



**Interim Consolidated Financial Statements  
as June 16, 2012 and June 18, 2011  
(2nd Quarter)**

(unaudited)

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The interim consolidated financial statements were not reviewed by the Company's auditor.

# Colabor Group Inc.

## Consolidated Income Statements

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

	Notes	2012-06-16 (84 days) \$	2011-06-18 (85 days) \$	2012-06-16 (168 days) \$	2011-06-18 (169 days) \$
<b>Sales of goods</b>	4	354 294	317 411	652 227	556 827
Operating expenses excluding costs not relating to current operations, depreciation and amortization		<u>343 643</u>	<u>307 184</u>	<u>636 120</u>	<u>541 696</u>
<b>Operating earnings before costs not relating to current operations, depreciation and amortization</b>		<u>10 651</u>	<u>10 227</u>	<u>16 107</u>	<u>15 131</u>
Fixed assets write-off following an internal restructuring of operations		253		253	
Direct costs relating to realized, unrealized and potential business acquisitions			1 795		1 795
Depreciation of property, plant and equipment		944	857	1 948	1 571
Amortization of intangible assets		<u>3 316</u>	<u>3 107</u>	<u>6 600</u>	<u>5 744</u>
		<u>4 513</u>	<u>5 759</u>	<u>8 801</u>	<u>9 110</u>
<b>Operating profit</b>		6 138	4 468	7 306	6 021
Finance costs	5	<u>2 266</u>	<u>2 139</u>	<u>4 416</u>	<u>3 623</u>
<b>Profit before tax</b>		<u>3 872</u>	<u>2 329</u>	<u>2 890</u>	<u>2 398</u>
Tax expense					
Current					
Deferred		<u>969</u>	<u>654</u>	<u>723</u>	<u>671</u>
		<u>969</u>	<u>654</u>	<u>723</u>	<u>671</u>
<b>Profit</b>		<u>2 903</u>	<u>1 675</u>	<u>2 167</u>	<u>1 727</u>
<b>After-tax cash flows per share</b>	6	<u>\$ 0.33</u>	<u>\$ 0.32</u>	<u>\$ 0.47</u>	<u>\$ 0.45</u>
<b>Basic and diluted earnings per share</b>	6	<u>\$ 0.13</u>	<u>\$ 0.07</u>	<u>\$ 0.09</u>	<u>\$ 0.07</u>

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

# Colabor Group Inc.

## Consolidated Comprehensive Income

(unaudited, in thousands of Canadian dollars)

	2012-06-16 (84 days) \$	2011-06-18 (85 days) \$	2012-06-16 (168 days) \$	2011-06-18 (169 days) \$
Profit (loss)	2 903	1 675	2 167	1 727
Other comprehensive income, net of taxes				
Available-for-sale financial asset - gain (loss) for the period	43		(1 488)	
Cash flow hedges - gain (loss) for the period	(919)		157	
Taxes on other comprehensive income	232		151	
Total other comprehensive income	(644)		(1 180)	
<b>Total comprehensive income</b>	<b>2 259</b>	<b>1 675</b>	<b>987</b>	<b>1 727</b>

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

**Colabor Group Inc.**  
**Consolidated Changes in Equity**

(unaudited, in thousands of Canadian dollars)

	Share capital	Convertible debenture conversion options	Contributed surplus	Shares held under stock-based compensation plans	Available-for-sale financial asset	Cash flow hedges	Retained earnings	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance as at January 1, 2011</b>	<b>177 960</b>	<b>2 415</b>	<b>771</b>	<b>(936)</b>	<b>1 982</b>	<b>–</b>	<b>11 789</b>	<b>193 981</b>
Profit and Total comprehensive income							1 727	1 727
Dividends declared							(6 625)	(6 625)
Normal-course issuer bid	(152)						(26)	(178)
Conversion of convertible debentures	998	(46)						952
Stock-based compensation plan expenses			225					225
Purchase of shares held by the Company for stock-based compensation plans				(141)				(141)
Shares released for stock-based compensation plans			(455)	455				
Transactions with owners	846	(46)	(230)	314	–	–	(6 651)	(5 767)
<b>Balance as at June 18, 2011</b>	<b>178 806</b>	<b>2 369</b>	<b>541</b>	<b>(622)</b>	<b>1 982</b>	<b>–</b>	<b>6 865</b>	<b>189 941</b>
<b>Balance as at January 1, 2012</b>	<b>179 652</b>	<b>1 742</b>	<b>1 206</b>	<b>(622)</b>	<b>1 154</b>	<b>(457)</b>	<b>(6 661)</b>	<b>176 014</b>
Profit							2 167	2 167
Other comprehensive income								
Gain (loss) on available-for-sale financial asset					(1 488)			(1 488)
Gain (loss) on cash flow hedges						157		157
Taxes on other comprehensive income					192	(41)		151
Total comprehensive income	–	–	–	–	(1 296)	116	2 167	987
Dividends declared							(4 161)	(4 161)
Stock-based compensation plan expenses			7					7
Shares released for stock-based compensation plans			(241)	241				
Transactions with owners	–	–	(234)	241	–	–	(4 161)	(4 154)
<b>Balance as at June 16, 2012</b>	<b>179 652</b>	<b>1 742</b>	<b>972</b>	<b>(381)</b>	<b>(142)</b>	<b>(341)</b>	<b>(8 655)</b>	<b>172 847</b>

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

# Colabor Group Inc.

## Consolidated Cash Flows

(unaudited, in thousands of Canadian dollars)

	Notes	2012-06-16 (84 days)	2011-06-18 (85 days)	2012-06-16 (168 days)	2011-06-18 (169 days)
		\$	\$	\$	\$
<b>Operating activities</b>					
Profit (loss) before income taxes		3 872	2 329	2 890	2 398
Fixed assets write-off following an internal restructuring of operations		253		253	
Depreciation of property, plant and equipment		944	857	1 948	1 571
Amortization of intangible assets		3 316	3 107	6 600	5 744
Finance costs		2 266	2 139	4 416	3 623
Stock-based compensation plan expenses		(30)	100	7	225
Purchase of shares held by the Company for stock-based compensation plans			(141)		(141)
		10 621	8 391	16 114	13 420
Income tax recovery (withholdings)		(1 678)	(428)	(2 010)	(371)
Net changes in working capital	7	(427)	(15 466)	(6 850)	(14 372)
<b>Cash flows from operating activities</b>		<u>8 516</u>	<u>(7 503)</u>	<u>7 254</u>	<u>(1 323)</u>
<b>Investing activities</b>					
Business acquisitions, net of cash acquired	3	1 371	(36 110)	(6 069)	(78 941)
Purchase of property, plant and equipment		(901)	(831)	(1 127)	(1 411)
Purchase of intangible assets		(47)	(135)	(47)	(194)
<b>Cash flows from investing activities</b>		<u>423</u>	<u>(37 076)</u>	<u>(7 243)</u>	<u>(80 546)</u>
<b>Financing activities</b>					
Bank borrowings		(11 779)	46 075	12 630	92 320
Normal-course issuer bid			(178)		(178)
Repayment of long-term debt			(131)		(268)
Dividends paid		(4 161)	(6 225)	(10 381)	(12 429)
Payment of balances of purchase price				(87)	(2 013)
Finance costs paid	5	(2 234)	(2 544)	(4 192)	(3 785)
<b>Cash flows from financing activities</b>		<u>(18 174)</u>	<u>36 997</u>	<u>(2 030)</u>	<u>73 647</u>
<b>Net change in bank overdraft</b>		<u>(9 235)</u>	<u>(7 582)</u>	<u>(2 019)</u>	<u>(8 222)</u>
Bank overdraft, beginning of year		(2 935)	(11 349)	(10 151)	(10 709)
<b>Bank overdraft, end of year</b>		<u>(12 170)</u>	<u>(18 931)</u>	<u>(12 170)</u>	<u>(18 931)</u>

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

# Colabor Group Inc.

## Consolidated Financial Position

(unaudited, in thousands of Canadian dollars)

	<u>2012-06-16</u>	<u>2011-12-31</u>
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Trade and other receivables	114 170	108 164
Recoverable tax assets	4 431	2 421
Inventory	81 084	76 632
Prepaid expenses	4 713	2 596
<i>Current assets</i>	<u>204 398</u>	<u>189 813</u>
<b>Non-current</b>		
Equity investment in Colabor Investments Inc.	10 922	12 410
Property, plant and equipment	17 464	17 319
Intangible assets	150 374	154 845
Goodwill	115 065	114 775
<i>Non-current assets</i>	<u>293 825</u>	<u>299 349</u>
<b>Total assets</b>	<u><u>498 223</u></u>	<u><u>489 162</u></u>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current</b>		
Bank overdraft	12 170	10 151
Trade and other payables	104 160	105 575
Dividends payable		6 220
Rebates payable	15 326	11 783
Balances of purchase price payable	12 877	12 560
Deferred revenue	533	344
<i>Current liabilities</i>	<u>145 066</u>	<u>146 633</u>
<b>Non-current</b>		
Bank borrowings	108 704	96 167
Derivative financial instrument	461	618
Balances of purchase price payable	654	250
Long-term debt	14 629	14 598
Convertible debentures	46 367	46 080
Pension obligations	315	448
Deferred income tax liabilities	9 180	8 354
<i>Non-current liabilities</i>	<u>180 310</u>	<u>166 515</u>
<b>Total liabilities</b>	<u><u>325 376</u></u>	<u><u>313 148</u></u>
<b>EQUITY</b>		
Share capital	179 652	179 652
Deficit	(8 655)	(6 661)
Other components of equity	1 850	3 023
<i>Total equity</i>	<u>172 847</u>	<u>176 014</u>
<b>Total liabilities and equity</b>	<u><u>498 223</u></u>	<u><u>489 162</u></u>

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

The Board of Directors approved and authorized the publication of the consolidated financial statements on July 18, 2012.

# Colabor Group Inc.

## Notes to Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share.)

### 1. NATURE OF OPERATIONS

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

Sales of goods and operating profits are proportionately the smallest in the first quarter and the largest in the fourth quarter. However, costs are incurred more evenly throughout the year given the Company's fixed cost structure. The Company's operating margins increase gradually as the year progresses. Accordingly, it would be more meaningful to compare earnings for an entire year or with the prior year's corresponding quarter than to compare two consecutive quarters.

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

### 2. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

These interim consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") and prepared in accordance with IAS 34, Interim Financial Reporting, taking into account the accounting policies that the Company adopted for its financial statements for the year ended December 31, 2011. The accounting policies have been similarly applied throughout all periods presented in the financial statements.

### 3. BUSINESS COMBINATIONS

#### Acquisition of Les Viandes Décarie Inc.

On January 1, 2012, the Company acquired substantially all of the assets of Viandes Décarie ("Décarie"), a company which operates in the Wholesale Segment primarily in Quebec. The results of operation are included in the consolidated statement of earnings since the acquisition date. The acquisition of Décarie reflects Colabor's strategic objectives to broaden its product offering.

The preliminary purchase price allocation is determined as follows:

	Value recognized on the acquisition date
	<u>\$</u>
Trade and other receivables	4 449
Inventory	3 426
Prepaid expenses	12
Property, plant and equipment	966
Intangible assets	2 335
Goodwill	290
Trade and other payables	(4 346)
Deferred tax assets	(255)
Acquisition cost and fair value of the consideration transferred	<u>6 877</u>
Portion settled as balances of purchase price	<u>(808)</u>
Net cash flows on acquisition and fair value of portion transferred to cash	<u><u>6 069</u></u>

# Colabor Group Inc.

## Notes to Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share.)

### 3. BUSINESS COMBINATIONS (continued)

The purchase price allocation is still preliminary because some items used in the purchase price determination have to be determined and management is currently concluding its evaluation of the assets acquired and liabilities assumed.

Business acquisition-related costs amounting to \$90,000 are not included as part of acquisition cost and have been recognized as costs not relating to current operations in the prior year's consolidated statements of earnings.

Décarie has contributed a total of \$29,983,000 to the Company's sale of goods and \$212,000 to operating results before depreciation and amortization for the period between the date of acquisition and the end of the quarter.

#### Trade and other receivables

The gross contractual amount of trade and other receivables amounts to \$4,449,000 at the acquisition date. Based on the best estimate of contractual cash flows, all amounts are expected to be recovered.

#### Goodwill

Goodwill primarily relates to forecasted growth, future profitability, expertise and significant employee competencies as well as expected cost synergies. Goodwill from this business combination is not expected to be deductible for tax purposes.

### 4. SEGMENT REPORTING

The Company has two reportable segments: distribution to foodservice enterprises (Distribution Segment) and distribution to food distributors (Wholesale Segment). These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. Management does not take assets and liabilities into account in the analysis of the various segments.

Segment information can be analyzed as follows:

	2012-06-16 (84 days)		
	Distribution Segment	Wholesale Segment	Total
	\$	\$	\$
Segment sale of goods	250 594	152 932	403 526
Segment operating expenses			
Cost of goods sold	218 395	143 869	362 264
Employee compensation	17 479	2 001	19 480
Other expenses	8 401	1 565	9 966
	244 275	147 435	391 710
Segment earnings	6 319	5 497	11 816



# Colabor Group Inc.

## Notes to Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share.)

### 4. SEGMENT REPORTING (continued)

	2011-06-18 (84 days)		
	Distribution	Wholesale	Total
	Segment	Segment	
	\$	\$	\$
Segment sale of goods	228 912	128 033	356 945
Segment operating expenses			
Cost of goods sold	197 907	121 431	319 338
Employee compensation	14 552	1 341	15 893
Other expenses	8 931	1 096	10 027
	221 390	123 868	345 258
Segment earnings	7 522	4 165	11 687
	2012-06-16 (168 days)		
	Distribution	Wholesale	Total
	Segment	Segment	
	\$	\$	\$
Segment sale of goods	465 711	270 030	735 741
Segment operating expenses			
Cost of goods sold	404 587	254 538	659 125
Employee compensation	33 975	4 025	38 000
Other expenses	17 115	2 874	19 989
	455 677	261 437	717 114
Segment earnings	10 034	8 593	18 627
	2011-06-11 (169 days)		
	Distribution	Wholesale	Total
	Segment	Segment	
	\$	\$	\$
Segment sale of goods	396 050	222 981	619 031
Segment operating expenses			
Cost of goods sold	343 760	210 350	554 110
Employee compensation	26 884	2 641	29 525
Other expenses	15 581	2 361	17 942
	386 225	215 352	601 577
Segment earnings	9 825	7 629	17 454

The totals presented for the Company's operating segments reconcile to key financial figures as presented in its financial statements as follows:

	2012-06-16 (84 days)	2011-06-18 (85 days)	2012-06-16 (168 days)	2011-06-18 (169 days)
	\$	\$	\$	\$
Sales of goods				
Total segment sale of goods	403 526	356 945	735 741	619 031
Elimination of intersegment sales	(49 232)	(39 534)	(83 514)	(62 204)
Company sale of goods	354 294	317 411	652 227	556 827

## Colabor Group Inc.

### Notes to Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share.)

#### 4. SEGMENT REPORTING (continued)

	2012-06-16 (84 days)	2011-06-18 (85 days)	2012-06-16 (168 days)	2011-06-18 (169 days)
	\$	\$	\$	\$
Earnings				
Total segment earnings	11 816	11 687	18 627	17 454
Employee compensation not allocated	(343)	(439)	(886)	(843)
Other expenses not allocated	(911)	(842)	(1 795)	(1 365)
Depreciation of property, plant and equipment	(944)	(857)	(1 948)	(1 571)
Amortization of intangible assets	(3 316)	(3 107)	(6 600)	(5 744)
Fixed assets write-off following an internal restructuring of operations	(253)		(253)	
Direct costs relating to realized, unrealized and potential business acquisitions		(1 795)		(1 795)
Elimination of intersegment earnings	89	(179)	161	(115)
Company operating earnings	6 138	4 468	7 306	6 021
Finance costs	(2 266)	(2 139)	(4 416)	(3 623)
Company earnings before taxes	<u>3 872</u>	<u>2 329</u>	<u>2 890</u>	<u>2 398</u>

#### 5. FINANCE COSTS AND FINANCE COSTS PAID

	2012-06-16 (84 days)	2011-06-18 (85 days)	2012-06-16 (168 days)	2011-06-18 (169 days)
	\$	\$	\$	\$
Finance costs	2 266	2 139	4 416	3 623
Non-cash portion of effective interest on long-term debt included in finance costs	(16)		(31)	
Non-cash portion of effective interest on debentures included in finance costs	(144)	(209)	(287)	(424)
Credit facility renewal or amendment fees	165	643	165	643
Amortization of prepaid finance costs included in finance costs	(37)	(29)	(71)	(57)
Finance costs paid	<u>2 234</u>	<u>2 544</u>	<u>4 192</u>	<u>3 785</u>

Based on the terms of the credit agreement with the banking syndicate, the DEBT/EBITDA ratio is 3.11:1.00. The Company is required to maintain a ratio below 3.50:1.00.

## Colabor Group Inc.

### Notes to Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share.)

#### 6. DATA PER SHARE

##### After-tax cash flows per share

	2012-06-16 (84 days) \$	2011-06-18 (85 days) \$	2012-06-16 (168 days) \$	2011-06-18 (169 days) \$
Cash flows from operating activities before income tax recovery (withholdings) and net changes in working capital	10 621	8 391	16 114	13 420
Direct costs relating to realized, unrealized and potential business acquisitions		1 795		1 795
Finance costs	(2 266)	(2 139)	(4 416)	(3 623)
Non-cash portion of effective interest on long-term debt included in finance costs	16		31	
Non-cash portion of effective interest on debentures included in finance costs	144	209	287	424
Purchase of property, plant and equipment	(901)	(831)	(1 127)	(1 411)
Purchase of intangible assets	(47)	(135)	(47)	(194)
	<u>7 567</u>	<u>7 290</u>	<u>10 842</u>	<u>10 411</u>
Weighted average number of shares outstanding	<u>23 075 795</u>	<u>23 099 777</u>	<u>23 068 571</u>	<u>23 041 779</u>
After-tax cash flows per share	<u>\$ 0,33</u>	<u>\$ 0,32</u>	<u>\$ 0,47</u>	<u>\$ 0,45</u>
Annual dividend declared for the quarter	<u>\$ 0,17</u>	<u>\$ 0,25</u>	<u>\$ 0,33</u>	<u>\$ 0,50</u>
Ratio of dividend to after-tax cash flows per share	<u>51%</u>	<u>79%</u>	<u>71%</u>	<u>110%</u>

## Colabor Group Inc.

### Notes to Consolidated Financial Statements

(Unaudited, amounts in the tables are in thousands of Canadian dollars, except data per share.)

#### 6. DATA PER SHARE (continued)

##### Earnings per share

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

	2012-06-16 (84 days)	2011-06-18 (85 days)	2012-06-16 (168 days)	2011-06-18 (169 days)
	\$	\$	\$	\$
Earnings	<u>2 903</u>	<u>1 675</u>	<u>2 167</u>	<u>1 727</u>
Weighted average number of shares used to calculate basic and diluted earnings per share	<u>23 075 795</u>	<u>23 099 777</u>	<u>23 068 571</u>	<u>23 041 779</u>
Basic and diluted earnings per share	<u>\$ 0,13</u>	<u>\$ 0,07</u>	<u>\$ 0,09</u>	<u>\$ 0,07</u>

Shares that were hypothetically issued after the conversion of convertible debentures, the exercise of stock options and the release of the shares regarding the long-term incentive plan ("LTIP") and the performance stock unit ("PSU") plan were not included in the calculation of diluted net earnings per share because they had an antidilutive effect.

#### 7. NET CHANGES IN WORKING CAPITAL

Net changes in working capital between the two period-ends taking into account the working capital assumed on the business combinations :

	2012-06-16 (84 days)	2011-06-18 (85 days)	2012-06-16 (168 days)	2011-06-18 (169 days)
	\$	\$	\$	\$
Trade and other receivables	(2 503)	(20 031)	(1 557)	(26 892)
Inventory	(9 191)	(6 645)	(1 026)	1 303
Prepaid expenses	(1 403)	95	(2 105)	(1 058)
Trade and other payables	10 800	9 375	(5 761)	9 796
Rebates payable	2 093	1 444	3 543	2 025
Deferred revenue	(156)	363	189	587
Pension obligations	(67)	(67)	(133)	(133)
	<u>(427)</u>	<u>(15 466)</u>	<u>(6 850)</u>	<u>(14 372)</u>

#### 8 -SUBSEQUENT EVENT

Following the acquisition of Les Pêcheries Norref Québec Inc. on February 28, 2011, the Company submitted a number of claims to an arbitration process. On July 12, 2012, the arbitrator reached a decision in the Company's favour and the Vendors are required to repay a certain amount. In the next quarter, the Company will recognize an estimated amount of \$1,700,000 net of its costs.