COLABOR

Interim consolidated Financial Statements
(unaudited)
Second Quarter of 2017
(in thousands of Canadian dollars)

COLABOR

Interim Consolidated Statements of Earnings (loss)

(unaudited)

For the 84 and 168-day periods ended June 17, 2017 and June 11, 2016

(in thousands of Canadian dollars, except per-share amounts)

		84 days		168 days	
	Note	**2017**	**2016**	**2017**	**2016 (note 8)**
		$	**$**	**$**	**$**
Sales	3	331,372	342,979	598,559	627,791
Operating expenses, excluding costs not related to current operations, depreciation and amortization		322,354	332,905	588,641	615,812
Operating earnings before costs not related to current operations, depreciation and amortization		9,018	10,074	9,918	11,979
Costs not related to current operations	4	467	-	1,336	3,337
Depreciation and amortization		2,541	2,653	5,080	5,372
		3,008	2,653	6,416	8,709
Operating earnings	3	6,010	7,421	3,502	3,270
Financial expenses		1,758	3,044	3,572	6,038
Earnings (loss) before taxes		4,252	4,377	(70)	(2,768)
Income taxes expense (recovery)		1,155	1,304	279	(543)
Net earnings (loss)		3,097	3,073	(349)	(2,225)
Basic and diluted net earnings (loss) per share	5	0.03	0.11	(0.00)	(0.08)

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

COLABOR

Interim Consolidated Statements of Comprehensive income (loss)

(unaudited)

For the 84 and 168-day periods ended June 17, 2017 and June 11, 2016

(in thousands of Canadian dollars, except per-share amounts)

	84 days		168 days	
	2017 **$**	**2016** **$**	**2017** **$**	**2016** **$**
Net earnings (loss) for the period	3,097	3,073	(349)	(2,225)
Other comprehensive loss that will be subsequently reclassified to earnings				
Available-for-sale financial asset				
Loss for the period	(223)	(96)	(399)	(56)
Taxes on other comprehensive loss	29	12	53	7
	(194)	(84)	(346)	(49)
Other comprehensive loss that will not be reclassified to earnings				
Remeasurement of pension obligation	(776)	(446)	(776)	(803)
Taxes on other comprehensive loss	208	119	208	190
	(568)	(327)	(568)	(613)
Total other comprehensive loss	(762)	(411)	(914)	(662)
Total comprehensive income (loss)	2,335	2,662	(1,263)	(2,887)

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Interim Consolidated Statements of Changes in Equity

(unaudited)

For the 84 and 168-day periods ended June 17, 2017 and June 11, 2016

(in thousands of Canadian dollars, except per-share amounts)

	Share capital $	Convertible debenture conversion options $	Contributed surplus $	Other comprehensive income $	Deficit $	Total Equity $
Balance as at December 31, 2016	258,000	1,742	2,168	175	(145,632)	116,453
Net loss for the period	-	-	-	-	(349)	(349)
Other comprehensive loss	-	-	-	(346)	(568)	(914)
Total comprehensive loss	-	-	-	(346)	(917)	(1,263)
Shares issued during the year	5	-	-	-	-	5
Stock-based compensation plan	-	-	(121)	-	-	(121)
Balance as at June 17, 2017	258,005	1,742	2,047	(171)	(146,549)	115,074

	Share capital $	Convertible debenture conversion options $	Contribute d surplus $	Other comprehensive income $	Deficit $	Total Equity $
Balance as at December 26, 2015	209,972	1,742	1,880	(507)	(145,770)	67,317
Net loss for the period	-	-	-	-	(2,225)	(2,225)
Other comprehensive loss	-	-	-	(49)	(613)	(662)
Total comprehensive loss	-	-	-	(49)	(2,838)	(2,887)
Stock-based remuneration plan	-	-	107	-	-	107
Balance as at June 11, 2016	209,972	1,742	1,987	(556)	(148,608)	64,537

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COLABOR

Interim Consolidated Statements of Cash Flows

(unaudited)

For the 84 and 168-day periods ended June 17, 2017 and June 11, 2016

(in thousands of Canadian dollars, except per-share amounts)

		84 days		168 days	
	Note	**2017** **$**	**2016** **$**	**2017** **$**	**2016** **$**
Operating activities					
Net earnings (loss)		3,097	3,073	(349)	(2,225)
Deferred income taxes		771	1,070	64	(777)
Depreciation and amortization		2,541	2,653	5,080	5,372
Finance costs		1,758	3,044	3,572	6,038
Other		(131)	(325)	(603)	(578)
		8,036	9,515	7,764	7,830
Net changes in working capital		(5,797)	(17,014)	(10,058)	(13,163)
Cash flows from operating activities		2,239	(7,499)	(2,294)	(5,333)
Investing activities					
Purchase of property, plant and equipment		(161)	(125)	(481)	(200)
Disposal of property, plant and equipment		24	168	37	188
Purchase of intangible assets		(203)	(32)	(319)	(93)
Other		55	69	77	89
Cash flows from investing activities		(285)	80	(686)	(16)
Financing activities					
Change in long-term debt	6	487	9,485	7,350	9,393
Lease payments		(154)	(130)	(291)	(211)
Share issuance		-	-	5	-
Finance costs paid		(1,558)	(2,679)	(3,169)	(5,305)
Cash flows from financing activities		(1,225)	6,676	3,895	3,877
Net change in bank overdraft		729	(743)	915	(1,472)
Bank overdraft at the beginning of the period		(7,283)	(4,835)	(7,469)	(4,106)
Bank overdraft at the end of the period		(6,554)	(5,578)	(6,554)	(5,578)

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

COLABOR

Interim Consolidated Statements of Financial Position

(unaudited)

(in thousands of Canadian dollars, except per-share amounts)

	Notes	As at June 17, 2017 $	As at December 31, 2016 $
Assets			
Current			
Trade and other receivables		110,802	99,981
Inventories		86,563	83,246
Prepaid expenses		3,339	3,081
Other		2,189	1,830
Current assets		202,893	188,138
Non-current			
Property, plant and equipment		12,377	13,128
Intangible assets		52,351	55,593
Goodwill		84,130	84,130
Deferred tax assets		2,148	2,015
Other		1,204	1,693
Non-current assets		152,210	156,559
Total assets		355,103	344,697
Liabilities			
Current			
Bank overdraft		6,554	7,468
Trade and other payables		109,394	105,314
Current portion of long-term debt	6	644	550
Other		1,049	654
Current liabilities		117,641	113,986
Non-current			
Long-term debt	6	68,883	61,211
Convertible debentures		48,978	48,870
Pension obligation		1,366	662
Provisions		2,707	2,998
Deferred income tax liabilities		454	517
Non-current liabilities		122,388	114,258
Total liabilities		240,029	228,244
Equity			
Equity attributable to shareholders		115,074	116,453
Total liabilities and equity		355,103	344,697

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

The Board of Directors approved and authorized the publication of the interim consolidated financial statements with effect as of July 20, 2017.

On behalf of the Board,

/s/Marc Baillargeon, Director /s/Robert Cloutier, Director

(in thousands of Canadian dollars, except per-share amounts)

1 Nature of operations

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

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

2 Significant accounting policies

General information

These interim consolidated financial statements of the Company were prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, of the International Financial Reporting Standards (IFRS, as published by the International Accounting Standards Board (IASB)), taking into account the accounting policies adopted by the Company for its consolidated financial statements for the year ended December 31, 2016. The accounting policies have been applied consistently for all the periods presented. They do not include all the information required by the IFRS for annual financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016.

New standard adopted by the Company during the year

The Company elected for early adoption, in the fiscal year ended December 31, 2016, of IFRS 15, *Revenue from Contracts with Customers,* which was issued in May 2014. Following the transition rules, IFRS 15 was adopted retrospectively, and figures for the period ended June 11, 2016, were restated in order to be comparable. (Note 8)

(in thousands of Canadian dollars, except per-share amounts)

3 Segment reporting

The Company has two reportable segments: distribution to mostly food service enterprises (the Distribution segment) and sales to food distributors (the Wholesale segment). These operating segments are monitored and strategic decisions are made on the basis of segment operating earnings. Management does not take assets and liabilities into account when analyzing individual segments.

Segment information can be analyzed as follows:

	84-day period ended June 17, 2017			**84-day period ended June 11, 2016**		
	Distribution Segment $	**Wholesale Segment $**	**Total $**	**Distribution Segment $**	**Wholesale Segment $**	**Total $**
Segment sales	251,252	105,378	356,630	257,615	115,780	373,395
Segment operating expenses						
Cost of goods sold	218,968	98,173	317,141	225,964	106,949	332,913
Employee compensation	17,430	2,221	19,652	17,159	2,158	19,317
Other expenses	8,222	1,351	9,572	8,512	1,449	9,961
	244,620	101,745	346,365	251,635	110,556	362,191
Segment earnings	6,632	3,633	10,265	5,980	5,224	11,204

	168-day period ended June 17, 2017			**168-day period ended June 11, 2016**		
	Distribution Segment $	**Wholesale Segment $**	**Total $**	**Distribution Segment $**	**Wholesale Segment $**	**Total $**
Segment sales	457,940	186,223	644,163	476,954	206,028	682,982
Segment operating expenses						
Cost of goods sold	399,439	174,074	573,513	419,399	189,930	609,329
Employee compensation	34,029	4,341	38,370	34,111	4,193	38,304
Other expenses	17,408	2,306	19,714	18,323	2,600	20,923
	450,876	180,721	631,597	471,833	196,723	668,556
Segment earnings	7,064	5,502	12,566	5,121	9,305	14,426

(in thousands of Canadian dollars, except per-share amounts)

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

	84 days		**168 days**	
	2017 **$**	**2016** **$**	**2017** **$**	**2016** **$**
Sales				
Total segment sales	356,630	373,395	644,163	682,982
Elimination of intersegment sales	(25,258)	(30,416)	(45,604)	(55,191)
Company sales	331,372	342,979	598,559	627,791
Earnings				
Total segment earnings	10,265	11,204	12,566	14,426
Employee compensation not allocated	845	1,217	1,854	2,546
Other expenses (revenue) not allocated	402	(87)	794	(99)
Costs not related to current operations	467	-	1,336	3,337
Depreciation and amortization	2,541	2,653	5,080	5,372
Company earnings	6,010	7,421	3,502	3,270

4 Costs not related to current operations

	84 days		**168 days**	
	2017 **$**	**2016** **$**	**2017** **$**	**2016** **$**
Costs of internal restructuring of operations				
Costs for warehouse closure[(a)]	329	-	1,138	-
Severance and other costs[(b)]	-	-	-	3,255
Severance allowances	80	-	174	-
Change in provision for onerous contracts	58	-	24	82
	467	-	1,336	3,337

The Company has disbursed an amount of $1,166 ($485 in 2016) during the 84-day period ended June 17, 2017 and an amount of $1,698 ($2,243 in 2016) during the 168-day period ended on the same date.

[(a)] On January 31, 2017, the Company announced the closure of the Vaughan warehouse, effective on April 30, 2017.

(in thousands of Canadian dollars, except per-share amounts)

(b) On January 26, 2016, the Company announced a plan to rationalize and optimize its operations. The plan is intended to further improve the Company operating efficiency and profitability despite difficult business conditions in the foodservice distribution industry, and to complete the integration of its acquisitions of recent years. The plan encompasses most of the Company divisions and consists mainly of centralizing and consolidating certain operations at the head office of the Company or of its divisions. It will entail the elimination of approximately 120 jobs, or 8% of the Company's headcount.

5 Per-share data

Earnings (loss) per share

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

	84 days		**168 days**	
	2017 **$**	**2016** **$**	**2017** **$**	**2016** **$**
Net earnings (loss)	3,097	3,073	(349)	(2,225)
Weighted average number of outstanding shares used to calculate the basic earnings (loss) per share	102,074,318	27,453,960	102,074,229	27,453,960
Basic earnings (loss) per share	0.03	0.11	(0.00)	(0.08)

The following table presents the diluted earnings (loss) per share for the 84-day period ended June 17, 2017. No dilutive element for the 168-day period ended June 17, 2017 and the comparative periods in 2016 :

	84 days		**168 days**	
	2017 **$**	**2016** **$**	**2017** **$**	**2016** **$**
Earnings for the period	3,359	-	-	-
Weighted average number of outstanding shares used to calculate the diluted earnings per share	103,074,318	-	-	-
Diluted earnings per share	0.03	-	-	-

Shares hypothetically issued as a result of the conversion of the convertible debentures, the exercise of stock options and the performance stock unit plan were not included in the calculation of diluted earnings per share because of an anti-dilutive effect.

(in thousands of Canadian dollars, except per-share amounts)

6 Long-term debt

	As at June 17, 2017 $	**As at December 31, 2016 $**
Credit facility	43,271	35,921
Debt, face value of $25 M, maturing on October 13, 2020, bearing interest at 6.5% (7.5% as at December 31, 2016)	25,000	25,000
Obligations arising from leases	2,557	2,385
	70,828	63,306
Less: Unamortized financing costs	1,301	1,545
Total long-term debt	69,527	61,761
Less: Current portion of long-term debt	644	550
	68,883	61,211

(in thousands of Canadian dollars, except per-share amounts)

7 Fair value of financial instruments

The fair value of the trade and other receivables, the loans receivable, the bank overdraft, the trade and other payables (excluding taxes and salaries payable) as well as the short-term portion of bank borrowing, is equivalent to the carrying amount due to their short-term maturity. Therefore, the value of cash in time is non-significant.

The carrying amount and fair value of the other financial instruments in the interim consolidated statements of financial position are as follows:

	As at June 17, 2017		As at December 31, 2016	
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair value $**
Financial assets				
Non-current				
Available-for-sale financial asset	847	847	1,246	1,246
Financial liabilities				
Non-current				
Long-term debt	68,883	68,828	61,211	61,133
Convertible debentures	48,978	46,000	48,870	49,750
	117,861	114,828	110,081	110,883

The fair value of the available-for-sale financial asset 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 the current portion of obligations under finance leases is comparable to the carrying amount since they were entered into in 2015, 2016 and 2017.

The fair value of long-term debt was determined by discounting future cash flows at 6.5% (7.5% as at December 31, 2016), the current rate of long-term debt.

The fair value of the liability component of the convertible debentures was determined based on the trading price on June 17, 2017.

(in thousands of Canadian dollars, except per-share amounts)

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 consist of the equity investment in Colabor Investments Inc. (Level 2). There were no transfers between Level 1 and Level 2 during the years.

8 Change in accounting policy

As mentioned in Note 2, the Company elected for early adoption of IFRS 15, *Revenue from Contracts with Customers*, which resulted in adjustments to how certain transactions are presented in the financial statements. The main change concerns the recognition of sales involving direct delivery to customers.

Previously, when a supplier delivered products directly to the Company customer the revenue was recognized as sales net of customer rebates. The cost of goods sold was recognized in operating expenses, net of supplier rebates.

Under IFRS 15, the Company recognizes as sales the supplier rebates received on sales involving direct delivery to customers. The impact of this change is a reduction to sales and an equivalent reduction to operating expenses, such that there is no impact on operating earnings.

For purposes of comparison, the figures for the 168-day period ended June 11, 2016, have been adjusted to reflect the adoption of this standard. The adjustments to comparative figures are as follows:

(in thousands of Canadian dollars, except per-share amounts)

	84-day periods ended June 11, 2016			168-day periods ended June 11, 2016		
	Result presented $	**Adjustment under IFRS 15 $**	**Adjusted results $**	**Result presented $**	**Adjustment under IFRS 15 $**	**Adjusted results $**
Sales	364,801	(21,822)	342,979	671,865	(44,074)	627,791
Operating expenses, excluding costs not related to current operations, depreciation and amortization	354,727	(21,822)	332,905	659,886	(44,074)	615,812
Operating results, excluding costs not related to current operations, depreciation and amortization	10,074	-	10,074	11,979	-	11,979

9 Subsequent event

On July 19th, 2017, The Company has received a termination notice in regards to an agreement to supply the establishments of the Popeyes Louisiana Kitchen (Popeyes) restaurant chain in Ontario, with an effective date of November 13, 2017. The Company's annual sales with the Popeyes restaurants amounted to more than $40.0 million.