Rogers Sugar Inc.

Interim Report for the 1st Quarter 2017 Results

STRONG VOLUME AND IMPROVED ADJUSTED GROSS MARGIN PER METRIC TONNE DELIVER BETTER ADJUSTED EBIT RESULTS

Message to Shareholders: On behalf of the Board of Directors, I am pleased to present the unaudited condensed consolidated interim financial results of Rogers Sugar Inc. (the "Company") for the three months ended December 31, 2016.

Volume for the first quarter of fiscal 2017 was 168,376 metric tonnes compared to 156,926 metric tonnes in the comparable quarter of last year, an increase of approximately 11,400 metric tonnes. Industrial volume for the quarter increased by approximately 5,800 metric tonnes mostly due to strong demand from existing customers, which began to materialize at the beginning of calendar 2016. Consumer volume was approximately 900 metric tonnes lower than the first quarter last year due to timing of customers' retail promotions. Liquid volume for the current quarter increased by approximately 4,300 metric tonnes, mainly explained by the start of a new long-term contract with a High Fructose Corn Syrup ("HFCS") substitutable customer, which started at the end of October 2016. Finally, export volume was approximately 2,200 metric tonnes higher than last year benefiting from the start of a three-year contract for additional volume in Mexico. Shipments against this new contract started at the beginning of the current fiscal year.

With the mark-to-market of certain derivative financial instruments and embedded derivatives in non-financial instruments at the end of each reporting period, our accounting income does not represent a complete understanding of factors and trends affecting the business. Consistent with previous reporting, we therefore prepared adjusted gross margin and adjusted earnings results to reflect the performance of the Company during the period without the impact of the mark-to-market of derivative financial instruments and embedded derivatives in non-financial instruments. Earnings before interest and income taxes ("EBIT") included a mark-to-market loss of $0.9 million for the current quarter, which was added to calculate adjusted EBIT and adjusted gross margin results.

Adjusted gross margin amounted to $29.1 million for the quarter, an increase of approximately $3.3 million versus the first quarter last year due mostly to an increase in sales volume. In addition, by-product revenues were higher than the comparable period of fiscal 2016, mainly due to additional acreage planted for the 2016 beet crop. On a per metric tonne basis, adjusted gross margin was $172.92 for the first quarter of fiscal 2017 versus $164.63 for the same quarter last year. The improvement of $8.29 per metric tonne is mainly due to improved selling margins, higher by-products revenues and overall good plant performance at all three locations.

Administration and selling expenses were $1.7 million higher than the first three months of last year due mainly to the reversal, in fiscal 2016, of a non-cash accrual of $1.2 million for the settlement of the Western salaried defined benefit pension plan. Excluding the impact of this settlement, administration and selling expenses were $0.5 million higher than the comparable period last year mainly due to a one-time accrual of $0.4 million for salary continuance, to be absorbed over two quarters.

Distribution expenses were $0.1 million lower than fiscal 2016.

As a result, adjusted EBIT was $21.5 million for the first quarter of fiscal 2017 versus $19.9 million for the comparable quarter last year.

Free cash flow was $1.4 million higher than the comparable quarter of fiscal 2016. This increase is mostly due to higher adjusted gross margin of $3.3 million and lower pension contributions of $1.6 million. In addition, during the current quarter, Rogers received a cash inflow of $0.4 million for the issuance of common shares pursuant to the exercise of share options by certain executives, as opposed to a cash outflow of $0.3 million in the prior comparable quarter for the purchase

and cancellation of common shares. The positive variance was somewhat offset by an increase in income taxes paid of $3.9 million, due to higher earnings and depletion of losses carry-forward. In addition, the Company applied an amount of $0.3 million against its provision for asset retirement obligation.

Looking forward, we anticipate the strong first quarter volume to be tempered somewhat by recent competitive pressure in the liquid segment which resulted in some volume substitution with HFCS and an account loss to third party liquid supplier for calendar 2017. On balance, with new contracted volume and our existing core business, we expect to continue to see growth over the balance of the year. We now expect a year-over-year volume increase of approximately 15,000 metric tonnes as opposed to our previously disclosed volume improvement of approximately 25,000 metric tonnes. At a more granular level, we anticipate that the liquid and export segments will increase by approximately 10,000 and 5,000 metric tonnes, respectively, whilst the industrial and consumer volumes are expected to be comparable to last year.

FOR THE BOARD OF DIRECTORS,

A. Stuart Belkin

Stuart Belkin, Chairman
Vancouver, British Columbia – February 1, 2017

For further information:
Ms. Manon Lacroix, Vice-President Finance and Secretary
Tel: (514) 940-4350 Fax: (514) 527-1610 - Visit our Websites at www.rogerssugarinc.com or www.Lantic.ca

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") dated February 1, 2017 of Rogers Sugar Inc. ("Rogers") should be read in conjunction with the unaudited condensed consolidated interim financial statements and notes thereto for the period ended December 31, 2016, as well as the audited consolidated financial statements and MD&A for the year ended October 1, 2016. The quarterly condensed consolidated interim financial statements and any amounts shown in this MD&A were not reviewed nor audited by our external auditors.

Management is responsible for preparing the MD&A. This MD&A has been reviewed and approved by the Audit Committee of Rogers and its Board of Directors.

Non-GAAP measures

In analyzing our results, we supplement our use of financial measures that are calculated and presented in accordance with GAAP, with a number of non-GAAP financial measures. A non-GAAP financial measure is a numerical measure of a company's historical performance, financial position or cash flow that excludes (includes) amounts, or is subject to adjustments that have the effect of excluding (including) amounts, that are included (excluded) in most directly comparable measures calculated and presented in accordance with GAAP. Non-GAAP financial measures are not standardized; therefore, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar businesses. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety and not to rely on any single financial measure.

We use these non-GAAP financial measures in addition to, and in conjunction with, results presented in accordance with GAAP. These non-GAAP financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, may provide a more complete understanding of factors and trends affecting our business.

In the MD&A, we discuss the non-GAAP financial measures, including the reasons that we believe that these measures provide useful information regarding our financial condition, results of operations, cash flows and financial position, as applicable and, to the extent material, the additional purposes, if any, for which these measures are used. Reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures are contained in the MD&A.

Forward-looking statements

This report contains certain forward-looking statements, which reflect the current expectations of Rogers and Lantic Inc. (together referred to as "the Company") with respect to future events and performance. Wherever used, the words "may" "will," "anticipate," "intend," "expect," "plan," "believe," and similar expressions identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Although this is not an exhaustive list, the Company cautions investors that statements concerning the following subjects are, or are likely to be, forward-looking statements: future prices of raw sugar, natural gas costs, the opening of special refined sugar quotas in the United States, beet production forecasts, the status of labour contracts and negotiations, the level of future dividends and the status of government regulations and investigations. Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate and reasonable in the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct. This could cause actual performance or results to differ materially from those reflected in the forward-looking statements, historical results or current expectations.

Additional information relating to the Company, including the Annual Information Form, Quarterly and Annual reports and supplementary information is available on SEDAR at www.sedar.com.

Internal disclosure controls

In accordance with Regulation 52-109 respecting certification of disclosure in issuers' interim filings, the Chief Executive Officer and Vice-President Finance have designed or caused it to be designed under their supervision, disclosure controls and procedures.

In addition, the Chief Executive Officer and Vice-President Finance have designed or caused it to be designed under their supervision internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

The Chief Executive Officer and the Vice-President Finance have evaluated whether or not there were any changes to the Company's ICFR during the three month period ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR. No such changes were identified through their evaluation.

Results of operations

Consolidated Results	For the three months ended	
(In thousands of dollars, except for volume and per share information)	December 31, 2016 (Unaudited)	January 2, 2016 (Unaudited)
Volume (metric tonnes)	168,376	156,926
Revenues	$ 159,604	$ 130,090
Gross margin	28,176	38,564
Administration and selling expenses	5,290	3,566
Distribution expenses	2,290	2,408
Results from operating activities ("EBIT")	$ 20,596	$ 32,590
Net finance costs	2,305	2,397
Income tax expense	4,739	8,122
Net earnings	$ 13,552	$ 22,071
Net earnings per share basic	$ 0.14	$ 0.23

In the normal course of business, the Company uses derivative financial instruments consisting of sugar futures, foreign exchange forward contracts, natural gas futures and interest rate swaps. For fiscal 2016, all derivative financial instruments were marked-to-market at each reporting date, with the unrealized gains/losses charged to the unaudited condensed consolidated interim statement of earnings. As of October 2, 2016, the Company adopted all the requirements of IFRS 9 (2014) *Financial Instruments*. As a result, the Company has designated as effective hedging instruments its natural gas futures and its interest rate swap agreements entered into in order to protect itself against natural gas prices and interest rate fluctuations as cash flow hedges. Derivative financial instruments pertaining to sugar futures and foreign exchange forward contracts continue to be marked-to-market at each reporting date and are charged to the unaudited condensed consolidated interim statement of earnings. The unrealized gains/losses related to natural gas futures and interest rate swaps are accounted for in other comprehensive income. The amount recognized in other comprehensive income is removed and included in net earnings under the same line item in the consolidated statement of earnings and comprehensive income as the hedged item, in the same period that the hedged cash flows affect net earnings, reducing earnings volatility related to the movements of the valuation of these derivatives hedging instruments. The transitional marked-to-market balances outstanding

as of October 1, 2016 will be amortized over time based on their settlements until all existing natural gas futures and all existing interest rate swaps agreements have expired.

The Company sells refined sugar to some clients in U.S. dollars. Prior to October 1, 2016, these sales contracts were viewed as having an embedded derivative if the functional currency of the customer was not U.S. dollars, the embedded derivative being the source currency of the transaction. The embedded derivatives were marked-to-market at each reporting date, with the unrealized gains/losses charged to the unaudited condensed consolidated interim statement of earnings with a corresponding offsetting amount charged to the unaudited condensed consolidated statement of financial position. As of October 2, 2016, the U.S. dollars of these sales contract will no longer be considered as being an embedded derivative as it was determined that the U.S. dollar is commonly used in Canada. This change in estimate will be applied prospectively, as a result, only the embedded derivatives relating to sales contracts outstanding as of October 1, 2016 will continue to be marked-to-market every quarter until all the volume on these contracts has been delivered.

Management believes that the Company's financial results are more meaningful to management, investors, analysts and any other interested parties when financial results are adjusted by the gains/losses from financial derivative instruments and from embedded derivatives for which hedge accounting is not applied. These adjusted financial results provide a more complete understanding of factors and trends affecting our business. This measurement is a non-GAAP measurement.

Management uses the non-GAAP adjusted results of the operating company to measure and to evaluate the performance of the business through its adjusted gross margin, adjusted EBIT and adjusted net earnings. In addition, management believes that these measures are important to our investors and parties evaluating our performance and comparing such performance to past results. Management also uses adjusted gross margin, adjusted EBIT and adjusted net earnings when discussing results with the Board of Directors, analysts, investors, banks and other interested parties.

The results of operations would therefore need to be adjusted by the following:

Income (loss)	For the three months ended	
(In thousands)	December 31, 2016 (Unaudited)	January 2, 2016 (Unaudited)
Mark-to-market on other derivatives	$ (4,985)	$ 4,757
Cumulative timing differences	3,198	7,973
Adjustment to cost of sales	$ (1,787)	$ 12,730
Amortization of transitional balance to cost of sales for cash flow hedges	848	–
Total adjustment to cost of sales	$ (939)	$ 12,730

For fiscal 2017, the mark-to-market on other derivatives represents the following elements: sugar futures, foreign exchange forwards and embedded derivatives. The price movements in raw sugar resulted in a mark-to-market loss of $4.6 million. Foreign exchange forward contracts and embedded derivatives, on which foreign exchange movements have an impact, had a combined mark-to-market loss of $0.4 million. For fiscal 2016, the fluctuation in raw sugar values resulted in a $4.5 million mark-to-market gain for the first quarter. Foreign exchange forward contracts and embedded derivatives, on which foreign exchange movements have an impact, had a combined mark-to-market gain of $2.3 million for the first quarter of fiscal 2016. Natural gas prices variation resulted in a mark-to-market loss of $2.0 million.

Cumulative timing differences, as a result of mark-to-market gains or losses, are recognized by the Company only when sugar is sold to a customer and previously, to October 1, 2016, when natural gas was used. The gains or losses on sugar and related foreign exchange paper transactions are largely offset by corresponding gains or losses from the physical transactions, namely sale and purchase contracts with customers and suppliers.

As previously mentioned, starting on October 2, 2016, natural gas futures were designated as an effective cash flow hedging instrument and as a result, mark-to-market adjustments are now recorded in other comprehensive income. The transitional balances, representing the mark-to-market value recorded as of October 1, 2016, will be subsequently removed from other comprehensive income when the natural gas futures will be liquidated, in other words, when the natural gas is used. As a result, in the current quarter, the Company removed a gain of $0.9 million from other comprehensive income and recorded a gain of the same amount in cost of sales. The transitional balance relating to natural gas futures will be fully depleted in fiscal 2020.

The above described adjustments are added or deducted to the mark-to-market results to arrive at the total adjustment to cost of sales. For the first quarter of the current year, the total cost of sales adjustment is a loss of $0.9 million to be added to the unaudited condensed consolidated interim operating results versus a gain of $12.7 million to be deducted from the unaudited condensed consolidated interim operating results for the comparable quarter last year.

Similar to the natural gas futures, starting on October 2, 2016, interest rate swap agreements were designated as effective cash flow hedging instruments and as a result, mark-to-market adjustments are now recorded in other comprehensive income. The transitional balances, representing the mark-to-market value recorded as of October 1, 2016, will be subsequently removed from other comprehensive income when each of the fixed interest rate tranches will be liquidated, in other words, when the fixed interest rate is paid. As a result, in the current quarter, the Company removed a gain of $0.1 million from other comprehensive income and recorded a gain of the same amount in net finance costs. For the first quarter of fiscal 2016, the Company recorded a mark-to-market gain of $0.1 million. The transitional balance relating to interest rate swap agreements will be fully depleted in fiscal 2020.

The following is a table showing the adjusted unaudited condensed consolidated interim results (non-GAAP) without the above mark-to-market adjustments:

Consolidated Results	For the three months ended	
(In thousands of dollars, except per share information)	December 31, 2016 (Unaudited)	January 2, 2016 (Unaudited)
Gross margin as per financial statements	$ 28,176	$ 38,564
Adjustment as per above	1,787	(12,730)
Amortization of transitional balance to cost of sales as per above	(848)	–
Adjusted gross margin	29,115	25,834
EBIT as per financial statements	20,596	32,590
Adjustment as per above	1,787	(12,730)
Amortization of transitional balance to cost of sales as per above	(848)	–
Adjusted EBIT	21,535	19,860
Net earnings as per financial statements	13,552	22,071
Adjustment to cost of sales as per above	1,787	(12,730)
Amortization of transitional balance to cost of sales as per above	(848)	–
Amortization of transitional balance to net finance costs	(115)	–
Adjustment for mark-to-market of net finance costs	–	(87)
Income taxes on above adjustments	(258)	3,497
Adjusted net earnings	$ 14,118	$ 12,751
Net earnings per share basic, as per financial statements	$ 0.14	$ 0.23
Adjustment for the above	0.01	(0.09)
Adjusted net earnings per share basic	$ 0.15	$ 0.14

Volume for the first quarter of fiscal 2017 was 168,376 metric tonnes compared to 156,926 metric tonnes in the comparable quarter of last year, an increase of approximately 11,400 metric tonnes. Industrial volume for the quarter increased by approximately 5,800 metric tonnes mostly due to strong demand from existing customers, which began to materialize at the beginning of calendar 2016. Consumer volume was approximately 900 metric tonnes lower than the first quarter last year due to timing of customers' retail promotions. Liquid volume for the current quarter increased by approximately 4,300 metric tonnes, mainly explained by the start of a new long-term contract with a High Fructose Corn Syrup ("HFCS") substitutable customer, which started at the end of October 2016. Finally, export volume was approximately 2,200 metric tonnes higher than last year benefiting from the start of a three-year contract for additional volume in Mexico. Shipments against this new contract started at the beginning of the current fiscal year.

Revenues for the quarter were $29.5 million higher than the first quarter last year as a result of the increase in sales volume as well as an increase in raw sugar values compared to last year, since the cost of raw sugar for all domestic sales is passed on to the Company's customers.

As previously mentioned, gross margin of $28.2 million for the quarter does not reflect the economic margin of the Company, as it includes a loss of $1.8 million for the mark-to-market of derivative financial instruments explained earlier as well as the transfer from other comprehensive income to cost of sales of a $0.9 million gain for the transitional balances on cash flow hedges relating to natural gas futures. We will therefore comment on adjusted gross margin results.

Adjusted gross margin amounted to $29.1 million for the quarter, an increase of approximately $3.3 million versus the first quarter last year due mostly to an increase in sales volume. In addition, by-product revenues were higher than the comparable period of fiscal 2016, mainly due to additional acreage planted for the 2016 beet crop. On a per metric tonne basis, adjusted gross margin was $172.92 for the first quarter of fiscal 2017 versus $164.63 for the same quarter last year. The improvement of $8.29 per metric tonne is mainly due to improved selling margins, higher by-products revenues and overall good plant performance at all three locations.

Administration and selling expenses were $1.7 million higher than the first three months of last year due mainly to the reversal, in fiscal 2016, of a non-cash accrual of $1.2 million for the settlement of the Western salaried defined benefit pension plan. Excluding the impact of this settlement, administration and selling expenses were $0.5 million higher than the comparable period last year mainly due to a one-time accrual of $0.4 million for salary continuance, to be absorbed over two quarters.

Distribution expenses were $0.1 million lower than fiscal 2016.

As a result, adjusted EBIT was $21.5 million for the first quarter of fiscal 2017 versus $19.9 million for the comparable quarter last year.

Net finance costs for the quarter include the transfer of a gain from other comprehensive income of $0.1 million relating to the transitional balance as of October 1, 2016 of the cash flow hedges of interest rate swap agreements while the first quarter last year included a mark-to-market gain on interest rate swaps of $0.1 million. Without the above adjustments, net finance costs for the quarter were $0.1 million lower than the comparable quarter last year.

The provision for income taxes includes an income tax recovery for the quarter of $0.3 million for the total cost of sales and net finance costs adjustments, as explained above, as compared to an income tax expense of $3.5 million for the comparable period last year. On an adjusted basis, the provision for income taxes was approximately $5.0 million for the current quarter versus $4.6 million for the same period last year. The increase for the quarter is due mainly to an increase in adjusted earnings before income taxes.

Statement of quarterly results

The following is a summary of selected financial information of the unaudited condensed consolidated interim financial statements and non-GAAP measures of the Company for the last eight quarters.

(In thousands of dollars, except for volume, margin rate and per share information)	2017 (Unaudited)	2016 (Unaudited)				2015 (Unaudited)		
	1-Q	4-Q	3-Q	2-Q	1-Q	4-Q	3-Q	2-Q
Volume (MT)	168,376	187,179	169,481	161,638	156,926	192,912	160,713	152,579
Revenues	159,604	161,733	138,600	133,988	130,090	155,107	130,592	127,120
Gross margin	28,176	32,418	36,721	20,520	38,564	23,675	10,854	18,402
EBIT	20,596	24,472	28,636	12,900	32,590	13,753	3,748	11,209
Net earnings	13,552	16,453	19,383	7,672	22,071	7,801	1,050	5,767
Gross margin rate per MT	167.34	173.19	216.67	126.95	245.75	122.72	67.54	120.61
Per share								
Net earnings								
Basic	0.14	0.18	0.21	0.08	0.23	0.08	0.01	0.06
Diluted	0.14	0.16	0.19	0.08	0.21	0.08	0.01	0.06
Non-GAAP Measures								
Adjusted gross margin	29,115	29,615	20,356	20,366	25,834	24,054	19,432	17,071
Adjusted EBIT	21,535	21,669	12,271	12,746	19,860	14,132	12,326	9,878
Adjusted net earnings	14,118	14,263	7,259	7,630	12,751	8,494	7,060	5,400
Adjusted gross margin rate per MT	172.92	158.22	120.11	126.00	164.63	124.69	120.91	111.88
Adjusted net earnings per share								
Basic	0.15	0.15	0.08	0.08	0.14	0.09	0.08	0.06
Diluted	0.14	0.14	0.08	0.08	0.13	0.09	0.08	0.06

Historically the first quarter (October to December) of the fiscal year is the best quarter for adjusted gross margins and adjusted net earnings due to the favourable sales mix associated with an increased proportion of consumer sales during that period of the year. At the same time, the second quarter (January to March) historically has the lowest volume as well as an unfavourable customer mix, resulting in lower revenues, adjusted gross margins and adjusted net earnings. It should be noted that the fourth quarter of fiscal 2015 represents 14 weeks of operation as opposed to 13 weeks in the comparable period of fiscal 2016.

Liquidity

Cash flow generated by the operating company, Lantic, is paid to Rogers by way of dividends and return of capital on the common shares of Lantic, and by the payment of interest on the subordinated notes of Lantic held by Rogers, after having taken reasonable reserves for capital expenditures and working capital. The cash received by Rogers is used to pay dividends to its shareholders.

(In thousands of dollars)	For the three months ended December 31, 2016 (Unaudited)	January 2, 2016 (Unaudited)
Cash flow (used in) from operating activities	$ (19,296)	$ 13,741
Cash flow from (used in) financing activities	21,981	(12,794)
Cash flow used in investing activities	(1,297)	(1,072)
Net increase (decrease) in cash and cash equivalents	$ 1,388	$ (125)

Cash flow from operations was negative $19.3 million in the first quarter of 2017, as opposed to positive $13.7 million in the comparable quarter of fiscal 2016. The negative variation of $33.0 million is mostly explained by a negative non-cash working capital variation of $17.0 million, due mainly to a significant year-over-year variation in inventories and trade and other receivables. In addition, a reduction in gross margin of $10.4 million, due to mark-to-market fluctuations, an increase in income taxes paid of $3.9 million and a negative non-cash variation in fair value of derivative financial instruments of $3.1 million had negative impacts on cash flow from operating activities. Slightly offsetting some of the negative variation is a reduction in pension contribution of $1.6 million.

Cash flow from financing activities was positive $22.0 million for the current quarter versus negative $12.8 million for the comparable quarter of last year. The variation is attributable an increase in borrowings for the current quarter as opposed to a decrease in the same quarter last year. The increase in borrowing is mainly explained by higher beet payments to growers due to an increase in acreage as well as timing in vessel arrivals in Montreal and Vancouver. In addition, in fiscal 2017, $0.4 million was received following the exercise of share options by certain executives. In fiscal 2016, the Company purchased and cancelled common shares under the Normal Course Issuer bid ("NCIB") for a total cash outflow of $0.3 million.

Capital expenditures were higher than the first quarter of fiscal 2016 by $0.2 million due to timing of spending on capital projects.

In order to provide additional information, the Company believes it is appropriate to measure free cash flow, a non-GAAP measure, which is generated by the operations of the Company and can be compared to the level of dividends paid by Rogers. Free cash flow is defined as cash flow from operations excluding changes in non-cash working capital, mark-to-market and derivative timing adjustments, financial instruments non-cash amount and including capital expenditures net of operational excellence projects.

Free cash flow is as follows:

(In thousands of dollars)	For the three months ended December 31, 2016 (Unaudited)	January 2, 2016 (Unaudited)
Cash flow from operations	$ (19,296)	$ 13,741
Adjustments:		
Changes in non-cash working capital	32,453	15,457
Mark-to-market and derivative timing adjustments	1,787	(12,817)
Amortization of transitional balances	(963)	–
Financial instruments non-cash amount	1,256	(1,726)
Capital expenditures	(1,297)	(1,072)
Operational excellence capital expenditures	304	62
Share options exercised	428	–
Purchase and cancellation of common shares	–	(329)
Free cash flow	$ 14,672	$ 13,316
Declared dividends	$ 8,460	$ 8,458

Free cash flow was $1.4 million higher than the comparable quarter of fiscal 2016. This increase is mostly due to higher adjusted gross margin of $3.3 million and lower pension contributions of $1.6 million. In addition, during the current quarter, Rogers received a cash inflow of $0.4 million for the issuance of common shares pursuant to the exercise of share options by certain executives, as opposed to a cash outflow of $0.3 million in the prior comparable quarter for the purchase and cancellation of common shares. The positive variance was somewhat offset by an increase in income taxes paid of $3.9 million, due to higher earnings and depletion of losses carry-forward. In addition, the Company applied an amount of $0.3 million against its provision for asset retirement obligation.

Changes in non-cash operating working capital represent quarter-over-quarter movements in current assets such as accounts receivables and inventories and current liabilities like accounts payable. Movements in these accounts are due mainly to timing in the collection of receivables, receipts of raw sugar and payment of liabilities. Increases or decreases in such accounts do not therefore constitute available cash for distribution. Such increases or decreases are financed from available cash or from the Company's available credit facilities of $150.0 million. Increases or decreases in short-term bank indebtedness are also due to timing issues from the above, and therefore do not constitute available cash for distribution.

The combined impact of the mark-to-market and financial instruments non-cash amount of $2.1 million for the quarter does not represent cash items as these contracts will be settled when the physical transactions occur and is therefore adjusted to free cash flow.

Capital expenditures, net of operational excellence projects, were comparable to the first quarter of fiscal 2016. Operational excellence capital expenditures are added back as these capital projects are not required for the operation of the refineries but are undertaken due to operational savings to be realized when these projects are completed.

In the current quarter, an amount of $0.4 million was received following the exercise of share options by certain executives of the Company. Last year, Rogers repurchased 80,800 common shares during the first quarter under the Normal Course Issuer Bid ("NCIB") for a total cash consideration of $0.3 million.

The Company declared a quarterly dividend of 9.0 cents per common share for a total amount of approximately $8.5 million during the quarter.

Contractual obligations

There are no significant changes in the contractual obligations table disclosed in the Management's Discussion and Analysis of the October 1, 2016 Annual Report.

At December 31, 2016, the operating company had commitments to purchase a total of 1,172,000 metric tonnes of raw sugar, of which 195,693 metric tonnes had been priced for a total dollar commitment of $131.4 million.

Capital resources

Lantic has $150.0 million as an authorized line of credit available to finance its operation that expires in June 2021. At quarter-end, $90.0 million had been drawn from the working capital line of credit and $2.6 million in cash was also available.

Cash requirements for working capital and other capital expenditures are expected to be paid from available credit resources and from funds generated from operations.

Outstanding securities

During the first quarter of fiscal 2017, a total of 80,000 common shares were issued pursuant to the exercise of share options by certain executives for a total cash consideration of $0.4 million. In addition, holders of the Fourth series 5.7% convertible unsecured subordinated debentures ("Fourth Series") converted $0.4 million into 65,384 common shares.

The Fourth series of $49.6 million matures on April 30, 2017 and as such, was shown as current. The Company does not anticipate any issue with refinancing the Fourth series convertible unsecured subordinated debentures.

On December 5, 2016, the Company granted a total of 360,000 share options to certain executives at an exercise price of $6.51 under the share option plan. In addition, during the quarter, a Share Appreciation Right ("SARs") was created under the existing Share Option Plan. On December 5, 2016, a total of 125,000 SARs were issued to an executive at an exercise price of $6.51.

In November 2015, the Company received approval from the Toronto Stock Exchange to proceed with another NCIB whereby the Company may purchase up to 500,000 common shares. The NCIB commenced on December 1, 2015 and continued until November 30, 2016. In addition, the Company entered into an Automatic Share Purchase Plan ("ASPP") with Scotia Capital Inc. ("Scotia"). Under this agreement, Scotia may acquire, at its discretion, common shares on the Company's behalf during certain "black-out" periods, subject to certain parameters as to price and number of shares. During the first quarter of fiscal 2016, the Company purchased 80,800 common shares under the NCIB in place at the time, for a total cash consideration of $0.3 million. All shares purchased were cancelled.

As at February 1, 2017, there were 93,997,082 common shares outstanding.

Critical accounting estimate and accounting policies

There are no significant changes in the critical estimate and accounting policies disclosed in the Management's Discussion and Analysis of the October 1, 2016 Annual Report, except as follows:

- As at October 2, 2016, embedded derivatives, which relate to the foreign exchange component of certain sales contracts denominated in U.S. currency, will no longer be separated from the host contract as it has been determined that the U.S. dollar is commonly used in Canada. This change in estimate will be applied prospectively, as such, any

contracts for which it was determined there was an embedded derivative that needed to be separated from the host contract as of October 1, 2016 will continue to be treated as such as a transitional step to meet the new interpretation. These contracts will continue to be marked-to-market every quarter until all the volume on the contract has been delivered.

Significant accounting policies

The significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended October 1, 2016 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements except as noted below:

- IFRS 9, *Financial Instruments*:

  The Company early adopted all the requirements of IFRS 9 (2014), *Financial Instruments* with a date of initial application of October 2, 2016. The standard establishes principles for the financial reporting classification and measurement of financial assets and financial liabilities. This standard incorporates a new hedging model which increases the scope of hedged items eligible for hedge accounting and aligns hedge accounting more closely with risk management. This standard also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment.

  This new standard also increases required disclosures about an entity's risk management strategy, cash flows from hedging activities and the impact of hedge accounting on the consolidated financial statements.

  IFRS 9 (2014) uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39, *Financial Instruments – Recognition and Measurement*. The approach in IFRS 9 (2014) is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 (2014).

  With the adoption of IFRS 9 (2014), the Company's natural gas futures and interest rate swap agreements were designated as being effective hedging instrument.

  In accordance with the transitional provisions of IFRS 9 (2014) the financial assets and financial liabilities held at October 2, 2016 were reclassified retrospectively without prior period restatement based on the new classification requirements and the characteristics of each financial instrument at October 2, 2016.

  The accounting for these instruments and the line item in which they are included in the balance sheet were unaffected by the adoption of IFRS 9 (2014). The adoption of IFRS 9 (2014) did not result in any measurement adjustments to our financial assets and financial liabilities. We have reviewed our significant accounting policies for financial instruments, derivative financial instruments, and hedging relationships to align them with IFRS 9 (2014).

  Refer to note 3 (a) to the unaudited condensed consolidated interim financial statements for more detail.

- IAS 19 - *Employee Benefits* - Cash-Settled Share Appreciation Rights:

  The Company's Share Option Plan allows for the issuance of SARs that entitles certain senior personnel of the Company to a cash payment based on the increase in the share price of the Company's common shares from the grant date to the vesting date. The SARs are automatically exercised upon vesting dates if the share price of the Company's common shares is greater than the price on the grant date, if not, they are rolled to the next vesting date.

A liability is recognized for the services acquired and is recorded at the fair value of the SARs in other non-current payables, except for the current portion recorded in trade and other payables, with a corresponding expense recognized in selling and administration expenses over the period that the employees become unconditionally entitled to the payment. The fair value of the employee benefits expense of the SARs is measured using the Black-Scholes pricing model.

Estimating fair value requires determining the most appropriate inputs to the valuation model including the expected life of the SARs, volatility, risk-free interest rate and dividend yield and making assumptions about them. At the end of each reporting period until the liabilities are settled, the fair value of the liability is remeasured, with any changes in fair value recognized in the consolidated statement of earnings for the period.

- IAS 1, *Presentation of Financial Statements*:

On December 18, 2015 the IASB issued amendments to IAS 1, *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

The Company adopted the amendments in the first quarter of the year ending September 30, 2017. The adoption of IAS 1, *Presentation of Financial Statements*, did not have an impact on the unaudited condensed consolidated interim financial statements.

- Annual improvements to IFRS (2012-2014) cycle:

On September 25, 2014 the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. The amendments will apply for annual periods beginning on or after January 1, 2016. Amendments were made to clarify the following in their respective standards:

- Changes in method for disposal under IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*;
- "Continuing involvement" for servicing contracts and offsetting disclosures in condensed interim financial statements under IFRS 7, *Financial Instruments: Disclosures*;
- Discount rate in a regional market sharing the same currency under IAS 19, *Employee Benefits*;
- Disclosure of information "elsewhere in the interim financial report" under IAS 34, *Interim Financial Reporting*.

The Company adopted the amendments in the first quarter of the year ending September 30, 2017. The adoption of Annual improvements to IFRS (2012-2014) cycle, did not have an impact on the unaudited condensed consolidated interim financial statements.

Future accounting changes

A number of new standards, and amendments to standards and interpretations, are not yet effective and have not been applied in preparing these unaudited condensed consolidated interim financial statements. These new standards, and amendments to standards and interpretations, are as follows: IFRS 2, *Classification and Measurement of Share-based Payment Transactions*, IFRS 15, *Revenue from contracts with customers*, IFRS 16, *Leases*, IAS 7, *Disclosure Initiative*, IAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses*, Annual Improvements to IFRS Standards (2014-2016) Cycle and IFRIC 22, *Foreign Currency Transactions and Advance Consideration*.

The Company intends to adopt these new standards, and amendments to standards and interpretations, in its consolidated financial statements in each of their respective annual period for which they become applicable. The extent of the impact of adoption of these new standards, and amendments to standards and interpretations, has not yet been determined. Refer to note 3 (d) to the unaudited condensed consolidated interim financial statements for more detail.

Risk factors

Risk factors in the Company's business and operations are discussed in the Management's Discussion and Analysis of our Annual Report for the year ended October 1, 2016. This document is available on SEDAR at www.sedar.com or on one of our websites at www.lantic.ca or www.rogerssugarinc.com.

Outlook

Looking forward, we anticipate the strong first quarter volume to be tempered somewhat by recent competitive pressure in the liquid segment which resulted in some volume substitution with HFCS and an account loss to third party liquid supplier for calendar 2017. On balance, with new contracted volume and our existing core business, we expect to continue to see growth over the balance of the year. We now expect a year-over-year volume increase of approximately 15,000 metric tonnes as opposed to our previously disclosed volume improvement of approximately 25,000 metric tonnes. At a more granular level, we anticipate that the liquid and export segments will increase by approximately 10,000 and 5,000 metric tonnes, respectively, whilst the industrial and consumer volumes are expected to be comparable to last year.

The ratification process for the CETA is expected to be completed sometime in fiscal 2017. The Company will augment its market development activities and pursue export opportunities with the aim to fully capture export opportunities provided by the new trade agreement. The Company does not expect CETA to have a significant impact on sales volume and adjusted gross margin in fiscal 2017.

The carbon tax on natural gas announced by the Alberta government took effect on January 1, 2017 with the introduction of a carbon tax of $1.011 per gigajoule. The carbon tax will increase to $1.517 per gigajoule on January 1, 2018. The impact of the carbon tax is expected to be approximately $0.5 million in fiscal 2017 as a significant portion of the slicing campaign was completed before imposition of the tax. We foresee a greater financial impact in subsequent years as the entire slicing campaign will be subject to the new carbon tax.

Approximately 70% of fiscal 2017's natural gas requirements have been hedged at average prices comparable to those realized in fiscal 2016. In addition, some futures positions for fiscal 2018 to 2022 have been taken. Some of these positions are at prices higher than current market value, but are at the same or better levels than those achieved in fiscal 2016. We will continue to monitor natural gas market dynamics with the objective of maintaining competitive costs and minimizing natural gas cost variances.

We also expect income tax cash installments to increase in fiscal 2017 as the Company depleted its losses carry-forward during fiscal 2016.

Capital expenditures for fiscal 2017 are expected to be comparable to fiscal 2016 due to various carry-over of projects and a commitment to update targeted plant control systems in our Western plants. The Company will continue to aggressively pursue operational excellence capital investments in order to reduce costs and improve manufacturing efficiencies.

The beet slicing campaign in Taber is expected to be completed in February. We are estimating total beet sugar production at approximately 120,000 metric tonnes, once the thick juice campaign is completed in the spring of 2017.

Labour negotiations for the renewal of the labour contract with the Taber factory unionized employees will start over the coming weeks. The collective agreement expires at the end of March 2017.