COLABOR GROUP INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

SECOND QUARTER OF THE 2014 FISCAL YEAR

84-DAY PERIOD ENDED JUNE 14, 2014

JULY 17, 2014

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JULY 17, 2014

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 second quarter of the fiscal year ending December 27, 2014. 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 the last Saturday of December. As a result, the Company's sales and earnings are 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 earnings before costs not relating to current operations, depreciation and amortization". Since these concepts are not defined in IFRS, they may not be comparable with those of other companies.

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 (restaurants, restaurant chains, hotels and cafeterias) and 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 Maritimes.

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), Country Style, 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, with about 500 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. 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.

3. Colabor Eastern Quebec and Maritimes Division

Colabor Eastern Quebec and Maritimes 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 500 people, distributes over 12,000 products from its two strategically located warehouses in Lévis, and Rimouski, totalling approximately 341,000 square feet. This division's customers consist primarily of restaurants, 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, fish and seafood, fruits and vegetables, disposables and sanitation products. It therefore offers its customers a "one-stop-shop" solution.

4. 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 is recognized as the leading distributor of this type in Quebec.

Norref operates from an HACCP-certified distribution centre in Montréal of about 40,000 square feet, and distributes a full range of fresh and frozen fish and seafood. Its diversified client base is comprised of supermarkets, restaurants, hotels, caterers and fish stores. It has about 210 employees and 50% of its sales are from medium-term contracts.

5. Lauzon Meats (Central Quebec Division)

Lauzon is a major distributor of Cargill beef brands such as Angus Pride, Sterling Silver, preparing and processing high quality meat products for 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. Lauzon operates from a recently renovated 68,000 square-foot HACCP-certified and 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 and non-food products that it supplies to wholesalers that, in turn, redistribute these products to over 25,000 customers operating in the foodservice and retail 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 distributors ("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.

(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, which employs about 100 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. Décarie has a distribution centre of about 27,000 square feet located in Montréal. As a wholesaler, this division distributes a wide range of fresh and frozen meat including beef, veal, lamb, pork and poultry. It has a diversified customer base of distributors, food retailers and specialty butchers. Décarie's facilities are HACCP-certified and hold a federal permit giving them the opportunity to sell their products across Canada.

5. Main Resources and Competencies:

5.1 Board of Directors

	Role	Occupation
Robert Panet-Raymond	Interim Chairman and Chairman, Audit Committee	Corporate Director
Richard Lord, FCMA	Chairman, Human Resources and Corporate Governance Committee	President and Chief Executive Officer, Quincaillerie Richelieu Ltée
Stéphane Gonthier	Director	President and Chief Executive Officer, 99¢ Only Stores
Paul Webb	Director	Executive Vice-President and General Manager, J.B. Cadrin Inc., a division of Beaudry & Cadrin Inc.
Alain Brisebois	Director	Senior Vice-President and Chief Commercial Officer, RONA Inc.
Robert Cloutier	Director	Corporate Director

5.2 Management

Claude Gariépy	President and Chief Executive Officer	Colabor Group Inc.
Jean-François Neault CPA, CMA, MBA	Vice-President and Chief Financial Officer	Colabor Group Inc.
Marko Potvin	Vice-President Centralized Purchasing	Colabor Group Inc.
Michel Delisle	Vice-President Information Technology	Colabor Group Inc.
Denis Desaulniers, CRHA	Vice-President Human Resources and Communications	Colabor Group Inc.
Jack Battersby	President	Ontario Division
Claude Saillant	Vice-President and General Manager	Eastern Quebec and Maritimes Division

6. Performance Analysis

6.1 Earnings

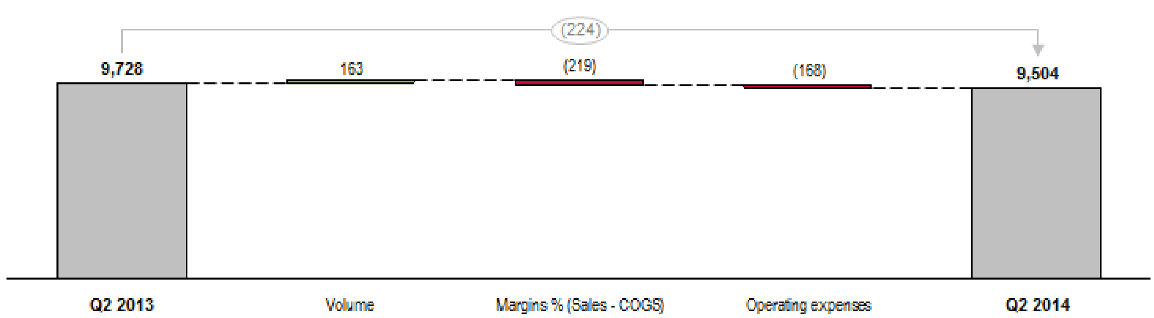
Second quarter net income was $1.6M, compared with $2.3M for the same period in the previous year. Net earnings per share are $0.06 per share, compared with $0.09 in 2013.

Consolidated Statements of Earnings

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

	2014-06-14 (84 days)		2013-06-15 (84 days)		Variance	
	$		$		$	
Sales of goods	**347,200**	**100.00%**	**345,817**	**100.00%**	**1,383**	**0.40%**
Operating expenses, excludind costs not relating to current operations, depreciation and amortization	337,696	97.26%	336,089	97.19%	1,607	0.48%
Operating earnings before costs not relating to current operations, depreciation and amortization	9,504	2.74%	9,728	2.81%	(224)	-2.30%
Costs not relating to current operations		0.00%		0.00%		S/O
Depreciation of property, plant and equipment	1,013	0.29%	896	0.26%	117	13.06%
Amortization of intangible assets	3,466	1.00%	3,491	1.01%	(25)	-0.72%
	4,479	1.29%	4,387	1.27%	92	2.10%
Operating earnings	5,025	1.45%	5,341	1.54%	(316)	-5.92%
Finance costs	2,823	0.81%	2,146	0.62%	677	31.55%
Earnings before tax	2,202	0.64%	3,195	0.92%	(993)	-31.08%
Deferred income taxes	572	0.16%	805	0.23%	(233)	-28.94%
Earnings	1,630	0.48%	2,390	0.69%	(760)	-31.80%
Basic and diluted earnings per share	$0.06		$0.09			

Variance analysis of the earnings before costs not relating to current operations, depreciation and amortization
(unaudited, in thousand of dollars)



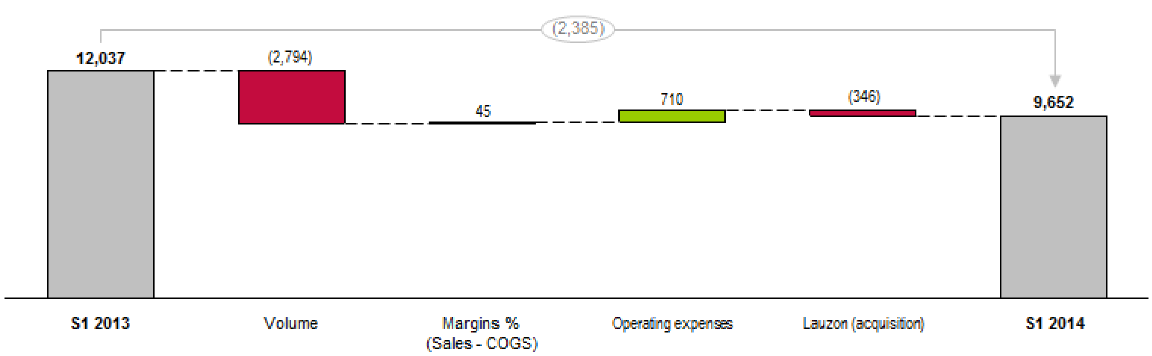
The cumulative net loss is $3.9M compared with $1M on the same date in the prior year. The net loss per share is $0.15 per share, compared with $0.04 in 2013.

Consolidated Statements of Earnings

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

	2014-06-14 (165 days)		2013-06-15 (166 days)		Variance	
	$		$		$	
Sales of goods	**626,518**	**100.00%**	**639,397**	**100.00%**	**(12,879)**	**-2.01%**
Operating expenses, excludind costs not relating to current operations, depreciation and amortization	616,866	98.46%	627,360	98.12%	(10,494)	-1.67%
Operating earnings before costs not relating to current operations, depreciation and amortization	9,652	1.54%	12,037	1.88%	(2,385)	-19.81%
Costs not relating to current operations		0.00%	247	0.04%	(247)	-100.00%
Depreciation of property, plant and equipment	1,988	0.32%	2,115	0.33%	(127)	-6.00%
Amortization of intangible assets	6,745	1.08%	6,514	1.02%	231	3.55%
	8,733	1.40%	8,876	1.39%	(143)	-1.61%
Operating earnings	919	0.14%	3,161	0.49%	(2,242)	-70.93%
Finance costs	6,214	0.99%	4,469	0.70%	1,745	39.05%
Earnings before tax	(5,295)	-0.85%	(1,308)	-0.21%	(3,987)	S/O
Deferred income taxes	(1,359)	-0.22%	(340)	-0.05%	(1,019)	S/O
Earnings	(3,936)	-0.63%	(968)	-0.16%	(2,968)	S/O
Basic and diluted earnings per share	$(0.15)		$(0.04)			

Variance analysis of the earnings before costs not relating to current operations, depreciation and amortization
(unaudited, in thousand of dollars)



Sales

Comparable sales (unaudited, in thousands of dollars)

	Distribution Segment				Wholesale Segment				Consolidated			
	2014-06-14 (84 days)	2013-06-15 (84 days)	Variance		2014-06-14 (84 days)	2013-06-15 (84 days)	Variance		2014-06-14 (84 days)	2013-06-15 (84 days)	Variance	
	$	$	$	%	$	$	$	%	$	$	$	%
Total sales	226,156	229,063	(2,907)	-1.3%	121,044	116,754	4,290	3.7%	347,200	345,817	1,383	0.4%
Acquisitions												
Specific items		(1,138)	1,138							(1,138)	1,138	
Adjustment for one day												
Comparable sales	226,156	227,925	(1,769)	-0.8%	121,044	116,754	4,290	3.7%	347,200	344,679	2,521	0.7%

Segment sales of goods (unaudited, in thousands of dollars)

	2014-06-14 (84 days)	2013-06-15 (84 days)	Variance	
	$	$	$	%
Sales before elimination				
Distribution Segment	233,101	233,936	(835)	-0.4%
Wholesale Segment	162,685	158,439	4,246	2.7%
	395,786	392,375	3,411	0.9%
Inter-Segment Sales				
Distribution Segment	6,945	4,873	2,072	42.5%
Wholesale Segment	41,641	41,685	(44)	-0.1%
	48,586	46,558	2,028	4.4%
Consolidated sales				
Distribution Segment	226,156	229,063	(2,907)	-1.3%
Wholesale Segment	121,044	116,754	4,290	3.7%
	347,200	345,817	1,383	0.4%

Second quarter sales amounted to $347.2M, compared with $345.8M in the same quarter in 2013, up $1.3M or 0.4%.

The sales growth is primarily attributable to the wholesale segment, partially offset by a decline in the distribution segment. Second quarter sales in 2014 are substantially comparable with those in 2013 due to the combined effect of three events in the first quarter of 2013: the Lauzon acquisition, the loss of a major client in Ontario, whose impact was mostly felt in the first quarter, and discontinuation of a significant portion of tobacco product sales.

The 3.7% growth in the wholesale segment is solely attributable to this segment's meat product sales, which largely offset negative growth in sales to affiliated distributors.

The distribution segment experienced a decline in sales in the second quarter of 2014, primarily as a result of lower demand due to the slow start to the summer season and the loss of clients in Ontario, partially offset by sustained growth in the fresh fish division.

Sales

Comparable sales (unaudited, in thousands of dollars)

	Distribution Segment				Wholesale Segment				Consolidated			
	2014-06-14 (165 days)	2013-06-15 (166 days)	Variance		2014-06-14 (165 days)	2013-06-15 (166 days)	Variance		2014-06-14 (165 days)	2013-06-15 (166 days)	Variance	
	$	$	$	%	$	$	$	%	$	$	$	%
Total sales	413,795	433,954	(20,159)	-4.6%	212,723	205,443	7,280	3.5%	626,518	639,397	(12,879)	-2.0%
Acquisitions	(5,003)		(5,003)		(7,628)		(7,628)		(12,631)		(12,631)	
Specific items		(20,775)	20,775							(20,775)	20,775	
Adjustment for one day		(2,590)	2,590			(1,082)	1,082			(3,672)	3,672	
Comparable sales	408,792	410,589	(1,797)	-0.4%	205,095	204,361	734	0.4%	613,887	614,950	(1,063)	-0.2%

Segment sales of goods (unaudited, in thousands of dollars)

	2014-06-14 (165 days)	2013-06-15 (166 days)	Variance	
	$	$	$	%
Sales before elimination				
Distribution Segment	426,390	442,352	(15,962)	-3.6%
Wholesale Segment	286,327	279,388	6,939	2.5%
	712,717	721,740	(9,023)	-1.3%
Inter-Segment Sales				
Distribution Segment	12,595	8,398	4,197	50.0%
Wholesale Segment	73,604	73,945	(341)	-0.5%
	86,199	82,343	3,856	4.7%
Consolidated sales				
Distribution Segment	413,795	433,954	(20,159)	-4.6%
Wholesale Segment	212,723	205,443	7,280	3.5%
	626,518	639,397	(12,879)	-2.0%

Year-to-date sales were $626.5M compared with $639.4M for 2013, down $12.9M or 2%. The drop can be explained primarily by lower first quarter sales because of the combined effect of the loss of a major client in Ontario in April 2013, the discontinuation of a major portion of tobacco product sales in February 2013 and significantly lower demand in the first quarter of 2014, primarily due to an unusually harsh winter and difficult economic environment, partially offset by the Lauzon acquisition.

Year-to-date comparable sales in the wholesale segment were slightly up thanks to strong meat product sales that amply offset slower sales of other product classes to affiliated distributors. The loss of specific contracts by affiliated distributors explains this decline.

Comparable sales in the distribution segment are slightly down to date primarily because of lower demand due to a slow start to the summer season and negative sales growth in Ontario during the second quarter.

Operating earnings before costs not relating to current operations, depreciation and amortization (EBITDA)

In the second quarter of 2014, the EBITDA was $9.5M or 2.74% of sales, compared with $9.7M or 2.81% of sales in the same period in 2013. The slight decrease in EBITDA is mainly attributable to the negative combined effect of slightly lower margins and the increased operational costs counterbalanced by the positive impact that a higher volume in sales had on the EBITDA.

The decrease in margins in % of sales originates mainly from the wholesale segment, as the increase in operational charges comes from the increase in selling expenses related to our initiatives put in place in order to stimulate the organic growth, partially compensated by the positive impact of the decrease in warehousing and delivery costs.

The year to date EBITDA is $9.7M or 1.54% of sales, compared with $12.0M or 1.88% in 2013. On a cumulative basis, lower profitability is mainly due to the combined effect of lower comparable sales of non-perishables in the wholesale segment, the loss of a major client in Ontario and the negative contribution of the Lauzon acquisition to consolidated earnings in the first quarter, partially offset by lower warehousing and delivery costs.

Costs not relating to current operations

In 2014, no costs not relating to current operations were recognized. Costs not relating to current operations in the comparable period in 2013 relate to costs incurred for the acquisition of Lauzon.

Depreciation and amortization of property, plant and equipment

The $4.5M depreciation and amortization expense for property, plant and equipment and intangible assets for the second quarter is stable compared with 2013. The increase in the amortization of intangible assets compared with 2013 is mainly due to the Lauzon acquisition.

Financial expenses

Financial expenses in the second quarter of 2014 were $2.8M, up $0.7M from $2.1M in 2013. This increase can be explained primarily by the combined effect of higher weighted interest rates between long-term debt and the bank loan and the increase in the amortization expenses of the new credit agreement.

Cumulative financial expenses for 2014 amounted to $6.2M, up $1.7M from $4.5M for 2013. This increase can be explained primarily by the combined effect of higher weighted interest rates between long-term debt and the bank loan, the increase in the amortization expenses of the new credit agreement and the write-off of deferred transaction costs following repayment of the long-term debt and the conclusion of an interest rate swap, partially offset by a decrease in the average total debt.

Recovery of deferred taxes

The deferred tax recovery for the year to date results from the loss.

In March 2013, the Company sent its arguments to the General Anti-avoidance Rule Committee with respect to the draft notice of assessment from the Canada Revenue Agency using the general anti-avoidance rule to refuse tax losses acquired during the Company's conversion from an income trust to a corporation. The Company is still waiting for a decision.

Earnings per share

The net gain per share in the second quarter of 2014 is $0.06 per share, compared with a $0.09 per share gain in the second quarter of 2013, a $0.03 decrease per share.

6.2 Financial Position

Consolidated Statements of Financial Position
(in thousands of dollars)

	2014-06-14 (unaudited)	2013-06-15 (unaudited)	2013-12-31
ASSETS	**$**	**$**	**$**
Current			
Trade and other receivables	117,123	119,378	114,803
Recoverable tax assets	3,052	2,964	2,853
Inventory	79,862	89,481	80,243
Prepaid expenses	4,483	4 748	1,996
Current assets	204,520	216,571	199,895
Non-current			
Equity investment in Colabor Investments Inc.	4,324	4,432	5,113
Derivative financial instrument		37	
Property, plant and equipment	16,298	18,704	16,615
Intangible assets	126,144	137,231	131,112
Goodwill	115,065	115,696	115,065
Non-current assets	261,831	276,100	267,905
Total assets	466,351	492,671	467,800
LIABILITIES AND EQUITY			
LIABILITIES			
Current			
Bank overdraft	5,185	11,104	6,828
Trade and other payables	93,814	120,647	84,684
Rebates payable	8,708	13,518	8,663
Balances of purchase price payable	761	13,265	11,496
Bank borrowings	6,000		
Obligations under leases	182		
Deferred revenue	241	198	41
Provisions	831		1,111
Current liabilities	115,722	158,732	112,823
Non-current			
Bank borrowings	85,626	85,358	108,684
Derivative financial instrument			78
Long-term debt	42,125	14,697	14,737
Convertible debentures	47,699	47,008	47,373
Obligations under leases	695		
Pension obligation	1,292	1,523	520
Provisions	4,068		4,365
Deferred income tax liabilities	3,731	6,891	5,407
Non-current liabilities	185,236	155,477	181,164
Total liabilities	300,958	314,209	293,987
EQUITY			
Share capital	208,622	208,634	208,622
Deficit	(45,295)	(28,972)	(37,439)
Other components of equity	2,066	(1,200)	2,630
Total equity	165,393	178,462	173,813
Total liabilities and equity	466,351	492,671	467,800

Credit Facilities

On January 31, 2014, the Company entered into two agreements to refinance its current credit facilities. These agreements will provide the Company with greater financial flexibility and operational leeway in accordance with its business model.

First, a bank syndicate overseen by BMO Bank of Montreal has granted Colabor a maximum credit facility of $140M for a three-year period. This credit facility includes an “accordion” feature to increase the authorized amount by $30M, subject to certain conditions. The Company was also granted term credit facilities for a maximum amount of $18M, to be used for special purposes and repayable over a 24-month period from the time they are used, should this occur.

Second, the Company reached a loan agreement for a total principal amount of $42.5M.

These two agreements were used in part to repay a $15M loan concluded by the Company in December 2011.

To secure each of these credit facilities, the Company, its subsidiaries and related entities have agreed to hypothecs on the universality of their property in favour of each of these lender groups.

Under certain circumstances, the Company is required to satisfy a fixed charge coverage ratio. As at June 14, 2014, the Company was in compliance with this ratio.

Average indebtedness

In reviewing the statement of cash flows, investors should consider that it is more relevant to assess fluctuations in indebtedness using the average daily indebtedness for the period, rather than the balance at period-end which is subject to greater volatility.

Also, considering management’s focus on reducing debt, this method is more suited to assessing progress made in this regard.

For the second quarter, average daily indebtedness was $90M compared with an average of $96M in the first quarter. The variance is due primarily to cash flows generated internally during the quarter before changes in working capital.

Average indebtedness for the second quarter of 2014 compared with the same period in 2013 was, respectively, $90M compared to $115M, a $25M decrease. The variance is mainly due to equity issued net of acquisitions, a decrease in working capital and the generation of free cash flows from dividend payments.

Capital stock

As at June 14, 2014 and June 15, 2013, there were 27,089,321 issued and outstanding common shares.

Dividends

In accordance with its dividend policy, on May 1, 2014, the Company's Board of Directors declared a quarterly dividend of $0.06 per common share which was paid on June 16, 2014 to shareholders of record as at May 30, 2014.

6.3 Cash Flows

Consolidated cash flows (unaudited, in thousands of dollars)	2014-06-14 (84 days)	2013-06-15 (84 days)	2014-06-14 (165 days)	2013-06-15 (166 days)
	$	$	$	$
Operating activities				
Earnings before income taxes	2,202	3,195	(5,295)	(1,308)
Depreciation of property, plant and equipment	1,013	896	1 988	2,115
Amortization of intangible assets	3,466	3,491	6,745	6,514
Gain on disposal of property, plant and equipment	(93)		(93)	
Change in provisions	(335)		(695)	
Finance costs	2,823	2,146	6,214	4,469
Stock-based compensation plan expenses	40	13	65	26
	9,116	9,741	8,929	11,816
Income tax withholdings	(92)	10	(199)	(164)
Net change in working capital	(7,424)	12,109	4,817	(15,581)
Cash flows from operating activities	1,600	21,860	13,547	(3,929)
Investing activities				
Business acquisitions, net of cash acquired				(10,000)
Dividends received from Colabor Investments Inc.				2,342
Purchase of property, plant and equipment	(499)	(3,436)	(772)	(4,068)
Disposal of property, plant and equipment	125		133	
Purchase of intangible assets	(858)	(137)	(1,777)	(137)
Cash flows from investing activities	(1,232)	(3,573)	(2,416)	(11,863)
Financing activities				
Bank borrowings	4,075	(14,632)	(17,380)	(2,685)
Lease payment	(54)		(62)	
Issuance of shares		(11)		28,627
Dividends paid	(3,251)	(4,876)	(3,251)	(9,037)
Refund of advance received on dividends to be declared by Colabor Investments Inc.				(1,722)
Payment of balance of purchase price			(10,735)	(404)
Repayment of long-term debt			(15,000)	
Net issuance of long-term debt			42,087	
Finance costs paid	(2,412)	(1,990)	(5,147)	(4,097)
Cash flows from financing activities	(1,642)	(21,509)	(9,488)	10,682
Net change in bank overdraft	(1,274)	(3,222)	1,643	(5,110)
Bank overdraft, beginning of period	(3,911)	(7,882)	(6,828)	(5,994)
Bank overdraft, end of period	(5,185)	(11,104)	(5,185)	(11,104)

Operating activities

Cash flows from operating activities in the second quarter are a positive amount of $1.6M, compared with $21.9M for the same period in 2013. The $20.3M variance is essentially attributable to the sequential change in receivables which, in the second quarter of 2013, generated cash following the loss of a major client and discontinuation of tobacco products.

In the first two quarters, cash flows from operating activities are a positive amount of $13.5M, compared with a negative amount of $3.9M for the same period in 2013. The more than $17.5M variance is essentially attributable to the change in working capital. In addition to the previously mentioned matters, the variance is also due to an unusually high level of accounts payable as at December 31, 2012. The decline in accounts payable did not recur in 2014.

Investing activities

Cash flows used for investing activities in the second quarter amounted to $1.2M, compared with $3.6M for the same period in 2013. The change is primarily due to non-recurring investments in 2013 relating to the HACCP certification process for the fresh fish division.

Cash flows used for investing activities in the year to date amounted to $2.4M, compared with $11.9M for the same period in 2013. The $9.5M variance is essentially attributable to the Lauzon acquisition and investments for the fresh fish division. The primary acquisitions in 2014 are the signing of long-term procurement agreements.

Financing activities

Cash flows from financing activities of $1.6M in the second quarter are negative, compared with $21.5M for the same period in 2013. For the most part, changes in the bank borrowings and the dividend explain the variance.

Cash flows from financing activities of $9.5M for the year to date are negative, compared with a positive $10.7M for the same period in 2013. The major portion of this variance is attributable to three events: the $28.6M share issue in the first quarter of 2013, the new $42.5M subordinated debt which was offset by repayment of $15M of the old subordinated debt in January 2014 and the dividend decrease.

7. Summary of Past Quarters

('000)	2014-06-14 (84 days)	2014-03-22 (81 days)	2013-12-31 (115 days)	2013-09-07 (84 days)	2013-06-15 (84 days)	2013-03-23 (82 days)	2012-12-31 (114 days)	2012-08-09 (84 days)
	$	$	$	$	$	$	$	$
Sales	347,200	279,318	456,489	343,584	345,817	293,580	464,280	350,341
EBITDA	9,504	148	11,761	10,228	9,728	2,309	11,977	11,022
Earnings	1,630	(5,566)	(1,978)	(3,883)	2,390	(3,358)	(2,441)	3,047
Basic net earning per share	$0.06	$(0.21)	$(0.07)	$(0.14)	$0.09	$(0.14)	$(0.11)	$0.13

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 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.

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)	2014-06-14 (84 days)	2013-06-15 (84 days)	2014-06-14 (165 days)	2013-06-15 (166 days)
	$	$	$	$
Rebates	3,155	3,330	5,515	5,905

9. Off-balance Sheet Transactions

The Company does not have any off-balance sheet transaction obligations, other than about $1,014,000 in bank letters of guarantee supporting the leasing of one of the Company's distribution centres.

10. Current Economic Situation, Development Strategies and Outlook

Current Economic Situation

Colabor’s activities are in Eastern Canada, principally in Quebec and Ontario. The economic situation in these regions has slowed down, particularly in Quebec, which is primarily due to fairly anaemic consumption, curbed by tax and tariff increases, household debt and a stagnating job situation in Quebec. All of these aspects hinder discretionary household consumer spending.

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 shareholders.

Development Strategies

The Company's management is firmly convinced that there are major channels which could be used to increase, when circumstances permits, its entry into 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, Ontario and the Atlantic Provinces. These acquisitions would make it possible to increase the density of its distribution network in Eastern Canada, thereby increasing operating profitability.

Geographic expansion

At this time, the Company is not present in Western Canada. Since this region is 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 metropolitan 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 20%) 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 amendments to the affiliate agreements to provide for an initial ten-year period and 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 into 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.

  To date, Colabor has signed five agreements with distributors prior to their expiration, including the two most significant distributors. Extending these agreements on a long-term basis as procurement agreements represents about 41% of sales to affiliated distributors.

- *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.

- *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.

- *Market price sensitivity s of some commodities*

  Colabor may be faced with sudden inflationary changes in the commodity price index of some commodities such as beef, pork, fuel and others. In the short term, these fluctuations could create pressure on margins.

- *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.

Climate change

Colabor has very little world climate change risk exposure. However, the daily temperature affects the Company's quarterly economic performance.

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 current economic conditions.

Impairment of trade and other receivables

The amount recognized as impairment of trade and other receivables is based on management's assessment of the risks associated with each trade and other receivable with reference to losses incurred in prior periods, collection experience and the impact of the current and expected economic conditions.

Supplier rebates

Supplier rebates recognized are estimated on the basis that the necessary conditions for obtaining the rebates are satisfied.

Impairment of available-for-sale financial assets

Management assesses whether there are any indications of impairment of the available-for-sale financial asset at each reporting date. When management determines that the asset is impaired, the cumulative loss recognized in other comprehensive income is reclassified to earnings.

Inventory valuation

Inventory is measured at the lower of cost and net realizable value. In estimating net realizable value, management takes into account the most reliable evidence available at the time the estimates are made. The quantity, age and condition of inventory are measured and evaluated regularly during the year.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date based on the expected utility of the assets to the Company. Actual results, however, may vary due to technical obsolescence, particularly for distribution software and hardware.

Impairment of trademarks and goodwill

An impairment loss is recognized for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial years.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax losses. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Business Combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated statement of financial position at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as an adjustment in the measurement period. Any other change would be recognized in the income statement in the subsequent period.

Pension obligation

Management estimates the pension obligation annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of its pension obligations is based on rates of inflation and mortality that management considers to be reasonable. It also takes into account the Company's specific anticipation of future salary increases, retirement ages of employees and other actuarial factors. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist, which may vary significantly in future appraisals of the Company's defined benefit obligations.

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

As indicated in the December 31, 2013 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, 2013 and, on the basis of this assessment, they have concluded that the design and operation of ICFR and DC&P are efficient.

14. Subsequent event

On July 3, 2014, the Company finalized an agreement to settle litigation under which it was the subject of a motion for partial cancellation of an arbitration award in June 2009 and an appeal of a 2013 Superior court ruling, the Company has reached an agreement with the counterparty to definitively conclude all outstanding cases under the following terms: $1,000,000 payable on July 4, $1,000,000 plus accrued interest at 4% payable on January 2, 2015 and $500,000 plus accrued interest at 4% payable on March 31, 2015. As amounts have already been recognized in its accounts, the Company will be required to record an estimated $1,100,000 of not relating to current operations costs in its statement of earnings of the third quarter of 2014.