COLABOR

Interim consolidated Financial Statements
(unaudited)
Third quarter of 2017
(in thousands of Canadian dollars)

COLABOR

Interim Consolidated Statements of Earnings (loss)
(unaudited)
For the 84 and 252-day periods ended September 9, 2017 and September 3, 2016

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

		84 days		252 days	
	Notes	**2017** $	**2016** (note 9) $	**2017** $	**2016** (note 9) $
Sales	3	319,334	339,100	917,893	966,892
Operating expenses, excluding costs not related to current operations, depreciation and amortization		311,652	329,904	900,293	945,717
Operating earnings before costs not related to current operations, depreciation and amortization		7,682	9,196	17,600	21,175
Costs not related to current operations	4	6,961	—	8,297	3,337
Depreciation and amortization		2,554	2,623	7,634	7,995
Impairment loss on goodwill, intangible assets and property, plant and equipment	5	16,440	—	16,440	—
		25,955	2,623	32,371	11,332
Operating earnings	3	(18,273)	6,573	(14,771)	9,843
Financial expenses		1,751	2,662	5,322	8,700
Earnings (loss) before taxes		(20,024)	3,911	(20,093)	1,143
Income taxes expense (recovery)		(1,271)	1,203	(992)	660
Net earnings (loss)		(18,753)	2,708	(19,101)	483
Basic and diluted earnings (loss) per share	6	(0.18)	0.10	(0.19)	0.02

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 252-day periods ended September 9, 2017 and September 3, 2016

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

	84 days		252 days	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Net earnings (loss) for the period	(18,753)	2,708	(19,101)	483
Other comprehensive income (loss) that will be subsequently reclassified to earnings				
Gain (loss) on financial asset available-for-sale	71	24	(327)	(32)
Taxes on other comprehensive income (loss)	(9)	(3)	44	4
	62	21	(283)	(28)
Other comprehensive (income) loss that will not be reclassified to earnings				
Remeasurement of pension obligation	247	(384)	(529)	(1,187)
Taxes on other comprehensive income (loss)	(66)	103	141	293
	181	(281)	(388)	(894)
Total other comprehensive income (loss)	243	(260)	(671)	(922)
Total comprehensive income (loss)	(18,510)	2,448	(19,772)	(439)

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

Interim Consolidated Statements of Changes in Equity
(unaudited)
For the 252-day periods ended September 9, 2017 and September 3, 2016

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

	Share capital $	Convertible debenture conversion options $	Contributed surplus $	Other comprehensive income (loss) $	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	—	—	—	—	(19,101)	(19,101)
Other comprehensive loss	—	—	—	(283)	(388)	(671)
Total comprehensive loss	—	—	—	(283)	(19,489)	(19,772)
Shares issued during the period	5	—	—	—	—	5
Stock-based compensation plan	—	—	79	—	—	79
Balance as at September 9, 2017	258,005	1,742	2,247	(108)	(165,121)	96,765

	Share capital $	Convertible debenture conversion options $	Contributed surplus $	Other comprehensive income (loss) $	Deficit $	Total Equity $
Balance as at December 26, 2015	209,972	1,742	1,880	(507)	(145,770)	67,317
Net earnings for the period	—	—	—	—	483	483
Other comprehensive loss	—	—	—	(28)	(894)	(922)
Total comprehensive loss	—	—	—	(28)	(411)	(439)
Stock-based compensation plan	—	—	163	—	—	163
Balance as at September 3, 2016	209,972	1,742	2,043	(535)	(146,181)	67,041

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

Interim Consolidated Statements of Cash Flows
(unaudited)
For the 84 and 252-day periods ended September 9, 2017 and September 3, 2016

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

		84 days		252 days	
	Notes	**2017**	**2016**	**2017**	**2016**
		$	**$**	**$**	**$**
Operating activities					
Net earnings (loss)		(18,753)	2,708	(19,101)	483
Deferred income taxes		(1,983)	986	(1,919)	209
Depreciation and amortization		2,554	2,623	7,634	7,995
Impairment loss on goodwill, intangible assets and property, plant and equipment	5	16,440	—	16,440	—
Provision for preliminary assessment advice	4, 10	6,500	—	6,500	—
Financial expenses		1,751	2,662	5,322	8,700
Other		(26)	(137)	(629)	(715)
		6,483	8,842	14,247	16,672
Net changes in working capital		2,441	14,149	(7,617)	986
Cash flows from operating activities		8,924	22,991	6,630	17,658
Investing activities					
Purchase of property, plant and equipment		(420)	(210)	(902)	(410)
Disposal of property, plant and equipment		17	11	54	199
Purchase of intangible assets		(81)	(189)	(400)	(282)
Other		38	36	115	125
Cash flows used in investing activities		(446)	(352)	(1,133)	(368)
Financing activities					
Change in long-term debt	7	(6,343)	(21,316)	1,007	(11,923)
Lease payments		(179)	(143)	(470)	(354)
Share issuance		—	—	5	—
Financial expenses paid		(1,552)	(2,296)	(4,721)	(7,601)
Cash flows used in financing activities		(8,074)	(23,755)	(4,179)	(19,878)
Net change in bank overdraft		404	(1,116)	1,318	(2,588)
Bank overdraft at the beginning of the period		(6,554)	(5,578)	(7,468)	(4,106)
Bank overdraft at the end of the period		(6,150)	(6,694)	(6,150)	(6,694)

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

Interim Consolidated Statements of Financial Position
(unaudited)

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

	Notes	As at September 9, 2017 $	As at December 31, 2016 $
Assets			
Current			
Trade and other receivables		104,164	99,981
Inventory		81,255	83,246
Prepaid expenses		4,908	3,081
Other		2,863	1,830
Current assets		193,190	188,138
Non-current			
Property, plant and equipment	5	11,237	13,128
Intangible assets	5	48,872	55,593
Goodwill	5	70,813	84,130
Deferred tax assets		4,023	2,015
Other		1,269	1,693
Non-current assets		136,214	156,559
Total assets		329,404	344,697
Liabilities			
Current			
Bank overdraft		6,150	7,468
Trade and other payables		101,027	105,314
Current portion of long-term debt	7	750	550
Provision for assessment project	4, 10	6,500	—
Other		2,125	654
Current liabilities		116,552	113,986
Non-current			
Long-term debt	7	62,954	61,211
Convertible debentures		49,033	48,870
Pension obligations		1,119	662
Provisions		2,560	2,998
Deferred tax liabilities		421	517
Non-current liabilities		116,087	114,258
Total liabilities		232,639	228,244
Equity			
Share capital		96,765	116,453
Total liabilities and equity		329,404	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 October 18, 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 September 3, 2016, were restated in order to be comparable (Note 9).

Standards, changes and interpretations issued but not yet effective

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board (IASB) but are not yet effective, and have not been adopted early by the Company. Management anticipates that the relevant pronouncements will be adopted in the Company’s accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company’s consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company’s consolidated financial statements.

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

IFRS 9, *Financial Instruments*

In July 2014, the IASB published IFRS 9, which replaces IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39). IFRS 9 introduces improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company believes that the adoption of this new standard will have no impact on its consolidated financial statements.

IFRS 16, *Leases*

In January 2016, the IASB published IFRS 16 which will replace IAS 17, *Leases*. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position. An exemption is permitted for leases of low-value assets. In addition, IFRS 16 changes the definition of a lease, sets requirements on how to account for the asset and the liability (including complexities such as non-lease elements, variable lease payments and options periods), changes the accounting for sale and leaseback arrangements, largely retains the approach to lessor accounting in IAS 17, and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier adoption is permitted in certain circumstances. The Company believes that this new standard will increase the value of property, plant and equipment and the obligations arising under leases, reduce operating expenses, and increase depreciation and amortization and finance costs.

(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 September 9, 2017			**84-day period ended September 3, 2016**		
	Distribution Segment	**Wholesale Segment**	**Total**	**Distribution Segment**	**Wholesale Segment**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Segment sales	247,805	97,253	345,058	257,801	107,535	365,336
Segment operating expenses						
Cost of goods sold	215,625	88,604	304,229	225,398	99,111	324,509
Employee compensation	18,033	2,044	20,077	16,867	2,015	18,882
Other expenses	10,002	1,805	11,807	9,642	1,489	11,131
	243,660	92,453	336,113	251,907	102,615	354,522
Segment earnings	4,145	4,800	8,945	5,894	4,920	10,814

	252-day period ended September 9, 2017			**252-day period ended September 3, 2016**		
	Distribution Segment	**Wholesale Segment**	**Total**	**Distribution Segment**	**Wholesale Segment**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Segment sales	705,745	283,476	989,221	731,112	313,563	1,044,675
Segment operating expenses						
Cost of goods sold	615,064	262,678	877,742	641,154	289,041	930,195
Employee compensation	52,062	6,385	58,447	50,978	6,208	57,186
Other expenses	27,410	4,111	31,521	27,965	4,089	32,054
	694,536	273,174	967,710	720,097	299,338	1,019,435
Segment earnings	11,209	10,302	21,511	11,015	14,225	25,240

(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		252 days	
	2017	**2016**	**2017**	**2016**
	$	**(note 9) $**	**$**	**(note 9) $**
Sales				
Total segment sales	345,058	365,336	989,221	1,044,675
Elimination of intersegment sales	(25,724)	(26,236)	(71,328)	(77,783)
Company sales	319,334	339,100	917,893	966,892
Earnings				
Total segment earnings	8,945	10,814	21,511	25,240
Employee compensation not allocated	1,006	1,625	2,860	4,171
Other expenses (revenue) not allocated	257	(7)	1,051	(106)
Costs not related to current operations	6,961	—	8,297	3,337
Depreciation and amortization	2,554	2,623	7,634	7,995
Impairment loss on goodwill, intangible assets and property, plant and equipment	16,440	—	16,440	—
Company earnings (loss)	(18,273)	6,573	(14,771)	9,843

4 Costs not related to current operations

	84 days		252 days	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Provision for a preliminary assessment advice (Note 10)	6,500	—	6,500	—
Costs of internal restructuring of operations				
Costs for warehouse closure	346	—	1,484	—
Severance and other costs	125	—	125	3,337
Severance allowances	—	—	174	—
Change in provision for onerous contracts	(10)	—	14	—
	6,961	—	8,297	3,337

The Company has disbursed an amount of $103 during the 84-day period ended September 9, 2017 ($862 in 2016) and an amount of $2,264 during the 252-day period ended on the same date ($3,105 in 2016).

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

5 Impairment

Long term assets and cash-generating units (CGU) undergo impairment tests when events or changes in circumstances indicate that their carrying amount may not be recoverable.

The Company recorded an asset impairment charge without effect on its liquidities of $16,440 which relates primarily to the impairment of goodwill at the Boucherville division, in the Wholesale segment, and to certain tangible and intangible assets of the Summit division, in the Distribution segment. The goodwill impairment reflects the recent loss of volume and the revision of growth prospects at the Summit division, which also have an impact on future procurement synergies that could be realized at the Boucherville division.

	Net book value before impairment charge	**Impairment charge**	**Net book valeur as at September 9, 2017**
	$	**$**	**$**
Summit Division			
Tangible assets	1,348	1,348	—
Intangible assets	1,775	1,775	—
Boucherville Division			
Goodwill	63,678	13,317	50,361
	66,801	16,440	50,361

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

6 Per-share data

Earnings (loss) per share

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

	84 days		252 days	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Net earnings (loss)	(18,753)	2,708	(19,101)	483
Weighted average number of outstanding shares used to calculate the basic and diluted earnings per share	102,074,318	27,453,960	102,074,258	27,453,960
Basic and diluted earnings (loss) per share	(0.18)	0.10	(0.19)	0.02

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.

7 Long-term debt

	As at September 9, 2017	**As at December 31, 2016**
	$	**$**
Credit facility	36,929	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	2,955	2,385
	64,884	63,306
Less: Unamortized financing costs	1,180	1,545
Total de la dette à long terme	63,704	61,761
Less: Current portion of long-term debt	750	550
	62,954	61,211

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

8 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 September 9, 2017		As at December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Financial assets				
Non-current				
Available-for-sale financial asset	919	919	1,246	1,246
Financial liabilities				
Non-current				
Long-term debt	62,954	62,788	61,211	61,133
Convertible debentures	49,033	46,750	48,870	49,750
	111,987	109,538	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 September 9, 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.

9 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.

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

For purposes of comparison, the figures for the 84-day and 252-day periods ended September 3, 2016, have been adjusted to reflect the adoption of this standard. The adjustments to comparative figures are as follows:

	84-day periods ended September 3, 2016			**252-day periods ended September 3, 2016**		
	Result presented	**Adjustment under IFRS 15**	**Adjusted results**	**Result presented**	**Adjustment under IFRS 15**	**Adjusted results**
	$	**$**	**$**	**$**	**$**	**$**
Sales	360,857	(21,757)	339,100	1,032,722	(65,830)	966,892
Operating expenses, excluding costs not related to current operations, depreciation and amortization	351,661	(21,757)	329,904	1,011,547	(65,830)	945,717
Operating results, excluding costs not related to current operations, depreciation and amortization	9,196	—	9,196	21,175	—	21,175

10 Contingencies

During the third quarter of 2017, the Company received a preliminary assessment advice from the Ontario Ministry of Finance relating to business activities that occurred between September 2013 and 2016 within a division in Ontario. This advice led to the recognition of a provision of $6,500.