.02)		$0.14			
Basic and diluted earnings per share	$(0.14)		$(0.03)			

Sales

Sales consist of:

For the Distribution Segment: Gross sales to customers from the London, Mississauga, Ottawa, Vaughan, Lévis, Saguenay, Rimouski, Edmundston and Montréal (Norref and Lauzon) warehouses and sales of Skor Cash & Carry less rebates, as provided in individual agreements with these customers.

For the Wholesale Segment: Adding gross sales from the Boucherville warehouse and direct sales to affiliated-wholesalers, less rebates of 3% of the affiliated-wholesalers' sales, as provided in the agreement between Colabor LP and the affiliated-wholesalers and sales to other customers, less rebates, as provided in individual agreements with these customers and sales from Décarie.

Inter-segment and inter-division sales are eliminated.

Sales (unaudited, in thousands of dollars)

	2013-03-23 (82 days)			2012-03-24 (84 days)							
	Total sales	Sales subsequent to acquisitions	Comparable sales	Total sales	Adjustment for two days	Sale of a division	Comparable sales	Variance total sales		Variance comparable sales	
	$	$	$	$	$	$	$	$	%	$	%
Distribution Segment	208,416	2,915	205,501	215,117	(5,122)	(2,113)	207,882	(6,701)	-3.1%	(2,381)	-1.1%
Eliminations	(3,525)		(3,525)	(379)	9		(370)	(3,146)	N/A	(3,155)	N/A
	204,891	2,915	201,976	214,738	(5,113)	(2,113)	207,512	(9,847)	-4.6%	(5,536)	-2.7%
Wholesale Segment	121,664	7,250	114,414	117,098	(2,788)		114,310	4,566	3.9%	104	0.1%
Eliminations	(32,975)		(32,975)	(33,903)	807		(33,096)	928	-2.7%	121	-0.4%
	88,689	7,250	81,439	83,195	(1,981)		81,214	5,494	6.6%	225	0.3%
	293,580	10,165	283,415	297,933	(7,094)	(2,113)	288,726	(4,353)	-1.5%	(5,311)	-1.8%

The *Current Economic Situation...* section presented further on in this MD&A provides an overview of the context in which the Company and its competitors operate.

Sales from acquisitions

Sales from acquisitions in the Distribution Segment are due to the acquisition of T. Lauzon Ltd., now known as Lauzon Meats.

Sales in the Wholesale Segment are attributed to the fact that Viandes Décarie took over a large portion of the clientele of a company affiliated with Lauzon following the closure of its operations as a result of hiring its sales force and purchasing its inventories.

Sales adjustment

Considering that the first quarter of the 2013 fiscal year only includes 82 days compared to 84 days during the previous fiscal year, sales for the first quarter of the 2012 fiscal year were reduced by two days to compare these figures to 2013 sale figures.

Decrease in sales

To reflect comparable sales, we have decreased the sales of the Skor Culinary Concepts Division which was sold during the last quarter of the 2012 fiscal year.

Operating earnings before costs not relating to operations, depreciation and amortization (which corresponds to earnings before finance costs, depreciation, amortization and income tax expense (EBITDA))

EBITDA is composed of the following:

Gross Profit

Gross profit is composed of the following items:

- Wholesale Segment:
  Boucherville: Profit on gross warehouse sales only, which consists primarily of a profit margin on private brand-name products and profit on inventory held. No profit margin is recognized on direct sales. Income is attributed on such sales for purposes of rebates from suppliers only.
  Décarie: Product acquisition costs plus a percentage negotiated according to current contracts or market rates.

- Distribution Segment: Product acquisition cost with a percentage mark-up that is market-driven or negotiated in current agreements.

- Rebates from suppliers
  A significant portion of Colabor's gross profit is derived from rebates from suppliers. These rebates consist of: (i) agreements with suppliers relating principally to distribution agreements, central billing, truck load allowance and other incentives, (ii) rebates received from suppliers based on buying volumes, (iii) cash discounts on purchases based on terms of sale, and (iv) net advertising funds received in connection with promotional activities.

Operating expense

The main expenses consist primarily of salaries and employee benefits, delivery costs for the Distribution Segment and occupancy costs relating to the Company's distribution centres. These expenses include a considerable portion of fixed costs which have a significant impact on operating earnings, particularly in the first quarter of the fiscal year.

EBITDA in the first quarter of 2013, of $2,309K or 0.79% of sales compared with $5,456K or 1.83% of sales in the previous quarter, accurately reflects the challenging economic conditions in which the Company is operating.

The following factors explain this decrease in EBITDA:

- A marked decrease in discretionary purchases by a population that is increasingly in debt due to the high cost of fuel, commodity taxes and other expenses that households must assume;
- Increased competition between corporations in the food distribution sector;
- Colder weather than the previous period. The first quarter of 2012 was abnormally warm, which promoted greater attendance in restaurants and earlier opening of patios, whereas 2013 has seen abnormally adverse temperature conditions in all areas served by the Company;
- A major loss of nearly 40,000 jobs in Ontario and Quebec during the last quarter.

Measures announced and taken by the Company in 2012

The Company's fourth quarter MD&A extensively described its 2012 measures and initiatives taken to reduce costs.

Continuation of the action plan in 2013 to reduce operating costs

The Company is continuing to apply its action plan in 2013. Here are some actions it has taken:

- Launch of initiatives to stimulate higher-margin sales;
- Review of operations of the Eastern Quebec and New Brunswick division, including improvement of the supply chain among the warehouses of this division;
- Acquisition of T. Lauzon, the beef products specialist in Quebec in the foodservice industry;
- Transfer of meat-product purchasing from the Ontario Division and eastern Quebec to Lauzon.

In its fourth quarter MD&A, in relation to the measures taken in 2012, the Company assessed that its operating costs for the 2013 fiscal year will decrease by about $3.5M. However, the loss of a procurement contract of about $85M in Ontario as of April 2013 will result in cancelling this increase with respect to EBITDA.

Costs not relating to current operations

Note 6 to the financial statements provides a summary of costs not relating to current operations. This financial statement item in the statement of earnings includes aspects that are not recurrent with the Company's current operations.

These costs include:

• Direct costs related to acquisitions	$247,000
• Dividends received from Colabor Investments Inc.	($2,342,000)

Towards the end of 2012, Colabor Investments sold a major asset and realized a major gain which was paid to its shareholders as dividends. The Colabor Group holds 18% of Colabor Investments' shares.

• Impairment of the equity investment in Colabor Investments Inc.	$2,342,000

Considering that the investment in Colabor Investments is measured at fair value and that Colabor Investments has paid the gain realized on the sale of one of its assets as dividends, the Company recognized an impairment loss equivalent to the dividends received as this represents a permanent loss in value on this investment.

Total	$247,000

Recovery of deferred taxes

The recovery of deferred taxes results from the $4,503K loss before taxes. The Company continues to use the method it has used since its conversion to a corporation in 2009.

With respect to the litigation with the Canada Revenue Agency concerning its use of the anti-avoidance law to refuse tax losses acquired during its conversion, the Company has sent its arguments to the Anti-avoidance Committee and is awaiting its decision.

Earnings per share

In reviewing Colabor's financial statements, investors should consider that the statement of earnings includes significant depreciation and amortization expenses for property, plant and equipment and intangible assets resulting from Colabor's acquisitions in recent years, deferred tax expenses (described above) and a non-cash portion of the implicit interest on debentures included in finance costs. The depreciation, amortization and non-cash transactions have a major impact on the basic and diluted earnings per share calculation. Investors often compare the dividend per share to the basic and diluted earnings per share, this one is lower. *For a more in-depth analysis of Colabor, investors should also analyze basic cash flows per share, which are indicated below.*

The following table indicates the cash flow per share and dividend ratio calculation for the first quarter of 2013 compared to the first quarter of 2012. The table also shows the same calculation over a 365-day period. It is mainly this latter calculation that makes it possible for investors to analyze whether the Company's cash flows from current operations are sufficient and capable of supporting the dividend payment, since it is calculated on the basis of a complete period of activities, which eliminates seasonal variations. The first quarter is a perfect example.

After-tax cash flows per share

(unaudited, in thousands of dollars, except data per share)	2013-03-23 (82 days)	2012-03-24 (84 days)	2013-03-23 (365 days)
	$	$	$
Cash flows from operating activities before income tax withholdings and net change in working capital	2,075	5,493	31,317
Costs not relating to current operations	247		6,886
Finance costs paid	(2,323)	(2,150)	(10,150)
Non-cash portion of effective interest on long-term debt and debentures included in finance costs	167	158	699
Acquisition of property, plant and equipment	(632)	(226)	(3,564)
Acquisition of intangible assets			(509)
	(466)	3,275	24,679
Weighted average number of shares outstanding	24,057,583	23,061,348	23,303,187
After-tax cash flows per share	**$(0.02)**	**$0.14**	**$1.06**
Current period portion of annual dividend declared	$0.17	$0.17	$0.72
After-tax dividend payout ratio	**N/A**	**117%**	**68%**

The comparison between the first quarter and the performance of the last 12 months shows the seasonality of operations Colabor. It also demonstrates the ability of the Company to pay the expected dividend on an annual basis.

Earnings per share

(in thousands of dollars, except data per share)	2013-03-23 (82 days)	2012-03-24 (84 days)
	$	$
Earnings used for consolidated basic and diluted earnings per share	(3,358)	(736)
Weighted average number of shares outstanding to calculate basic and diluted earnings per share	24,057,583	23,061,348
Basic and diluted earnings per share	$(0.14)	$(0.03)

6.2 Other Comprehensive Income, Net of Taxes

Other comprehensive income
(unaudited, in thousands of dollars)

	2013-03-23 (82 days)	2012-03-24 (84 days)
	$	$
Earnings	(3,358)	(736)
Other comprehensive income that will be subsequently reclassified in earnings		
Financial asset available for sale		
Loss for the period	(2,362)	(1,531)
Reclassification in earnings	2,342	
Cash flow hedges – gain (loss) for the period	(149)	1,076
Taxes on other comprehensive income that will be subsequently reclassified in earnings	42	(81)
	(127)	(536)
Other comprehensive income that will not be reclassified in earnings		
Re-measurement of pension obligation	225	
Taxes on other comprehensive income that will not be reclassified in earnings	(59)	
	166	
Total other comprehensive income	39	(536)
Total comprehensive income	(3,319)	(1,272)

The investment in Colabor Investments is measured at fair value. Colabor Investments paid the gain realized on the sale of one of its assets as dividends, which largely explains the loss recognized by the Company in other aspects of comprehensive income. Because the dividends paid mean that the loss will be permanent, the portion of the loss from the dividend payment has been reclassified in earnings under “Costs not relating to current operations”.

6.3 Financial Position

Consolidated Statements of Financial Position
(in thousands of dollars)

	2013-03-23 (unaudited)	2012-03-24 (unaudited)
	$	$
ASSETS		
Current		
Trade and other receivables	124,117	112,129
Recoverable tax assets	2,974	2,855
Inventory	82,792	71,893
Prepaid expenses	3,024	3,311
Current assets	212,907	190,188
Non-current		
Equity investment in Colabor Investments Inc.	7,570	10,879
Derivative financial instrument		458
Property, plant and equipment	16,164	17,511
Intangible assets	140,585	152,561
Goodwill	115,696	116,508
Non-current assets	280,015	297,917
Total assets	492,922	488,105
LIABILITIES AND EQUITY		
LIABILITIES		
Current		
Bank overdraft	7,882	2,935
Trade and other payables	102,669	93,364
Rebates payable	12,749	13,233
Balances of purchase price payable	13,265	12,473
Deferred revenue	339	689
Current liabilities	136,904	122,694
Non-current		
Bank borrowings	100,004	120,614
Derivative financial instrument	216	
Balances of purchase price payable		250
Long-term debt	14,681	14,613
Convertible debentures	46,854	46,223
Pension obligation	2,109	1,370
Deferred income tax liabilities	7,010	8,304
Non-current liabilities	170,874	191,374
Total liabilities	307,778	314,068
EQUITY		
Share capital	208,645	179,652
Deficit	(24,831)	(8,139)
Other components of equity	1,330	2,524
Total equity	185,144	174,037
Total liabilities and equity	492,922	488,105

The main changes in the March 23, 2013 balance sheet, compared to the March 24, 2012 balance sheet, relate to the acquisition of assets and assumption of liabilities of Lauzon, acquired on March 4, 2013 and the issuance of shares, as described in Note 3 to the financial statements.

The decrease in goodwill is due to the fact that after March 24, 2012, the goodwill relating to Décarie was revised downward following the finalization of the purchase price allocation.

As at March 23, 2013, 27,089,321 common shares were issued and outstanding.

6.4 Cash Flows

Consolidated Tables of Cash Flows (unaudited, in thousands of dollars)	2013-03-23 (82 days)	2012-03-24 (84 days)
	$	$
Operating activities		
Earnings before income taxes	(4,503)	(982)
Depreciation of property, plant and equipment	1,219	1,004
Amortization of intangible assets	3,023	3,284
Finance costs	2,323	2,150
Stock-based compensation plan expenses	13	37
	2,075	5,493
Income tax withholdings	(174)	(332)
Net changes in working capital	(27,690)	(6,423)
Cash flows from operating activities	(25,789)	(1,262)
Investing activities		
Business acquisitions, net of cash acquired	(10,000)	(7,440)
Dividends received from Colabor Investments Inc.	2,342	
Purchase of property, plant and equipment	(632)	(226)
Cash flows from investing activities	(8,290)	(7,666)
Financing activities		
Bank borrowings	11,947	24,409
Issuance of shares	28,638	
Refund of advance received on dividends to be declared by Colabor Investments Inc.	(1,722)	
Dividends paid	(4,161)	(6,220)
Payment of balance of purchase price	(404)	(87)
Finance costs paid	(2,107)	(1,958)
Cash flows from financing activities	32,191	16,144
Net change in bank overdraft	(1,888)	7,216
Bank overdraft, beginning of period	(5,994)	(10,151)
Bank overdraft, end of period	(7,882)	(2,935)

Credit Facilities

The Company has entered into a five-year agreement, ending in 2016, with a banking syndicate for operating credit facilities for an authorized amount of $150M secured by a first-ranking hypothec on the Company's assets. An additional amount of $100M could also be available based on the Company's needs.

Under the terms of the credit agreement, the Company is required to maintain (i) a prescribed ratio of debt (excluding the convertible debentures and long-term debt) to EBITDA less than 3.25:1.00 and until the third quarter of 2013 and 3.00:1:00 thereafter, (ii) a prescribed ratio of EBITDA to finance costs greater than 3.50:1.00 and iii) a total debt/EBITDA ratio of 4.50:1:00.

As at March 23, 2013, these ratios were respectively 3.15:1, 4.06:1 and 4.66:1. Considering that the last of these ratios is above the ratio allowed by the banking syndicate, the Company received an exemption allowing it to exceed this ratio.

The analysis of the balance sheets as at March 23, 2013 and March 24, 2012 provided in section 6.3, Financial Position, shows the following facts:

- With respect to the bank loan:

  They have decreased by $20.6M, from $120.6M in 2012 to $100.0M in 2013;

- With respect to receivables:

  They have increased by $12.0M, from $112.1M in 2012 to $124.1M in 2013, mainly due to the acquisition of Lauzon;

- With respect to inventory:

  They have increased by $10.9M, from $71.9M in 2012 to $82.8M in 2013, mainly due to the acquisition of Lauzon.

Considering the above information, the Company has reduced its debt by a significant amount. The increase in receivables and inventory by $22.9M also increases the banking syndicate's guarantees since the operating credits are secured by a first mortgage on assets.

Dividends

Dividends of $4,161K and $4,876K were paid on January 15, 2013 and April 15, 2013 based on a quarterly dividend of $0.18 per share.

7. Summary of Past Quarters

('000)	2013-03-23	2012-12-31	2012-08-09	2012-06-16	2012-03-24	2011-12-31	2011-09-10	2011-06-18
	(82 days)	(114 days)	(84 days)	(84 days)	(84 days)	(112 days)	(84 days)	(84 days)
	$	$	$	$	$	$	$	$
Sales	293,580	464,280	350,341	354,294	297,933	431,664	324,760	317,411
EBITDA	2,309	11,977	11,022	10,651	5,456	12,513	10,554	10,227
Earnings	(3,358)	(2,005)	3,047	2,903	(736)	2,002	3,099	1,675
Basic net earnings per share	$(0.14)	$(0.09)	$0.13	$0.13	$(0.03)	$0.09	$0.14	$0.07

8. Related Party Transactions

Following the initial public offering on June 28, 2005, the Fund had indirectly acquired a 53.2% interest in Colabor LP, with the remaining 46.8% interest in Colabor LP being held by Colabor Investments Inc. ("Investments") as exchangeable Colabor LP units.

Subsequent to the conversion to a corporation, the conversion of debentures and subsequent issuance of shares, Investments now holds an undiluted 18.8% in Colabor Group Inc.

However, following the acquisition of Bertrand, RTD and Edfrex, Colabor Group Inc. now holds 18.12% of Colabor Investments Inc., which has a 5,087,349 equity investment in Colabor Group Inc.

Related party transactions include the following:

- Rebates to affiliated and preferred wholesalers of Investments at the rate of 3% of their sales, as provided in the agreement in effect until 2015.
- The Company leased the building in which its head office and the Boucherville distribution centre are located from Investments. On October 17, 2012, Investments disposed of the building;

All of these transactions were concluded in the normal course of business and are measured at the exchange amount.

Related party transactions (unaudited, in thousands of dollars)	2013-03-23 (82 days)	2012-03-24 (84 days)
	$	$
Rebates	1,984	2,003
Rent		468

9. Off-balance Sheet Transactions

The Company does not have any off-balance sheet transaction obligations, other than about $1,539,000 in bank letters of guarantee, of which the main one of $1,014,000 supports one year of leasing of the Boucherville distribution centre.

10. Current Economic Situation, Development Strategies and Outlook

Current Economic Situation

Colabor's activities are in Eastern Canada, principally in Quebec and Ontario. These regions continue to face a challenging economic situation, which is primarily due to fairly anaemic consumption, curbed by increases to sales tax, other taxes and tariffs and household debt. All of these aspects hinder household consumer spending.

However, the slowdown by household credit means that Canadians will be less active participants in economic growth in the coming quarters. On the one hand, residential investment will likely lose ground. On the other, consumer spending on durable goods will be slowed by consumers' desire to reduce their debt. Thus, the annual change to retail sales just slipped back into negative territory. (Desjardins-Economic News, April 3, 2013).

Furthermore, the difficult economic situation which is continuing in the United States and in a number of countries in the European Community could also contribute to rattling the Canadian economic environment.

Colabor has prepared its business plan, described below, and believes that the current situation could offer more business opportunities that it is prepared to analyse for their potential to provide added value for the shareholders.

Development Strategies

The Company's management is firmly convinced that there are major channels which could be used to increase its penetration of the food services market in Canada.

Consolidation of food distribution services

Food distribution services are still very fragmented in Eastern Canada, a situation that provides Colabor with opportunities to significantly increase its market share in regions where it is already present by undertaking highly synergetic acquisitions.

The Company could also acquire other affiliated-wholesalers' networks in Quebec and in the Atlantic Provinces. These acquisitions would make it possible to increase the density of its distribution network in Eastern Canada, thereby increasing operating profitability.

Affiliated-wholesalers network in Quebec and the Atlantic Provinces

Despite the economic slowdown, the loyal, entrepreneurial, customer-service-driven independent affiliated-wholesalers continue to perform well in their respective regions.

Related sectors

The Company's mission is to provide its customers with one-stop shopping in the food distribution services market.

In the future, the Company could add a fruit and vegetables, packaged goods, natural and organic products and ethnic products distribution network, as was the case in 2011 with the acquisition of Pêcheries Norref and more recently with the acquisition of the assets of Viandes Décarie and T. Lauzon Ltd.

Geographic expansion

At this time, the Company is not present in Western Canada. Since this region was experiencing the fastest economic growth in the country in recent years, there is no doubt that expansion into this region could be beneficial.

Outlook

Despite the economic downturn, in light of the Company’s small market share in certain major regions in Canada, such as Toronto and Montréal, these acquisition opportunities would make it possible for the Company to significantly increase its sales, purchasing power and ability to generate cost savings in order to increase its net income.

11. Risks and Uncertainties

The Company's activities are subject to numerous risks and uncertainties that are described in detail in its Annual Information Form. In addition to those risks, the Company wishes to emphasize the industry-related risks that could impact profitability and return on investments and that are beyond management’s control.

Industry-related risks that could impact profitability and that are not fully under management's control:

- *Dependence on affiliated-wholesalers*

  Sales generated by affiliated-wholesalers account for a significant portion (about 25%) of the Company's sales. The loss of a significant number of these wholesalers could have a negative impact on Colabor’s earnings.
  This risk has been mitigated by the execution of agreements to amend the affiliate agreements to provide for an initial ten-year period, renewal provisions for two additional terms of five years and also provide for the granting of a right of first refusal by the affiliated-wholesalers to Colabor LP on their businesses. However, there is no assurance that Colabor LP would be able to finance the exercise of such right of first refusal. Moreover, incentives are built in the contractual relationships existing between the affiliated-wholesalers, Colabor LP and Colabor Investments Inc. to encourage the affiliated-wholesalers to increase their purchases from Colabor.

- *Absence of long-term agreements between affiliated-wholesalers and their customers*

  In accordance with general industry practice, affiliated-wholesalers do not normally enter into long-term agreements with their customers. As a result, customers may, without notice or penalty, terminate their relationship with the affiliated-wholesalers. In addition, even if customers should decide to continue their relationship with the affiliated-wholesalers, there is no guarantee they will purchase the same volume of products as in the past or that they will pay the same price for those products as they have in the past. Any loss of customers by the affiliated-wholesalers, or decrease in the volume purchased or the price paid by them for products, could affect the Company’s sales and have an adverse effect on its financial condition and results of operations. In the past, affiliated-wholesalers, relying on their knowledge of their respective markets, have been able to differentiate themselves from their competitors by providing personalized services to their customers, in particular flexible delivery schedules and a product line tailored to their customers’ needs. In management’s view, there will be no change in this regard in the future.

- *Customer choices*

  Colabor's success also depends on the continuing interests of customers in its products. A change in customer choices could affect demand for Colabor’s products.

- *Client indebtedness*

  A challenging economic situation could limit client credit for purchases and discretionary products, which could lead to a decrease in sales in the food services distribution sector.

- *Dependence on Cara and other chains*

  Subsequent to the Summit acquisition, sales to Cara (including franchisees of Cara) represented a significant portion of the Company's sales. The loss of Cara as a customer, a decrease in purchases by Cara or a decrease in Cara's market share in the foodservice industry could have a material and adverse effect on the Company's financial condition, operating results and liquidity. This risk has been mitigated by the execution of a ten-year distribution agreement, with a five-year renewal option with Cara.

- *Integration of acquired companies*

  While some acquisitions are managed autonomously, others required significant rationalization measures. Difficulties encountered with such integrations could have an impact on the Company's results.

- *Product recall*

  Colabor could have to deal with product recalls due to sanitation issues encountered by certain manufacturers. Such recalls can trigger a decrease in sales of certain types of products for a period of time and cause a slump in sales figures. At this time, Colabor has the necessary mechanisms in place to quickly trace contaminated products, return them to the manufacturer and recover the cost of the contaminated products from these manufacturers.

- *Intensification of the competition in an economically challenging situation*

  To retain their market share, competitors have the tendency to lower their profit margins.

Return on investment

The return on an investment in Colabor Group Inc. is not comparable to the return on an investment in a fixed-income security. The return is based on many assumptions. Although the Company intends to pay quarterly dividends, such dividends may be reduced or suspended. The dividends paid will depend on numerous factors, in particular, the inherent industry risks described above and other risks described in the Company's Annual Information Form. Additionally, the market value of the shares could decline significantly if the Company is unable to respect its dividend payment objectives, in particular, non-compliance with the financial ratio requirements under the credit agreement described under the Cash Flows section.

Climate change

Colabor has very little climate change risk exposure.

12. Significant Accounting Estimates

Some of the amounts in the financial statements are based on estimates made by management using its knowledge of current or anticipated events and actual economic conditions. Significant estimates relate exclusively to the allowance for excess or obsolete inventory, accounting for rebates from suppliers, goodwill and intangible assets.

- *Allowance for excess or obsolete inventory*

  Inventory is valued at the lower of net realizable value or cost calculated using the first-in first-out method. The Company records an allowance for obsolescence that is calculated on the basis of assumptions relating to future demand for its products and conditions in the markets in which its products are sold. The allowance, which reduces inventory to the net realizable value, is then applied against inventory in the statement of financial position. Management has to make estimates and exercise judgement when determining these allowances. If actual market conditions are less favourable than management's assumptions, additional allowances may be required.

- *Accounting for rebates from suppliers*

  Colabor negotiates procurement contracts with its suppliers providing for the payment of rebates based on volumes purchased. The procurement contracts with suppliers are reviewed periodically and rebates adjusted according to prevailing market conditions.

- *Goodwill and intangible assets*

  Goodwill is the excess of the cost of an acquired enterprise over the net of the amounts assigned to assets acquired and liabilities assumed. Goodwill is not amortized. Each year, or more often if events or changes in circumstances indicate a decrease in fair value, it is tested for impairment. This impairment test consists of a comparison of the fair value of the Company's business with its carrying amount. If the carrying amount of the business exceeds its fair value, the Company compares the fair value of any goodwill relating to the business to its carrying amount. An impairment loss equal to the amount of the excess is charged to earnings. The fair value of the business is calculated using discounted cash flows.

  Intangible assets include customer relationships and trademarks among others. Customer relationships are amortized on the straight-line basis over their estimated useful lives of 20 years for relationships with affiliated-wholesalers, 15 years for customer relationships with Cara and 2 to 10 years for relationships with other customers. Trademarks are not amortized.

13. Disclosure Controls and Procedures and Internal Control Over Financial Reporting

As indicated in the December 31, 2012 MD&A, available on SEDAR at www.sedar.com, 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 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 December 31, 2012 and, on the basis of this assessment, they have concluded that the design and operation of ICFR and DC&P are efficient.

With respect to the acquisition of Lauzon (March 4, 2013), the Company has taken advantage of the provision NI 52-109 3.3(1) (b) to exclude the assessment of the design of DC&P for a maximum of 365 days.

Except with respect to this acquisition, the President and CEO and the Vice-President and CFO have concluded that no changes to internal controls over financial reporting affected materially, or are reasonably likely to materially affect, internal controls over financial reporting for the first quarter ended on March 23, 2013.

Here is the financial information related to this acquisition for the first quarter ended on March 23, 2013.

Sales:	$2.9M
Operating earnings before depreciation and amortization:	$0.05M
Current assets:	$8.7M
Non-current assets:	$1.0M
Current liabilities:	$8.0M
Non-current liabilities:	$1.7M