COLABOR

Interim consolidated Financial Statements
(unaudited)
Third quarter of 2018
(in thousands of Canadian dollars)

Interim Consolidated Statements of Earnings
(unaudited)
For the 84 and 252-day periods ended September 8, 2018 and September 9, 2017

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

		84 days		252 days	
		2018	2017	2018	2017
	Notes	$	$	$	$
Sales	3	291,006	319,334	836,794	917,893
Operating expenses, excluding costs not related to current operations, depreciation and amortization		283,378	311,652	824,306	900,293
Operating earnings before costs not related to current operations, depreciation and amortization		7,628	7,682	12,488	17,600
Costs not related to current operations	4	(1,194)	6,961	(1,194)	8,297
Depreciation and amortization		3,008	2,554	8,499	7,634
Impairment loss on goodwill, intangible assets and property, plant and equipment		2,369	16,440	2,784	16,440
		4,183	25,955	10,089	32,371
Operating earnings (loss)	3	3,445	(18,273)	2,399	(14,771)
Impairment loss on financial instruments at fair value through profit or loss		—	—	118	—
Financial expenses		1,769	1,751	5,466	5,322
		1,769	1,751	5,584	5,322
Earnings (loss) before taxes		1,676	(20,024)	(3,185)	(20,093)
Income taxes expense (recovery)		496	(1,271)	(702)	(992)
Net earnings (loss)		1,180	(18,753)	(2,483)	(19,101)
Basic and diluted earnings (loss) per share	6	0.01	(0.18)	(0.02)	(0.19)

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

COLABOR

Interim Consolidated Statements of Comprehensive income
(unaudited)

For the 84 and 252-day periods ended September 8, 2018 and September 9, 2017

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

		84 days		252 days	
		2018	**2017**	**2018**	**2017**
	Notes	**$**	**$**	**$**	**$**
Net earnings (loss)		1,180	(18,753)	(2,483)	(19,101)
Other comprehensive income (loss) that will be subsequently reclassified to earnings					
Gain (loss) on financial instruments at fair value through profit or loss		—	71	(118)	(327)
Reclassification to earnings		—	—	118	—
Taxes on other comprehensive income		—	(9)	—	44
		—	62	—	(283)
Other comprehensive income (loss) that will not be reclassified to earnings					
Remeasurement of pension obligation		162	247	418	(529)
Taxes on other comprehensive income (loss)		(43)	(66)	(112)	141
		119	181	306	(388)
Total other comprehensive income (loss)		119	243	306	(671)
Total comprehensive income (loss)		1,299	(18,510)	(2,177)	(19,772)

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COLABOR

Interim Consolidated Statements of Changes in Equity

(unaudited)

For the 252-day periods ended September 8, 2018 and September 9, 2017

(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 30, 2017	258,005	1,742	2,506	—	(164,691)	97,562
Net loss for the period	—	—	—	—	(2,483)	(2,483)
Other comprehensive income	—	—	—	—	306	306
Total comprehensive loss	—	—	—	—	(2,177)	(2,177)
Shares cancelled during the period (note 8)	(2,365)	—	1,316	—	—	(1,049)
Stock-based compensation	—	—	78	—	—	78
Balance as at September 8, 2018	255,640	1,742	3,900	—	(166,868)	94,414

	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 income	—	—	—	(283)	(19,489)	(19,772)
Shares issued during the period (note 8)	5	—	—	—	—	5
Stock-based compensation	—	—	79	—	—	79
Balance as at September 9, 2017	258,005	1,742	2,247	(108)	(165,121)	96,765

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

COLABOR

Interim Consolidated Statements of Cash Flows
(unaudited)

For the 84 and 252-day periods ended September 8, 2018 and September 9, 2017

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

		84 days		252 days	
		2018	**2017**	**2018**	**2017**
	Notes	**$**	**$**	**$**	**$**
Operating activities					
Net earnings (loss)		1,180	(18,753)	(2,483)	(19,101)
Deferred income taxes		482	(1,983)	(832)	(1,919)
Depreciation and amortization		3,008	2,554	8,499	7,634
Impairment loss on goodwill, intangible assets and property, plant and equipment		2,369	16,440	2,784	16,440
Provision for preliminary assessment advice	4	—	6,500	—	6,500
Financial expenses		1,769	1,751	5,466	5,322
Other		(1,792)	(26)	(2,322)	(629)
		7,016	6,483	11,112	14,247
Net changes in working capital		4,948	2,441	(3,914)	(7,617)
Cash flows from operating activities		11,964	8,924	7,198	6,630
Investing activities					
Purchase of property, plant and equipment		(1,323)	(420)	(3,233)	(902)
Disposal of property, plant and equipment		41	17	79	54
Purchase of intangible assets		(114)	(81)	(322)	(400)
Other		3	38	(24)	115
Cash flows used in investing activities		(1,393)	(446)	(3,500)	(1,133)
Financing activities					
Use of the credit facility	7	(7,948)	(6,343)	3,731	1,007
Lease payments	7	(231)	(179)	(652)	(470)
Share issuance, net of related expenses		—	—	—	5
Financial expenses paid		(1,582)	(1,552)	(4,886)	(4,721)
Cash flows used in financing activities		(9,761)	(8,074)	(1,807)	(4,179)
Net change in bank overdraft		810	404	1,891	1,318
Bank overdraft at the beginning of the period		(5,478)	(6,554)	(6,559)	(7,468)
Bank overdraft at the end of the period		(4,668)	(6,150)	(4,668)	(6,150)

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

COLABOR

Interim Consolidated Statements of Financial Position
(unaudited)

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

	Notes	As at September 8, 2018 $	As at December 30, 2017 $
Assets			
Current			
Trade and other receivables		92,640	94,651
Inventory		76,108	78,663
Prepaid expenses		4,273	3,636
Other		2,611	1,124
Current assets		175,632	178,074
Non-current			
Property, plant and equipment		12,185	11,140
Intangible assets		40,588	46,228
Goodwill		70,813	70,813
Deferred tax assets		4,065	3,382
Other		605	1,452
Non-current assets		128,256	133,015
Total assets		303,888	311,089
Liabilities			
Current			
Bank overdraft		4,668	6,559
Trade and other payables		91,061	97,787
Current portion of long-term debt	7	1,120	758
Other		1,282	982
Current liabilities		98,131	106,086
Non-current			
Long-term debt	7	60,340	54,129
Convertible debentures		49,268	49,105
Pension obligations		883	1,301
Provisions		251	2,267
Deferred tax liabilities		601	639
Non-current liabilities		111,343	107,441
Total liabilities		209,474	213,527
Equity			
Share capital		94,414	97,562
Total liabilities and equity		303,888	311,089

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

The Board of Directors approved and authorized the publication of the consolidated financial statements with effect as of October 17, 2018.

On behalf of the Board,

/s/ Raymond Paré, 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 30, 2017. 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 30, 2017.

IFRS 9, Financial Instruments

In July 2014, the IASB published IFRS 9, which replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking "expected credit 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.

The company adopted IFRS 9, « Financial Instruments » effective December 31, 2017. The adoption of this standard resulted in changes in accounting policies but no adjustment to the amounts recognized in the consolidated financial statements. Below is the Company's new method of accounting for financial instruments under IFRS 9.

a) Classification

The Company determines the classification of financial instruments at initial recognition and classifies them in the following categories for valuation purposes:

- instruments that will be subsequently measured at fair value, either at fair value through profit or loss (FVTPL) or at fair value through other comprehensive income (FVTOCI)
- instruments that will be measured at amortized cost.

The classification of debt instruments is derived from the Company's business model for the management of financial assets and the contractual cash flow characteristics of those assets. Assets held for the collection of contractual cash flows and for which those cash flows correspond solely to principal repayments and interest payments are measured at amortized cost. Equity instruments that are held for trading (including all equity derivative) are classified as at FVTPL.

As for the other equity instruments, the Company may make the irrevocable election (instrument by instrument), on the day of acquisition, to designate them at FVTOCI. Financial liabilities are measured at amortized cost, unless they should be evaluated as at FVTPL (such as held-for-trading instruments or derivatives) or the Company has chosen to evaluate them at FVTPL.

Financial instruments comprising embedded derivatives are fully considered to determine whether their cash flows are solely for principal repayments and interest payments.

The Company has made a detailed assessment of its financial assets and liabilities as at December 31, 2017. The following table presents the initial classification under IAS39 and the new classification under IFRS 9:

Financial assets & liabilities	**Initial classification under IAS 39**	**New classification under IFRS 9**
Trade and other receivables	Loans and receivables (amortized cost)	Amortized cost
Bank overdraft	Other liabilities	Amortized cost
Trade and other payables	Amortized cost	Amortized cost
Long-term debt	Other liabilities	Amortized cost
Convertible debentures	Other liabilities	Amortized cost

b) Assessment

Financial instruments at amortized cost

Financial instruments at amortized cost are initially recognized at fair value, and subsequently at amortized cost, less any impairment loss.

Financial instruments at FVTPL

Financial instruments at FVTPL are initially recognized at fair value and the transaction costs are expensed in the consolidated statements of earnings. Realized and unrealized gains and losses arising from changes in the fair value of financial assets and liabilities held by the FVTPL are included in the consolidated statements of earnings in the period in which they occur. When management has elected to record a financial liability at FVTPL, changes in the Company's own credit risk will be recognized in the consolidated statements of earnings.

c) Depreciation

Since December 31, 2017, the Company has been prospectively evaluating expected credit losses related to debt instruments recognized at amortized cost and at FVTOCI. The depreciation method applied varies depending on whether or not there is a significant increase in credit risk. For customers, the Company applies the simplified method permitted by IFRS 9, which requires expected losses on lifetime to be recognized from the initial recognition of customers.

d) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights on cash flows from financial assets reach expiry, or when it transfers financial assets and substantially all risks and rewards of ownership to another entity. Gains and losses from derecognition are generally recognized in the consolidated statements of comprehensive income.

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

Financial liabilities

The Company derecognizes financial liabilities only when the resulting obligations are discharged, canceled or expired. The difference between the carrying amount of a derecognized financial liability and the consideration paid or payable, including non-monetary assets transferred or liabilities assumed, is recognized in the consolidated statements of earnings.

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 8, 2018			84-day period ended September 9, 2017		
	Distribution Segment	Wholesale Segment	Total	Distribution Segment	Wholesale Segment	Total
	$	$	$	$	$	$
Segment sales	224,041	87,492	311,533	247,805	97,253	345,058
Segment operating expenses						
Cost of goods sold	193,374	79,204	272,578	215,625	88,604	304,229
Employee compensation	17,080	2,419	19,499	18,033	2,044	20,077
Other expenses	9,073	1,238	10,311	10,002	1,805	11,807
	219,527	82,861	302,388	243,660	92,453	336,113
Segment earnings	4,514	4,631	9,145	4,145	4,800	8,945

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

	252-day period ended September 8, 2018			252-day period ended September 9, 2017		
	Distribution Segment	**Wholesale Segment**	**Total**	**Distribution Segment**	**Wholesale Segment**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Segment sales	646,806	254,118	900,924	705,745	283,476	989,221
Segment operating expenses						
Cost of goods sold	562,400	230,788	793,188	615,064	262,678	877,742
Employee compensation	53,001	6,920	59,921	52,062	6,385	58,447
Other expenses	27,046	3,908	30,954	27,410	4,111	31,521
	642,447	241,616	884,063	694,536	273,174	967,710
Segment earnings	4,359	12,502	16,861	11,209	10,302	21,511

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	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Sales				
Total segment sales	311,533	345,058	900,924	989,221
Elimination of intersegment sales	(20,527)	(25,724)	(64,130)	(71,328)
Company sales	291,006	319,334	836,794	917,893
Earnings				
Total segment earnings	9,145	8,945	16,861	21,511
Employee compensation not allocated	1,210	1,006	3,413	2,860
Other expenses (revenue) not allocated	307	257	960	1,051
Costs not related to current operations	(1,194)	6,961	(1,194)	8,297
Depreciation and amortization	3,008	2,554	8,499	7,634
Impairment loss on goodwill, intangible assets and property, plant and equipment	2,369	16,440	2,784	16,440
Company earnings (loss)	3,445	(18,273)	2,399	(14,771)

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

4 Costs not related to current operations

	84 days		252 days	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Fees related to tobacco notice [a]	—	6,500	—	6,500
Costs of internal restructuring of operations				
Costs for warehouse closure [b]	—	346	—	1,484
Severance and other costs	—	125	—	125
Severance allowances	—	—	—	174
Change in provision for onerous contracts[c]	(1,194)	(10)	(1,194)	14
	(1,194)	6,961	(1,194)	8,297

The Company has disbursed an amount of $8 ($103 in 2017) during the 84-day period ended September 8, 2018 and an amount of $871 ($2,264 in 2017) during the 252-day period on the same date in connection with the provision established in 2017.

[a] **Fees related to tobacco notice**

During the third quarter of 2017, Colabor received a preliminary assessment advice (the "Advice") from the Ontario Ministry of Finance related to commercial activities concerning the sale of tobacco products on First Nation territory which took place between September 2013 and 2016 at a division in Ontario. The Advice related mainly to sales that took place during a short period of time between 2013 and 2014 with one customer in particular and for which the Ontario Ministry of Finance considers that sales taxes should have been collected and remitted. The Advice led to the recognition of a provision for Assessment Advice on the Corporation's interim financial statements for the third quarter of 2017.

[b] **Costs for warehouse closure**

On January 31, 2017, the Company announced the closure of the Vaughan warehouse, effective on April 30, 2017.

[c] **Change in provision for onerous contracts**

During the third quarter of 2018, the Company recorded a gain following the termination of an onerous contract.

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 $2,784 which relates to the impairment of certain tangible assets, primarily capital leases for road vehicles held as finance leases at the Summit division in the Distribution segment.

(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	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Net earnings (loss)	1,180	(18,753)	(2,483)	(19,101)
Weighted average number of outstanding shares used to calculate the basic and diluted earnings per share	101,139,418	102,074,318	101,195,067	102,074,258
Basic and diluted earnings (loss) per share	0.01	(0.18)	(0.02)	(0.19)

Shares hypothetically issued as a result of the conversion of the convertible debentures (20,000,000 shares) and the exercise of stock options (5,078,852 shares) were not included in the calculation of diluted earnings per share for the 84 and 252-day periods ended September 8, 2018 because of an anti-dilutive effect.

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

7 Long-term debt

	As at September 8, 2018 $	As at December 30, 2017 $
Credit facility [a]	31,926	28,137
Subordinated Debt, face value of $25 M, maturing on April 13, 2021, bearing interest at 7.0% (6.5% as at December 30, 2017) [b]	25,000	25,000
Obligations arising from leases	5,244	2,767
	62,170	55,904
Less: Unamortized financing costs	710	1,017
Total long-term debt	61,460	54,887
Less: Current portion of long-term debt	1,120	758
	60,340	54,129

[a] **Credit facility**

On August 31, 2018, the Company obtained a one-year extension of the credit facility on the same terms, expiring on October 13, 2020.

[b] **Subordinated Debt**

On August 31, 2018, the Company obtained an extension of the term of six months on the same terms, bringing the maturity of the subordinated debt to April 13, 2021.

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

8 Share-capital

Issued and fully paid common shares

	As at September 8, 2018		As at September 9, 2017	
	Number	**Amount $**	**Number**	**Amount $**
Outstanding, beginning of the period	102,112,832	258,005	102,107,832	258,000
Issued (cancelled) during the period	(934,900)	(2,365)	5,000	5
Outstanding, end of the period	101,177,932	255,640	102,112,832	258,005

There were no outstanding preferred shares during the periods covered.

On January 15, 2018, Colabor announced the reduction in the number of its outstanding shares resulting from the ongoing liquidation and dissolution of Investments Colabor Inc., an investment company in which Colabor was a shareholder. Colabor received its proportionate allocation of the shares, being 934,900 shares or just under 1% of its outstanding shares, which were automatically canceled. The number of outstanding shares was reduced from 102,112,832 to 101,177,932 at the date of this announcement.

On January 4, 2017, 5,000 new shares were issued in connection with the conversion of stock options, for an amount of $5.

9 Employee compensation

Stock option plan

On February 5, 2018, the Company issued 1,000,000 stock options for common shares of the Group. The weighted average fair value of the options granted has been estimated at the award date using a binomial option pricing model based on the following weighted average assumptions for options granted during the period:

Weighted average fair value of the options	$ 0.31
Risk-free interest rate	2.20 %
Expected volatility of shares	55 %
Expected annual dividend	-
Expected term	5.5 years
Share price at date of grant	$ 0.72
Exercise price at date of grant	$ 0.88
Exercise period	5 years

The underlying expected volatility has been determined on the basis of historical data relating to the Group's common shares since 2012.

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

10 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 time value of money is non-significant.

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

	As at September 8, 2018		As at December 30, 2017	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	$	**$**	**$**	**$**
Financial assets				
Non-current				
Financial instruments at fair value through profit or loss	—	—	847	847
Financial liabilities				
Current				
Obligations arising from leases	1,120	1,120	758	758
Non-current				
Credit facility	31,352	31,352	27,301	27,301
Obligations arising from leases	4,124	3,475	2,009	1,733
Subordinated debt	24,864	24,930	24,819	24,931
Convertible debentures	49,268	34,000	49,105	44,000
	109,608	93,757	103,234	97,965

The fair value of the financial instruments at fair value through profit or loss was primarily determined using the bid price on the closing date for the underlying asset.

The fair value of the non-current portion of bank borrowings is equivalent to the carrying amount.

The fair value of the current portion of obligations under finance leases is comparable to the carrying amount since they were entered into in 2015, 2016, 2017 and 2018.

The fair value of subordinated debt was determined by discounting future cash flows at 7.0% (6.5% as at December 30, 2017), the current rate of subordinated debt.

The fair value of the liability component of the convertible debentures was determined based on the trading price on September 8, 2018.

(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 consisted of the equity investment in Colabor Investments Inc. (Level 2) during the periods of 2017. Following the liquidation of Colabor Investments Inc. in the first quarter of 2018, the Company no longer holds financial instruments measured at fair value (level 2) as at September 8, 2018.