



# MAKING GOOD BUSINESS BETTER

ANNUAL REPORT  
2018





## WE ARE CANADA'S LARGEST PRODUCER OF SUGAR PRODUCTS AND BOTTLER OF MAPLE SYRUP

### TOTAL DIVIDEND (thousand of \$)

	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	TOTAL
Fiscal 2018	-	-	9,517	-	-	9,517	-	-	9,487	-	-	9,450	37,971
Fiscal 2017	-	-	8,460	-	-	8,459	-	-	8,460	-	-	9,517	34,896

### PER SHARE DIVIDEND (\$)

	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	TOTAL
Fiscal 2018	-	-	0.09	-	-	0.09	-	-	0.09	-	-	0.09	0.36
Fiscal 2017	-	-	0.09	-	-	0.09	-	-	0.09	-	-	0.09	0.36



## MAKING GOOD BUSINESS BETTER

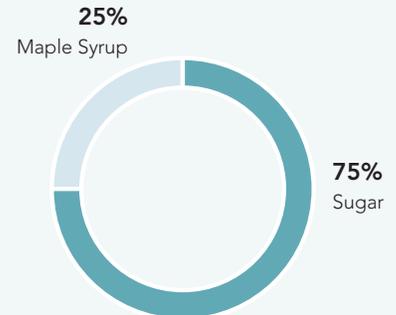
With a respected heritage of over 125 years of business achievements, Lantic has surely been doing many things right! At the core of our success is the need to continuously reflect and pragmatically act on the strengths and weaknesses of our overall business – and to swiftly deal with any threats to our ongoing growth.

The addition of the Maple business last year represents an important step in our strategy to bring innovation and expansion to our business. The initiative has provided Lantic with access to new export markets. This investment was strategic and represents the first step in the evolution of our business into a natural sweetener supplier.

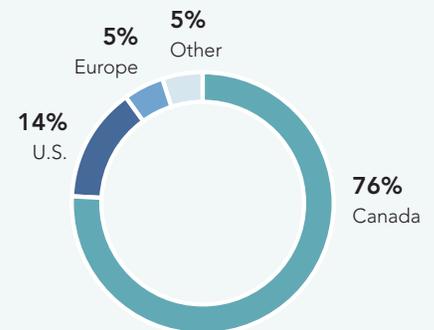
A year of integration work is now behind us, and solid transformational plans are now guiding us. We have resumed a mindset that focuses on day-to-day operational efficiency and continuous improvement. These are the dynamics that have shaped our 125-year history, and which will ensure Lantic's success going forward.

More on page 6

### SUGAR VS. MAPLE SYRUP PRODUCTS



### GEOGRAPHIC PARTITION



### OUR FACILITIES



#### ROGERS

1. Head Office and Cane Refinery  
**VANCOUVER, BC**
2. Beet Plant  
**TABER, AB**
3. Distribution Centre and Blending Facility  
**TORONTO, ON**
4. Administrative Office and Cane Refinery  
**MONTREAL, QC**

#### LBMT

5. Head Office — Bottling Plant, Eastern Sales and Distribution  
**GRANBY, QC**
6. Bottling Plant, Warehousing and Shipping  
**SAINT-HONORÉ-DE-SHENLEY, QC**
7. Bottling Plant, Warehousing and Shipping  
**DÉGELIS, QC**
8. Botting Plant, Warehousing and Shipping  
**WEBSTERVILLE, VT**



## REPORT FROM THE CHAIRMAN

To my fellow shareholders:

I am pleased to report that, excluding acquisition and non-recurring costs, the consolidated EBITDA results for fiscal 2018 were \$99.9 million. These results came with a solid volume growth in the Sugar segment, which grew by approximately 3.5% during the current year.

Looking at the results of the Sugar segment, year-over-year volume was approximately 25,400 metric tonnes greater than in fiscal 2017. A significant portion of this improvement was attributable to the liquid and export markets, both benefiting from low #11 sugar values which improved our competitiveness with respect to high tier refined sugar sales to the U.S. and, similarly, brought more conversion opportunities against High Fructose Corn Syrup suppliers in Canada. Overall, adjusted gross margins for the sugar business was approximately \$138 per metric tonne compared to approximately \$144 per metric tonne last year. The lower adjusted gross margin per metric tonne is largely explained by the somewhat lower profitability of the Taber facility where lower # 11 raw sugar values can become decoupled from our beet costs and erode some of the economic value.

With the acquisition of LBMT in August and the subsequent acquisition of Decacer in November 2017, the business has tackled a significant amount of integration work. The Maple products segment adjusted EBITDA was lower than anticipated and finished the year at \$18.6 million. Fiscal 2019 should offer better results with the benefit of a full year of operation of Decacer and anticipated savings and/or operational gains, whereby we expect adjusted EBITDA to amount to \$21.0 million, excluding non-recurring costs. Although the financial outcomes on the newly acquired maple business have been lower than anticipated, I am pleased by the amount of work that has been done and management's resolve and well considered plans to still deliver the expected economic value, albeit over a modestly longer time horizon.

Over the next twenty-four months, the final stages of the maple business integration should be completed. The four individual autonomous business units will have been reconfigured into one business, led by enterprise-wide business teams, with common processes that are supported by a redesigned, retooled,

best in class manufacturing platform that can support future growth. The Board continues to believe in the strategy of developing a broader product offering and expanded geographic offering of alternate natural sweeteners.

Notwithstanding the time commitments and challenges that come with integrating a new business, it was encouraging for the Board to see that management ensured that the core sugar business delivered excellent results in a challenging trading environment.

Overall, fiscal 2018 is the first step in the evolution of the business from a leading Canadian sugar refiner to a leading North American natural sweetener supplier. To achieve this vision we will maintain our investment and good stewardship of the core sugar business, whilst we seek new growth through acquiring and growing alternative natural sweetener businesses. The Board expects that the more diversified business platform will deliver stronger growth with more diversified and stable earnings performance.

In fiscal 2018, Rogers paid quarterly dividends of \$0.09 per share for a yearly total of \$0.36 per share. Rogers' free cash flow of \$47.8 million represented a distribution ratio of 79% of the declared dividend for fiscal 2018 of \$38.0 million. The Board of Directors will continue to assess the appropriateness of the level of the dividend based on performance and on the outlook for the business. The Board views sustainable returns to shareholders and maintenance of the dividend as a strategic priority.

During the current year, Rogers issued \$97.8 million of seventh series 4.75% convertible unsecured subordinated debentures. Funds were used to repay the fifth series 5.75% convertible unsecured subordinated debentures that had a maturity date of December 31, 2018. In addition, Rogers, through its subsidiary Lantic, used the remaining funds to reduce the revolving credit facility.

Also, during the year, Rogers put in place a Normal Course Issuer Bid and as a result, the Corporation purchased and cancelled 736,900 common shares for a total cash consideration of \$4.0 million.

Finally, as we make these commitments to change, I would also like to thank all of our employees for their efforts and resolve to strengthen the Corporation. We are always guided by our obligation to both ensure and enhance the value of your investment. We thank you our shareholders for the trust and the continued support you have accorded us.

On behalf of the Board of Directors,



Dallas Ross

Chairman

November 21, 2018



## REPORT FROM THE PRESIDENT AND CEO

In fiscal 2018, we continued our efforts to make a good business better. The acquisition of Decacer added an important asset and capability to our maple syrup portfolio and solidified our leadership position in this growing natural sweetener segment. With our core sugar refining business and the maple syrup acquisitions, we have made good progress towards our Vision of becoming a leading North American natural sweetener supplier.

The acquisition of Decacer early in fiscal 2018 created some delays to our original integration plans for LBMT and added more complexity to the overall undertaking. More importantly however, the addition of Decacer delivered an excellent manufacturing facility that, when fully leveraged, will allow us to lower our cost, improve overall product quality and support planned future growth.

Measured strictly in economic terms, the results in our maple business were disappointing. Measured by what we accomplished in terms of restructuring the business and setting it up for future success, a significant amount was accomplished. New sales and go-to market strategies, new information technology platforms, new supply chain structure, a complete rethink and manufacturing optimization plan, and new standard financial procedures and policies required a significant amount of effort. We continue to believe that this new natural sweetener segment, once fully integrated and optimized, will deliver the financial results we expected.

The core sugar business navigated very volatile market conditions with large commodity swings, currency fluctuations and trade threats that brought both opportunities and risks. The overall outcomes exceeded our expectations for volume which grew just short of 720,000 metric tonnes or an increase of 3.7% versus fiscal 2017. Adjusted results from operating activities ("Adjusted EBIT") amounted to \$67.8 million, which ranked fiscal 2018 as our second best result in the last 15 years when we exclude extraordinary years where the U.S. issued special refined sugar quotas due to temporary supply shortages. In fact, on this measure, our last three years represent the best three fiscal financial results over the last 15 years. These results are a testament to a strong management team that had the capacity to manage a heavy integration agenda on maple, and at the same time, maintain its attention to the needs of our sugar business.

We continue to believe our three core strategies of Operational Excellence, Market Access and Acquisition/Brand development provide the right focus for our business. This focus helps us to communicate our priorities and channel our resources, human and capital, towards making meaningful progress.

With the flatter growth outlook for sugar, we have made a greater effort to increase our return on investment projects that will deliver bottom line growth and/or absorb inflation. Our operating budget earmarked approximately \$6 million of capital to support investments in solutions that lower energy costs, increase automation and deliver new value-added manufacturing capabilities. A complete redesign of our sugar decolourization system in Vancouver, the automation of palletizing operations in Taber, the addition of a new fully automated retail packing line in our Toronto Blending plant and the installation of newer processing technology to lower our energy consumption in Montreal, represent the bulk of our investment initiatives in fiscal 2018. This capital spending is complemented by continuous investments in replacement of equipment that has reached the end of its useful life, and together, will lower our costs and improve our reliability and help deliver on our **Operational Excellence Strategy**.

After much uncertainty, NAFTA negotiations concluded with a new modernized agreement, the USMCA. Although not fully ratified and likely not to take effect until mid-calendar 2019, the agreement provides a better environment for investment by food processors and some opportunities for improved market access for Canadian beet sugar and sugar-containing products. Through our association with the Canadian Sugar Institute, Lantic provided technical support to the trade negotiations that helped deliver improved outcomes for our industry. Our **Market Access Strategy** is equally applicable to our maple syrup business. Largely unencumbered by tariffs, the maple syrup portfolio offers us an excellent opportunity to expand sales beyond our borders. In fact, approximately 75% of our revenues in this newly acquired business come from export sales, our largest market being the USA which continues to provide good opportunities for growth in both the traditional retail and the food ingredient channels.

Lastly our **Acquisition Strategy** continues to be an important enabler to our overall vision for the company. To achieve our vision of becoming a leading North American natural sweetener supplier, we will need to find new targets for growth. Our immediate focus in this area is the integration, but in parallel, we continue to build insights and explore potential ways to further strengthen our product offering and market development within North America through strategic partnerships or targeted acquisitions.

We are continuing to pursue our strategies and achieving success will require hard work, perseverance, team work, a common purpose and a continuous improvement mindset. Reaching our vision for the future will certainly not always follow a straight line but when difficult decisions will need to be made, we will turn to our values for guidance.

Finally I would like to take this opportunity to thank our valued employees for all their contributions in fiscal 2018 as well as for their ongoing support in fiscal 2019 as we work together towards evolving our business into a leading natural sweetener supplier that will deliver long-term growth and value for our shareholders.



John Holliday  
President and Chief Executive Officer  
November 21, 2018

# OUR EFFORTS TO MAKE A GOOD BUSINESS BETTER



## OPERATIONAL EXCELLENCE

In fiscal 2018 a number of investments to enhance Operational Excellence were planned and executed. **We introduced new technology to lower energy costs, increase automation, and deliver additional value-added manufacturing capabilities.** Our deep-seated operational knowledge has in many cases yielded valuable innovation. The result has been seamless integration of new processing solutions within legacy operating assets. Underlying all of our initiatives is a passion for what we do, which has played a critical role in our recent success.



## MARKET ACCESS STRATEGY

The sugar industry is steeped in a history of regulation and trade barriers. The USMCA represents the most recent example of such an agreement. When ratified, it will double our access to U.S. markets. **Canadian origin sugar will benefit from an additional 9,600 metric tonnes of access.**



## EXPANDING BEYOND BORDERS

For Lantic, access to other markets is also being realized through our maple syrup platform. **Given the nature of its unique sourcing and characteristics, this product faces substantially fewer tariffs. Our maple platform, dominated by export sales, now represents over 75% of our sales.** Creating awareness and new marketing channels for this ingredient offers substantial opportunities for growth.

## IMPROVED PACKAGING

Paper packaging has been in use for decades. It provides an economical format to package sugar. While we continue to offer sugar in paper bags, we have recently broadened our options to include flexible pouch packaging. We are offering several of our sugars in this modern format. Our new pouch is resealable with a wide opening allowing users to put a measuring spoon inside. Continuing to offer packaging improvements to enhance the consumer's experience is a priority for us.

**OUR NEW POUCH IS RESEALABLE WITH A WIDE OPENING ALLOWING USERS TO PUT A MEASURING SPOON INSIDE.**

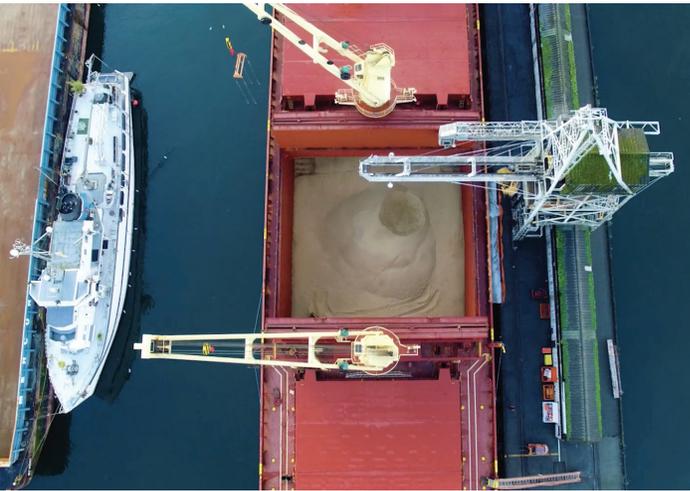


## NEW SPECIALIZED PRODUCTS



Maple flakes and maple sugar are perfect additions to a growing roster of natural sweeteners under our brands.

Consumers demand choices when it comes to natural sweeteners. We are always looking for ways to enhance our consumers' everyday needs. Leveraging our existing relationships in the baking aisle with retailers nation-wide, provides us an efficient way to distribute innovative natural maple products. Maple flakes and maple sugar are made from 100% pure maple syrup, simply dehydrated to offer unique textural and functional characteristics. They are great on yogurt, tea and coffee, baked goods, fresh fruit and toppings for dessert.



## OUR VALUES

We strive to reduce our environmental footprint and add value to the bottom line.

We are adopting new and better business practices, while investing in better processing technology, to reduce our environmental footprint. These initiatives require sustained effort and a mindset focused on continuous improvement. Much of this work occurs at our manufacturing facilities. Unfortunately, when embedded in our financial results, some achievements risk going unnoticed. For this reason we wanted to highlight some important successes and future goals in the area of waste reduction, energy conservation and best practices adoption.

### WASTE REDUCTION

- Divert 100% of processing waste from landfill to composting site and reuse by producers
- Achieving “Zero Waste” certification in Vancouver

### ENERGY CONSERVATION

- Fiscal 2018 plant efficiencies lowered natural gas consumption by 5% (equivalent to the average annual amount of energy used to heat 1,590 homes in Canada)
- Fiscal 2018 plant efficiencies lowered water consumption by 1.8 million liters (equivalent to the average amount of water used per day by 5,500 people)
- Looking forward, our ongoing focus and investments involve a continuous reduction of our energy/water consumption. Benefits from investments made in Fiscal 2018 will be substantial, generating an additional 2% in natural gas reduction (equivalent to the annual heating consumption of 558 homes) and water reduction equivalent to 2.7 million liters (daily usage of 8,200 people).

### BEST PRACTICES ADOPTION

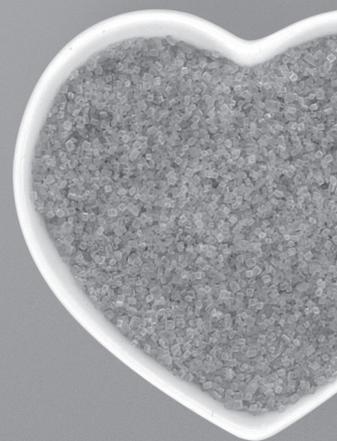
- Collaborating with Alberta Sugar Beet Growers to have growers certified by recognized sustainability program
- Collaboration with the Town of Taber to develop a wet land site
- Working with Alberta Environment and Park on the approval and execution of our air particulate emissions reduction project in Taber. New system commissioning will be completed in Fiscal 2019.

**ROGERS**

**Lantic**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended  
September 29, 2018 and September 30, 2017



This Management's Discussion and Analysis ("MD&A") of Rogers Sugar Inc.'s ("Rogers" or the "Corporation") audited consolidated financial statements for the years ended September 29, 2018 and September 30, 2017 should be read in conjunction with the audited consolidated financial statements and related notes for the years ended September 29, 2018 and September 30, 2017. The Corporation's MD&A and consolidated financial statements are prepared using a fiscal year which typically consists of 52 weeks, however, every five years, a fiscal year consists of 53 weeks. The fiscal years ended September 29, 2018, September 30, 2017 and October 1, 2016 all consist of 52 weeks.

All financial information contained in this MD&A and audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are in Canadian dollars unless otherwise noted, and the term "dollar", as well as the symbol "\$", designate Canadian dollars unless otherwise indicated.

Management is responsible for preparing the MD&A. Rogers's audited consolidated financial statements and MD&A have been approved by its Board of Directors upon the recommendation of its Audit Committee prior to release. This MD&A is dated November 21, 2018.

Additional information relating to Rogers, Lantic Inc. ("Lantic") (Rogers and Lantic together referred as the "Sugar segment"), L.B. Maple Treat Corporation ("LBMT"), 9020-2292 Québec Inc. ("Decacer") and Highland Sugarworks Inc. ("Highland") (the latter three companies together referred to as "LBMT" or the "Maple products segment"), including the annual information form, quarterly and annual reports, management proxy circular, short form prospectus and various press releases issued by Rogers is available on the Rogers's website at [www.LanticRogers.com](http://www.LanticRogers.com) or on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") website at [www.sedar.com](http://www.sedar.com). Information contained in or otherwise accessible through our website does not form part of this MD&A and is not incorporated into the MD&A by reference.

## NON-GAAP MEASURES

In analyzing results, we supplement the use of financial measures that are calculated and presented in accordance with IFRS with a number of non-GAAP financial measures. A non-GAAP financial measure is a numerical measure of a company's 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 IFRS. Non-GAAP financial measures are not standardized; therefore, it may not be possible to compare these financial measures with the non-GAAP financial measures of other companies having the same or similar businesses. We strongly encourage investors to review the audited 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 IFRS. These non-GAAP financial measures reflect an additional way of viewing aspects of the operations that, when viewed with the IFRS results and the accompanying reconciliations to corresponding IFRS financial measures, may provide a more complete understanding of factors and trends affecting our business.

The following is a description of the non-GAAP measures used by the Company in the MD&A:

- Adjusted gross margin is defined as gross margin adjusted for:
  - > "the adjustment to cost of sales", which comprises of the mark-to-market gains or losses on sugar futures, foreign exchange forward contracts and embedded derivatives as shown in the notes to the consolidated financial statements and the cumulative timing differences as a result of mark-to-market gains or losses on sugar futures, foreign exchange forward contracts and embedded derivatives as described below; and
  - > "the amortization of transitional balance to cost of sales for cash flow hedges", which is the transitional marked-to-market balance of the natural gas futures outstanding as of October 1, 2016 amortized over time based on their respective settlement date until all existing natural gas futures have expired, as shown in the notes to the consolidated financial statements.
- Adjusted EBIT is defined as EBIT adjusted for the adjustment to cost of sales, the amortization of transitional balances to cost of sales for cash flow hedges.
- Adjusted EBITDA is defined as adjusted EBIT adjusted to add back depreciation and amortization expenses, the Sugar segment acquisition costs and the Maple products segment non-recurring expenses.
- Adjusted net earnings is defined as net earnings adjusted for the adjustment to cost of sales, the amortization of transitional balances to cost of sales for cash flow hedges, the

amortization of transitional balance to net finance costs and the income tax impact on these adjustments. Amortization of transitional balance to net finance costs is defined as the transitional marked-to-market balance of the interest rate swaps outstanding as of October 1, 2016, amortized over time based on their respective settlement date until all existing interest rate swaps agreements have expired, as shown in the notes to the consolidated financial statements.

- Adjusted gross margin rate per MT is defined as adjusted gross margin of the Sugar segment divided by the sales volume of the Sugar segment.
- Adjusted gross margin percentage is defined as the adjusted gross margin of the Maple products segment divided by the revenues generated by the Maple products segment.
- Adjusted net earnings per share is defined as adjusted net earnings divided by the weighted average number of shares outstanding.
- Maple products segment Adjusted EBITDA is defined as the earnings before interest expenses, taxes and depreciation and amortization expenses of the Maple products segment, adjusted for the total adjustment to cost of sales relating to its segment, non-recurring expenses and depreciation and amortization expenses.
- LBMTTC's EBITDA is defined as earnings before interest expenses, taxes, depreciation and amortization expenses, business combination related costs, gain on business acquisition and fair value adjustment to purchase price allocation on inventories.
- Adjusted *pro forma* EBITDA is defined as LBMTTC's EBITDA, adjusted to include the EBITDA of Highland and Great Northern from April 1, 2016 until their respective acquisition by LBMTTC and the expected EBITDA of Sucro-Bec for the twelve-month period ended March 31, 2017, as well as certain non-recurring operating expenses.
- Adjusted *pro forma* EBITDA assuming the LBMTTC Integration Gains is defined as the adjusted *pro forma* EBITDA, adjusted to include any recent customer gains, procurement efficiencies, re-alignment of production lines, reduction of maple syrup losses and previous integration of acquired businesses.
- Adjusted *pro forma* EBITDA assuming the LBMTTC Integration Gains and the RSI Integration Gains is defined as the adjusted *pro forma* EBITDA assuming the LBMTTC Integration Gains, adjusted to include business efficiencies, including procurement cost reductions and Operational Excellence, and customer gains, as a result of the Rogers integration.
- Decacer's *pro forma* Adjusted EBITDA is defined as earnings before interest expenses, taxes, depreciation and amortization expense for the twelve-month period ended March 31, 2017, adjusted to take into account non-recurring items identified by the Decacer Management, non-recurring items identified by the Corporation during the course of its due diligence and estimated adjustments required to reflect the going-forward EBITDA run-rate.
- Free cash flow is defined as cash flow from operations excluding changes in non-cash working capital, mark-to-market and derivative timing adjustments, amortization of transitional balances, financial instruments non-cash amount, deferred financing charges and includes funds received from the issue or excludes funds paid for the purchase of shares and includes capital and intangible assets expenditures, net of operational excellence capital expenditures. Free cash flow for fiscal 2017 excludes any funds received or paid as part of the short form prospectus offering for subscription receipts and convertible unsecured subordinated debentures issued in July 2017. Free cash flow for fiscal 2018 excludes any funds received or paid for the issuance of the convertible unsecured subordinated debentures issued in March 2018.

In the MD&A, we discuss the non-GAAP financial measures, including the reasons why we believe these measures provide useful information regarding the financial condition, results of operations, cash flows and financial position, as applicable. We also discuss, to the extent material, the additional purposes, if any, for which these measures are used. These non-GAAP measures should not be considered in isolation, or as a substitute for, analysis of the Company's results as reported under GAAP. Reconciliations of non-GAAP financial measures to the most directly comparable IFRS financial measures are also contained in this MD&A.

## FORWARD-LOOKING STATEMENTS

This report contains Statements or information that are or may be "forward-looking statements" or "forward-looking information" within the meaning of applicable Canadian securities laws. Forward-looking statements may include, without limitation, statements and information which reflect the current expectations of Rogers, Lantic and LBMT (together all referred to as "the Company") with respect to future events and performance. Wherever used, the words "may," "will," "should," "anticipate," "intend," "assume," "expect," "plan," "believe," "estimate," and similar expressions and the negative of such expressions, identify 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 Canadian origin quota to the United States ("U.S."), the opening of special refined sugar quotas in the U.S., beet production forecasts, growth of the maple syrup industry, anticipated benefit of the LBMT and Decacer acquisitions (including expected Maple products segment adjusted EBITDA), 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. Forward-looking 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. Actual performance or results could differ materially from those reflected in the forward-looking statements, historical results or current expectations. These risks are referred to in the Company's Annual Information Form in the "Risk Factors" section and include, without limitation: the risks related to the Corporation's dependence on the operations and assets of Lantic, the risks related to government regulations and foreign trade policies, the risks related to competition faced by Lantic, the risks related to fluctuations in margins, foreign exchange and raw sugar prices, the risks related to security of raw sugar supply, the risk related to weather conditions affecting sugar beets, the risks relating to fluctuation in energy costs, the risks that LBMT's historical financial information may not be representative of future performance, the risk that following the acquisition of LBMT on August 5, 2017 and of Decacer on November 18, 2017 (together referred to the "Acquisitions"), Rogers and Lantic may not be able to successfully integrate LBMT and Decacer's businesses with their current business and achieve the anticipated benefits of the Acquisitions, the risks of unexpected costs or liabilities related to

the Acquisitions, including that the Representation and Warranty Insurance ("RWI") Policy may not be sufficient to cover such costs or liabilities or that the Corporation may not be able to recover such costs or liabilities from the shareholders of LBMT and Decacer, the risks related to the regulatory regime governing the purchase and sale of maple syrup in Québec, including the risk that LBMT may not be able to maintain its authorized buyer status with the Federation des Producteurs Acéricoles du Québec ("FPAQ") and the risk that it may not be able to purchase maple syrup in sufficient quantities, the risk related to the production of maple syrup being seasonal and subject to climate change, the risk of any government regulation and foreign trade policies change, the risk related to customer concentration and LBMT's reliance on private label customers, the risks related to consumer habits and the risk related to LBMT's business growth, substantially relying on exports.

Although the Corporation believes that the expectations and assumptions on which forward-looking information is based are reasonable under the current circumstances, readers are cautioned not to rely unduly on this forward-looking information as no assurance can be given that it will prove to be correct. Forward-looking information contained herein is made as at the date of this MD&A and the Corporation does not undertake any obligation to update or revise any forward-looking information, whether as a result of events or circumstances occurring after the date hereof, unless so required by law. Adjusted EBITDA for fiscal 2018 amounted to \$18.6 million, short of Management's expectations at \$19.9 million. The lower than expected results are mainly explained by lower sales volume and sales growth than anticipated due to market competitiveness and to higher distribution costs. Given the lower than anticipated results from fiscal 2018, and as of the date of this MD&A, Management believes it is prudent to reduce expectations with regards to the Maple products segment Adjusted EBITDA for fiscal 2019 by approximately the same value of the fiscal 2018 shortfall and therefore, expects that Adjusted EBITDA should be approximately \$21.0 million, excluding non-recurring costs. Refer to the "Outlook" section of this MD&A for further details.

## FORWARD-LOOKING INFORMATION IN THIS MD&A

The following table outlines the forward-looking information contained in this MD&A, which the Corporation considers important to better inform readers about its potential financial performance, together with the principal assumptions used to derive this information and the principal risks and uncertainties that could cause actual results to differ materially from this information.

## EXPECTED ADJUSTED EBITDA FOR LBMTTC

### Principal Assumptions

The expected adjusted EBITDA is the expected earnings before interest expenses, taxes, depreciation and amortization expense for a twelve-month period, adjusted for one-time costs and including the integration gains. The Corporation estimates annual operating earnings by subtracting from the estimated revenues the estimated annual operating costs, from which it subtracts estimated general and administrative expenses. The integration gains include LBMTTC for fiscal 2018 and RSI integration gains for fiscal 2019. LBMTTC integration gains are estimated gains resulting from the three acquisitions completed by LBMTTC since February 2, 2016 and which include customer gains, procurement efficiencies, re-alignment of production lines, reduction of maple syrup losses and previous integration of acquired businesses. RSI integration gains are estimated operational gains resulting from the combination of the Corporation and LBMTTC which include business efficiencies and customer gains.

### Principal Risks and Uncertainties

- Historical financial information used to estimate budgeted amounts may not be representative of future results.
- Variability in LBMTTC's performance.
- Unexpected administration, selling or distribution expenditures.
- Uncertainty of successful integration and operational gains.
- Other risks relating to the business of LBMTTC (refer to the "Risk Factors" section).

## EXPECTED ADJUSTED PRO FORMA EBITDA FOR DECACER

### Principal Assumptions

Decacer's Adjusted *pro forma* EBITDA is the expected earnings before interest expenses, taxes, depreciation and amortization expense for a twelve-month period, adjusted to take into account non-recurring items identified by Decacer Management, non-recurring items identified by the Company during the course of its due diligence and estimated adjustments required to reflect the going-forward EBITDA run-rate.

### Principal Risks and Uncertainties

- Historical financial information used may not be representative of future results.
- Variability in Decacer's performance.
- Unexpected administration, selling or distribution expenditures.
- Uncertainty of successful integration and operational gains.

### CONTROLS AND PROCEDURES

In compliance with the provisions of Canadian Securities Administrators' Regulation 52-109, the Corporation has filed certificates signed by the President and Chief Executive Officer ("CEO") and by the Vice-President Finance and Chief Financial Officer ("CFO"), in that, among other things, report on:

- their responsibility for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Company; and
- the design and effectiveness of disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

### DISCLOSURE CONTROLS AND PROCEDURES

The CEO and the CFO, have designed the disclosure controls and procedures ("DC&P"), or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Company is made known to the CEO and CFO by others, particularly during the period in which the interim and annual filings are being prepared; and
- information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

As at September 29, 2018, an evaluation was carried out, under the supervision of the CEO and the CFO, of the design and operating effectiveness of the Company's DC&P. Based on this evaluation, the CEO and the CFO concluded that the Company's DC&P were appropriately designed and were operating effectively as at September 29, 2018.

**INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The CEO and CFO have also designed internal controls over financial reporting ("ICFR"), or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS using the framework established in "Internal Control – Integrated Framework (COSO 2013 Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)". As at September 29, 2018, an evaluation was carried out, under the supervision of the CEO and the CFO, of the design and operating effectiveness of the Company's ICFR. Based on that evaluation, they have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at September 29, 2018.

In designing and evaluating such controls, it should be recognized that, due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Additionally, management is obliged to use judgement in evaluating controls and procedures.

**LIMITATION ON SCOPE OF DESIGN**

The Company has limited the scope of its DC&P and ICFR to exclude controls, policies and procedures of Decacer acquired not more than 365 days before the last day of the period covered by the annual filing. The Company elected to exclude it from the scope of certification as allowed by NI 52-109. The Company intends to perform such testing within one year of acquisition.

The chart below presents the summary financial information included in the Corporation's consolidated financial statements for the excluded business:

	2018
	\$
Decacer	2018
(In thousands of dollars, unaudited)	\$
<b>Statement of Financial Position</b>	
Total assets	75,305
<b>Statement of Comprehensive Income</b>	
Total revenue	37,696
Results from operating activities	4,771

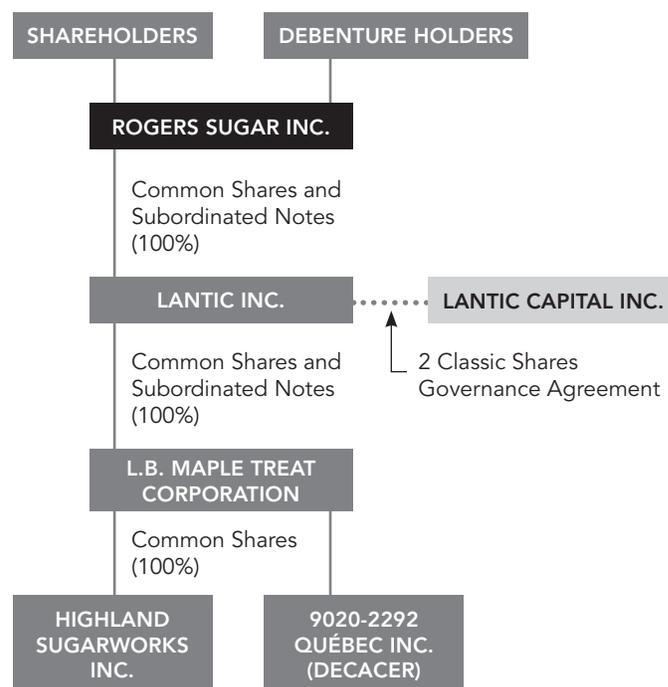
**CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING**

There were no changes in the Company's internal controls over financial reporting during the year that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**OVERVIEW**

Rogers is a corporation incorporated under the *Canada Business Corporations Act*, which holds all of the common shares and subordinated notes of Lantic.

The following chart illustrates the structural relations between shareholders, debenture holders, Rogers, Lantic Capital Inc., Rogers's operating company, Lantic and its subsidiaries, namely LBMT, Decacer and Highland.



Rogers is governed by not less than three, nor more than seven directors who are appointed annually at the annual general meeting of the shareholders of Rogers. As of the date of this MD&A, there were five directors.

The directors are responsible for, among other things: acting for, voting on behalf of and representing Rogers as a shareholder and noteholder of Lantic; maintaining records and providing reports to the shareholders; supervising the activities and managing the investments and affairs of Rogers; and effecting payments of dividends to shareholders.

Communication with shareholders on matters relating to the Company is primarily the responsibility of the Administrator, Lantic, through its CEO and CFO. Regular meetings and discussions are held between these individuals and industry analysts, brokers, institutional investors, as well as other interested parties.

An Audit Committee of Rogers exists and is composed of three directors, all of whom are independent and unrelated.

## SUGAR SEGMENT

### Production Facilities

Lantic is the largest refined sugar producer in Canada, with annual nominal production capacity of approximately 1,000,000 metric tonnes. Lantic operates cane refineries in Montréal, Québec and Vancouver, British Columbia, and a sugar beet factory in Taber, Alberta.

With total sales volume of approximately 650,000 to 725,000 metric tonnes per year, Lantic has ample capacity to meet all current volume requirements. None of the production facilities currently operate at full capacity. Lantic is the only sugar producer with operating facilities across Canada. The strategic location of these facilities confers operating flexibility and the ability to service all customers across the country efficiently and on a timely basis.

Lantic also operates a custom blending and packaging operation in Toronto which blends and packs high sugar containing products, as well as non-sugar products, for manufacturing and food processing companies and selected products for retail customers. In addition to domestic sales opportunities, the Blending operation provides Lantic with the capability to leverage sugar containing products ("SCP") quotas under certain trade agreements such as the existing North American Free Trade Agreement ("NAFTA") and the yet to be ratified United States-Mexico-Canada Agreement ("USMCA"), as well as Canada-European Union Comprehensive Economic and Trade Agreement ("CETA"). The total capacity of this plant is approximately 40,000 metric tonnes per year.

Lantic also operates a full service rail truck transfer and distribution centre in Toronto.

### Our Products

All Lantic operations supply high quality white sugar as well as a broad portfolio of specialty products which are differentiated by colour, granulation, and raw material source. We are committed to responding to the evolving needs of our customers through innovative packaging and supply chain solutions, as well as customized product specifications.

Sales are focused in three specific market segments: industrial, consumer, and liquid products. The domestic market represents more than 90% of the Company's total volume.

In fiscal 2018, the domestic refined sugar market increased by approximately 2% versus last fiscal year.

The industrial segment is the largest segment accounting for approximately 60% of all shipments. The industrial segment is comprised of a broad range of food processing companies that serve both the Canadian and American markets. Some of these processors are able to take the relative advantage of a weaker Canadian dollar and lower value of the #11 world raw sugar prices, compared to #16 raw sugar prices used as the basis for pricing in the U.S. market, to expand sales into export markets as most of these sales are not subject to duty tariffs.

In the consumer market segment, a wide variety of products are offered under Lantic and Rogers brand name. This segment has remained fairly stable during the last several years although volume sold within this market in fiscal 2018 represented a 2% growth year-over-year. We continue our marketing efforts by bringing more new innovations to the sugar and sweetener category. Recognizing the need to offer more packaging choices, we have launched a series of sugar staples in a bold new packaging format. Our staples – fine granulated sugar, organic sugar, jam and jelly mix as well as super fine sugar are now also available in stand up re-sealable bags. This new packaging features high quality graphics and visuals, re-sealable closure, a wide opening with a rip-proof feature, all of which will enhance the end users' experience of our products. In addition, with the integration of the maple business, we successfully launched Maple Sugar and Maple Sugar Flakes with major retailers. Also, the integration of our four websites into one has been completed – [www.LanticRogers.com](http://www.LanticRogers.com) – is now the one portal where consumers can access product information, recipes, investor information and other relevant company information.

The liquid market segment is comprised of core users whose process or products require liquid sucrose and another customer group that can substitute liquid sucrose with high fructose corn syrup ("HFCS"). The purchasing patterns of substitutable users are largely influenced by the absolute price spread between HFCS and liquid sugar. Increasingly, other considerations, such as ingredient labeling could also bear some influence on the purchasing decision. The liquid segment grew during the current fiscal year as a result of an increase in overall demand and conversion from HFCS to sucrose that was beneficial for the Canadian refiners.

Lantic's Taber plant is the only beet sugar factory in Canada and is therefore the only producer of Canadian origin sugar. As such, this plant is the sole participant in an annual Canadian-specific quota to the U.S. of 10,300 metric tonnes. As part of the recently announced USMCA, an additional quota of 9,600 metric tonnes of Canadian origin sugar has been awarded to Canada but has not yet taken effect. This additional market access should be beneficial to Lantic once the USMCA is ratified (see "Government Regulations and Foreign Trade Policies with regards to Sugar" within the "Risk Factors" section). In addition, there is a 7,090 metric tonnes U.S. global refined sugar quota, which opens and is usually filled on a first-come first-served pro-rata basis on October 1st of every year. The Montréal and Vancouver cane operations and the Taber beet factory can all participate in this global quota. Sales to the U.S. under both the Canadian-specific and the U.S. global quotas are typically made at above average margins as U.S. pricing reflects agricultural and price support and typically exceeds Canadian pricing, which is derived from #11 world raw sugar pricing. In fiscal 2018, favourable market conditions continued which allowed the Company to complete some additional volume of sales of specialty sugars over and above these two quotas, on a high tier (duty paid) basis. These favourable conditions occur when the spread between #11 world raw sugar prices and U.S. refined sugar prices widens, combined with the devaluation of the Canadian dollar, more than fully offset the U.S. import duties. With its broad and diversified production platform, the Company is well positioned to take advantage of such opportunistic sales. The Company pays close attention to these market spreads and when appropriate, leverages a well-developed customer network to commercialize these opportunities.

By-products relating to beet processing and cane refining activities are sold in the form of beet pulp, beet and cane molasses. Beet pulp is sold domestically and to export customers for livestock feed. The production of beet molasses and cane molasses is dependent on the volume of sugar processed through the Taber, Montréal and Vancouver plants.

### **Our Supply**

The global supply of raw cane sugar is ample. Over the last several years, Lantic has purchased most of its raw cane sugar from Central and South America for its Montréal and Vancouver cane refineries. All raw cane sugar purchases are hedged on the Intercontinental Exchange ("ICE") #11 world raw sugar market. This hedging eliminates gains or losses from raw sugar price fluctuations, and thus helps Lantic avoid the effects of volatility in the world raw sugar market.

In fiscal 2015, the Company entered into a four-year agreement with the Alberta Sugar Beet Growers (the "Growers") for the supply

of sugar beets to the Taber beet plant. The 2018 crop, which will be harvested in the fall and processed in fiscal 2019, would have been the last one under this contract. However, during the third quarter of the current year, the Company entered into an additional two year agreement with the Growers. As a result of this agreement, the Company has secured sugar beet supply up to fiscal 2021. Any shortfall in beet sugar production related to crop problems is replaced by refined cane sugar from the Vancouver refinery, which acts as a swing capacity refinery.

The contract with the Growers stipulates a fixed price for all beet sugar derived from the beets processed in addition to a scaled incentive as the price of raw sugar increases. As a consequence, the Company is exposed to fluctuations in the #11 world raw sugar price for all domestic beet sugar volume sold against the #11 world raw sugar prices, which is approximately 70,000 metric tonnes. The Company can use a pre-hedge strategy to mitigate the fluctuation risks, which is explained below in the section "Use of Financial Derivatives for Hedging".

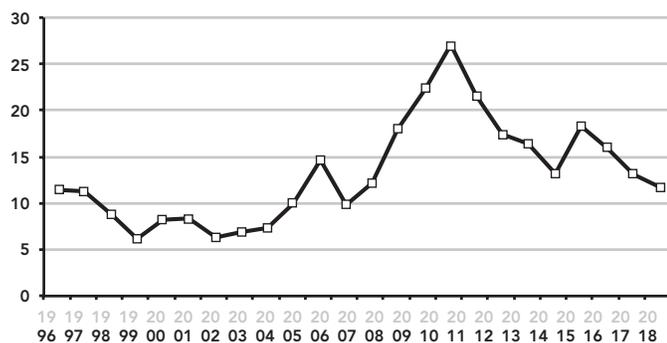
### **Pricing**

In fiscal 2018, the price of raw sugar fluctuated between U.S. 9.83 cents per pound and U.S. 15.49 cents per pound and closed at U.S. 11.20 cents per pound at the end of the fiscal year, which was 2.90 cents lower than the closing value at September 30, 2017. Although price variation during the year was much less than in fiscal 2017 when raw sugar prices fluctuated between U.S. 12.74 and U.S. 23.90 cents per pound, the average raw sugar prices in fiscal 2018 was much lower than fiscal 2017 average. Since 2017, the global sugar market has been in a surplus situation driven by increased output in India, the European Union and Thailand.

The price of refined sugar deliveries from the Montréal and Vancouver raw cane facilities is directly linked to the price of the #11 world raw sugar market on the ICE. All sugar transactions are economically hedged, thus eliminating the impact of volatility in world raw sugar prices. This applies to all refined sugar sales made by these plants. Liquid sales to HFCS substitutable customers are normally priced against competing HFCS prices and are historically the lowest margin sales for the Company.

Whereas higher #11 world raw sugar values may have the effect of reducing the competitiveness of the liquid business versus HFCS, the opposite holds true for our beet operation. In Taber, the raw material used to produce sugar is sugar beets, for which a fixed price, plus a scaled incentive on higher raw sugar values, is paid by Lantic to the Growers. As a result, Lantic benefits from, or alternatively, absorbs some of the changes associated with fluctuations in world raw sugar prices for all volume sold, excluding non U.S. export volume.

World raw sugar cane prices  
Cents per pound — yearly averages  
(September 1996 to September 2018)



Source: #11 ICE

**Operations**

Employees are key to our success and employee safety is continuously at the forefront of our priorities. Each of the Company's manufacturing operations incorporates occupational health and safety components in its annual planning which are reviewed weekly by senior management and quarterly by the Board of Directors.

For our refinery operations, labour remains the largest cost item. Our operating plants' labour agreements have staggered expiry dates. The Toronto warehouse bargaining agreement expired at the end of June 2018 and negotiations began during the fourth quarter of fiscal 2018.

Energy is our second largest operating expense. We use large amounts of natural gas in our refineries. We have a hedging strategy in place with futures contracts to mitigate the impact of large fluctuations in natural gas prices. With a continued weakness in natural gas prices, Lantic added some hedged positions for fiscal 2019 through 2024 at prices equal to or lower than fiscal 2018's average price. We will continue to closely monitor the natural gas market in order to reduce volatility and maintain an overall market competitiveness. Lantic's forward hedging policy mitigates but does not fully eliminate the impact of year-over-year trends in natural gas prices.

Provincial application of some form of carbon tax has been increasingly important across Canada. The Company's two cane refineries and its beet factory are subject to an additional levy pertaining to gas emissions, the latter having started on January 1, 2017. On January 1, 2018, the Alberta carbon tax increased from \$1.011 to \$1.517 per gigajoule. In addition, the British Columbia carbon tax increased from \$1.49 to \$1.7381 per gigajoule on April 1, 2018 and is expected to continue to increase annually by

\$0.25 per gigajoule until 2021. This trend could increase the overall energy costs for the Company.

The Montréal refinery operates under a firm gas contract as opposed to an interruptible gas contract, which terminates in November 2021. This firm gas contract eliminates incremental energy costs relating to service interruptions as a result of cold winter conditions.

Natural gas price continuation chart  
(January 2004 to September 2018)



Source: NYMEX

Production reliability is also critical to the success of our operations. Every year, each plant makes considerable investments in preventive maintenance and repairs, thus maintaining their efficient working order and competitiveness.

The Sugar segment invested \$14.9 million in "Stay in Business and Safety" capital projects for plant reliability, product security, information systems and environmental requirements, of which, \$1.3 million was spent for the air emission compliance solution in Taber. The Company is spending an increased amount on stay in business and safety capital projects when compared to recent fiscal years due to the start of more significant projects being undertaken, more specifically, in Montréal and in Vancouver.

"Operational Excellence", or return on investment capital projects, forms the balance of the fiscal year capital investment for the Sugar segment. In fiscal 2018, operational excellence capital expenditures amounted to \$6.9 million, of which, \$3.9 million was spent on an energy saving project at the Vancouver refinery that will be completed in the first half of fiscal 2019 for a total of approximately \$5.1 million. In addition, \$1.1 million was spent on a new packaging equipment that will bring retail packaging innovation to our product offering and will help reduce co-packaging costs. An energy saving project at the Montréal refinery of approximately \$3.3 million started in fiscal 2017 and was completed by the end of the second

quarter of the current fiscal year. This project generated savings commencing in the second half of the year. Another energy saving project at the Montréal refinery was undertaken in fiscal 2018 and should be completed in the first half of fiscal 2019 for a total capital spend of \$0.5 million. The palletizing station installation in Taber was completed during the current fiscal year for a total capital of approximately \$1.2 million. These investments are undertaken because of operational savings to be realized when such projects are completed.

Over the past few years, the Company has been actively working on solutions to reduce the air emissions footprint of the Taber facility. During the current fiscal year, the Company completed the engineering and project design to upgrade the Taber beet factory to be fully compliant with the new air emissions regulations by the start of the fiscal 2020 beet harvesting season (crop 2019). This solution is expected to require between \$8.0 million and \$10.0 million in capital expenditures, of which, approximately \$1.3 million was spent in fiscal 2018. The investment required for this project is considered as a one-time incremental investment to the ongoing capital expenditure program. For the 2019 beet harvesting season (crop 2018), the Taber facility obtained from Alberta Environment and Parks a variance for non-compliance of air emission standards valid until May 2019, which allows us more than sufficient time to process our 2018 sugar beet crop.

The Company is fully committed to continuous improvement and to the competitive supply of quality and safe products that meet or surpass customer and legislative requirements. Customer satisfaction is achieved and maintained by a qualified and motivated workforce that is accountable and responsible for all aspects of quality and food safety. By understanding and responding to evolving needs and expectations, we are well positioned with respect to ever changing requirements such as the Global Food Safety Initiative, currently the universal benchmark for food safety and consumer protection.

As a result of this commitment and focus, we are pleased to report that the Food Safety System Certification 22000 ("FSSC 22000") is in place at each of our three production facilities.

Furthermore, our blending facility is also certified under the FSSC 22000 standard, thereby demonstrating our commitment to provide quality and safe products for our customers. The plant is already registered as a Canadian Food Inspection Agency ("CFIA") dairy establishment, which allows Lantic to pursue dry dairy blends

for both the domestic and export markets. Moreover, our blending facility was recently certified as a packing establishment for maple products under the Maple products regulations. We are committed to increasing blending volume in both the industrial and retail sectors, including non-sugar containing blends.

## MAPLE PRODUCTS SEGMENT

On November 18, 2017 the Company acquired 100% of Decacer for \$43.0 million, after closing adjustments. Last year, on August 5, 2017, the Company also acquired 100% of LBMTTC from Champlain Financial Corporation Inc., for approximately \$166.4 million, after closing adjustments.

The combined acquisition of LBMTTC and Decacer makes the Company one of the world's largest branded and private label maple syrup bottling and distribution companies. It will also allow the Company to diversify into the large and growing market of maple syrup, a natural sweetener, as one of the leaders in the industry and expand its product offering, including a unique maple sugar dehydration technology.

### Overview of the Maple Syrup and Maple Products Industry

Maple syrup is fundamentally organic and gluten-free. Maple syrup is increasingly viewed as a healthy alternative to traditional sweeteners. Maple syrup is extracted mainly from two types of maple trees: sugar maple and red maple. The biggest concentration of maple trees is located in Québec, New Brunswick, Ontario, Vermont, Maine and New Hampshire.

The production of maple syrup takes place over a period of 6 to 8 weeks during the months of March and April of each year. The syrup takes its origin from the sap which is collected from the maple tree. Through photosynthesis, sugar maple and red maple convert the starch stored during the warmer seasons into sugar. This sugar then combines with the water absorbed by the tree's roots and in the spring, when temperatures rise, the sweet sap in the trunk and roots expands, creating pressure inside the tree to ultimately push sap out of the maple tree.

The sap generally travels from the trees by gravity or through a vacuum collector system attached to the trees by small taps and connected to larger conveyance tubes that are themselves connected to the sugar shack, where it is ultimately boiled into maple syrup.

### Global Supply and Demand

Canada remains the largest producer of maple syrup, with over 77% of the world's production. The U.S. is the only other major producing country in the world, producing approximately 22% of the global supply. Québec represented 71% of the world's production in 2017.

### Regulatory Regime in Québec

There are approximately 7,300 commercial-scale maple syrup producers in Québec. The maple syrup producers in Québec are represented by the FPAQ, a body created in 1966 to support the interests of maple syrup producers and to ensure a "level playing field". The FPAQ generally regulates the buying and selling of bulk maple syrup.

The FPAQ, in its capacity as bargaining and sales agent for the producers of maple syrup in Québec as well as the body empowered to regulate and organize the production and generic marketing of maple syrup, and the bulk buyers of maple syrup, represented by the Conseil de l'industrie de l'érable (the Maple Industry Council ("MIC")) entered into a Marketing Agreement, which is expected to be renewed on an annual basis.

Pursuant to the Marketing Agreement, authorized buyers must pay a minimum price to the FPAQ for any maple syrup purchased from the producers. The price is fixed on an annual basis and depends on the grade of the maple syrup. In addition, a premium is added to the minimum price for any organic maple syrup. Pursuant to the Marketing Agreement, authorized buyers must buy maple syrup from the FPAQ in barrels corresponding to the "anticipated volume". The anticipated volume must be realistic and in line with volumes purchased in previous years and anticipated sales forecasts.

Producers of maple syrup in Québec are required to operate within the framework provided for by the Marketing Act. Pursuant to the Marketing Act, producers, including producers of maple syrup, can take collective and organized control over the production and marketing of their products (i.e. a joint plan). Moreover, the Marketing Act empowers the marketing board responsible for administering a joint plan, that is the FPAQ in the case of maple syrup, with the functions and role otherwise granted to the Régie des marchés agricoles et alimentaires du Québec, the governing body created by the Government of Québec to regulate, among other things, the agricultural and food markets in Québec. As part of its regulating and organizing functions, the FPAQ may establish arrangements to maintain fair prices for all producers and may manage production surpluses and their storage to offer security of supply and price stability of maple syrup.

Pursuant to the Sales Agency Regulation, the FPAQ is responsible for the marketing of bulk maple syrup in Québec. Therefore, any container that contains 5L or more of maple syrup must be marketed through the FPAQ as the exclusive selling agent for the producers. Bulk maple syrup may be handed over to the FPAQ or sold to "authorized buyers" accredited by the FPAQ. Maple syrup producers may hand over unsold inventory to the FPAQ before September 30th of each year. The FPAQ then arranges for the sale of such unsold inventory to industrial and authorized buyers. In Québec, nearly 90% of the total production of maple syrup is sold through the FPAQ to the authorized buyers, leaving only approximately 10% of the total production being sold directly by the producers to consumers or grocery stores. The authorized buyer status is renewed on an annual basis.

### Quality Control

In Québec, maple syrup delivered in barrels is systematically inspected by an independent company. Every year, ACER Division Inspection Inc. verifies, inspects and grades over 225,000 barrels of maple syrup. This inspection system ensures a high quality control on maple syrup that is produced and sold in Québec. Pursuant to the quality control process set up by the FPAQ and the MIC, the verification, inspection and grading is performed at the FPAQ plant in Laurierville, Québec, or at authorized buyers' facilities.

The quality control system established by the FPAQ also facilitates the certification of Québec maple syrup as "organic", as it provides the ability to trace maple syrup back to the origin maple farm.

### The Quota System

In 2004, the FPAQ adopted a policy with respect to production and marketing quotas which resulted in an annual production volume allocated to each maple syrup business. The main objective of the policy is to adjust the supply of maple syrup in response to consumer demand, and more specifically, to stabilize selling prices for producers and, ultimately, the buying price for consumers, foster investments in the maple industry and maintain a steady number of maple producing businesses in operation, regardless of their size.

### The FPAQ Strategic Reserve

In 2002, the FPAQ set up a strategic maple syrup reserve in order to mitigate production fluctuations imputable to weather conditions and prevent such fluctuations from causing maple syrup prices to spike or drop significantly. The reserve was initially established to set aside a production quantity equivalent to half of the then annual demand. Each year, the FPAQ may organize a sale of a portion of its accumulated reserve. This allows bottlers to respond to supply shortages in the event of a poor harvest or unplanned growth and demand. As at December 31, 2017, the FPAQ had

over 95 million pounds of bulk maple syrup, including 21 million pounds of processing/industrial grade maple syrup, in its strategic reserve, which represents a little over half of the annual global retail consumption.

### Regime Outside of Québec

Outside of Québec, the maple syrup industry is generally organized through producer-based organizations or associations, which promote maple syrup in general and its industry and serve as the official voice for maple syrup producers with the public.

### Authorized Buyer Status and Relationship with the FPAQ

LBMT and Decacer are authorized buyers with the FPAQ. An authorized buyer is authorized to receive maple syrup in bulk (i.e. in barrels) directly from Québec maple syrup producers. LBMT and Decacer are both active members of the MIC, which represents approximately sixty authorized buyers, in negotiating the Marketing Agreement with the FPAQ. Of the sixty authorized buyers, six are major players and represent over 85% of the volume purchased through the FPAQ, two of which are LBMT and Decacer.

LBMT has relationships with more than 1,400 maple syrup producers, mainly in Québec and Vermont. Most of these producers sell 100% of their production to LBMT. Through its strong relationship with such producers, LBMT was able to develop a leading position in certified organic maple syrup.

### Operating Facilities

LBMT currently operates three plants in Québec, namely, in Granby, Dégelis and in St-Honoré-de-Shenley, and one in Websterville, Vermont, and twelve operating lines allocated amongst the four plants, and including one can-filling line in St-Ferdinand, Québec, which is outsourced by LBMT to a third party. LBMT is the owner of the St-Honoré and Dégelis facilities.

The Granby and Websterville facilities are both subject to a lease which will expire on October 31, 2019 and August 25, 2021, respectively. On August 1, 2018, the Company announced its intention to relocate its Granby operation to a new built for purpose state of the art leased property also in Granby. The relocation is not expected to occur until late fiscal 2019 or beginning of fiscal 2020. Compared to the current facility, the new site will improve the overall storage and distribution capabilities, allow the operations to better align production flows and install a new high capacity bottling line. As a result of this decision, approximately \$4.5 million will be spent on return on investment capital investment, which will meet our normal threshold of a payback of less than five years. Monies will be spent towards new equipment and leasehold improvements, of which, approximately \$0.5 was spent in fiscal 2018.

### Storage Facilities and Distribution Centres

LBMT uses a distribution centre in Richmond, British Columbia and owns a bulk maple syrup storage facility in St-Robert-Bellarmin, Québec.

In addition, during the year, Decacer entered into a ten-year lease of a 35,000 square foot facility in Dégelis that will be used as a bulk maple syrup storage facility. The lease is effective as of November 1, 2018.

### Products

LBMT's products are comprised of the following: bottled maple syrup, bulk maple syrup, maple sugar and flakes and ancillary or derived maple products.

Bottled maple syrup is packaged in a variety of ways and sizes, including bottles, plastic jugs and the traditional cans. Bottled maple syrup is available in all commercial grades and in organic and non-organic varieties. The majority of the maple syrup is purchased from Québec producers and is bottled at one of LBMT's bottling plants. LBMT's bottled maple syrup is sold under a variety of brands, including Uncle Luke's™, L.B. Maple Treat™, Great Northern™, Decacer and Highland Sugarworks™.

Bulk maple syrup is mainly sold in containers of 4L or 17L, barrels and totes in size to foodservice retailers as well as other wholesalers. Bulk maple syrup is also sold for industrial use for bottling or for use in food production, and privately under the L.B. Maple Treat™ brand.

Maple derived products include maple blended syrup, maple butter, maple cookies, maple taffy and other maple candies, popcorn, teas and coffees. Maple products are mainly sold under the L.B. Maple Treat™ and Highland Sugarworks™ brands.

### Operations

LBMT employs a total of approximately 200 employees in its facilities in Québec and Vermont. Approximately 60 of LBMT's employees, namely in the LBMT division in Granby, Québec, are under a collective bargaining agreement, which is currently scheduled to expire in 2023.

Maple syrup cost represents more than 80% of the costs of sales for the Maple products segment.

Maple syrup production and bottling is a low-risk process from the standpoint of food safety and quality assurance processes. This being said, world food standards are extremely important to us.

LBMT's bottling plants are certified as follows: HACCP, BRC, Kosher, Halal, QAI and Ecocert Canada certified organic, Non Genetically Modified Organism ("Non GMO") & Aliments du Québec and CFIA inspected. LBMT is subject to numerous audits and certification bodies where it continues to exceed performance requirements.

## USE OF FINANCIAL DERIVATIVES FOR HEDGING

### Sugar

In order to protect itself against fluctuations in the world raw sugar market, the Company follows a rigorous hedging program for all purchases of raw cane sugar and sales of refined sugar.

The #11 world raw sugar market is only traded on the ICE, which trades in U.S. dollars. One can trade sugar futures forward for a period of three years against four specific terminals per year (March, May, July and October). The terminal values are used to determine the price settlement upon the receipt of a raw sugar vessel or the delivery of sugar to the Company's customers. The ICE rules are strict and are governed by the New York Board of Trade. Any amount owed, due to the movement of the commodity being traded, has to be settled in cash the following day (margin call payments/receipts).

For the purchasing of raw sugar, the Company enters into long-term supply contracts with reputable raw sugar suppliers (the "Seller"). These long-term agreements will, amongst other things, specify the yearly volume (in metric tonnes) to be purchased, the delivery period of each vessel, the terminal against which the sugar will be priced, and the freight rate to be charged for each delivery. The price of raw sugar will be determined later by the Seller, based upon the delivery period. The delivery period will correspond to the terminal against which the sugar will be priced.

The selling of refined sugar by the Company is also done under the #11 world raw sugar market. When a sales contract is negotiated with a customer, the sales contract will determine the period of the contract, the expected delivery period against specific terminals and the refining margin and freight rate to be charged over and above the value of the sugar. The price of the sugar is not yet determined but needs to be fixed by the customer prior to delivery. The customer will make the decision to fix the price of the sugar when he feels the sugar market is favourable against the sugar terminal, as per the anticipated delivery period.

Inefficiencies could occur and small gains or losses could be incurred on hedged transactions. Every year, the Company estimates sales patterns against the receipt of sugar deliveries. Any discrepancies

in these estimates may result in small gains or losses on hedged transactions. As an example, a customer may be taking more or less sugar than determined under its contract and small gains or losses may be incurred as a result on the hedged transactions.

The Company mitigates the impact of the above by reviewing on a daily basis the total hedged position to determine that, in total, all sugar transactions are hedged. The Company also prepares a hedged transaction report by terminal periods to determine that there are no straddles within each terminal period. In the event that a straddle position exists due to circumstances discussed above, the Company will immediately correct the straddle and record any gain or loss incurred in correcting the straddled position. In addition, if a customer is late in taking delivery of its "priced" sugar, and if the Company needs to roll forward the un-drawn quantity to the following terminal period, the Company can invoice the customer for all costs incurred in rolling forward the un-drawn volume.

The Board of Directors authorized the Company to have a trading book to trade outright sugar futures, options, spreads and white-raw differentials to a limit of 25,000 metric tonnes. It was also agreed that a report on all activities would be reviewed quarterly at each Board meeting and that all trading book activities would be discontinued if trading losses of \$250,000 were accumulated in any given year. Any mark-to-market gains or losses on any open positions of the trading book at year end, as well as gains or losses on any liquidated positions of the trading book are recognized in the Company's adjusted earnings.

### Beet Sugar

As noted, the Company purchases sugar beets from the Growers under a fixed price formula plus a scale incentive when raw sugar values exceed a certain price level. Except for sales to the U.S., under the export quota, to HFCS-substitutable accounts, and for other export opportunities, all other sales are made using the same formula as cane sugar, following the #11 world raw sugar price.

The Board of Directors authorized the Company to hedge forward up to 70% of the Taber sales to be made under the raw sugar formula as long as a beet sugar contract was signed with the Growers for those years. This was done to allow the Company to benefit from a sudden rise in the raw sugar market. Any gains earned (if a sales contract is entered at a lower raw value) or losses incurred (if a sales contract is entered at a higher raw value) when those positions are unwound, are recognized in the period when that quantity of beet sugar is delivered. This is referred to as the Taber pre-hedge.

The Company does not have any volume under the pre-hedge program for fiscal 2019.

**Natural Gas**

The Board of Directors of Lantic approved an energy hedging policy to mitigate the overall price risks in the purchase of natural gas.

The Company purchases between 3.0 million gigajoules and 3.5 million gigajoules of natural gas per year for use in its refining operations. To protect against large and unforeseen fluctuations, the Company can hedge forward up to 90% of its estimated usage over the next 12 months and lower percentages of its estimated usage on a longer term basis. The Company will hedge close to its maximum level allowed if natural gas prices are below a certain percentage of the prior year's average price and therefore lock in year-over-year savings.

These gas hedges are unwound in the months that the commodity is used in the operations, at which time any gains or losses incurred are then recognized for the determination of adjusted gross margins and earnings.

**Variation Margins (Margin Calls)**

For all hedged sugar positions on the futures market, the Company must settle with the commodity broker on the following day any gains or losses incurred on the net hedged position, based on the trading values at closing of the day. These daily requirements are called "margin calls."

When sugar prices are on the rise, the Company's raw sugar suppliers will normally price in advance large quantities of sugar to benefit from these higher prices. On the other hand, the Company's customers will only price forward small quantities, hoping for a downward correction in the marketplace. This will result in the Company having a "short" paper position. As the price of sugar continues to rise, the Company has to pay margin calls on a regular basis. These margin calls are paid back to the Company when the price of sugar declines or upon receipt or delivery of sugar.

**Foreign Exchange****Sugar segment**

Raw sugar costs for all sales contracts are based on the U.S. dollar. The Company also buys natural gas in U.S. dollars. In addition, sugar export sales and some Canadian sugar sales are denominated in U.S. dollars.

In order to protect itself against the movement of the Canadian dollar versus the U.S. dollar, the Company, on a daily basis, reconciles all of its exposure to the U.S. dollar and will hedge the net position against various forward months, estimated from the date of the various transactions.

**Maple products segment**

Certain export sales of maple syrup are denominated in U.S. dollars or in Euro. In order to mitigate against the movement of the Canadian dollar versus the U.S. dollars and Euro, LBMT enters into foreign exchange hedging contracts with certain customers. These foreign exchange hedging contracts are unwound when the money is received from the customer, at which time any gains or losses incurred are then recognized for the determination of adjusted gross margins and earnings. Foreign exchange gains or losses on any unhedged sales contracts are recorded when realized.

## SELECTED FINANCIAL INFORMATION

The following is a summary of selected financial information of Rogers' consolidated results for the 2018, 2017 and 2016 fiscal years. The Company's fiscal year ends on the Saturday closest to the end of September. All references to 2018, 2017 and 2016 represent the fiscal years and fourth quarter ended September 29, 2018, September 30, 2017 and October 1, 2016. The financial results for fiscal 2018 include those of Decacer since its acquisition on November 18, 2017 and the financial results for fiscal 2017 include those of LBMTTC since its acquisition on August 5, 2017. The Company's audited consolidated financial statements were prepared under IFRS and the Company's functional and reporting currency is the Canadian dollar.

(In thousands of dollars, except volume and per share information)	Fourth Quarter		Fiscal Year		
	2018	2017	2018	2017	2016
Total volume					
Sugar (metric tonnes)	<b>200,147</b>	183,397	<b>719,875</b>	694,465	675,224
Maple syrup ('000 pounds)	<b>10,549</b>	5,764	<b>45,119</b>	5,764	n/a
	\$	\$	\$	\$	\$
Total revenues	<b>211,807</b>	192,984	<b>805,201</b>	682,517	564,411
Gross margin	<b>29,255</b>	22,631	<b>130,853</b>	77,298	128,223
Results from operating activities ("EBIT")	<b>18,231</b>	10,138	<b>84,100</b>	41,031	98,598
Net finance costs	<b>4,735</b>	3,360	<b>17,132</b>	10,218	9,612
Income tax expense	<b>3,863</b>	2,764	<b>18,239</b>	8,907	23,407
Net earnings	<b>9,633</b>	4,014	<b>48,729</b>	21,906	65,579
Net earnings per share:					
Basic	<b>0.09</b>	0.04	<b>0.46</b>	0.23	0.70
Diluted	<b>0.09</b>	0.04	<b>0.43</b>	0.22	0.64
Dividends per share	<b>0.09</b>	0.09	<b>0.36</b>	0.36	0.36

## CONSOLIDATED RESULTS OF OPERATIONS

### Total revenues

Revenues for the current quarter amounted to \$211.8 million, an increase of \$18.8 million versus the comparable quarter last year. Year-to-date, revenues were \$805.2 million compared to \$682.5 million for fiscal 2017, representing an increase of \$122.7 million. The improvement for both periods is mainly attributable to increase in the Maple products segment revenues as a result of the Decacer acquisition and a full year of LBMTTC results. The positive contribution from the maple products segment was somewhat reduced by a decrease in revenues from the sugar segment, due mostly to a decrease in #11 raw sugar values, partially offset by higher sales volume.

### Gross margin

Gross margin of \$29.3 million for the quarter and \$130.9 million year-to-date does not reflect the economic margin of the Company, as it includes a loss of \$3.5 million and a gain of \$4.5 million for

the fourth quarter of fiscal 2018 and year-to-date, respectively, for the mark-to-market of derivative financial instruments as explained below (See "Adjusted results" section). In fiscal 2017, a mark-to-market loss of \$5.4 million and \$26.0 million was recorded for the fourth quarter and year-to-date, respectively, resulting in gross margins of \$22.6 million and \$77.3 million for their respective period.

### Results from operating activities ("EBIT")

EBIT is defined as earnings before interest and taxes. For the fourth quarter of fiscal 2018, EBIT amounted to \$18.2 million compared to \$10.1 million last year. As mentioned above, the gross margin comparison does not reflect the economic results from operating activities which were positively impacted by \$1.9 million due to the quarter-over-quarter variation in mark-to-market of derivative financial instruments. The Sugar and Maple products segments both contributed positively to the EBIT for the current quarter, when compared to the same quarter last year when excluding the mark-to-market of derivative financial instruments. With regards to

the maple products segment, the EBIT increased by \$2.8 million as a result of a full quarter of operations for LBMTTC and Decacer, while the sugar segment improved by \$3.4 million due mainly to an increase in sales volume and a reduction in administration and selling expenses since the Company incurred \$1.9 million in acquisition costs in fiscal 2017 relating to the transaction to acquire LBMTTC.

Fiscal 2018 results from operating activities increased from \$41.0 million to \$84.1 million, a \$43.1 million improvement versus last fiscal year. Most of the positive variance when compared to fiscal 2017 is explained by the mark-to-market variation of derivative financial instruments, which resulted in an increase of \$30.5 million in EBIT. With the benefits of having the LBMTTC for the full year and Decacer since its acquisition date, the maple products

segment contributed an additional \$11.0 million in EBIT, when excluding the impact of the mark-to-market variation. In addition, LBMTTC's acquisition costs for the full year of fiscal 2017 represented \$2.5 million in additional administration and selling expenses, which was a non-recurring cost in fiscal 2017. Finally, the sugar segment's EBIT was \$0.9 million lower than fiscal 2017, when excluding the impact of the mark-to-market variation and the non-recurring costs, due mainly to additional distribution costs.

#### Net finance costs

Net finance costs consisted of interest paid under the revolving credit facility, as well as interest expense on the convertible unsecured subordinated debentures and other interest. It also includes a mark-to-market gain or loss on the interest swap agreements.

The net finance costs breakdown is as follows:

(In thousands of dollars)	Fourth Quarter		Fiscal Year	
	2018	2017	2018	2017
	\$	\$	\$	\$
Interest expense on convertible unsecured subordinated debentures	2,072	1,469	7,691	5,813
Interest on revolving credit facility	1,280	1,245	5,374	3,474
Amortization of deferred financing fees	329	209	1,422	781
Other interest expense	1,182	521	3,177	521
Amortization of transition balances and net change in fair value of interest rate swap agreements	(128)	(84)	(532)	(371)
Net finance costs	4,735	3,360	17,132	10,218

The interest expense on the convertible unsecured subordinated debentures increased by approximately \$0.6 million, for the current quarter and by \$1.9 million, year-to-date, when compared to the same periods last year. The additional interest expense in fiscal 2018 is mostly explained by the issuance of the Sixth series 5.0% convertible unsecured subordinated debentures ("Sixth series debentures") on July 28, 2017, following the acquisition of LBMTTC. In fiscal 2018, the Fifth series 5.75% convertible unsecured subordinated debentures ("Fifth series debentures") were repaid on March 28, 2018 using a portion of the funds raised on the same day from the issuance of the Seventh series 4.75% convertible unsecured subordinated debentures ("Seventh series debentures"). Increased borrowings throughout fiscal 2018 more than offset the reduction in interest rate on the Sixth and Seventh series debentures. Accretion expense on the equity component of the two convertible unsecured subordinated debentures also contributed to the increase when compared to the same periods last year.

The interest on the revolving credit facility for the current quarter was comparable to the same period last year. Year-to-date, interest expense for fiscal 2018 was \$1.9 million higher than fiscal 2017 due mainly to the additional drawdown as a result of the LBMTTC and Decacer acquisitions. The increase in interest rates also had a negative impact in the current year when compared to last fiscal year.

The other interest expense pertains mainly to interest payable to the FPAQ on syrup purchases, in accordance with its payment terms. The variation quarter-over-quarter and year-over-year is as a result of the timing in the acquisitions of LBMTTC and Decacer.

The issuance of the Sixth and Seventh series debentures as well as additional drawdown under the revolving credit facility also had a negative impact on the amortization of deferred financing costs for the quarter and year-to-date.

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 and year-to-date, the Company removed a gain of \$0.1 million and \$0.5 million, respectively from other comprehensive income and recorded a gain of the same amount in net finance costs. For the comparative periods of fiscal 2017, the Company recorded a mark-to-market gain of \$0.1 million for the fourth quarter and of \$0.4 million for the full year. The transitional balance relating to interest rate swap agreements will be fully depleted in fiscal 2020. See "Adjusted results" section.

#### Taxation

The income tax expense (recovery) is as follows:

(In thousands of dollars)	Fourth Quarter		Fiscal Year	
	2018	2017	2018	2017
	\$	\$	\$	\$
Current	3,091	(2,353)	17,967	13,198
Deferred	772	5,117	272	(4,291)
Income tax expense	3,863	2,764	18,239	8,907

The variation in current and deferred tax expense, quarter-over-quarter and year-over-year, is consistent with the increase in earnings before taxes in fiscal 2018.

Deferred income taxes reflect temporary differences, which result primarily from the difference between depreciation claimed for tax purposes and depreciation amounts recognized for financial reporting purposes, employee future benefits and derivative financial instruments. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted tax rates anticipated to apply to income in the years in which temporary differences are expected to be realized or reversed. The effect of a change in income tax rates on future income taxes is recognized in income in the period in which the change occurs.

#### Net earnings

Net earnings for the current quarter were \$9.6 million compared to \$4.0 million for fiscal 2017. The increase in net earnings is mostly explained by the after-tax contribution of the Sugar and Maple products segments, positive variations in the mark-to-market of derivative financial instruments and in acquisitions costs in fiscal 2018. Net earnings were somewhat off-set by the after tax impact on an increase in net finance costs.

Year-to-date, net earnings amounted to \$48.7 million, a \$26.8 million increase versus the comparative period last year. The increase is also explained by the after-tax contribution of the Maple products segment and a gain on the mark-to-market of derivative financial

instruments somewhat offset by a slightly lower contribution from the Sugar segment, additional distribution costs, net finance costs and acquisition costs.

#### Adjusted results

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 and prior years, all derivative financial instruments were marked-to-market at each reporting date, with the unrealized gains/losses charged to the consolidated 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 cash flow 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 consolidated statement of earnings. In addition, the derivative financial instruments pertaining to foreign exchange forward contracts on maple syrup sales were marked-to-market as at September 29, 2018 and also charged to the consolidated 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 are 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 consolidated statement of earnings with a corresponding offsetting amount charged to the consolidated statement of financial position. As of October 2, 2016, the U.S. dollars of these sales contract were no longer considered as being an embedded derivative as it was determined that the U.S. dollar is commonly used in Canada. This change in estimate was applied prospectively, as a result, only the embedded derivatives relating to sales contracts outstanding as of October 1, 2016 continued to be marked-to-market every quarter until all the volume on these

contracts has been delivered. As at September 29, 2018, there were no embedded derivatives outstanding.

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. These adjusted financial results provide a more complete understanding of factors and trends affecting our business. This measurement is a non-GAAP measurement. See "Non-GAAP measures" section.

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 EBITDA, Maple products segment Adjusted EBITDA, adjusted EBIT and adjusted net earnings when discussing results with the Board of Directors, analysts, investors, banks and other interested parties. See "Non-GAAP measures" section.

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

Income (loss)	Fourth Quarter Fiscal 2018			Fourth Quarter Fiscal 2017		
	Sugar	Maple Products	Total	Sugar	Maple Products	Total
(In thousands of dollars)	\$	\$	\$	\$	\$	\$
Mark-to-market on:						
Sugar futures contracts	(1,896)	—	(1,896)	(1,313)	—	(1,313)
Foreign exchange forward contracts	290	660	950	(1,206)	164	(1,042)
Embedded derivatives	—	—	—	272	—	272
Total mark-to-market adjustment on derivatives	(1,606)	660	(946)	(2,247)	164	(2,083)
Cumulative timing differences	(3,134)	(11)	(3,145)	(4,172)	—	(4,172)
Adjustment to cost of sales	(4,740)	649	(4,091)	(6,419)	164	(6,255)
Amortization of transitional balance to cost of sales and changes in fair value of expired contracts for cash flow hedges	582	—	582	852	—	852
Total adjustment to costs of sales <sup>(1) (2)</sup>	(4,158)	649	(3,509)	(5,567)	164	(5,403)

<sup>(1)</sup> See "Non-GAAP measures" section.

<sup>(2)</sup> See "Adjusted results" within the consolidated results of operation section and "Segmented information" section.

Income (loss)	Fiscal 2018			Fiscal 2017		
	Sugar	Maple Products	Total	Sugar	Maple Products	Total
(In thousands of dollars)	\$	\$	\$	\$	\$	\$
Mark-to-market on:						
Sugar futures contracts	(3,154)	—	(3,154)	(9,311)	—	(9,311)
Foreign exchange forward contracts	231	1,263	1,494	(1,025)	164	(861)
Embedded derivatives	51	—	51	254	—	254
Total mark-to-market adjustment on derivatives	(2,872)	1,263	(1,609)	(10,082)	164	(9,918)
Cumulative timing differences	3,076	309	3,385	(19,061)	—	(19,061)
Adjustment to cost of sales	204	1,572	1,776	(29,143)	164	(28,979)
Amortization of transitional balance to cost of sales and changes in fair value of expired contracts for cash flow hedges	2,715	—	2,715	3,018	—	3,018
Total adjustment to costs of sales <sup>(1) (2)</sup>	2,919	1,572	4,491	(26,125)	164	(25,961)

<sup>(1)</sup> See "Non-GAAP measures" section.

<sup>(2)</sup> See "Adjusted results" within the consolidated results of operation section and "Segmented information" section.

The fluctuations in mark-to-market adjustment on derivatives are due to the price movements in #11 world raw sugar and foreign exchange variations. See "Non-GAAP measures" section.

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. 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. See "Non-GAAP measures" section.

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 fiscal 2018, the Company removed a gain of \$0.6 million and \$2.7 million from other comprehensive income and recorded a gain of the same amount in cost of sales for the fourth quarter and year-to-date, respectively. The transitional balance relating to natural gas futures will be fully depleted in fiscal 2020. See "Non-GAAP measures" section.

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 fourth quarter of the current year, the total cost of sales adjustment is a loss of \$3.5 million versus a loss of \$5.4 million to be added to the consolidated results for the comparable quarter last year. Year-to-date, the total cost of sales adjustment is a gain of \$4.5 million to be deducted from the consolidated results compared to a loss of \$26.0 million to be added to the consolidated results for the comparable period last year. See "Non-GAAP measures" section.

### Segmented information

Following the acquisition of LBMT, the Company has two distinct segments, namely, refined sugar and by-products, together referred to as the "Sugar" segment and maple syrup and derived products, together referred to as the "Maple products" segment.

The following is a table showing the key results by segments:

Consolidated results	Fourth Quarter Fiscal 2018			Fourth Quarter Fiscal 2017		
	Sugar	Maple Products	Total	Sugar	Maple Products	Total
(In thousands of dollars)						
	\$	\$	\$	\$	\$	\$
Revenues	161,040	50,767	211,807	166,318	26,666	192,984
Gross margin	21,640	7,615	29,255	19,041	3,590	22,631
Administration and selling expenses	4,751	2,215	6,966	7,400	1,948	9,348
Distribution costs	2,908	1,150	4,058	2,451	694	3,145
Results from operating activities	13,981	4,250	18,231	9,190	948	10,138
<i>Non-GAAP results:</i>						
Total adjustment to the cost of sales <sup>(1) (2)</sup>	4,158	(649)	3,509	5,567	(164)	5,403
Adjusted Gross Margin <sup>(1)</sup>	25,798	6,966	32,764	24,608	3,426	28,034
Adjusted results from operating activities <sup>(1)</sup>	18,139	3,601	21,740	14,757	784	15,541
Depreciation of property, plant and equipment and amortization of intangible assets	3,431	1,165	4,596	3,298	491	3,789
Sugar Segment Acquisition costs <sup>(1)</sup>	—	—	—	1,887	—	1,887
Maple Segment non-recurring costs <sup>(1)</sup>	—	(4)	(4)	—	1,076	1,076
Adjusted EBITDA <sup>(1)</sup>	21,570	4,762	26,332	19,942	2,351	22,293
<i>Additional information:</i>						
Addition to property, plant and equipment and intangible assets	10,894	608	11,502	6,660	64	6,724

<sup>(1)</sup> See "Non-GAAP measures" section.

<sup>(2)</sup> See "Adjusted results" within the consolidated results of operation section and "Segmented information" section.

Consolidated results  (In thousands of dollars)	Fiscal Year 2018			Fiscal Year 2017		
	Sugar	Maple Products	Total	Sugar	Maple Products	Total
	\$	\$	\$	\$	\$	\$
Revenues	601,958	203,243	805,201	655,851	26,666	682,517
Gross margin	102,578	28,275	130,853	73,708	3,590	77,298
Administration and selling expenses	21,070	11,001	32,071	23,655	1,948	25,603
Distribution costs	10,760	3,922	14,682	9,970	694	10,664
Results from operating activities	70,748	13,352	84,100	40,083	948	41,031
<i>Non-GAAP results:</i>						
Total adjustment to the cost of sales <sup>(1)(2)</sup>	(2,919)	(1,572)	(4,491)	26,125	(164)	25,961
Adjusted Gross Margin <sup>(1)</sup>	99,659	26,703	126,362	99,833	3,426	103,259
Adjusted results from operating activities <sup>(1)</sup>	67,829	11,780	79,609	66,208	784	66,992
Depreciation of property, plant and equipment and amortization of intangible assets	13,495	4,979	18,474	13,105	491	13,596
Sugar Segment Acquisition costs <sup>(1)</sup>	—	—	—	2,517	—	2,517
Maple Segment non-recurring costs <sup>(1)</sup>	—	1,859	1,859	—	1,076	1,076
Adjusted EBITDA <sup>(1)</sup>	81,324	18,618	99,942	81,830	2,351	84,181
<i>Additional information:</i>						
Addition to property, plant and equipment and intangible assets	23,352	1,792	25,144	17,306	64	17,370

<sup>(1)</sup> See "Non-GAAP measures" section.

<sup>(2)</sup> See "Adjusted results" within the consolidated results of operation section and "Segmented information" section.

## Results from operation by segment

### Sugar

Revenues	Fourth Quarter		Fiscal Year	
	2018	2017	2018	2017
Volume (MT)	200,147	183,397	719,875	694,465
Revenues (\$000's)	161,040	166,318	601,958	655,851

The total Canadian nutritive sweetener market, which includes both refined sugar and HFCS, increased by approximately 1.5% in fiscal 2018 while the per capita sugar consumption remained stable during the year.

The Company's total sugar deliveries for the fourth quarter of fiscal 2018 were very strong and increased by approximately 9% or approximately 16,700 metric tonnes versus the comparable period last year, with improvements in all categories versus the fourth quarter last year. The improvement year-over-year was not as pronounced as a percentage but still finished with a commendable

increase of approximately 25,400 metric tonnes above fiscal 2017 volume.

The industrial market segment increased by approximately 5,100 metric tonnes and approximately 400 metric tonnes for the last quarter of fiscal 2018 and year-to-date, respectively. The improvement in volume for the fourth quarter is mostly due to timing, which more than offset the lag in volume that was reported for the first nine months of the current fiscal year and as a result, the industrial volume ended fiscal 2018 slightly above last fiscal year.

Total consumer volume also had a solid fourth quarter with an increase of approximately 1,700 metric tonnes when compared to the same period last year as a result of additional retail promotional activities in the last quarter of the current year. Overall, the consumer volume ended the year approximately 400 metric tonnes lower than the last twelve months of fiscal 2017.

The liquid market continued to deliver higher volume when compared to the prior year with the strongest increase quarter-over-quarter in fiscal 2018. For the current quarter, volume grew by approximately 5,400 metric tonnes, raising the fiscal 2018 liquid volume by approximately 14,100 metric tonnes above last year. The increase for the quarter and year-to-date is due mainly to the recapture of some business temporarily lost to HFCS in fiscal 2017 and to additional demand from existing customers.

#### Gross margin

Two major factors impact gross margins: the selling margin of the products and operating costs.

Gross margin	Fourth Quarter		Fiscal Year	
	2018	2017	2018	2017
(In thousands of dollars, except per metric tonne information)				
	\$	\$	\$	\$
Gross margin	21,640	19,041	102,578	73,708
Total adjustment to cost of sales <sup>(1) (2)</sup>	4,158	5,567	(2,919)	26,125
Adjusted gross margin	25,798	24,608	99,659	99,833
Gross margin per metric tonne	108.12	103.82	142.49	106.14
Adjusted gross margin per metric tonne	128.90	134.18	138.44	143.76
<i>Included in Gross margin:</i>				
Depreciation of property, plant and equipment	3,252	3,129	12,813	12,466

<sup>(1)</sup> See "Non-GAAP measures" section.

<sup>(2)</sup> See "Adjusted results" within the consolidated results of operation section and "Segmented information" section.

Gross margin of \$21.6 million for the quarter and \$102.6 million year-to-date does not reflect the economic margin of the sugar segment, as it includes a loss of \$4.2 million and a gain of \$2.9 million for the fourth quarter of fiscal 2018 and year-to-date, respectively, for the mark-to-market of derivative financial instruments as explained above. In fiscal 2017, a mark-to-market loss of \$5.6 million and \$26.1 million was recorded for the fourth quarter and year-to-date, respectively, resulting in gross margins of \$19.0 million and \$73.7 million for their respective periods. These mark-to-market gains and losses must be deducted from or added to the gross margin in order to arrive to adjusted gross margin results, as explained above.

We will therefore comment on adjusted gross margin results.

Finally, the export volume increased by approximately 4,500 metric tonnes and approximately 11,300 metric tonnes for the current quarter and year-to-date, respectively, when compared to the same periods last year. Variation for both periods is attributable to timing in sales deliveries to Mexico, as well as additional U.S. high tier opportunistic sales versus last year's comparative periods.

The decrease in revenues for the fourth quarter of fiscal 2018 and year-to-date versus the comparable periods last year is mainly explained by a decrease in the weighted average raw sugar values in Canadian dollars, since the cost of raw sugar for all domestic sales is passed on to the Company's customers which more than offset the increase in revenues generated by the additional volume for both periods.

Adjusted gross margin for the quarter was \$25.8 million compared to \$24.6 million for the same quarter last year, representing an increase of \$1.2 million. The increase is mainly driven by higher volume and an increase in by-products revenues. However, these positive variations were somewhat offset by lower #11 raw sugar values when compared to last year, which had a negative impact on Taber's domestic sales gross margin rate and higher maintenance costs in Montreal and Taber. The current quarter's adjusted gross margin rate was \$128.90 per metric tonne as compared to \$134.18 per metric tonne in fiscal 2017, a decrease of \$5.28 per metric tonne. This decrease is mostly explained by the lower #11 raw sugar prices, the unfavorable sales mix with the strongest volume increase in industrial, liquid and opportunistic export sales and the additional maintenance costs.

Year-to-date, adjusted gross margin of \$99.7 million includes a non-cash pension plan income of \$1.5 million recorded as a result of the approval by the Alberta Treasury Board and Finance of an amendment to the Alberta hourly pension plan. Excluding this non-cash income, adjusted gross margin was \$98.2 million or \$1.7 million lower than last year. The decrease is mainly explained by lower #11 raw sugar prices, which had the biggest impact in the second half of the current year, as well as additional maintenance costs in the last quarter of fiscal 2018. The year-to-date adjusted

gross margin rate of \$138.44 per metric tonne includes a gain of \$2.05 per metric tonne for the non-cash pension plan income, explained above, thus reducing the adjusted gross margin rate to \$136.39 per metric tonne as compared to \$143.76 for fiscal 2017, a decrease of \$7.37 per metric tonne. As it was the case for the quarter, the lower #11 raw sugar values during the year, the unfavorable sales mix and additional maintenance expenses had a negative impact on adjusted gross margin per metric tonne when compared to last year.

Other expenses (In thousands of dollars)	Fourth Quarter		Fiscal Year	
	2018	2017	2018	2017
	\$	\$	\$	\$
Administration and selling expenses	4,751	7,400	21,070	23,655
Distribution costs	2,908	2,451	10,760	9,970
<i>Included in Administration and selling expenses:</i>				
Amortization of intangible assets	179	169	682	639

Administration and selling expenses for the fourth quarter of fiscal 2018 and year-to-date were \$2.6 million lower than both comparable periods last year, mainly due to a charge of \$1.9 million and \$2.5 million in fiscal 2017 for the quarter and year-to-date, respectively, relating to the acquisition of LBMTTC. In addition, for the current quarter, employee benefits were lower when compared to the fourth quarter of fiscal 2017.

Distribution expenses for the quarter and year-to-date were approximately \$0.5 million and \$0.8 million higher, respectively, than the comparable periods due to higher volume transferred to the Toronto distribution center, higher freight rates and additional storage costs in Taber.

Results from operating activities (In thousands of dollars)	Fourth Quarter		Fiscal Year	
	2018	2017	2018	2017
	\$	\$	\$	\$
Results from operating activities	13,981	9,190	70,748	40,083
Adjusted results from operating activities <sup>(1)</sup>	18,139	14,757	67,829	66,208

<sup>(1)</sup> See "Non-GAAP measures" section.

The results from operating activities for fiscal 2018 of \$14.0 million and \$70.7 million for the fourth quarter and year-to-date, respectively, do not reflect the adjusted results from operating activities of the Sugar segment, as they include gains and losses from the mark-to-market of derivative financial instruments, as well as timing differences in the recognition of any gains and losses on the liquidation of derivative instruments.

In addition, the acquisition of LBMTTC has resulted in expenses that do not reflect the economic performance of the operation of the Sugar Segment. Finally, non-cash depreciation and amortization expense also had a negative impact on the results from operating activities. As such Management believes that the Sugar segment's financial results are more meaningful to management, investors, analysts, and any other interested parties when financial results are adjusted for the above mentioned items.

### Adjusted EBITDA

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

Adjusted EBITDA (In thousands of dollars)	Fourth Quarter		Fiscal Year	
	2018	2017	2018	2017
	\$	\$	\$	\$
Results from operating activities	13,981	9,190	70,748	40,083
Total adjustment to cost of sales <sup>(1) (2)</sup>	4,158	5,567	(2,919)	26,125
Adjusted results from operating activities	18,139	14,757	67,829	66,208
Depreciation of property, plant and equipment and amortization of intangible assets	3,431	3,298	13,495	13,105
Sugar Segment Acquisition costs <sup>(1)</sup>	—	1,887	—	2,517
Adjusted EBITDA <sup>(1)</sup>	21,570	19,942	81,324	81,830

<sup>(1)</sup> See "Non-GAAP measures" section.

<sup>(2)</sup> See "Adjusted results" within the consolidated results of operation section and "Segmented information" section.

Adjusted EBITDA for the fourth quarter amounted to \$21.6 million, which represented an increase of \$1.6 million versus the last quarter of fiscal 2017. The increase is explained by higher adjusted gross margins of \$1.3 million and lower administration and selling expenses of \$0.8 million, excluding depreciation and amortization expense and Acquisition costs, somewhat offset by higher distribution costs of \$0.5 million, as explained above. Year-to-date, adjusted EBITDA amounted to \$81.3 million compared to

\$81.8 million, a \$0.5 million decrease when compared to fiscal 2017. The decrease is mostly explained by an increase in distribution costs of \$0.8 million, somewhat offset by an increase in adjusted gross margin of \$0.2 million and a decrease of \$0.1 million in administration and selling expenses, the latter two items, excluding depreciation and amortization expense and Acquisition costs, as explained above.

### Maple products

Results for the current year include Decacer's results since its acquisition on November 18, 2017. Results for fiscal 2017 represent results generated by LBMTTC since its acquisition on August 5, 2017.

Revenues	Fourth Quarter		Fiscal Year	
	2018	2017	2018	2017
Volume ('000 pounds)	10,549	5,764	45,119	5,764
Revenues (\$000's)	50,767	26,666	203,243	26,666

Revenues for the fourth quarter and year-to-date amounted to \$50.8 million and \$203.2 million, respectively, compared to \$26.7 million for both periods last year.

### Gross margin

Two major factors impact gross margins: the selling margin of the products and operating costs.

Gross margin	Fourth Quarter		Fiscal Year	
	2018	2017	2018	2017
(In thousands of dollars, except adjusted gross margin rate information)				
	\$	\$	\$	\$
Gross margin	7,615	3,590	28,275	3,590
Total adjustment to cost of sales <sup>(1) (2)</sup>	(649)	(164)	(1,572)	(164)
Adjusted gross margin	6,966	3,426	26,703	3,426
Gross margin percentage	15.0%	13.5%	13.9%	13.5%
Adjusted gross margin percentage	13.7%	12.8%	13.1%	12.8%
<i>Included in Gross margin:</i>				
Depreciation of property, plant and equipment	309	139	1,479	139

<sup>(1)</sup> See "Non-GAAP measures" section.

<sup>(2)</sup> See "Adjusted results" within the consolidated operating results section and "Segmented information" section.

Gross margin of \$7.6 million and \$28.3 million for the quarter and year-to-date does not reflect the economic margin of the Maple products segment, as it includes a gain of \$0.6 million and \$1.6 million, respectively, for the mark-to-market of derivative financial instruments on foreign exchange contracts.

We will therefore comment on adjusted gross margin results.

Adjusted gross margin for the current quarter was \$7.0 million, representing an adjusted gross margin percentage of 13.7% while year-to-date adjusted gross margin amounted to \$26.7 million or 13.1% of revenues. However, included in cost of sales for the first quarter of fiscal 2018, was an amount of \$0.3 million due to an increase in value of the finished goods inventory at the date of acquisition of Decacer. Under IFRS, all inventories of finished goods upon acquisition are valued at the estimated selling price less the sum of the costs of disposal, and a reasonable profit allowance for the selling effort of the acquirer which results in lower selling margins when the acquired inventory is sold. Without this adjustment, adjusted gross margin for fiscal 2018 would have been \$27.0 million or 13.3% of revenues.

Fiscal 2017 results only represents approximately eight weeks of operations of LBMTTC since its acquisition date on August 5, 2017.

### Other expenses

Other expenses	Fourth Quarter		Fiscal Year	
	2018	2017	2018	2017
(In thousands of dollars)				
	\$	\$	\$	\$
Administration and selling expenses	2,215	1,948	11,001	1,948
Distribution costs	1,150	694	3,922	694
<i>Included in Administration and selling expenses:</i>				
Amortization of intangible assets	856	352	3,500	352

Administration and selling expenses amounted to \$2.2 million and \$11.0 million for the current quarter and year-to-date, respectively, the latter includes non-recurring costs of \$0.9 million and consulting fees and other costs totalling \$0.7 million associated with acquisition of Decacer in the first quarter of the current year. This compares to \$1.9 million for the quarter and year-to-date of fiscal 2017, which included \$0.4 million in acquisition costs and non-recurring items.

Distribution expenses were \$1.2 million for the fourth quarter of fiscal 2018 and \$3.9 million year-to-date, compared to \$0.7 million for both periods last year.

#### Results from operating activities

Results from operating activities (In thousands of dollars)	Fourth Quarter		Fiscal Year	
	2018	2017	2018	2017
	\$	\$	\$	\$
Results from operating activities	4,250	948	13,352	948
Adjusted results from operating activities <sup>(1)</sup>	3,601	784	11,780	784

<sup>(1)</sup> See "Non-GAAP measures" section.

The results from operating activities for fiscal 2018 of \$4.3 million and \$13.4 million for the fourth quarter and year-to-date, respectively, do not reflect the adjusted results from operating activities of the Maple products segment, as they include gains and losses from the mark-to-market of derivative financial instruments, as well as timing differences in the recognition of any gains and losses on the liquidation of derivative instruments.

In addition, the acquisitions of LBMTTC and Decacer resulted in expenses that do not reflect the economic performance of the operation of the Maple products segment. Finally, non-cash depreciation and amortization expense also had a negative impact on the results from operating activities. As such Management believes that the Maple products segment's financial results are more meaningful to management, investors, analysts, and any other interested parties when financial results are adjusted for the above mentioned items.

#### Adjusted results

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

Adjusted results (In thousands of dollars)	Fourth Quarter		Fiscal Year	
	2018	2017	2018	2017
	\$	\$	\$	\$
Results from operating activities	4,250	948	13,352	948
Total adjustment to cost of sales <sup>(1) (2)</sup>	(649)	(164)	(1,572)	(164)
Adjusted results from operating activities	3,601	784	11,780	784
Non-recurring expenses:				
Acquisition costs incurred	—	211	675	211
Other one-time non-recurring items	(4)	195	923	195
Finished goods value at the estimated selling price less disposal costs as of the acquisition date	—	670	261	670
Depreciation and amortization	1,165	491	4,979	491
LBMT Adjusted EBITDA <sup>(1) (2)</sup>	4,762	2,351	18,618	2,351

<sup>(1)</sup> See "Non-GAAP measures" section.

<sup>(2)</sup> See "Adjusted results" within the consolidated operating results section and "Segmented information" section.

Other non-recurring items mainly include severance costs expensed to date.

### Consolidated results

The reconciliation of the Adjusted gross margin, adjusted results from operating activities and adjusted EBITDA by segment as well as the consolidated Adjusted net earnings is as follows. Results were explained above in each segment.

Consolidated results  (In thousands of dollars)	Fourth Quarter Fiscal 2018			Fourth Quarter Fiscal 2017		
	Sugar	Maple Products	Total	Sugar	Maple Products	Total
	\$	\$	\$	\$	\$	\$
Gross margin	21,640	7,615	29,255	19,041	3,590	22,631
Total adjustment to the cost of sales <sup>(1) (2)</sup>	4,158	(649)	3,509	5,567	(164)	5,403
Adjusted Gross Margin <sup>(1)</sup>	25,798	6,966	32,764	24,608	3,426	28,034
Results from operating activities	13,981	4,250	18,231	9,190	948	10,138
Total adjustment to the cost of sales <sup>(1) (2)</sup>	4,158	(649)	3,509	5,567	(164)	5,403
Adjusted results from operating activities <sup>(1)</sup>	18,139	3,601	21,740	14,757	784	15,541
Depreciation of property, plant and equipment and amortization of intangible assets	3,431	1,165	4,596	3,298	491	3,789
Sugar Segment Acquisition costs <sup>(1)</sup>	—	—	—	1,887	—	1,887
Maple Segment non-recurring costs <sup>(1)</sup>	—	(4)	(4)	—	1,076	1,076
Adjusted EBITDA <sup>(1)</sup>	21,570	4,762	26,332	19,942	2,351	22,293
Net earnings as per financial statements			9,633			4,014
Total adjustment to the cost of sales <sup>(1) (2)</sup>			3,509			5,403
Amortization of transitional balance to net finance costs <sup>(1) (2)</sup>			(128)			(84)
Income taxes on above adjustments			(892)			(1,395)
Adjusted net earnings <sup>(1)</sup>			12,122			7,938
Net earnings per share basic, as per financial statements			0.09			0.04
Adjustment for the above			0.03			0.04
Adjusted net earnings per share basic <sup>(1)</sup>			0.12			0.08

<sup>(1)</sup> See "Non-GAAP measures" section.

<sup>(2)</sup> See "Adjusted results" within the consolidated operating results section and "Segmented information" section.

Consolidated results	Fiscal 2018			Fiscal 2017		
	Sugar	Maple Products	Total	Sugar	Maple Products	Total
	(In thousands of dollars)					
	\$	\$	\$	\$	\$	\$
Gross margin	102,578	28,275	130,853	73,708	3,590	77,298
Total adjustment to the cost of sales <sup>(1) (2)</sup>	(2,919)	(1,572)	(4,491)	26,125	(164)	25,961
Adjusted Gross Margin <sup>(1)</sup>	99,659	26,703	126,362	99,833	3,426	103,259
Results from operating activities	70,748	13,352	84,100	40,083	948	41,031
Total adjustment to the cost of sales <sup>(1) (2)</sup>	(2,919)	(1,572)	(4,491)	26,125	(164)	25,961
Adjusted results from operating activities <sup>(1)</sup>	67,829	11,780	79,609	66,208	784	66,992
Depreciation of property, plant and equipment and amortization of intangible assets	13,495	4,979	18,474	13,105	491	13,596
Sugar Segment Acquisition costs <sup>(1)</sup>	—	—	—	2,517	—	2,517
Maple Segment non-recurring costs <sup>(1)</sup>	—	1,859	1,859	—	1,076	1,076
Adjusted EBITDA <sup>(1)</sup>	81,324	18,618	99,942	81,830	2,351	84,181
Net earnings as per financial statements			48,729			21,906
Total adjustment to the cost of sales <sup>(1) (2)</sup>			(4,491)			25,961
Amortization of transitional balance to net finance costs <sup>(1) (2)</sup>			(532)			(371)
Income taxes on above adjustments			1,326			(6,782)
Adjusted net earnings <sup>(1)</sup>			45,032			40,714
Net earnings per share basic, as per financial statements			0.46			0.23
Adjustment for the above			(0.03)			0.19
Adjusted net earnings per share basic <sup>(1)</sup>			0.43			0.42

<sup>(1)</sup> See "Non-GAAP measures" section.

<sup>(2)</sup> See "Adjusted results" within the consolidated operating results section and "Segmented information" section.

### Summary of Quarterly Results

The following is a summary of selected financial information of the consolidated financial statements and non-GAAP measures of the Company for each of the quarters of fiscal 2018 and 2017:

QUARTERS (In thousands of dollars, except for volume and per share information)	2018				2017			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Sugar Volume (MT)	174,144	163,253	182,331	200,147	168,376	168,723	173,969	183,397
Maple products volume ('000 pounds)	11,191	12,725	10,654	10,549	—	—	—	5,764
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenues	204,883	189,455	199,056	211,807	159,604	163,566	166,363	192,984
Gross margin	43,113	27,055	31,430	29,255	28,176	16,605	9,886	22,631
EBIT	31,685	14,888	19,296	18,231	20,596	8,784	1,513	10,138
Net earnings	20,216	7,586	11,294	9,633	13,552	4,788	(448)	4,014
Gross margin rate per MT <sup>(1)</sup>	206.88	126.51	113.04	108.12	167.34	98.42	56.83	103.82
Gross margin percentage <sup>(2)</sup>	14.4%	12.1%	14.3%	15.0%	—	—	—	13.5%
<b>Per share</b>								
Net earnings								
Basic	0.19	0.07	0.11	0.09	0.14	0.05	—	0.04
Diluted	0.18	0.07	0.10	0.09	0.14	0.05	—	0.04
<b>Non-GAAP Measures</b>								
Adjusted gross margin	37,303	28,607	27,687	32,764	29,115	23,267	22,843	28,034
Adjusted EBIT	25,875	16,440	15,553	21,740	21,535	15,446	14,470	15,541
Adjusted net earnings	15,848	8,617	8,445	12,122	14,118	9,628	9,030	7,938
Adjusted gross margin rate per MT <sup>(1)</sup>	179.19	134.66	113.37	128.90	172.92	137.90	131.31	134.18
Adjusted gross margin percentage <sup>(2)</sup>	12.4%	12.5%	13.9%	13.7%	—	—	—	12.8%
<b>Adjusted net earnings per share</b>								
Basic	0.15	0.08	0.08	0.12	0.15	0.10	0.10	0.08
Diluted	0.14	0.07	0.08	0.11	0.14	0.10	0.10	0.08

<sup>(1)</sup> Gross margin rate per MT and Adjusted gross margin rate per MT pertains to the Sugar segment only.

<sup>(2)</sup> Gross margin percentage and Adjusted gross margin percentage pertains to the Maple products segment only.

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.

The increase in revenues for the fourth quarter of fiscal 2018 is explained by the benefit from the LBMT acquisition since August 5, 2017 and the Decacer acquisition on November 18, 2017. The timing of both acquisitions also had an impact on the Maple products segment volume.

**Financial condition**

(In thousands of dollars)	2018	2017*	2016
	\$	\$	\$
Total assets	<b>870,209</b>	835,474	585,198
Total non-current liabilities	<b>382,136</b>	344,130	214,685

\* Includes adjustment of prior year purchase price allocation (see Consolidated Financial Statements - Note 4, Business combinations and Note 16, Goodwill).

The increase in total assets in the current fiscal year is due mainly to the acquisition of Decacer's long-term assets in November 2017 totalling \$34.7 million. The increase in total asset between fiscal 2016 and 2017 is mainly explained by the acquisition of LBMT, representing \$254.1 million.

Non-current liabilities for fiscal 2018 also increased during the current year with the issuance of the Seventh series debentures for a total amount of \$97.8 million less the repayment of the \$60.0 million Fifth series debentures. In addition, the long-term portion of the revolving credit facility was higher for the current year than in fiscal 2017 due to increase borrowings as a result of the Decacer acquisition. Finally, deferred tax liabilities were \$5.7 million higher than the prior fiscal year. Somewhat offsetting the negative variance in long-term liabilities is a reduction in employee benefits liabilities of \$7.7 million due mainly to a change in pension actuarial assumptions as at September 29, 2018. Non-current liabilities for fiscal 2017 increased when compared to fiscal 2016 as a result of the additional drawdown under the revolving credit facility to repay the Fourth series debentures as well as to partially fund the LBMT acquisition. In addition, the Sixth series debentures were issued on July 28, 2017, therefore increasing the overall non-current liabilities compounded by the fact that the Fourth series debentures were presented as current in fiscal 2016. Somewhat reducing the negative variance is a decrease in the employee benefits balance of \$13.8 million also due mostly to a change in pension actuarial assumptions as of last year end.

On an annual basis, a goodwill impairment calculation is performed with the aim of ensuring that the fair value of the Company's operating segments is more than their respective carrying value. There was no impairment in fiscal 2018 analysis or for any of the previous two years.

**Liquidity**

Cash flow generated by Lantic is paid to Rogers by way of dividends and return of capital on the common shares and by the payment of interest on the subordinated notes of Lantic held by Rogers, after taking a reasonable reserve for capital expenditures, debt reimbursement and working capital. The cash received by Rogers is used to pay administrative expenses, interest on the convertible debentures, income taxes and dividends to its shareholders. Lantic had no restrictions on distributions of cash arising from the compliance of financial covenants for the year.

(In thousands of dollars)	2018	2017*
	\$	\$
Cash flow from operating activities	<b>52,912</b>	52,037
Cash flow (used in) from financing activities	<b>(1,555)</b>	147,272
Cash flow used in investing activities	<b>(66,429)</b>	(183,485)
Effect of changes in exchange rate on cash	<b>140</b>	(37)
Net (decrease) increase in cash and cash equivalents	<b>(14,932)</b>	15,787

\* Includes adjustment of prior year purchase price allocation (see Consolidated Financial Statements - Note 4, Business combinations and Note 16, Goodwill).

Cash flow from operating activities was \$52.9 million in fiscal 2018, as opposed to \$52.0 million in fiscal 2017, an increase of \$0.9 million. Cash flow from operating activities increased due to a higher EBIT of \$43.1 million and lower income taxes paid of \$4.2 million. However, it was almost all reduced due to a negative working capital variation of \$36.0 million, mostly attributable to lower trade and other payables, higher negative changes in fair value of financial instruments of \$7.4 million and higher interest paid of \$4.9 million. It should be noted that the acquisition of the working capital of Decacer is shown in investing activities and therefore, only the working capital variation between the acquisition date and September 29, 2018 is presented as part of the cash flow from operating activities.

The negative variation in cash flow used in financing activities of \$148.8 million is mainly attributable to a reduction of the revolving credit facility of \$108.0 million, no issuance of common shares in fiscal 2018 as opposed to \$66.5 million in fiscal 2017 and increased dividend payments of \$4.2 million. In addition, the Company purchased and cancelled common shares for a total cash outflow of \$4.0 million. Somewhat reducing the negative variance is the movement year-over-year of convertible debentures, for which the issuance, net of repayment had a total positive impact of \$28.0 million and an increase in bank overdraft of \$5.5 million. Finally, payments of financing fees had a positive impact on cash flow from financing activities of \$0.4 million.

The cash outflow used in investing activities decreased compared to fiscal 2017 by \$117.1 million due mainly to the acquisition of Decacer for \$42.1 million and a purchase price payment of \$0.7 million in fiscal 2018. This compares to the LBMTC acquisition

in fiscal 2017 of \$166.2 million. The year-over-year variation associated with acquisitions resulted in a positive variance of \$123.4 million. Somewhat reducing this variation is greater capital spending during the current year as a result of various major projects undertaken and an increased plan spending during the year, resulting in an increase of \$6.4 million.

In order to provide additional information, the Company believes it is appropriate to measure free cash flow that is generated by the operations of the Company. Free cash flow is defined as cash flow from operations excluding changes in non-cash working capital, mark-to-market and derivative timing adjustments and financial instruments' non-cash amounts, funds received or paid from the issue or purchase of shares and capital expenditures, excluding operational excellence capital expenditures. Free cash flow is a non-GAAP measure.

Free cash flow is as follows:

(In thousands of dollars)	Fourth Quarter		Fiscal Year		
	2018	2017*	2018	2017*	2016
	\$	\$	\$	\$	\$
Cash flow from operations	57,991	65,861	52,912	52,037	66,672
Adjustments:					
Changes in non-cash working capital	(43,877)	(52,628)	12,764	(23,192)	27,703
Mark-to-market and derivative timing adjustments	4,091	6,255	(1,776)	28,979	(32,257)
Amortization of transitional balances	(710)	(936)	(3,247)	(3,389)	—
Financial instruments non-cash amount	2,610	(3,829)	7,645	278	(2,155)
Capital expenditures and intangible assets	(11,818)	(8,760)	(23,655)	(17,303)	(15,156)
Operational excellence capital expenditures	4,149	1,038	7,394	3,344	835
Stock options exercised	—	93	—	521	—
Purchase and cancellation of shares	(2,151)	—	(3,963)	—	(727)
Deferred financing charges	—	(469)	(272)	(629)	(90)
Free cash flow <sup>(1)</sup>	10,285	6,625	47,802	40,646	44,825
Declared dividends	9,450	9,517	37,971	34,896	33,796

<sup>(1)</sup> See "Non-GAAP measures" section.

\* Includes adjustment of prior year purchase price allocation (see Consolidated Financial Statements - Note 4, Business combinations and Note 16, Goodwill).

Free cash flow for the fourth quarter of 2018 was \$10.3 million compared to \$6.6 million for the same period year, an increase of \$3.7 million. The higher free cash flow is mainly explained by an increase in adjusted EBITDA (See "Non-GAAP measures" section in the MD&A) of \$6.4 million and a decrease in deferred financing charges payment of \$0.5 million. This positive variance was somewhat offset by purchase and cancellation of shares totalling \$2.2 million and higher interest paid of \$1.1 million.

Free cash flow for fiscal 2018 was \$7.2 million higher than the previous year mainly explained by an increase in adjusted EBITDA (See "Non-GAAP measures" section in the MD&A) of \$15.4 million, a decrease in income taxes paid of \$4.2 million and lower deferred financing charges paid of \$0.4 million. However, these variations were somewhat offset by higher interest paid of \$4.9 million, the purchase and cancellation of shares, as opposed to issuance of shares following the exercise of share options, for a total negative variance of \$4.5 million, higher capital and intangible spending, net of operational excellence capital of \$2.3 million and higher pension plan contribution of \$1.1 million.

Operational excellence capital expenditures are \$3.1 million and \$4.1 million higher for the quarter and year-to-date, respectively, when compared to the same periods last fiscal year. This year's operational excellence capital expenditures comprised of various projects. In fiscal 2018, \$3.9 million was spent on an energy saving project at the Vancouver refinery that will be completed in the first half of fiscal 2019 for a total of approximately \$5.1 million. In addition, \$1.1 million was spent on new packaging equipment that will bring retail packaging innovation to our product offering and will help reduce co-packaging costs. An energy saving project at the Montréal refinery of approximately \$3.3 million started in fiscal 2017 and was completed by the end of the second quarter of the current fiscal year. Another energy saving project at the Montréal refinery was undertaken in fiscal 2018 and should be completed in the first half of fiscal 2019 for a total capital spend of \$0.5 million. The palletizing station installation in Taber was completed during the current fiscal year for a total capital of approximately \$1.2 million. Free cash flow is not reduced by operational excellence capital expenditures, as these projects are not necessary for the operation of the plants, but are undertaken because of the substantial operational savings that are realized once the projects are completed.

During the fourth quarter and full year of fiscal 2018, Rogers purchased and cancelled a total of 400,000 common shares and 736,900 common shares, respectively, under the normal course issuer bid ("NCIB") for a total cash consideration of \$2.2 million and \$4.0 million, respectively.

In fiscal 2017, an amount of \$0.1 million and \$0.5 million was received during the fourth quarter and year-to-date, respectively, following the exercise of share options by certain executives of the Company. There was no exercise of options in fiscal 2018.

Financing charges are paid when a new debt financing is completed and such charges are deferred and amortized over the term of that debt. The cash used in the year to pay for such fees is therefore not available and as a result is deducted from free cash flow. In fiscal 2018, an amount of \$0.3 million was paid to amend the revolving credit facility as opposed to \$0.5 million and \$0.6 million for the last quarter of fiscal 2017 and last fiscal year, respectively.

The Company declared a quarterly dividend of 9.0 cents per common share, resulting in an amount payable of \$9.5 million for the quarter and of \$38.0 million for the current year. This compares to \$9.5 million for the fourth quarter last year and \$34.9 million for the year. The year-to-date increase is due to the issuance of common shares in July 2017 for the acquisition of LBMTTC.

Changes in non-cash operating working capital represent year-over-year movements in current assets, such as accounts receivable and inventories, and current liabilities, such as accounts payables. 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 are due to timing issues and therefore do not constitute free cash flow. Such increases or decreases are financed from available cash or from the Company's available credit facility of \$265.0 million. Increases or decreases in bank indebtedness are also due to timing issues from the above and therefore do not constitute available free cash flow.

The combined impact of the mark-to-market, financial instruments non-cash amount and amortization of transitional balances of \$6.0 million and \$2.6 million for the current quarter and fiscal year, respectively do not represent cash items as these contracts will be settled when the physical transactions occur, which is the reason for the adjustment to free cash flow.

### Contractual obligations

The following table identifies the outstanding contractual obligations of the Company as at year-end, and the effects such obligations are expected to have on liquidity and cash flow over the next several years:

(In thousands of dollars)	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
	\$	\$	\$	\$	\$
Revolving credit facility	172,000	12,000	—	160,000	—
Interest on convertible debentures	25,594	3,759	7,518	7,518	6,799
Interest based on swap agreement	5,505	1,620	2,839	1,046	—
Finance lease obligations	121	55	66	—	—
Operating leases	8,665	2,581	3,024	2,104	956
Purchase obligations	100,816	100,677	139	—	—
Other long-term liabilities	773	773	—	—	—
Derivative financial instruments	(31,846)	(56,267)	9,210	15,211	—
	<b>281,628</b>	<b>65,198</b>	<b>22,796</b>	<b>185,879</b>	<b>7,755</b>
Purchase obligations (in MT)	1,337,000	479,000	858,000	—	—
Purchase obligations (in '000 pounds)	12,812	12,812	—	—	—

During the current year, the Company issued a total of \$97.8 million 4.75% Seventh series debentures in order to repay the Fifth series debentures of \$60.0 million and a portion of the revolving credit facility. In fiscal 2017, the Company issued \$57.5 million 5.0% Sixth series debentures in order to partially fund the acquisition of LBMTC. The Sixth and Seventh series debentures, which mature in December 2024 and June 2025, respectively, have been excluded from the above table due to the holders' conversion option and the Company's option to satisfy the obligations at redemption or maturity in shares. Interest has been included in the above table to the date of maturity.

In fiscal 2013, Lantic entered into a five-year credit agreement of \$150.0 million effective June 28, 2013, replacing the \$200.0 million credit agreement that expired on the same date. On August 3, 2017, the Company amended its existing revolving credit facility to partially fund the acquisition of LBMTC. The available credit was increased by \$75.0 million by drawing additional funds under the accordion feature embedded in the revolving credit facility ("Additional Accordion Borrowings"). Then, on December 20, 2017, the Company amended, once again, its existing revolving credit facility thereby increasing its available credit by \$40.0 million by drawing additional funds under the accordion feature ("Second Additional Accordion Borrowings") to partially fund the Decacer acquisition.

On May 18, 2018, the Company canceled an amount of \$50.0 million that was available to be drawn under the revolving credit facility which was made available on April 28, 2017 under the accordion feature ("Accordion Borrowings"), which had a maturity date of December 31, 2018.

On May 28, 2018, the Company exercised its option to extend the maturity date of its revolving credit facility to June 28, 2023 under the same terms and conditions of the amended credit agreement entered into on December 20, 2017. As a result of the amended revolving credit facility, the Second Additional Accordion Borrowings, the Additional Accordion Borrowings and the cancellation of the Accordion Borrowings, the Company has a total of \$265.0 million of available working capital from which it can borrow at prime rate, LIBOR rate or under bankers' acceptances, plus 20 to 250 basis points, based on achieving certain financial ratios. As at September 29, 2018, a total of \$407.8 million have been pledged as security for the revolving credit facility, compared to \$417.9 million as at September 30, 2017, including trade receivables, inventories and property, plant and equipment.

At September 29, 2018, a total of \$172.0 million had been borrowed under this facility, of which, \$12.0 million was presented as current.

In order to fix the interest rate on a substantial portion of the expected drawdown of the revolving credit facility, the Company enters into interest rate swap agreements. Since June 28, 2013, a number of interest rate swap agreements were put in place. The following table provides the outstanding swap agreements as at September 29, 2018 as well as their respective value, interest rate and time period:

Fiscal year contracted	Date	Total value
		\$
Fiscal 2014	June 30, 2014 to June 28, 2019 – 2.09%	10,000
Fiscal 2015	June 28, 2018 to June 28, 2020 – 1.959%	30,000
Fiscal 2017	May 29, 2017 to June 28, 2022 – 1.454%	20,000
Fiscal 2017	September 1, 2017 to June 28, 2022 – 1.946%	30,000
Fiscal 2017	June 29, 2020 to June 29, 2022 – 1.733%	30,000

The interest payments that will be incurred on the future borrowings related to this swap agreement are reflected in the contractual obligations table above.

Finance and operating lease obligations relate mainly to the leasing of various mobile equipment, the premises of the blending operations in Toronto and the Maple products segment operations in Granby, Québec, in British Columbia and in Vermont.

Purchase obligations represent all open purchase orders as at year-end and approximately \$43.5 million for sugar beets that will be harvested and processed in fiscal 2019 but exclude any raw sugar priced against futures contracts. LBMT has \$19.3 million remaining to pay related to an agreement to purchase approximately \$38.2 million (12.8 million pounds) of maple syrup from the FPAQ. In order to secure bulk syrup purchases, the Company issued letters of guarantee amounting to \$16.0 million in favor of the FPAQ. The letters of guarantee expire on March 31, 2019.

A significant portion of the Company's sales are made under fixed-price, forward-sales contracts, which extend up to three years. The Company also contracts to purchase raw cane sugar substantially in advance of the time it delivers the refined sugar produced from the purchase. To mitigate its exposure to future price changes, the Company attempts to manage the volume of refined sugar sales contracted for future delivery in relation to the volume of raw cane sugar contracted for future delivery, when feasible.

The Company uses derivative instruments to manage exposures to changes in raw sugar prices, natural gas prices and foreign exchange. The Company's objective for holding derivatives is to minimize risk using the most efficient methods to eliminate or reduce the impacts of these exposures.

To reduce price risk, the Company's risk management policy is to manage the forward pricing of purchases of raw sugar in relation

to its forward refined sugar sales. The Company attempts to meet this objective by entering into futures contracts to reduce its exposure. Such financial instruments are used to manage the Company's exposure to variability in fair value attributable to the firm commitment purchase price of raw sugar.

The Company has hedged all of its exposure to raw sugar price risk movement through March 2021.

At September 29, 2018, the Company had a net short sugar position of \$0.4 million in net contract amounts with a current net negative contract value of \$0.8 million. This short position represents the offset of a smaller volume of sugar priced with customers than purchases priced from suppliers.

The Company uses futures contracts and swaps to help manage its natural gas costs. At September 29, 2018, the Company had \$38.9 million in natural gas derivatives, with a current contract value of \$34.5 million.

The Company's activities, which result in exposure to fluctuations in foreign exchange rates, consist of the purchasing of raw sugar, the selling of refined sugar and Maple products and the purchasing of natural gas. The Company manages this exposure by creating offsetting positions through the use of financial instruments. These instruments include forward contracts, which are commitments to buy or sell at a future date, and may be settled in cash.

The credit risk associated with foreign exchange contracts arises from the possibility that counterparties to a foreign exchange contract in which the Company has an unrealized gain, fail to perform according to the terms of the contract. The credit risk is much less than the notional principal amount, being limited at any time to the change in foreign exchange rates attributable to the principal amount.

Forward foreign exchange contracts have maturities of less than three years and relate mostly to the U.S. currency, and from time to time, the Euro currency. The counterparties to these contracts are major Canadian financial institutions. The Company does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by the counterparties.

At September 29, 2018, the Company had a net \$69.9 million in foreign currency forward contracts with a current contract value of \$66.7 million.

As part of its normal business practice, the Company also enters into multi-year supply agreements with raw sugar processors for raw cane sugar. Contract terms will state the quantity and estimated delivery schedule of raw sugar. The price is determined at specified periods of time before such raw sugar is delivered based upon the value of raw sugar as traded on the ICE #11 world raw sugar market. At September 29, 2018, the Company had commitments to purchase a total of 1,337,000 metric tonnes of raw sugar, of which approximately 316,000 metric tonnes had been priced, for a total dollar commitment of \$120.8 million.

The Company has no other off-balance sheet arrangements.

### Capital resources

As mentioned above, Lantic entered into a five-year credit agreement of \$150.0 million effective June 28, 2013, which has been amended in fiscal 2017 and 2018 to increase its borrowing capacity by requesting the Additional Accordion borrowings and the Second Additional Accordion Borrowings, which brought the total available credit to \$265.0 million. In addition, the credit facility was also amended in the current year to extend its maturity to June 28, 2023. At September 29, 2018, \$172.0 million had been drawn from the working capital facility, \$5.5 million was drawn as bank overdraft and \$2.1 million in cash was also available.

The Taber beet operation requires seasonal working capital in the first half of the fiscal year, when inventory levels are high and a substantial portion of the payments due to the Growers is made. LBMT also has seasonal working capital requirements. Although the syrup inventory is received during the third quarter of the fiscal year, its payment terms with the FPAQ requires cash payment in the first half of the fiscal year. The Company has sufficient cash and availability under its line of credit to meet such requirements.

As mentioned above, the Company had been actively working on solutions to reduce the air emissions footprint of the Taber facility. During the current fiscal year, the Company completed the engineering and project design to upgrade the Taber beet factory to be fully compliant with the new air emissions regulations by the start of the fiscal 2020 beet harvesting season (crop 2019). This solution is expected to require between \$8.0 million and \$10.0 million in capital expenditures. The facility obtained from Alberta Environment and Parks a variance for non-compliance of air emission standards valid until May 2019.

Future commitments of approximately \$19.6 million have been approved for completing capital expenditures presently in progress, including the Taber air emission project.

The Company also has funding obligations related to its employee future benefit plans, which include defined benefit pension plans. As at September 29, 2018, all of the Company's registered defined benefit pension plans were in a deficit position. The Company performed actuarial evaluations for two of its three remaining pension plans as of December 31, 2016 and January 1, 2017.

In the first quarter of the current fiscal year, the Alberta Treasury Board and Finance approved an amendment to the Alberta Hourly Plan. The result of this amendment is the elimination of the reserve for future supplements, and investment earnings accumulated thereon, effective January 1, 2017. The Company recognized the impact of this amendment during its current fiscal year, which reduced total pension plan expense by approximately \$1.5 million.

The Company monitors its pension plan assets closely and follows strict guidelines to ensure that pension fund investment portfolios are diversified in line with industry best practices. Nonetheless, pension fund assets are not immune to market fluctuations and, as a result, the Company may be required to make additional cash contributions in the future. In fiscal 2018, cash contributions to defined benefit pension plans increased by approximately \$0.6 million to \$3.9 million. In total, the Company expects to incur cash contributions of approximately \$3.7 million for fiscal 2019 relating to employee defined benefit pension plans. For more information regarding the Company's employee benefits, please refer to Note 22 of the audited consolidated financial statements.

Cash requirements for working capital and other capital expenditures are expected to be paid from available cash resources and funds generated from operations. Management believes that the unused credit under the revolving facility is adequate to meet any future cash requirements.

## OUTSTANDING SECURITIES

On May 22, 2018, the Company received approval from the Toronto Stock Exchange to proceed with a NCIB. Under the NCIB program, the Company may purchase up to 1,500,000 common shares. The NCIB program commenced on May 24, 2018 and may continue to May 23, 2019.

In addition, the Company has entered into an automatic share purchase agreement with Scotia Capital Inc. in connection with the NCIB. Under the 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 current year, the Company purchased a total of 736,900 common shares, for a total cash consideration of \$4.0 million. All shares purchased were cancelled. In addition, during the second quarter of the current year, some holders of the Fifth series debentures converted a total of \$10 thousands into 1,388 common shares.

On July 28, 2017, a public offering was completed consisting of subscription receipts converted to 11,730,000 common shares on August 5, 2017 upon closing of the LBMTTC acquisition for gross proceeds of \$69.2 million.

In addition, in fiscal 2017, a total of 96,500 common shares were issued pursuant to the exercise of share options by certain executives for a total cash consideration of \$0.5 million. Moreover, some holders of the Fourth series debentures converted an amount of \$0.4 million into 66,922 common shares.

As a result of the above movement, a total of 105,008,070 shares were outstanding as at September 29, 2018 and November 21, 2018.

During the second quarter of fiscal 2017, further to a Special Resolution approved at the shareholders' meeting of February 1, 2017, the Company reduced the stated capital by \$100.0 million and the contributed surplus was increased by the same amount of \$100.0 million.

On March 28, 2018, the Company issued \$85.0 million of 4.75% Seventh series debentures, maturing June 30, 2025, with interest payable semi-annually in arrears on June 30 and December 31 of each year, starting June 30, 2018. Then, on April 3, 2018, the Company issued an additional \$12.8 million Seventh series debentures pursuant to the exercise in full of the over-allotment option granted by the Company. The total amount of the Seventh

series debentures issued represents \$97.75 million and may be converted at the option of the holder at a conversion price of \$8.85 per share (representing 11,045,197 common shares) at any time prior to maturity, and cannot be redeemed prior to June 30, 2021. On or after June 30, 2021 and prior to June 30, 2023, the Seventh series debentures may be redeemed by the Company only if the weighted average trading price of the share, for 20 consecutive trading days, is at least 125% of the conversion price of \$8.85. Subsequent to June 30, 2023, the Seventh series debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest.

Following the issuance of the Seventh series debentures on March 28 and April 3, 2018, the Company used a portion of the funds to repay the Fifth series debentures totalling \$60.0 million at a price equal to the principal amount thereof plus accrued and unpaid interest as of March 28, 2018. The remaining funds from the issuance of the Seventh series debentures were used to reduce a portion of the amount drawn under revolving credit facility.

On July 28, 2017, the Company issued \$57.5 million of sixth series 5.0% Sixth series debentures, maturing December 31, 2024, with interest payable semi-annually in arrears on June 30 and December 31 of each year, starting December 31, 2018. The Sixth series debentures may be converted at the option of the holder at a conversion price of \$8.26 per share (representing 6,961,259 common shares) at any time prior to maturity, and cannot be redeemed prior to December 31, 2020. On or after December 31, 2020 and prior to December 31, 2022, the sixth series debentures may be redeemed by the Company only if the weighted average trading price of the share, for 20 consecutive trading days, is at least 125% of the conversion price of \$8.26. Subsequent to December 31, 2022, the Sixth series debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest.

The Fourth series debentures of \$49.6 million were repaid by using the Accordion borrowings under the Company's revolving credit facility on May 1, 2017.

On July 1, 2005, the Company reserved and set aside for issuance a total of 850,000 units to be allocated to key personnel. On January 1, 2011, the 450,000 options outstanding under the unit option plan were transferred to a share option plan (the "Share Option Plan") on a one-for-one basis. Between July 2005 and March 2012, all these options were allocated at different times to executives of the Company. In fiscal 2015, the number of options for common shares set aside to be allocated to key personnel was increased from 450,000 to 4,000,000 common shares. On May 21, 2015,

850,000 share options were granted to the new President and CEO of Lantic at a price of \$4.59 per common share, representing the average market price for the five business days before the granting of the options. 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. On December 4, 2017, a total of 1,065,322 share options were granted at a price of \$6.23 per common share to certain executives and senior managers. These shares are exercisable to a maximum of twenty percent per year, starting after the first anniversary date of the granting of the options and will expire after a term of ten years. Upon termination, resignation, retirement, death or long-term disability, all shares granted under the Share Option Plan not vested are forfeited.

In addition, during the first quarter of the current year, a Performance Share Unit plan ("PSU") was created and on December 4, 2017, a total of 224,761 PSUs were granted to executives. In addition, an aggregate of 10,291 PSUs were allocated as a result of the dividend paid during the past three quarters. Therefore, an aggregate amount of 235,052 PSUs are outstanding as at September 29, 2018. These PSUs will vest at the end of the 2017-2020 Performance Cycle based on the achievement of total shareholder returns set by the Human Resources and Compensation Committee ("HRCC") and the Board of Directors of the Company. If the level of achievement of total shareholder returns is within the specified range, the value to be paid-out to each participant will be equal to the result of: the number of PSUs granted to the participant which have vested, multiplied by the volume weighted average closing price of the Common Shares on the Toronto Stock Exchange (the "TSX") for the five trading days immediately preceding the day on which the Company shall pay the value to the participant under the PSU Plan. If the level of achievement of total shareholder returns is below the minimum threshold, the PSU will be forfeited without any payments made.

In addition, during the first quarter of fiscal 2017, 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. These SARs are exercisable twenty percent per year, starting on the first anniversary date of the granting of the SARs and will expire after a term of ten years. Upon termination, resignation, retirement, death or long-term disability, all SARs granted under the Share Option Plan not vested are forfeited.

During fiscal 2018, 60,000 share options were forfeited at a price of \$6.23 following the departure of a senior manager.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's audited consolidated financial statements in conformity with IFRS requires us to make estimates and judgements that affect the reported amounts of assets and liabilities, net revenue and expenses, and the related disclosures. Such estimates include the valuation of goodwill, intangible assets, identified assets and liabilities acquired in business combinations, other long-lived assets, income taxes, the provision for asbestos removal and pension obligations. These estimates and assumptions are based on management's best estimates and judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience, knowledge of economics and market factors, and various other assumptions that management believe to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. Actual results could differ from these estimates. Changes in those estimates and assumptions are recognized in the period in which the estimates are revised. Refer to note 2 (d) to the audited consolidated financial statements for more detail.

## CHANGES IN ACCOUNTING PRINCIPLES AND PRACTICES NOT YET ADOPTED

A number of new standards, and amendments to standards and interpretations, are not yet effective and have not been applied in preparing these audited consolidated financial statements. New standards and amendments to standards and interpretations that are currently under review include:

- IFRS 15, *Revenue from Contracts with Customers*:  
On May 28, 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard is effective for years beginning on or after January 1, 2018. Earlier application is permitted.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The Company will adopt IFRS 15 in its consolidated financial statements for the year beginning on September 30, 2018. The Company does not expect the standard to have a material impact on the consolidated financial statements.

- IFRS 16, *Leases*:

On January 13, 2016 the IASB issued IFRS 16 *Leases*. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, *Leases*.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by the lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on September 29, 2019. The Company has started reviewing the impact of the adoption of IFRS 16 and expects that certain of the existing leases will require to be recognized as assets and liabilities. However, the extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been quantified.

Additional new standards, and amendments to standards and interpretations, include: IFRS 2, *Classification and Measurement of Share-based Payment Transactions*, Annual Improvements to IFRS Standards (2014-2016) Cycle, IFRIC 22, *Foreign Currency Transactions and Advance Consideration*, IFRIC 23 *Uncertainty over Income Tax Treatments*, Annual Improvements to IFRS Standards (2015-2017) Cycle and Amendments to References to the Conceptual Framework in IFRS Standards. 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, except for IFRS 2, IFRIC 22 and the Annual Improvements to IFRS Standards (2014-2016) Cycle, all of whom, the Company does not expect the amendments to have a material impact on the consolidated financial statements. Refer to note 3 (s) to the audited consolidated financial statements for more detail.

## ENVIRONMENT

The Company's policy is to meet all applicable government requirements with respect to environmental matters. Except for the non-compliance of air emission standards in Taber, management believes that the Company is in compliance in all material respects with environmental laws and regulations and maintains an open dialogue with regulators and the Government with respect to awareness and adoption of new standards.

As mentioned above, the Company had been actively working on solutions to reduce the air emissions footprint of the Taber facility. During the current fiscal year, the Company completed the engineering and project design to upgrade the Taber beet factory to be fully compliant with the new air emissions regulations by the start of the fiscal 2020 beet harvesting season (crop 2019). This solution is expected to require between \$8.0 million and \$10.0 million in capital expenditures. The Taber factory obtained from Alberta Environment and Parks a variance for non-compliance of air emission standards valid until May 2019.

With respect to potential environmental remediation of our properties, which could occur in the event of a building demolition or a sale, it is worth noting that the Vancouver facility has a lengthy history of industrial use, and fill materials have been used on the property in the normal course of business. No assurance can be given that material expenditures will not be required in connection with contamination from such industrial use or fill materials.

Similarly, the Montréal facility has a lengthy history of industrial use. Contamination has been identified on a vacant property acquired in 2001, and the Company has been advised that additional soil and ground water contamination is likely to be present. Given the industrial use of the property, and the fact that the Company does not intend to change the use of that property in the future, the Company does not anticipate any material expenditures being required in the short term to deal with this contamination, unless off-property impacts are discovered. The Company has recorded a provision under asset retirement obligations for this purpose and the provision is expected to be sufficient.

In fiscal 2017, the Company demolished a building structure on the Montréal refinery property. Some contaminated soils were then detected on a portion of the now vacant section of this removed structure, which was fully remediated in fiscal 2018. In addition, in fiscal 2018, \$0.6 million was spent to remove some asbestos at its Vancouver and Taber location.

Although the Company is not aware of any specific problems at its Toronto distribution centre, its Taber plant and any of the LBMT properties, no assurance can be given that expenditures will not be required to deal with known or unknown contamination at the property or other facilities or offices currently or formerly owned, used or controlled by Lantic.

### RISK FACTORS

The Company's business and operations are substantially affected by many factors, including prevailing margins on refined sugar and its ability to market sugar and maple products competitively, sourcing of raw material supplies, weather conditions, operating costs and government programs and regulations.

#### Dependence Upon Lantic

Rogers is entirely dependent upon the operations and assets of Lantic through its ownership of securities of this company. Accordingly, interest payments to debenture holders and dividends to shareholders will be dependent upon the ability of Lantic and/or LBMT to pay its interest obligations under the subordinated notes and to declare and pay dividends on or return capital in respect of the common shares. The terms of Lantic's bank and other indebtedness may restrict its ability to pay dividends and make other distributions on its shares or make payments of principal or interest on subordinated debt, including debt which may be held, directly or indirectly, by Rogers, in certain circumstances. In addition, Lantic may defer payment of interest on the subordinated notes at any given time for a period of up to 18 months.

#### Integration Related Risks and Operational Gains

The Acquisitions of LBMT and Decacer are the only acquisitions the Corporation has concluded in recent history. To effectively integrate LBMT into its own business and operations, the Company must establish appropriate operational, administrative, finance, management systems and controls and marketing functions relating to such business and operations. This will require substantial attention from management. This diversion of management attention, as well as any other difficulties which the Company may encounter in completing the transition and integration process, including difficulties in retaining key employees of LBMT, could have a material adverse impact on the Company. There can be no assurance that the Company will be successful in integrating the business and operations of LBMT.

There can be no assurance that management of the Corporation and Lantic will be able to fully realize some or all of the expected benefits of the acquisition of LBMT. The ability to realize these anticipated benefits will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as on Rogers' and Lantic's ability to realize growth opportunities and potential operational gains from integrating LBMT with the Company's and Lantic's existing business following the acquisition. Even if Rogers and Lantic are able to integrate these businesses and operations successfully, this integration may not result in the realization of the full benefits of the growth opportunities the Company and Lantic currently expect within the anticipated time frame or at all. There is a risk that some or all of the expected benefits will fail to materialize, or may not occur within the time periods anticipated by management. The realization of some or all of such benefits may be affected by a number of factors, such as, but not limited to, weather impact on supply, access to markets, consumer attitudes towards natural sweeteners, many of which are beyond the control of the Company. All of these factors could cause dilution to the Company's earnings per share, decrease or delay the anticipated accretive effect of the acquisition of LBMT or cause a decrease in the market price of the RSI Shares.

#### Unexpected Costs or Liabilities Related to the Acquisition

Although the Company has conducted due diligence in connection with the acquisitions of LBMT and Decacer, an unavoidable level of risk remains regarding any undisclosed or unknown liabilities of, or issues concerning, LBMT and its business. Following the acquisition, the Company may discover that it has acquired substantial undisclosed liabilities. Lantic will not be able to fully claim indemnification from the sellers of LBMT or Decacer, as both Purchase Agreements contain indemnification limitations applicable to them. Alternatively, Lantic sought insurance to cover any potential liability under the Purchase Agreement of LBMT and subscribed to the representation and warranties insurance ("RWI") Policy, with coverage of up to \$16.0 million and a deductible of \$1.6 million, half of which will be assumed by the previous shareholders of LBMT. Although Lantic has subscribed to the RWI Policy which provides for a \$16.0 million coverage, the RWI Policy is subject to certain exclusions. In addition, there may be circumstances for which the insurer may elect to limit such coverage or refuse to indemnify Lantic or situations for which the coverage provided under the RWI Policy may not be sufficient or applicable and Lantic may have to seek indemnifications from the previous shareholders of LBMT. The existence of any undisclosed liabilities and Lantic's inability to claim indemnification from the previous shareholders of LBMT or the provider of the RWI Policy could have a material adverse effect on the Company.

**No Assurance of Future Performance**

Historic and current performance of the business of the Company and LBMT may not be indicative of success in future periods. The future performance of the business after the acquisition may be influenced by economic downturns and other factors beyond the control of the Company. As a result of these factors, the operations and financial performance of the Company, including LBMT, may be negatively affected, which may adversely affect the Company's financial results.

**Fluctuations in Margins and Foreign Exchange**

The Company's profitability is principally affected by its margins on domestic refined sugar sales. In turn, this price is affected by a variety of market factors such as competition, government regulations and foreign trade policies. The Company, through the Canadian-specific quota, normally sells approximately 10,300 metric tonnes of refined sugar per year in the U.S. and to Mexico and also sells beet pulp to export customers in U.S. dollars. The Company's Taber sugar sales in Canada are priced against the #11 world raw sugar market, which trades in U.S. dollars, while the sugar derived from the sugar beets is paid for in Canadian dollars to the Growers. Fluctuations in the value of the Canadian dollar will impact the profitability of these sales. Except for these sales, which currently can only be supplied by the Company's Taber beet plant, and sales to the U.S. under other announced specific quotas, most sales are in Canada and have little exposure to foreign exchange movements.

**Fluctuations in Raw Sugar Prices**

Raw sugar prices are not a major determinant of the profitability of the Company's cane sugar operations, as the price at which sugar is both purchased and sold is related to the #11 world raw sugar price and all transactions are hedged. In a market where world raw sugar is tight due to lower production, significant premiums may be charged on nearby deliveries which would have a negative impact on the adjusted gross margins of the cane operations. The #11 world raw sugar price can, however, impact the profitability of the Company's beet operations. Sugar derived from beets is purchased at a fixed price, plus an incentive when sugar prices rise over a certain level, and the selling price of domestic refined sugar rises or falls in relation to the #11 world raw sugar price.

A relatively high world raw sugar price and/or low price of corn will also reduce the competitive position of liquid sugar in Canada as compared to HFCS which could result in the loss of HFCS substitutable business for Lantic.

**Security of Raw Sugar Supply**

There are over 185 million metric tonnes of sugar produced worldwide. Of this, more than 55 million metric tonnes of raw cane sugar is traded on the world market. The Company, through its cane refining plants, buys approximately 0.6 million metric tonnes of raw sugar per year. Even though worldwide raw sugar supply is much larger than the Company's yearly requirements, concentration of supply in certain countries like Brazil, combined with an increase in cane refining operations in certain countries, may create tightness in raw sugar availability at certain times of the year. To prevent any raw sugar supply shortage, the Company normally enters into long-term supply contracts with reputable suppliers. For raw sugar supply not under contract, significant premiums may be paid on the purchase of raw sugar on a nearby basis, which may negatively impact adjusted gross margins.

The availability of sugar beets to be processed in Taber, Alberta is dependent on a supply contract with the Growers, and on the Growers planting the necessary acreage every year. In the event that sufficient acreage is not planted in a certain year, or that the Company and the Growers cannot agree on a supply contract, sugar beets might not be available for processing, thus requiring transfer of products from the Company's cane refineries to the Prairie market, normally supplied by Taber. This would increase the Company's distribution costs and may have an impact on the adjusted gross margin rate per metric tonne sold.

**Weather and Other Factors Related to Production**

Sugar beets, as is the case with most other crops, are affected by weather conditions during the growing season. Additionally, weather conditions during the processing season could affect the Company's sugar extraction from beets stored for processing. A significant reduction in the quantity or quality of sugar beets harvested due to adverse weather conditions, disease or other factors could result in decreased production, with negative financial consequences to Lantic.

### **Regulatory Regime Governing the Purchase and Sale of Maple Syrup in Québec**

Producers of maple syrup in Québec are required to operate within the framework provided for by the Marketing Act. Pursuant to the Marketing Act, producers, including producers of maple syrup, can take collective and organized control over the production and marketing of their products (i.e. a joint plan). Moreover, the Marketing Act empowers the marketing board responsible for administering a joint plan, that is the FPAQ in the case of maple syrup, with the functions and role otherwise granted to the Régie des marchés agricoles et alimentaires du Québec, the governing body created by the Government of Québec to regulate, among other things, the agricultural and food markets in Québec. As part of its regulating and organizing functions, the FPAQ may establish arrangements to maintain fair prices for all producers and may manage production surpluses and their storage to stabilize the pricing of maple syrup.

Pursuant to the Sales Agency Regulation, the FPAQ is responsible for the marketing of bulk maple syrup in Québec. Therefore, any container that contains 5L or more of maple syrup must be marketed through the FPAQ as the exclusive selling agent for the producers. Bulk maple syrup may be sold to the FPAQ or to "authorized buyers" accredited by the FPAQ. In Québec, 85% of the total production of maple syrup is sold to the FPAQ or the authorized buyers, leaving only approximately 15% of the total production being sold directly by the producers to consumers or grocery stores. LBMT and Decacer are an authorized buyer with the FPAQ. The authorized buyer status is renewed on an annual basis. There is no certainty that LBMT and Decacer will be able to maintain its status as an authorized buyer with the FPAQ. Failure by LBMT, Decacer, the Corporation or Lantic to remain an authorized buyer with the FPAQ will likely affect the capacity to fully supply the resale of maple syrup or Maple products and therefore the financial results of the Corporation.

The FPAQ, in its capacity as bargaining and sales agent for the producers of maple syrup in Québec as well as the body empowered to regulate and organize the production and marketing of maple syrup, and the bulk buyers of maple syrup, represented by the MIC entered into the Marketing Agreement, which is expected to be renewed on an annual basis. Pursuant to the Marketing Agreement, authorized buyers must pay a minimum price to the FPAQ for any maple syrup purchased from the producers. As a result, LBMT's ability to negotiate the purchase price of maple syrup is limited. Moreover, the minimum purchase price that is applicable to the authorized buyers with the FPAQ also restricts LBMT's ability to

adjust its resale pricing to take into account market fluctuations due to supply and demand. LBMT's incapacity to adjust its resale prices upward to take into account any increase in consumer demand may affect the financial outlook of the Corporation.

Pursuant to the Marketing Agreement, authorized buyers must buy Maple products from the FPAQ in barrels corresponding to the "anticipated volume". The anticipated volume must be realistic and in line with volumes purchased in previous years. The refusal from the FPAQ to accept the anticipated volume set forth by LBMT or the failure by LBMT to properly estimate the anticipated volume for a given year may affect the ability for LBMT to increase its reselling capacity and may have an adverse effect on the Corporation's future consolidated revenues.

### **Production of Maple Syrup Being Seasonal and Subject to Climate Change**

The production of maple syrup takes place over a period of 6 to 8 weeks during the months of March and April of each year. Maple syrup production is intimately tied to the weather as sap only flows when temperatures rise above freezing level during the day and drop below it during the night, such temperature difference creating enough pressure to push sap out of the maple tree. Given the sensitivity of temperature in the process of harvesting maple sap, climate change and global warming may have a material impact on such process as the maple syrup production season may become shorter. Reducing the production season for maple syrup may also have an impact on the level of production. Such phenomenon may be witnessed in Québec as well as in the New England states, such as Vermont and Maine, where substantially all of the world maple syrup is produced.

In 2002, the FPAQ set up a strategic maple syrup reserve in order to mitigate production fluctuations imputable to weather conditions and prevent such fluctuations from causing maple syrup prices to spike or drop significantly. The reserve was initially established to set aside a production quantity equivalent to half of the then annual demand. Each year, the FPAQ may organize a sale of a portion of its accumulated reserve. There can be no assurance that LBMT will have access to some of such reserve to offset decreases in production due to weather conditions or that such reserve will be sufficient to cover a gap in the production in any given year. Any decrease in production or incapacity to purchase additional reserves from the FPAQ may affect LBMT's supply of its sales of maple syrup and other Maple products and, ultimately, its financial results.

### Competition

For the Sugar segment, the Company faces domestic competition from Redpath Sugar Ltd. and smaller regional distributors of both foreign and domestic refined sugar. Differences in proximity to various geographic areas within Canada and elsewhere result in differences in freight and shipping costs, which in turn affect pricing and competitiveness in general.

In addition to sugar, the overall sweetener market also includes: corn-based sweeteners, such as HFCS, an alternative liquid sweetener, which can be substituted for liquid sugar in soft drinks and certain other applications; and non-nutritive, high intensity sweeteners such as aspartame, sucralose and stevia. Differences in functional properties and prices have tended to define the use of these various sweeteners. For example, HFCS is limited to certain applications where a liquid sweetener can be used. Non-nutritive sweeteners are not interchangeable in all applications. The substitution of other sweeteners for sugar has occurred in certain products, such as soft drinks. We are not able to predict the availability, development or potential use of these sweeteners and their possible impact on the operations of the Company.

For the Maple products segment, LBMT is among the largest branded and private label maple syrup bottling and distributing companies in the world. LBMT has two major competitors in the market and also competes against a multitude of smaller bottlers and distributing companies.

A large majority of LBMT's revenues are made under the private label line. The Corporation anticipates that for a foreseeable future, LBMT's relationship with its top private label customers will continue to be key and will continue to have a material impact on its sales. Although the Corporation considers that the relationship with its top private label customers is excellent, the loss of, or a decrease in the amount of business from, such customers, or any default in payment on their part could significantly reduce LBMT's sales and harm the Company's operating and financial results.

### Consumer Habits May Change

The maple products market, both national and international, has experienced some important changes over the last few years as maple products are becoming better known and consumer preferences and consumption patterns have shifted to more natural products. Maple syrup has typically been used, principally in North America, as a natural alternative to traditional sweeteners and has been served on morning meals, such as pancakes, waffles and other breakfast bakeries for decades. The offer of maple products has recently expanded to include, among others, maple butter and maple sugar, flakes and taffy. As a result of evolving customer trends and the development of new maple products continues, LBMT will

need to anticipate and meet these trends and developments in a competitive environment on a timely basis. The failure of LBMT to anticipate, identify and react to shifting consumer and retail customer trends and preferences through successful innovation and enhanced production capability could adversely result in reduced demand for its products, which could in turn affect the financial performance of the Company. There is also no guarantee that the current favourable market trends will continue in the future.

### Growth of LBMT's Business Relying Substantially on Exports

The size of the global wholesale market for maple syrup is currently estimated at \$750 million, the United States being by far the world's largest importer, followed by Japan and Germany. Despite the increase of sales of maple products that the Canadian market has experienced in recent years, the potential for growth of this industry largely relies on the international market. Moreover, over the last few years, Vermont and Maine have increased their production of maple syrup and have now become competitors of Québec, which however remains the largest producer and exporter of maple syrup in the world. While LBMT continues to develop its selling efforts outside of Canada, including through forming new partnerships in countries where the maple syrup market is undeveloped, it will likely face high competition from other bottlers and distributors, including from other Canadian and U.S. companies, for its share of the international market. Such growing competition and the incapacity for LBMT to further develop its selling efforts outside of Canada could adversely affect the Company's capacity to grow LBMT's business and its future results. Furthermore, an incapacity to attract increased attention on maple products or a sudden lack of interest for such products from customers outside of North America may affect the Company's future results.

### Operating Costs

Natural gas represents an important cost in our refining operations. Our Taber beet factory includes primary agricultural processing and refining. As a result, Taber uses more energy in its operations than the cane facilities in Vancouver and Montréal, principally as a result of the need to heat the cossettes (sliced sugar beets) to evaporate water from juices containing sugar, and to dry wet beet pulp. Changes in the costs and sources of energy may affect the financial results of the Company's operations. In addition, all natural gas purchased is priced in U.S. dollars. Therefore, fluctuations in the Canadian/U.S. dollar exchange rate will also impact the cost of energy. The Company hedges a portion of its natural gas price exposure through the use of natural gas contracts to lessen the impact of fluctuations in the price of natural gas. Provincial application of some form of carbon tax has been increasingly important across Canada and for some provinces with carbon tax, rates have been increasing, which could increase the overall energy costs for the Company.

### **Government Regulations and Foreign Trade Policies with regards to Sugar**

In July 1995, Revenue Canada made a preliminary determination, followed by a final determination in October 1995, that there was dumping of refined sugar from the United States, Denmark, Germany, the United Kingdom, the Netherlands and the Republic of Korea into Canada, and that subsidized refined sugar was being imported into Canada from the European Union ("EU"). The Canadian International Trade Tribunal ("CITT") conducted an inquiry and on November 6, 1995 ruled that the dumping of refined sugar from the United States, Denmark, Germany, the United Kingdom and the Netherlands as well as the subsidizing from the EU was threatening material injury to the Canadian sugar industry. The ruling resulted in the imposition of protective duties on these unfairly traded imports.

Under Canadian laws, these duties must be reviewed every five years. On October 30, 2015, the CITT concluded its fourth review of the 1995 finding and issued its decision to continue the finding against dumped and subsidized sugar from the U.S. and EU for another five years. New CITT practice is to initiate reviews later than in previous reviews so it is likely that the current duties will remain in place as late as July 2021 and could be further extended for another five years depending on the outcome of the review.

The duties on imports of U.S. and EU refined sugar are important to Lantic and to the Canadian refined sugar industry in general because they protect the market from the adverse effect of unfairly traded imports from these sources. The government support and trade distorting attributes of the U.S. and EU sugar regimes continue to generate surplus refined sugar production and exports that threaten the Canadian sugar market. However, there is no assurance that the CITT determination in the next review will continue the duty protection for a further five years. It is also possible that an interim review could be conducted prior to 2020 if there is a material change in circumstances related to the CITT finding.

Negotiations towards a new NAFTA agreement were launched in August 2017 with seven official rounds concluding in June 2018 when the U.S. imposed tariffs on steel and aluminum and tri-lateral NAFTA talks broke down. On July 31, 2018, the U.S. and Mexico began bilateral talks focussed on auto rules but ultimately produced a bilateral agreement in principle across a much broader range of issues. On September 30, 2018, the three countries announced they had reached a new deal: USMCA.

Throughout these negotiations, the Canadian Sugar Institute ("CSI") advanced Canada's sugar industry interest in securing improved U.S. market access for Canadian sugar and SCPs and addressing

outdated quota rules for SCPs. If the USMCA is implemented, it will provide Canada a combined 19,200 metric tonnes of new access consisting of two separate tariff rate quotas; one for 9,600 metric tonnes of Canadian origin refined beet sugar and a second for 9,600 metric tonnes of SCPs, with more flexible rules to allow full quota utilization. As the only producer of Canadian origin sugar, the Company's Canadian-specific sugar quota will increase from 10,300 metric tonnes to 19,900 metric tonnes once the USMCA is in place. It is too early to determine how the SCP quota allocation will be administered within the Canadian refined sugar industry.

The legal text of the USMCA agreement has yet to be finalized, however the goal remains to finalize and sign the agreement before December 1, 2018 when the new elected Mexican President takes office. It is still unknown whether the U.S. Congress will support the deal following the democratic win in the House of Representatives. If the agreement is signed as expected December 1, 2018 and receives Congressional support, it could be implemented in late 2019 or early 2020.

The CETA entered into force provisionally on September 21, 2017. Over 90% of CETA, including tariff reductions and new quotas, went into effect upon provisional implementation.

Provisional implementation of the CETA is expected to have financial benefits from exports of SCPs which should contribute to the long term prosperity of Canada's sugar industry. The SCP volume is set at 30,000 metric tonnes annually from 2018 through 2021 and is increasing in 5 year increments to reach 51,840 metric tonnes over 15 years. The quota is allocated 90% to Canadian refiners on an equal share basis. Canada's sugar industry has yet to benefit from the new access to the EU given the October 1, 2017 removal of EU domestic sugar quotas which has generated substantial surplus sugar supplies and reduced market prices. Regardless, the Company is committed to ensure maximum utilization of this new export opportunity in a well-developed market which will be beneficial to the Company in the future. The Canadian Sugar Institute is also closely monitoring developments with respect to the UK Brexit on future market access opportunities for SCPs.

On February 4, 2016, Canada was among the 12 participating countries of the Trans-Pacific Partnership ("TPP") to sign an agreement to liberalize trade in the region. The other TPP countries included Australia, Brunei Darussalam, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam. On January 23, 2017 the U.S. President signed an executive order to withdraw the U.S. from the 12 nation TPP trade deal.

Beginning in May 2017, Ministers from the TPP countries continued to meet to work towards a TPP11 agreement without the U.S. to build on the TPP negotiated outcomes and advance trade liberalization and economic integration in the Asia Pacific region. On January 23, 2018, the 11 countries concluded negotiations on the Comprehensive and Progressive Agreement ("CPTPP") followed by the signing on March 8, 2018. Canada's legislation to implement the agreement received Royal Assent on October 25, 2018 and Canada is now among the six countries (Mexico, Japan, Singapore, New Zealand, Canada and Australia) that have ratified the agreement which is the minimum needed to allow the CPTPP to enter into force, now expected on December 30, 2018.

The CPTPP countries are diverse in terms of sugar policies and trade but collectively may provide an opportunity to advance trade in refined sugar and SCPs. Lantic and the other Canadian sugar refiner may benefit from new access for SCPs in Japan, and also to Malaysia and Vietnam when they ratify the agreement, and may have a more competitive opportunity to supply these markets in the absence of the United States. Much technical work remains to determine specific product opportunities and import quota procedures into Japan before the Company can ascertain any whether financial benefits will result from the CPTPP in fiscal 2019 or subsequent years.

Canada now has free trade agreements in force with 13 countries, however, few beyond the NAFTA (or new USMCA), CETA and potentially the CPTPP offer significant market potential for Canadian sugar and sugar-containing products ("SCPs"). There are a number of reasons why these free trade agreements ("FTAs") have not provided Lantic with meaningful export gains. In many cases, the FTA country is not a logical export market, such as Jordan which is distant from Canada and closer to European suppliers or Colombia that is a large surplus sugar producer and exporter relative to Canada. FTAs with countries such as Honduras, Peru and Panama are also not significant markets for high quality Canadian sugar and negotiated outcomes provide for minimal tariff rate quota quantities. Other more recent FTAs, including with the Republic of Korea and the Ukraine, excluded refined sugar from tariff improvements. "Rules of origin" in almost all FTAs limit Canadian sugar benefits to beet sugar grown in Canada and processed at the Taber beet factory. Some limited opportunities under the Canada-Costa Rica FTA are available for both refined beet and cane sugar.

The CSI will continue to monitor Canada's exploratory discussions and formal negotiations for any meaningful developments that may be of value to Canada's sugar industry while also monitoring potential threats. The Company continues to remain concerned that the inclusion of refined sugar in Canada's various regional and

bilateral negotiations may result in substantial new duty-free imports from these countries, while not providing offsetting export market opportunities. The Canada-Mercosur free trade negotiations are an example (includes Argentina, Brazil, Paraguay and Uruguay). The real potential for significant, long-term export gains is via a global agreement through the World Trade Organization ("WTO"). The WTO agriculture negotiations have not advanced since they stalled in July 2008, however like-minded WTO members including Canada are actively collaborating to find ways to strengthen and modernize the WTO to ensure there remains a strong rules-based multilateral trading system in the face of rising global protectionism. Reaffirming the critical value of a modernized WTO along with growing regional integration through comprehensive and ambitious FTAs such as the CETA and CPTPP provide the best near to medium term prospect of improved export opportunity for the Canadian sugar industry. All of these agreements involve significant input from the CSI and the Canadian sugar refiners to ensure the long-term stability of the Canadian refined sugar industry and its ability to support a vibrant food processing industry in Canada.

#### **Foreign Trade Policies with regards to Maple products**

LBMT's international operations are also subject to inherent risks, including change in the free flow of food products between countries, fluctuations in currency values, discriminatory fiscal policies, unexpected changes in local regulations and laws and the uncertainty of enforcement of remedies in foreign jurisdictions. In addition, foreign jurisdictions, including the United States, LBMT's current and expected largest market, could impose tariffs, quotas, trade barriers and other similar restrictions on LBMT's international sales and subsidize competing agricultural products.

On May 31, 2018, the United States announced the imposition of tariffs on imports of certain steel and aluminum products from Canada (at the rates of 25% and 10%, respectively). In response to the U.S. tariffs and following consultations with Canadians, on July 1, 2018, Canada imposed countermeasures (surtaxes) against C\$16.6 billion in imports of steel, aluminum, and other products from the U.S., representing the value of 2017 Canadian exports affected by the U.S. tariffs. Imports of steel products face a 20% tariff while aluminum and other products including certain food products face a 10% tariff. Maple syrup is among a wide range of food products facing the Canadian retaliatory 10% tariff. Canada views the U.S. tariffs on steel and aluminum as unjustified and illegal and this is why Canada responded with a reciprocal, dollar for dollar response. Canada and other countries are also challenging the US steel and aluminum tariffs using the WTO dispute settlement process. It is hoped that with reaching an updated NAFTA (USMCA) agreement that there may be the potential to remove these reciprocal tariffs in the foreseeable future.

All of these risks could result in increased costs or decreased revenues, either of which could have a material adverse effect on LBMT's financial condition and results of operations. The implementation of CETA removes the duties on imported maple syrup which could benefit the Company in additional export volume to the EU.

### **Employee Relations**

The majority of the Lantic's operations are unionized.

During the fiscal year, a five-year labour agreement, expiring in 2023, was reached with the unionized employees of the Vancouver refinery. The new agreement was agreed at competitive rates.

The Toronto warehouse bargaining agreement expired at the end of June 2018 and negotiations began during the fourth quarter of fiscal 2018. There can be no assurance that a new agreement will be reached or that the terms of such future agreement will be similar to the terms of the current agreement.

LBMT's bottling plant in Granby, Québec is under a collective bargaining agreement, which is currently scheduled to expire in May 2023.

Strikes or lock-outs in future years could restrict the ability of the Company to service its customers in the affected regions, consequently affecting the Company's revenues.

### **Food Safety and Consumer Health**

The Company is subject to risks that affect the food industry in general, including risks posed by accidental contamination, product tampering, consumer product liability, and the potential costs and disruptions of a product recall. The Company actively manages these risks by maintaining strict and rigorous controls and processes in its manufacturing facilities and distribution systems and by maintaining prudent levels of insurance.

The Company's facilities are subject to audit by federal health agencies in Canada and similar institutions outside of Canada. The Company also performs its own audits designed to ensure compliance with its internal standards, which are generally at, or higher than, regulatory agency standards in order to mitigate the risks related to food safety.

### **Environmental Matters**

The operations of the Company are subject to environmental regulations imposed by federal, provincial and municipal governments in Canada, including those relating to the treatment and disposal of waste water and cooling water, air

emissions, contamination and spills of substances. Except for the non-compliance of air emission standards discussed above, management believes that the Company is in compliance in all material respects with environmental laws and regulations. However, these regulations have become progressively more stringent and the Company anticipates this trend will continue, potentially resulting in the incurrence of material costs to achieve and maintain compliance.

As mentioned above, the Company had been actively working on solutions to reduce the air emissions footprint of the Taber facility. During the current fiscal year, the Company completed the engineering and project design to upgrade the Taber beet factory to be fully compliant with the new air emissions regulations by the start of the fiscal 2020 beet harvesting season (crop 2019). This solution is expected to require between \$8.0 million and \$10.0 million in capital expenditures. The Taber beet factory obtained from Alberta Environment and Parks a variance for non-compliance of air emission standards valid until May 2019.

Violation of these regulations can result in fines or other penalties, which in certain circumstances can include clean-up costs. As well, liability to characterize and clean up or otherwise deal with contamination on or from properties owned, used or controlled by the Company currently or in the past can be imposed by environmental regulators or other third parties. No assurance can be given that any such liabilities will not be material.

### **Income Tax Matters**

The income of the Company must be computed and is taxed in accordance with Canadian tax laws, all of which may be changed in a manner that could adversely affect the amount of dividends. There can be no assurance that taxation authorities will accept the tax positions adopted by the Company including the determination of the amounts of federal and provincial income which could materially adversely affect dividends.

The current corporate structure involves a significant amount of inter-company or similar debt, generating substantial interest expense, which reduces earnings and therefore income tax payable at Lantic and LBMT's level. There can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted. If such a challenge were to succeed against Lantic, it could materially adversely affect the amount of cash transferred to Rogers for dividend payment. Management believes that the interest expense inherent in the structure is supportable and reasonable in light of the terms of the debt owed by Lantic to Rogers and LBMT to Lantic.

### Management and Operation of Lantic

The Board of Directors of Lantic is currently controlled by Lantic Capital, an affiliate of Belkorp Industries. As a result, holders of shares have limited say in matters affecting the operations of Lantic; if such holders are in disagreement with the decisions of the Board of Directors of Lantic, they have limited recourse. The control exercised by Lantic Capital over the Board of Directors of Lantic may make it more difficult for others to attempt to gain control of or influence the activities of Lantic and the Company.

## OUTLOOK

### Sugar

After achieving excellent growth in fiscal 2018, we expect total volume for fiscal 2019 to be comparable to fiscal 2018.

Looking at each segment, we expect the industrial market segment to slightly decrease, mainly due to timing in deliveries of existing customers as a result of strong demand and increased sales volume in the last fiscal year.

The consumer volume for next year is expected to be comparable to fiscal 2018.

The liquid market segment should continue to be strong and is expected to benefit from growth with existing and some new customers which should more than offset the anticipated decrease in industrial volume. In addition, we have extended for an additional two years the supply contract with a Western HFCS substitutable bottler up to fiscal 2021.

As for the export segment, the total volume is anticipated to decrease slightly for opportunistic high tier sales to the U.S. given the recent rise in the #11 world raw sugar values. The Company will continue to aggressively pursue any additional export sales that would be beneficial to the overall results. It is also worth commenting that the Company does not anticipate that the additional Canada specific quota of 9,600 metric tonnes granted under the USMCA would take effect in fiscal 2019 and therefore, should not have any impact on the overall export volume for next year. In addition, the long-term contract with a Mexican customer was also extended for an additional two years up to fiscal 2021.

More than 65% of fiscal 2019's natural gas requirements have been hedged at average prices comparable to those realized in fiscal 2018. Some futures positions for fiscal 2020 to 2024 have also 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 2018. We will continue to monitor natural gas market dynamics with the objective of maintaining competitive costs and minimizing natural gas cost variances.

The Sugar segment's capital expenditures for fiscal 2019 are expected to increase compared to fiscal 2018 as the Company will undertake the capital project in Taber to be fully compliant with air emission standards by fiscal 2020, with spending ranging between \$6.5 million and \$8.5 million left to be spent on this specific project next year, as approximately \$1.5 million was spent in fiscal 2018. The remaining capital spend for the Sugar segment is expected to be similar to fiscal 2018, including a high proportion of return on investment capital expenditures.

The harvest and beet slicing campaign started mid-September. This year's growing conditions were good and resulted in a solid crop but did not reach the record yield per acre that was achieved in fiscal 2018. If current harvesting conditions continue and no significant beet storage issues arise, we expect that the current crop should derive approximately 125,000 metric tonnes of refined sugar, which is comparable to fiscal 2018's production volume, even though an additional 1,000 acres were planted.

### Maple products

The Maple products segment Adjusted EBITDA for fiscal 2018 amounted to \$18.6 million, short of management's expectations of \$19.9 million. Given the lower than anticipated results from fiscal 2018, management believes it is prudent to reduce expectations with regards to the Maple products segment Adjusted EBITDA for fiscal 2019 by approximately the same value of the fiscal 2018 shortfall and therefore, expects that Adjusted EBITDA should be approximately \$21.0 million, excluding non-recurring costs of approximately \$1.1 million. Although the current year's result did not meet our expectations, primary due to certain loss of sales earlier this year and due to the delays in implementing the operational optimization of the Maple products asset footprint, management remains positive on the future outlook for this segment as the maple syrup market growth remains strong and as such, with a sales team that is now fully organized, we are positive that we can capture and participate in the market growth.

In addition, the optimization of the Maple products segment footprint as well as the re-alignment of some of the production lines will be tackled in fiscal 2019 due to the more complex nature of the analysis that was undertaken, which resulted in a two-phase approach to the project. The first phase of the project was approved during the third quarter of fiscal 2018, being the relocation from the current leased bottling facility in Granby to a new built for purpose state of the art leased property. This move will allow us to better

align production flow and install a new high capacity bottling line. The completion of the first phase is expected to occur at the end of fiscal 2019, early fiscal 2020. As a result of this decision, approximately \$4.5 million will be spent on return on investment capital expenditures, of which, approximately \$4.0 million remains to be spent in fiscal 2019 in new equipment and leasehold improvements. Capital spending on the first phase is expected to meet our normal threshold of a payback of less than five years. However, approximately \$1.1 million will be spent in fiscal 2019 as non-recurring costs, mostly attributable to lease payments for two locations, moving costs and other additional miscellaneous costs. Operational savings from the move to a new Granby facility are expected in fiscal 2020.

The operational analysis at other bottling sites, with a focus on developing a more specialized and efficient asset footprint, is continuing with the aim of completing the overall plan of the second phase in the next few months.

The business continues to work through the identified integration plans. While the timing and outcome of each initiative has changed since our initial forecast, our original overall integration gains are achievable albeit over a modestly longer time horizon.

## RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Rogers Sugar Inc. and all the information in this annual report pertaining to the Corporation are the responsibility of the Administrator and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by the Administrator in accordance with International Financial Reporting Standards by applying the detailed accounting policies set out in the notes to the financial statements. The Administrator is of the opinion that the consolidated financial statements were prepared based on reasonable and material criteria and using justifiable and reasonable estimates. The Administrator has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements of the Corporation.

The Administrator maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that the Administrator fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements of the Corporation. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board and all of its members are outside and unrelated directors. The committee meets with the Administrator, as well as external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the annual report, the financial statements and the external auditors' report. The committee reports its findings to the Board for consideration when approving the financial statements for issuance to the Shareholders. The committee also considers, for review by the Board and approval by the Shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements of the Corporation have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Shareholders. KPMG LLP has full and free access to the Audit Committee.



John Holliday,  
President and Chief Executive Officer  
Lantic Inc., Administrator



Manon Lacroix,  
Vice President Finance, Chief Financial Officer and Secretary  
Lantic Inc., Administrator

November 21, 2018

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of Rogers Sugar Inc.

We have audited the accompanying consolidated financial statements of Rogers Sugar Inc., which comprise the consolidated statements of financial position as at September 29, 2018 and September 30, 2017, the consolidated statements of earnings and comprehensive income, changes in shareholders' equity and cash flows for the years ended September 29, 2018 and September 30, 2017, and notes, comprising a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Rogers Sugar Inc. as at September 29, 2018 and September 30, 2017, and of its consolidated financial performance and its consolidated cash flows for the years ended September 29, 2018 and September 30, 2017 in accordance with International Financial Reporting Standards.

The logo for KPMG LLP, featuring the letters 'KPMG' in a stylized, handwritten font, followed by 'LLP' in a smaller, similar font. A horizontal line is drawn underneath the text.

November 21, 2018  
Montréal, Canada

\* CPA auditor, CA, public accountancy permit No. A109612

(In thousands of dollars except per share amounts)

<i>Consolidated statements of earnings</i>	For the years ended	
	September 29, 2018	September 30, 2017
	\$	\$
Revenues (note 34)	805,201	682,517
Cost of sales	674,348	605,219
Gross margin	130,853	77,298
Administration and selling expenses	32,071	25,603
Distribution expenses	14,682	10,664
	46,753	36,267
Results from operating activities	84,100	41,031
Finance income (note 6)	(532)	(371)
Finance costs (note 6)	17,664	10,589
Net finance costs (note 6)	17,132	10,218
Earnings before income taxes	66,968	30,813
Income tax expense (recovery) (note 7):		
Current	17,967	13,198
Deferred	272	(4,291)
	18,239	8,907
Net earnings	48,729	21,906
Net earnings per share (note 29):		
Basic	0.46	0.23
Diluted	0.43	0.22

<i>Consolidated statements of comprehensive income</i>	For the years ended	
	September 29, 2018	September 30, 2017
	\$	\$
Net earnings	48,729	21,906
Other comprehensive (loss) income:		
Items that are or may be reclassified subsequently to net earnings:		
Cash flow hedges (note 11)	(32)	401
Income tax on other comprehensive (loss) income (note 7)	9	(106)
Foreign currency translation differences	506	(192)
	483	103
Items that will not be reclassified to net earnings:		
Defined benefit actuarial gains (note 22)	6,643	15,866
Income tax on other comprehensive income (note 7)	(1,763)	(4,182)
	4,880	11,684
Other comprehensive income	5,363	11,787
Net earnings and comprehensive income for the year	54,092	33,693

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

(In thousands of dollars)

	September 29, 2018	September 30, 2017*
	\$	\$
<b>ASSETS</b>		
Current assets:		
Cash	2,101	17,033
Restricted cash (note 8)	846	4,201
Trade and other receivables (note 9)	81,736	80,032
Income taxes receivable	—	1,174
Inventories (note 10)	179,325	172,542
Prepaid expenses	5,304	2,892
Derivative financial instruments (note 11)	4,011	93
Total current assets	273,323	277,967
Non-current assets:		
Restricted cash (note 8)	—	631
Property, plant and equipment (note 12)	208,899	190,700
Intangible assets (note 13)	38,947	30,874
Other assets (note 14)	985	982
Deferred tax assets (note 15)	12,976	15,048
Derivative financial instruments (note 11)	2,072	2,323
Goodwill (note 16)	333,007	316,949
Total non-current assets	596,886	557,507
Total assets	870,209	835,474
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Bank overdraft	5,469	—
Revolving credit facility (note 17)	12,000	20,000
Trade and other payables (note 18)	113,777	125,294
Income taxes payable	3,506	—
Provisions (note 20)	1,006	478
Finance lease obligations (note 21)	50	48
Derivative financial instruments (note 11)	1,847	6,665
Current portion of other long-term liabilities (note 19)	773	4,703
Total current liabilities	138,428	157,188
Non-current liabilities:		
Revolving credit facility (note 17)	160,000	150,000
Employee benefits (note 22)	31,494	39,169
Provisions (note 20)	1,199	1,753
Derivative financial instruments (note 11)	2,720	2,381
Finance lease obligations (note 21)	64	114
Convertible unsecured subordinated debentures (note 23)	142,421	111,544
Deferred tax liabilities (note 15)	44,238	38,581
Other long-term liabilities (note 19)	—	588
Total non-current liabilities	382,136	344,130
Total liabilities	520,564	501,318
Shareholders' equity:		
Share capital (note 24)	100,639	101,335
Contributed surplus	300,436	300,247
Equity portion of convertible unsecured subordinated debentures (note 23)	5,085	3,141
Deficit	(63,171)	(71,860)
Accumulated other comprehensive income	6,656	1,293
Total shareholders' equity	349,645	334,156
Commitments (notes 26 and 27)		
Contingencies (note 28)		
Total liabilities and shareholders' equity	870,209	835,474

\* Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill).

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

(In thousands of dollars except number of shares)

	For the year ended September 29, 2018								
	Number of shares	Common shares	Contributed surplus	Equity portion of convertible debentures	Accumulated unrealized gain on employee benefit plans	Accumulated cash flow hedge gain	Accumulated foreign currency translation differences	Deficit	Total
Balance, September 30, 2017	105,743,582	101,335	300,247	3,141	1,190	295	(192)	(71,860)	334,156
Net earnings for the year	—	—	—	—	—	—	—	48,729	48,729
Dividends (note 24)	—	—	—	—	—	—	—	(37,971)	(37,971)
Purchase and cancellation of shares (note 24)	(736,900)	(706)	—	—	—	—	—	(3,257)	(3,963)
Share-based compensation (note 25)	—	—	189	—	—	—	—	—	189
Conversion of convertible debentures into common shares (notes 23 and 24)	1,388	10	—	—	—	—	—	—	10
Repurchase of convertible debentures (note 23)	—	—	—	(1,188)	—	—	—	1,188	—
Issuance of convertible debentures, net of tax (note 23)	—	—	—	3,132	—	—	—	—	3,132
Cash flow hedges, net of tax (note 11)	—	—	—	—	—	(23)	—	—	(23)
Defined benefit actuarial gains, net of tax (note 22)	—	—	—	—	4,880	—	—	—	4,880
Translation of foreign operations	—	—	—	—	—	—	506	—	506
<b>Balance, September 29, 2018</b>	<b>105,008,070</b>	<b>100,639</b>	<b>300,436</b>	<b>5,085</b>	<b>6,070</b>	<b>272</b>	<b>314</b>	<b>(63,171)</b>	<b>349,645</b>

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

(In thousands of dollars except number of shares)

	For the year ended September 30, 2017									
	Number of shares	Common shares	Contributed surplus	Equity portion of convertible debentures	Accumulated unrealized gain (loss) on employee benefit plans	Accumulated cash flow hedge gain	Accumulated foreign currency translation differences	Deficit	Total	
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, October 1, 2016	93,850,160	133,528	200,201	1,188	(10,494)	—	—	(58,870)	265,553	
Net earnings for the year	—	—	—	—	—	—	—	21,906	21,906	
Dividends (note 24)	—	—	—	—	—	—	—	(34,896)	(34,896)	
Stock options exercised (notes 24 and 25)	96,500	549	(28)	—	—	—	—	—	521	
Conversion of convertible debentures into common shares (notes 24)	66,922	435	—	—	—	—	—	—	435	
Issuance of convertible debentures, net of tax (note 23)	—	—	—	1,953	—	—	—	—	1,953	
Reduction of stated capital (note 24)	—	(100,000)	100,000	—	—	—	—	—	—	
Issuance of common shares, net of issuance costs (note 24)	11,730,000	66,823	—	—	—	—	—	—	66,823	
Share-based compensation (note 25)	—	—	74	—	—	—	—	—	74	
Cash flow hedges, net of tax (note 11)	—	—	—	—	—	295	—	—	295	
Defined benefit actuarial gains, net of tax (note 22)	—	—	—	—	11,684	—	—	—	11,684	
Translation of foreign operations	—	—	—	—	—	—	(192)	—	(192)	
Balance, September 30, 2017	105,743,582	101,335	300,247	3,141	1,190	295	(192)	(71,860)	334,156	

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

(In thousands of dollars)

	For the years ended	
	September 29, 2018	September 30, 2017*
	\$	\$
Cash flows from (used in) operating activities:		
Net earnings	48,729	21,906
Adjustments for:		
Depreciation of property, plant and equipment (note 5)	14,716	13,022
Amortization of intangible assets (note 5)	3,758	574
Changes in fair value of derivative financial instruments included in cost of sales	(7,645)	(278)
Income tax expense (note 7)	18,239	8,907
Pension contributions	(8,435)	(7,324)
Pension expense	7,403	9,426
Net finance costs (note 6)	17,132	10,218
Loss on disposal of property, plant and equipment (note 12)	—	1
Share-based compensation – equity settled (note 25)	189	74
Share-based compensation – cash settled (note 25)	(5)	15
Other	(21)	8
	<b>94,060</b>	<b>56,549</b>
Changes in:		
Trade and other receivables	2,205	5,613
Inventories	8,962	16,422
Prepaid expenses	(2,315)	429
Trade and other payables	(20,866)	1,491
Provisions (note 20)	(750)	(763)
	<b>(12,764)</b>	<b>23,192</b>
Cash generated from operating activities:		
Interest paid	(14,952)	(10,024)
Income taxes paid	(13,432)	(17,680)
Net cash flows from operating activities	<b>52,912</b>	<b>52,037</b>
Cash flows (used in) from financing activities:		
Dividends paid	(38,037)	(33,826)
Increase in bank overdraft	5,469	—
Increase in revolving credit facility (note 17)	2,000	110,000
Issuance of convertible debentures, net of underwriting fees and issuances costs of \$4.5 million (2017 - \$2.7 million) (note 23)	93,238	54,786
Repurchase of convertible debentures (note 23)	(59,990)	(49,565)
Issuance of common shares, net of underwriting fees and issuance costs of \$3.2 million (note 24)	—	65,985
Purchase and cancellation of shares (note 24)	(3,963)	—
Payment of financing fees (note 14)	(272)	(629)
Stock options exercised (note 25)	—	521
Net cash flows from (used in) financing activities	<b>(1,555)</b>	<b>147,272</b>
Cash flows used in investing activities:		
Business combination, net of cash acquired and prior year adjustments (note 4)	(42,084)	(166,182)
Payment of purchase price payable	(690)	—
Additions to property, plant and equipment, net of proceeds on disposal	(23,271)	(17,046)
Additions to intangible assets (note 13)	(384)	(257)
Net cash used in investing activities	<b>(66,429)</b>	<b>(183,485)</b>
Effect of changes in exchange rate on cash	140	(37)
Net (decrease) increase in cash	<b>(14,932)</b>	<b>15,787</b>
Cash, beginning of year	17,033	1,246
Cash, end of year	<b>2,101</b>	<b>17,033</b>

\* Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill).

Supplemental cash flow information (note 30).

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

## 1. REPORTING ENTITY

Rogers Sugar Inc. ("Rogers" or the "Company") is a company domiciled in Canada, incorporated under the Canada Business Corporations Act. The head office of Rogers is located at 123 Rogers Street, Vancouver, British Columbia, V6B 3V2. The consolidated financial statements of Rogers as at September 29, 2018 and September 30, 2017 comprise Rogers and the directly and indirectly controlled subsidiaries, Lantic Inc. ("Lantic") and L.B. Maple Treat Corporation ("LBMT"), (together referred to as the "Company"). The principal business activities of the Company are the refining, packaging and marketing of sugar and maple products.

The Company's fiscal quarters end on the Saturday closest to the end of December, March, June and September. All references to 2018 and 2017 represent the years ended September 29, 2018 and September 30, 2017.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the Board of Directors on November 21, 2018.

### (b) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statements of financial position:

- (i) derivative financial instruments are measured at fair value;
- (ii) cash-settled share appreciation rights and cash-settled performance share units are measured at fair value;
- (iii) the defined benefit liability is recognized as the net total of the present value of the defined benefit obligation less the total of the fair value of the plan assets and the unrecognized past service costs; and
- (iv) assets and liabilities acquired in business combinations are measured at fair value at acquisition date.

### (c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, since it is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousands, except as noted and per share amounts.

### (d) Use of estimates and judgements:

The preparation of these consolidated financial statements, in conformity with IFRS, requires management to make judgements, estimates and assumptions about future events that affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting years.

The following is a summary of areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements:

## 2. BASIS OF MEASUREMENT (CONTINUED)

### (d) Use of estimates and judgements (continued):

(i) Embedded derivatives:

As at October 2, 2016, embedded derivatives, which related to the foreign exchange component of certain sales contracts denominated in U.S. currency, were no longer separated from the host contract as it was determined that the U.S. dollar is commonly used in Canada. This change in estimate was applied prospectively, as such, any contracts for which it was determined there was an embedded derivative and that needed to be separated from the host contract as of October 1, 2016 continued to be treated as such as a transitional step to meet the new interpretation. These contracts continued to be marked-to-market every quarter until all the volume on the contract was delivered. As at September 29, 2018, there were no embedded derivatives outstanding.

(ii) Useful lives of property, plant and equipment:

The Company reviews estimates of the useful lives of property, plant and equipment on an annual basis and adjusts depreciation on a prospective basis, if necessary.

(iii) Goodwill impairment:

The Company makes a number of estimates when calculating the recoverable amount of a cash-generating unit containing goodwill using discounted future cash flows or other valuation methods. These estimates take into account the control premium in determining the fair value less cost to sell.

(iv) Asset impairment:

The Company must assess the possibility that the carrying amounts of tangible and intangible assets may not be recoverable. Management is required to make subjective assessments, linking the possible loss of value of assets to future economic performance, and determine the amount of asset impairment that should be recognized, if any.

(v) Income taxes:

The calculation of income taxes requires judgement in interpreting tax rules and regulations. Deferred income tax assets are recorded to the extent that it is probable that there will be adequate income in the future against which they can be utilized.

(vi) Pension plans:

The cost of defined benefit pension plans is determined by means of actuarial valuations, which involve making assumptions about discount rates, future salary increases, mortality rates and the future increases in pensions. Because of the long-term nature of the plans, such estimates are subject to a high degree of uncertainty.

(vii) Business combinations:

Establishing the fair value of assets and liabilities, intangible assets and goodwill related to business combinations.

(viii) Consolidation:

See Note 3(a), Basis of consolidation.

Reported amounts and note disclosures reflect the overall economic conditions that are most likely to occur and anticipated measures management intends to take. These estimates and assumptions are based on management's best estimates and judgments. Actual results could differ from those estimates. The above estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future years affected.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of consolidation:

##### (i) Subsidiaries:

The consolidated financial statements include the Company and the subsidiary it controls, Lantic Inc. ("Lantic") and its subsidiaries, L.B. Maple Treat Corporation ("LBMT"), 9020-2292 Québec Inc. ("Decacer") and Highland Sugarworks Inc. ("Highland") (the latter three companies together referred to as "LBMT"). Control exists where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Company.

The Company owns 100% of the common shares of Lantic. Lantic Capital Inc., a wholly-owned subsidiary of Belcorp Industries Inc., owns the two outstanding Class C shares of Lantic. These Class C shares are non-voting, have no rights to return or risk of loss and are redeemable for a nominal value of one dollar each. The Class C shares entitle the holder to elect five of the seven directors of Lantic but have no other voting rights at any meetings of Lantic's shareholders except as may be required by law.

Notwithstanding Lantic Capital Inc.'s ability to elect five of the seven directors of Lantic, Lantic Capital Inc. receives no benefits or exposure to losses from its ownership of the Class C shares. As the Class C shares are non-dividend paying and redeemable for a nominal value of one dollar, there is no participation in future dividends or changes in value of Lantic resulting from the ownership of the Class C shares. There is also no management fee or other form of consideration attributable to the Class C shares. The determination of control involves a high degree of judgement. Based on all the facts and available information, management has concluded that the Company has control of Lantic.

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

##### (ii) Business combinations:

Business combinations are accounted for using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is generally measured at fair value of the assets transferred, and any debt and equity interests issued by the Company on the date control of the acquired company are obtained. The consideration transferred includes the fair value of any liability resulting from a contingent consideration arrangement. Contingent consideration classified as a liability that is a financial instrument is subsequently remeasured at fair value, with any resulting gain or loss recognized in the consolidated statements of earnings and comprehensive income.

Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred and are included in administration and selling expenses in the consolidated statements of earnings and comprehensive income. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are generally measured initially at their fair values at the acquisition date.

The Company recognizes any non-controlling interest in an acquired company either at fair value or at the non-controlling interest's proportionate share of the acquired company's net identifiable assets. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred and non-controlling interest recognized is less than the fair value of the net assets of the business acquired, a purchase gain is recognized immediately in the consolidated statements of earnings and comprehensive income.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(b) Foreign currency transactions:**

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate in effect at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated at the rate prevailing at the date that the fair value was determined. Foreign denominated non-monetary assets and liabilities that are measured at the historical costs are translated at the rate prevailing at the transaction date. Revenues and expenses denominated in foreign currencies are translated into the functional currency at the rate in effect on the dates they occur. Gains or losses resulting from these translations are recorded in net earnings of the period.

**(c) Foreign operations:**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on business combinations, are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at the average exchange rate in effect during the reporting period.

Foreign currency differences are recognized in other comprehensive income (loss) in the accumulated foreign currency translation differences account. When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Company disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to income or loss.

**(d) Cash:**

Cash includes cash on hand, bank balances and bank overdraft when the latter forms an integral part of the Company's cash management.

**(e) Inventories:**

Inventories are valued at the lower of cost and net realizable value. The cost of inventories is determined substantially on a first-in, first-out basis and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**(f) Property, plant and equipment:**

Property, plant and equipment, with the exception of land, are recorded at cost less accumulated depreciation and any accumulated impairment losses. Land is carried at cost and is not depreciated.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Construction-in-progress assets are capitalized during construction and depreciation commences when the asset is available for use.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Property, plant and equipment (continued):

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognized in cost of sales for assets used in production and in administration and selling expenses for all other assets.

Depreciation related to assets used in production is recorded in cost of sales while the depreciation of all other assets is recorded in administration and selling expenses. Depreciation is calculated on a straight-line basis, after taking into account residual values, over the estimated useful lives of each component of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Significant components of individual assets are assessed and, if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately. The estimated useful lives are as follows:

Barrels	6 years
Buildings	20 to 60 years
Furniture and fixtures	5 to 10 years
Machinery and equipment	5 to 40 years

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and depreciation is adjusted on a prospective basis, if necessary.

#### (g) Intangible assets:

##### (i) Goodwill:

Goodwill is measured at the acquisition date as the fair value of the consideration transferred less the fair value of the net identifiable assets of the acquired company or business activities. Goodwill is not amortized and is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (g) Intangible assets (continued):

##### (ii) Other intangible assets:

Intangible assets that are acquired by the Company and have finite useful lives are initially measured at cost. Following initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

Amortization is calculated over the cost of the asset, less its residual value. Amortization is recognized in administrative expenses on a straight-line basis over the estimated useful lives of the intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Amortization of intangible assets not in service begins when they are ready for their intended use. The estimated useful lives are as follows:

Software	5 to 15 years
Customer relationships	10 years
Other	10 years

Brand names are not amortized as they are considered to have an indefinite life.

Intangible assets with indefinite useful life are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

For intangible assets with finite life, useful lives and residual values are reviewed at each financial year-end and amortization is adjusted on a prospective basis, if necessary.

#### (h) Leased assets:

Leases for which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Company's consolidated statements of financial position.

#### (i) Impairment:

##### Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated yearly at the same time, at year-end, and whenever there is an indication that the asset might be impaired.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) Impairment (continued):

Non-financial assets (continued):

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

The Company's corporate assets do not generate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or group of assets.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### (j) Employee benefits:

##### (i) Pension benefit plans:

The Company provides post-employment benefits through defined benefit and defined contribution plans. The Company also sponsors Supplemental Executive Retirement Plans ("SERP"), which are neither registered nor pre-funded. Finally, the Company sponsors defined benefit life insurance, disability plans and medical benefits for some retirees and employees.

##### *Defined contribution plans*

The Company's obligations for contributions to employee defined contribution pension plans are recognized as employee benefit expense in profit or loss in the years during which services are rendered by employees.

##### *Defined benefit plans*

The Company maintains some contributory defined benefit plans that provide for pensions to employees based on years of service and the employee's compensation. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior years, discounting that amount and deducting the fair value of any plan assets. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) Employee benefits (continued):

##### (i) Pension benefit plans (continued):

###### *Defined benefit plans (continued)*

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. Costs related to plan settlements are recorded at the time the Company is committed to a settlement as a separate constructive obligation. Subsequent to the Company being committed to a settlement, the plan liability is measured at the expected settlement amount using settlement interest rates.

##### (ii) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under cash incentive if the Company has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

##### (iii) Share-based compensation:

The Company has a Share Option Plan. Share-based payment awards are measured at fair value at the grant date, which is recognized as a personnel expense, with a corresponding increase in contributed surplus over the vesting period, which is normally five years. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met. Any consideration paid by employees on exercise of share options is credited to share capital.

##### (iv) Employee share purchase plan:

The Company has an Employee Share Purchase Plan that is an equity-settled share-based payment with employees; the measurement is based on the grant-date fair value of the equity instrument granted. As such, the expense is recognized when the employee purchases the shares.

##### (v) Cash-settled share appreciation rights:

The Company's Share Option Plan allows for the issuance of Share Appreciation Rights ("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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) Employee benefits (continued):

(v) Cash-settled share appreciation rights (continued):

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 liability is settled, the fair value of the liability is remeasured, with any changes in fair value recognized in the consolidated statements of earnings and comprehensive income of the current year.

(vi) Cash-settled performance share units:

The Company implemented a Performance Share Units plan ("PSU") entitling certain senior personnel to a cash payment. A liability is recognized in payables for the services acquired and is recorded at fair value based on the share price of the Company's Common Shares with a corresponding expense recognized in administration and selling expenses. The amount recognized as an expense is adjusted to reflect the number of units for which the related service and performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the units of awards that do meet the related service and non-market performance conditions at the vesting date. At the end of each reporting period until the liability is settled, the fair value of the liability is re-measured, with any changes in fair value recognized in the consolidated statement of earnings.

(vii) Termination benefits:

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be fully settled within 12 months of the end of the reporting period, they are discounted.

#### (k) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

(i) Asset retirement obligation:

The Company recognizes the estimated liability for future costs to be incurred in the remediation of site restoration in regards to asbestos removal and disposal of such asbestos to a landfill for hazardous waste, and for oil, chemical and other hazardous materials storage tanks, only when a present legal or constructive obligation has been determined and that such obligation can be estimated reliably. Upon initial recognition of the obligation, the corresponding costs are added to the carrying amount of the related items of property, plant and equipment and amortized as an expense over the economic life of the asset, or earlier if a specific plan of removal exists. This obligation is reduced every year by payments incurred during the year in relation to these items. The obligation might be increased by any required remediation to the owned assets that would be required through enacted legislation.

(ii) Contingent liability:

A contingent liability is a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Company, or a present obligation that arises from past events (and therefore exists), but is not recognized because it is not probable that a transfer or use of assets, provision of services, or any other transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be estimated reliably.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (l) Financial instruments:

##### (i) 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).

The following summarizes the classification and measurement changes for the Company's non-derivative and derivative financial assets and financial liabilities as a result of the adoption of IFRS 9 (2014).

	IAS 39	IFRS 9 (2014)
<b>Financial assets:</b>		
Cash	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Income taxes recoverable	Loans and receivables	Amortized cost
Non-hedged derivative assets	Fair value through profit and loss	Fair value through profit or loss
<b>Financial liabilities:</b>		
Revolving credit facility	Other financial liabilities	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Income taxes payable	Other financial liabilities	Amortized cost
Finance lease obligations	Other financial liabilities	Amortized cost
Convertible unsecured subordinated debentures	Other financial liabilities	Amortized cost
Other long-term liabilities	Fair value through profit and loss	Fair value through profit or loss
Non-hedged derivative liabilities	Fair value through profit and loss	Fair value through profit or loss

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

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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (l) Financial instruments (continued):

##### (i) IFRS 9, *Financial Instruments* (continued):

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. Our significant accounting policies for financial instruments, derivative financial instruments, and hedging relationships have been aligned with IFRS 9 (2014). The adoption of IFRS 9 (2014) did not have a material impact on impairment at October 2, 2016.

The Company initially recognizes financial instruments on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value. In the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability are added to or deducted from the fair value.

##### (ii) Financial assets:

Financial assets are classified into the following categories:

##### a. Financial assets measured at amortized cost:

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objectives is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principals and/or interest.

The Company currently classifies its cash, trade accounts receivable, and certain other current assets as assets measured at amortized cost. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. The Company has a portfolio of trade receivables at the reporting date.

The Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income or loss and reflected in an allowance account against trade and other receivables.

##### b. Financial assets measured at fair value:

These assets are measured at fair value and changes therein, including any interest are recognized in profit or loss. The Company currently has no significant financial assets measured at fair value.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (l) Financial instruments (continued):

##### (iii) Financial liabilities:

Financial liabilities are classified into the following categories:

##### a. Financial liabilities measured at amortized cost:

A financial liability is subsequently measured at amortized cost, using the effective interest method. The Company currently classifies and measures short-term borrowings, trade payables and accrued liabilities, finance lease obligations, and convertible unsecured subordinated debentures as financial liabilities measured at amortized cost.

##### b. Financial liabilities measured at fair value:

Financial liabilities at fair value are initially recognized at fair value and are re-measured at each reporting date with any changes therein recognized in net earnings. The Company currently has no significant financial liabilities measured at fair value except for other long-term liabilities.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

##### (iv) Fair values of financial instruments:

Financial assets and liabilities measured at fair value use a fair value hierarchy to prioritize the inputs used in measuring fair value as follows:

Level 1 - valuation based on observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and

Level 3 - valuation techniques with observable market inputs (involves assumptions and estimates by management of how market participants would price the asset or liability).

##### a. Cash:

The Company classifies its cash as amortized cost assets. Cash includes cash on hand, bank balances and bank overdraft when the latter forms an integral part of the Company's cash management.

##### b. Derivative financial instruments and hedging relationships:

The Company enters into derivative financial instruments to hedge its market risk exposures. On initial designation of the hedge, the Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be effective in offsetting the changes in the fair value or cash flows of the respective hedged items throughout the period for which the hedge is designated. For a cash flow hedge of a forecasted transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net earnings.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (l) Financial instruments (continued):

(iv) Fair values of financial instruments (continued):

c. Embedded derivatives:

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics, risks of the host contract and the embedded derivative are not closely related; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value through profit or loss as described in note 2(d)(i).

d. Other derivatives:

When a derivative financial instrument, for example, sugar futures and at times options ("sugar contracts"), foreign exchange forward contracts and embedded derivatives is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in net earnings (marked-to-market).

e. Compound financial instruments:

The Company's convertible unsecured subordinated debentures are accounted for as compound financial instruments. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. Interest, dividends, gains and losses relating to the financial liability are recognized in profit or loss.

f. Financing charges:

Financing charges, which reflect the cost to obtain new financing, are offset against the debt for which they were incurred and recognized in finance costs using the effective interest method. Financing charges for the revolving credit facility are recorded with other assets.

g. Trade date:

The Company recognizes and derecognizes purchases and sales of derivative contracts on the trade date.

h. Share capital:

*Common shares*

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects. Dividends to the equity holders are recorded in equity.

*Repurchase of share capital*

When share capital recognized as equity is repurchased for cancellation, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. The excess of the purchase price over the carrying amount of the shares is charged to deficit.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (l) Financial instruments (continued):

##### (v) Cash flow hedges:

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect net earnings, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in accumulated other comprehensive income as part of equity.

The amount recognized in other comprehensive income is removed and included in net earnings under the same line item in the consolidated statements of earnings and comprehensive income as the hedged item, in the same period that the hedged cash flows affect net earnings.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, or exercised, the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income remains in accumulated other comprehensive income until the forecasted transaction affects profit or loss.

If forecasted transaction is no longer expected to occur, then the balance in accumulated other comprehensive income is recognized immediately in net earnings.

When the hedged item is a non-financial asset, the amount recognized in other comprehensive income is transferred to net earnings in the same period that the hedged item affects net earnings.

The Company has designated as hedging items 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.

#### (m) Revenue recognition:

Revenue is measured at the fair value of the consideration received or receivable and recognized at the time products are shipped to customers, at which time significant risks and rewards of ownership are transferred to the customers. Revenue is recorded net of all returns and allowances and excludes sales taxes.

Sales incentives, including volume rebates provided to customers, are estimated based on contractual agreements and historical trends and are recognized at the time of sale as a reduction in revenue. Such rebates are primarily based on a combination of volume purchased and achievement of specified volume levels.

#### (n) Lease payments:

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liabilities. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### (o) Finance income and finance costs:

Finance income comprises interest income on funds invested and finance costs comprise interest expense on borrowings. Changes in the fair value of interest rate swaps are recorded initially in other comprehensive income since inception of the cash flow hedge and transferred to finance income and finance costs in the same period that the hedged cash flows affect net earnings. Interest expense is recorded using the effective interest method.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(p) Income taxes:**

Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred taxes are not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. In addition, the effect on deferred tax assets or liabilities of a change in tax rates is recognized in profit or loss in the period in which the enactment or substantive enactment takes place, except to the extent that it relates to an item recognized either in other comprehensive income or directly in equity in the current or in a previous period. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**(q) Earnings per share:**

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares from the conversion of the convertible debentures.

**(r) New standards and interpretations adopted:**

**(i) IAS 7, *Disclosure Initiative*:**

On January 7, 2016 the IASB issued *Disclosure Initiative* (amendments to IAS 7). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, includes both changes arising from cash flow and non-cash changes.

The Company adopted the amendments to IAS 7 in its consolidated financial statements for the annual period beginning on October 1, 2017. The adoption of the standard did not have a material impact on the consolidated financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (r) New standards and interpretations adopted (continued):

##### (ii) IAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses*:

On January 19, 2016 the IASB issued *Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences.

The Company adopted the amendments to IAS 12 in its consolidated financial statements for the annual period beginning on October 1, 2017. The adoption of the amendments did not have a material impact on the consolidated financial statements.

##### (iii) Annual Improvements to IFRS Standards (2014-2016) Cycle:

On December 8, 2016 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. Each of the amendments has its own specific transition requirements and effective date.

Amendments were made to the following standard:

- Clarification that IFRS 12, *Disclosures of Interests in Other Entities* also applies to interests that are classified as held for sale, held for distribution, or discontinued operations, effective retrospectively for annual periods beginning on or after January 1, 2017.

The Company adopted the amendment in its consolidated financial statements for the annual period beginning October 1, 2017. The adoption of the amendments did not have a material impact on the consolidated financial statements.

#### (s) New standards and interpretations not yet adopted:

A number of new standards and amendments to standards and interpretations are not yet effective for the year ending September 29, 2018 and have not been applied in preparing these consolidated financial statements. New standards and amendments to standards and interpretations that are currently under review include:

##### (i) IFRS 2, *Classification and Measurement of Share-based Payment Transactions*:

On June 20, 2016, the IASB issued amendments to IFRS 2, *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early application is permitted if information is available without the use of hindsight.

The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- Share-based payment transactions with a net settlement feature for withholding tax obligations; and
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company will adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning on September 30, 2018. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (s) New standards and interpretations not yet adopted (continued):

##### (ii) IFRS 15, *Revenue from Contracts with Customers*:

On May 28, 2014 the IASB issued IFRS 15, *Revenue from Contracts with Customers*. IFRS 15 will replace IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers*, and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*. The new standard is effective for years beginning on or after January 1, 2018. Earlier application is permitted.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The Company will adopt IFRS 15 in its consolidated financial statements for the year beginning on September 30, 2018. The Company does not expect the standard to have a material impact on the consolidated financial statements.

##### (iii) IFRIC 22, *Foreign Currency Transactions and Advance Consideration*:

On December 8, 2016, the IASB issued IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*.

The Interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Interpretation is applicable for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

The Company will adopt the Interpretation in its consolidated financial statements for the annual period beginning on September 30, 2018, as applicable. The Company does not expect the standard to have a material impact on the consolidated financial statements.

##### (iv) Annual Improvements to IFRS Standards (2014-2016) Cycle:

On December 8, 2016 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. Each of the amendments has its own specific transition requirements and effective date.

Amendments were made to the following standard:

- Removal of out-dated exemptions for first-time adopters under IFRS 1, *First-time Adoption of International Financial Reporting Standards*, effective for annual periods beginning on or after January 1, 2018; and
- Clarification that the election to measure an associate or joint venture at fair value under IAS 28, *Investments in Associates and Joint Ventures* for investments held directly, or indirectly, through a venture capital or other qualifying entity can be made on an investment-by-investment basis. The amendments are effective retrospectively for annual periods beginning on or after January 1, 2018.

The Company will adopt these amendments in its consolidated financial statements for the annual period beginning September 30, 2018. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (s) New standards and interpretations not yet adopted (continued):

##### (v) IFRS 16, *Leases*:

On January 13, 2016 the IASB issued IFRS 16, *Leases*. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, *Leases*.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by the lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on September 29, 2019. The Company has started reviewing the impact of the adoption of IFRS 16 and expects that certain of the existing leases will require to be recognized as assets and liabilities. However, the extent of the impact of adoption of the standard on the consolidated financial statements of the Company has not yet been quantified.

##### (vi) IFRIC 23, *Uncertainty over Income Tax Treatments*:

On June 7, 2017, the IASB issued IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments*.

The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments.

The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

The Interpretation requires an entity to:

- Contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- Reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty; and
- Measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable).

The Company intends to adopt the Interpretation in its consolidated financial statements for the annual period beginning on September 29, 2019. The extent of the impact of the adoption of the Interpretation has not yet been determined.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (s) New standards and interpretations not yet adopted (continued):

##### (vii) Annual Improvements to IFRS Standards (2015-2017) Cycle:

On December 12, 2017 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process.

The amendments are effective on or after January 1, 2019, with early application permitted. Each of the amendments has its own specific transition requirements.

Amendments were made to the following standards:

- IFRS 3, *Business Combinations* and IFRS 11, *Joint Arrangements* – to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;
- IAS 12, *Income Taxes* – to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI, or equity; and
- IAS 23, *Borrowing Costs* – to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed.

The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning on September 29, 2019. The extent of the impact of adoption of the amendments has not yet been determined.

##### (viii) Amendments to References to the Conceptual Framework in IFRS Standards:

On March 29, 2018 the IASB issued a revised version of its *Conceptual Framework for Financial Reporting* (the Framework), that underpins IFRS Standards. The IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards* (the Amendments) to update references in IFRS Standards to previous versions of the Conceptual Framework.

Both documents are effective from January 1, 2020 with earlier application permitted.

The Company does not intend to adopt the Amendments in its consolidated financial statements before the annual period beginning on October 4, 2020. The extent of the impact of the change has not yet been determined.

### 4. BUSINESS COMBINATIONS

#### (a) Decacer transaction:

On November 18, 2017, the Company acquired all of the issued and outstanding shares of Decacer for a total consideration of \$43.0 million (\$42.1 million net of cash acquired) (the “Decacer Transaction”). The Company financed the acquisition, including transaction costs, with a draw-down on the Company’s \$265.0 million amended credit facility (see Note 17, Revolving credit facility).

Decacer is a major bottler and distributor of branded and private label maple syrup and maple sugar based in Dégelis, Québec.

#### 4. BUSINESS COMBINATIONS (CONTINUED)

(a) Decacer transaction (continued):

The Company has determined the fair value of the assets acquired and liabilities assumed based on management's preliminary best estimate of their fair values and taking into account all relevant information available at that time. As of the reporting date, the Company had not yet completed the purchase price allocation over the identifiable net assets and goodwill. Information to confirm the fair value of certain assets and liabilities is still to be obtained. As the Company obtains more information, the allocation will be completed.

The following table presents the purchase price allocation based on the best information available to the Company to date:

Identifiable assets and liabilities assumed:	2018
	\$
Cash	928
Trade and other receivables	3,832
Inventories	15,711
Prepaid expenses	96
Property, plant and equipment	8,132
Intangible assets	11,307
Trade and other payables	(8,311)
Income taxes payable	(197)
Deferred tax liabilities	(4,544)
Total net assets acquired	26,954
Total consideration transferred	43,012
<b>Goodwill (note 16)</b>	<b>16,058</b>
	\$
Revolving credit facility	43,012
<b>Total consideration transferred</b>	<b>43,012</b>

The trade receivables comprise a gross amount of \$3.8 million for which the full amount was expected to be collectable at the acquisition date.

Goodwill is attributable primarily to expected synergies and assembled workforce, which were not recorded separately since they did not meet the recognition criteria for identifiable intangible assets. Goodwill and intangible assets recorded in connection with this acquisition are not deductible for tax purposes.

The operating results of Decacer are included in the maple products segment. If the acquisition had occurred on October 1, 2017, the consolidated results of the Company would have included additional net sales of approximately \$11.7 million and additional results from operating activities of approximately \$0.3 million, based on management's best estimates. In determining these estimated amounts, management assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on October 1, 2017.

Acquisition-related costs of \$0.7 million for legal fees, due diligence costs and other fees have been expensed in relation to the above business combination. These costs have been recorded in administration and selling expenses in the consolidated statements of earnings and comprehensive income.

**4. BUSINESS COMBINATIONS (CONTINUED)**

## (b) LBMT transaction – adjustment to provisional amounts of prior year:

The September 30, 2017 consolidated financial statements included details of the Company's LBMT business combination and set out provisional fair values relating to the consideration and net assets acquired. During fiscal 2018, as additional relevant information was obtained for the August 5, 2017 acquisition of all of the issued and outstanding shares of LBMT ("LBMT transaction"), the Company reassessed the provisional fair values and consideration transferred during the measurement period and adjusted the purchase price allocation as described in the table below. Changes to the total consideration reflect the finalization of standard closing and post-closing adjustments.

The comparative information for the prior year presented in these consolidated financial statements has been revised as follows:

Identifiable assets and liabilities assumed:	Original	Adjustments	Reassessed fair values
	\$	\$	\$
Cash	210	—	210
Restricted cash	10,883	—	10,883
Trade and other receivables	16,951	(75)	16,876
Income taxes recoverable	882	—	882
Inventories	109,224	(587)	108,637
Prepaid expenses	687	—	687
Property, plant and equipment	8,163	(175)	7,988
Intangible assets	23,875	5,500	29,375
Trade and other payables	(75,914)	(34)	(75,948)
Income taxes payable	(718)	—	(718)
Other long-term liabilities	(11,308)	—	(11,308)
Derivative financial instruments	(769)	—	(769)
Deferred tax liabilities	(5,952)	(1,448)	(7,400)
Total net assets acquired	76,214	3,181	79,395
Total consideration transferred	169,490	(3,098)	166,392
Goodwill (Note 16)	93,276	(6,279)	86,997

**5. DEPRECIATION AND AMORTIZATION EXPENSES**

Depreciation and amortization expenses were charged to the consolidated statements of earnings and comprehensive income as follows:

	For the years ended	
	September 29, 2018	September 30, 2017
	\$	\$
Depreciation of property, plant and equipment:		
Cost of sales	14,292	12,605
Administration and selling expenses	424	417
	<b>14,716</b>	13,022
Amortization of intangible assets:		
Administration and selling expenses	3,758	574
Total depreciation and amortization expenses	<b>18,474</b>	13,596

**6. FINANCE INCOME AND FINANCE COSTS**

Recognized in net earnings:

	For the years ended	
	September 29, 2018	September 30, 2017
	\$	\$
Net change in fair value of interest rate swaps (note 11)	532	371
Finance income	532	371
Interest expense on convertible unsecured subordinated debentures, including accretion of \$785 (2017 - \$233) (note 23)	7,691	5,813
Interest on revolving credit facility	5,374	3,474
Amortization of deferred financing fees	1,422	781
Other interest expense	3,177	521
Finance costs	<b>17,664</b>	10,589
Net finance costs recognized in net earnings	<b>17,132</b>	10,218

7. INCOME TAX EXPENSE (RECOVERY)

	For the years ended	
	September 29, 2018	September 30, 2017
	\$	\$
Current tax expense:		
Current period	17,967	13,198
Deferred tax expense (recovery):		
Recognition and reversal of temporary differences	375	(4,599)
Changes in tax rates	(103)	308
Deferred tax expense (recovery)	272	(4,291)
<b>Total income tax expense</b>	<b>18,239</b>	<b>8,907</b>

Income tax recognized in other comprehensive income:

	For the years ended					
	September 29, 2018			September 30, 2017		
	Before tax	Tax effect	Net of tax	Before tax	Tax effect	Net of tax
	\$	\$	\$	\$	\$	\$
Cash flow hedges	(32)	9	(23)	401	(106)	295
Defined benefit actuarial gains	6,643	(1,763)	4,880	15,866	(4,182)	11,684

Reconciliation of effective tax rate:

The provision for income taxes differs from the amount computed by applying the Canadian federal and provincial tax rates to earnings before provision for income taxes. The reasons for the difference and the related tax effects are as follows:

	For the years ended			
	September 29, 2018		September 30, 2017	
	%	\$	%	\$
Earnings before income taxes	—	66,968	—	30,813
Income taxes using the Company's statutory tax rate	26.75	17,914	26.00	8,011
Changes due to the following items:				
Changes in tax rate	(0.15)	(103)	1.00	308
Non-deductible expenses	0.23	156	2.39	736
Other	0.41	272	(0.48)	(148)
	<b>27.24</b>	<b>18,239</b>	<b>28.91</b>	<b>8,907</b>

## 8. RESTRICTED CASH

Restricted cash represents balances assumed by the Company as a result of having acquired all of the issued and outstanding shares of LBMT. They are as a result of:

- (a) On December 1, 2016, LBMT acquired all issued and outstanding Class A shares of Great Northern with \$7.0 million cash consideration (which was placed in escrow), conditionally payable in quarterly installments contingent on achieving monthly and annual sales volume targets to a specific client for the twelve-month periods ending November 30, 2017 and November 30, 2018. The fair value of the contingent consideration was determined to be \$6.6 million and was calculated using a probability-weighted expectation of the payment of the contingent consideration and a discount rate of 3.45% as at the acquisition date and September 30, 2017. As at September 29, 2018, cash held in an escrow account was \$0.8 million (September 30, 2017 - \$3.9 million) and the fair value of the contingent consideration payable was \$0.8 million (September 30, 2017 - \$4.5 million) (See Note 19, Other long-term liabilities).
- (b) On August 26, 2016, LBMT acquired all issued and outstanding common stock of Highland with \$1.7 million (US \$1.3 million) as a balance of purchase price payable. Fifty percent of the balance of purchase price payable was paid on August 26, 2017 and the remainder was paid on February 26, 2018. The fair value of the balance of purchase price payable, as at the acquisition date and September 30, 2017, was \$1.7 million (US \$1.3 million) and was calculated using a discount rate of 3.14%. Under the share purchase agreement, the amount of the balance of purchase price was placed in escrow pursuant to an escrow agreement and, as at September 29, 2018, cash held in an escrow account and the carrying value of the balance of the purchase price payable were nil (September 30, 2017 - \$0.9 million and \$0.8 million respectively) (See Note 19, Other long-term liabilities).

## 9. TRADE AND OTHER RECEIVABLES

	September 29, 2018	September 30, 2017*
	\$	\$
Trade receivables	73,794	72,103
Less allowance for doubtful accounts	(373)	(385)
	73,421	71,718
Other receivables	5,505	4,334
Initial margin deposits with commodity brokers	2,810	3,980
	<b>81,736</b>	<b>80,032</b>

\*Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill).

The Company grants credit to its customers in the ordinary course of business.

Management believes that the Company's exposure to credit risk and impairment losses related to trade and other receivables is limited due to the following reasons:

- There is a broad base of customers with dispersion across different market segments.
- Bad debt write-offs to total revenue have been less than 0.1% for each of the last five years (averaging less than \$113 per year). Write-offs for fiscal 2018 were \$0.2 million (September 30, 2017 – nominal). All bad debt write-offs are charged to administration and selling expenses.
- Less than 2% of trade receivables are outstanding for more than 90 days, which is comparable to September 30, 2017, while over 79% are current (less than 30 days) as at September 29, 2018 (September 30, 2017 - 84%).

Through general security agreements with its lenders, trade and other receivables have been granted as continuing collateral security for all present and future indebtedness to the current lenders.

**10. INVENTORIES**

	September 29, 2018	September 30, 2017*
	\$	\$
Raw inventory	113,134	111,281
Work in progress	10,460	10,770
Finished goods	32,491	29,453
	<b>156,085</b>	151,504
Packaging and operating supplies	11,074	9,245
Spare parts and other	12,166	11,793
	<b>179,325</b>	172,542

\*Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill).

Costs of sales expensed during the year were all inventorial items, except for fixed costs incurred in Taber, Alberta, after the beet slicing campaign, and mark-to-market adjustments of derivative financial instruments.

As at September 29, 2018, inventories recognized as cost of goods sold amounted to \$669.9 million (September 30, 2017 - \$579.1 million).

**11. FINANCIAL INSTRUMENTS***Derivative financial instruments*

Fair value estimates are made as of a specific point in time, using available information about the financial instruments. These estimates are subjective in nature and may not be determined with precision. A three-tier fair value hierarchy prioritizes the inputs used in measuring the fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The fair value of derivative instruments is the estimated amount that the Company would receive or pay to terminate the instruments at the reporting date. The fair values have been determined by reference to prices available from the markets on which the instruments trade, subject to credit adjustments as applicable. The fair values of the sugar future contracts and options are measured using Level 1 inputs, using published quoted values for these commodities. The fair values for the natural gas futures contracts, foreign exchange forward contracts and interest rate swap contracts are measured using Level 2 inputs. The fair values for these derivative assets or liabilities are estimated using industry standard valuation models.

Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, natural gas prices, foreign exchange rates, and forward and spot prices for currencies.

The fair values of the interest rate swap have been determined by using rates published on financial capital markets.

The fair values of all derivative instruments approximate their carrying value and are recorded as separate line items on the consolidated statements of financial position.

As at October 2, 2016, the Company's natural gas futures and interest rate swap agreements were designated as cash flow hedges and qualified for hedge accounting.

## 11. FINANCIAL INSTRUMENTS (CONTINUED)

*Derivative financial instruments (continued)*

Details of recorded gains (losses) for the year, in marking-to-market all derivative financial instruments and embedded derivatives that are outstanding at year-end, are noted below. For sugar futures contracts (derivative financial instruments), the amounts noted below are netted with the variation margins paid or received to/from brokers at the end of the reporting period. Natural gas forwards and sugar futures have been marked-to-market using published quoted values for these commodities, while foreign exchange forward contracts have been marked-to-market using rates published by the financial institution, which is a counterparty to these contracts.

The fair value of natural gas futures contracts, foreign exchange forward contracts and interest rate swap calculations includes a credit risk adjustment for the Company's or counterparty's credit, as appropriate.

As at September 29, 2018 and September 30, 2017, the Company's financial derivatives carrying values were as follows:

	Financial Assets		Financial Liabilities	
	Current	Non-current	Current	Non-current
	September 29, 2018		September 29, 2018	
	\$	\$	\$	\$
<b>Derivative financial instruments measured at fair value through profit or loss:</b>				
Sugar futures contracts	364	—	—	135
Foreign exchange forward contracts	3,187	58	—	—
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>				
Natural gas futures contracts	—	—	1,847	2,585
Interest rate swaps	460	2,014	—	—
	<b>4,011</b>	<b>2,072</b>	<b>1,847</b>	<b>2,720</b>

	Financial Assets		Financial Liabilities	
	Current	Non-current	Current	Non-current
	September 30, 2017		September 30, 2017	
	\$	\$	\$	\$
<b>Derivative financial instruments measured at fair value through profit or loss:</b>				
Sugar futures contracts	93	—	—	37
Foreign exchange forward contracts	—	1,280	2,712	—
Embedded derivatives	—	—	74	—
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>				
Natural gas futures contracts	—	—	3,826	2,344
Interest rate swaps	—	1,043	53	—
	<b>93</b>	<b>2,323</b>	<b>6,665</b>	<b>2,381</b>

11. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

	Charged to cost of sales		Charged to finance		For the years ended	
	Unrealized (loss) gain		income		Other comprehensive	
	Sept. 29, 2018	Sept. 30, 2017	Sept. 29, 2018	Sept. 30, 2017	Sept. 29, 2018	Sept. 30, 2017
	\$	\$	\$	\$	\$	\$
<b>Derivative financial instruments measured at fair value through profit or loss:</b>						
Sugar futures contracts	(3,154)	9,311	—	—	—	—
Foreign exchange forward contracts	1,494	(861)	—	—	—	—
Embedded derivatives	51	254	—	—	—	—
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>						
Natural gas futures contracts	2,715	3,018	—	—	(979)	(1,701)
Interest rate swap	—	—	532	371	947	2,102
	<b>1,106</b>	<b>(6,900)</b>	<b>532</b>	<b>371</b>	<b>(32)</b>	<b>401</b>

The following table summarizes the Company's hedging components of other comprehensive income ("OCI") as at September 29, 2018 and September 30, 2017:

	September 29, 2018			September 30, 2017		
	Natural gas futures contracts	Interest rate swap	Total	Natural gas futures contracts	Interest rate swap	Total
	\$	\$	\$	\$	\$	\$
Opening OCI	(1,701)	2,102	401	—	—	—
Income taxes	451	(557)	(106)	—	—	—
Opening OCI – net of income taxes	(1,250)	1,545	295	—	—	—
Change in fair value of derivatives designated as cash flow hedges	1,736	1,479	3,215	1,317	2,473	3,790
Amounts reclassified to net earnings	(2,715)	(532)	(3,247)	(3,018)	(371)	(3,389)
Income taxes	262	(253)	9	451	(557)	(106)
Ending OCI – net of income taxes	(1,967)	2,239	272	(1,250)	1,545	295

For the year ended September 29, 2018, the derivatives designated as cash flow hedges were considered to be fully effective and no ineffectiveness has been recognized in net earnings.

Approximately \$0.5 million of net gains presented in accumulated other comprehensive income are expected to be reclassified to net earnings within the next twelve months.

**11. FINANCIAL INSTRUMENTS (CONTINUED)**

For its financial assets and liabilities measured at amortized cost as at September 29, 2018 and September 30, 2017, the Company has determined that the carrying value of its short-term financial assets and liabilities approximates their fair value because of the relatively short period to maturity of these instruments.

The Company uses derivative financial instruments to manage its exposure to changes in raw sugar, foreign exchange, and natural gas prices. In addition, the Company entered into interest rate swap contracts to fix a portion of the Company's exposure to floating interest rate debt on its short-term borrowings. The Company's objective for holding derivatives is to minimize risk using the most efficient methods to eliminate or reduce the impacts of these exposures.

**(a) Raw sugar:**

The Company's risk management policy is to manage the forward pricing of purchases of raw sugar in relation to its forward refined sugar sales to reduce price risk. The Company attempts to meet this objective by entering into futures contracts to reduce its exposure. Such financial instruments are used to manage the Company's exposure to variability in fair value attributable to the committed purchase price of raw sugar. The pricing mechanisms of futures contracts and the respective forecasted raw sugar purchase transactions are the same.

The Company's raw sugar futures contracts as well as the fair value of these contracts relating to purchases or sales of raw sugar as at September 29, 2018 and September 30, 2017 are as follows:

	September 29, 2018			September 30, 2017		
	Original futures contracts value (US\$)	Current contract value (US\$)	Fair value gain/(loss) (US\$)	Original futures contracts value (US\$)	Current contract value (US\$)	Fair value gain/(loss) (US\$)
<b>Purchases</b>						
0 - 6 months	61,500	51,794	(9,706)	114,184	103,927	(10,257)
6 - 12 months	86,326	76,767	(9,559)	75,166	72,290	(2,876)
12 - 24 months	8,567	7,962	(605)	18,114	17,765	(349)
Over 24 months	361	357	(4)	56	54	(2)
	<b>156,754</b>	<b>136,880</b>	<b>(19,874)</b>	<b>207,520</b>	<b>194,036</b>	<b>(13,484)</b>
<b>Sales</b>						
0 - 6 months	(56,761)	(52,898)	3,863	(111,228)	(103,311)	7,917
6 - 12 months	(81,107)	(66,426)	14,681	(73,971)	(67,402)	6,569
12 - 24 months	(19,167)	(18,199)	968	(22,808)	(22,568)	240
Over 24 months	—	—	—	(18)	(18)	—
	<b>(157,035)</b>	<b>(137,523)</b>	<b>19,512</b>	<b>(208,025)</b>	<b>(193,299)</b>	<b>14,726</b>
Net position	<b>(281)</b>	<b>(643)</b>	<b>(362)</b>	<b>(505)</b>	<b>737</b>	<b>1,242</b>
Foreign exchange rate at the end of the period			<b>1.2918</b>			1.2476
Net value (CA\$)			<b>(468)</b>			1,550
Margin call payment (receipt) at year-end			<b>697</b>			(1,494)
Net asset (CA\$)			<b>229</b>			56

**11. FINANCIAL INSTRUMENTS (CONTINUED)***Derivative financial instruments (continued)***(a) Raw sugar (continued):**

All sugar futures contracts are traded through a large exchange clearing house on the New York Intercontinental Exchange. Regulation of the U.S. futures industry is primarily self-regulation, with the role of the Federal Commodity Futures Trading Commission being principally an oversight role to determine that self-regulation is continuous and effective.

The exchange clearing house used is one of the world's largest capitalized financial institutions with excellent long-term credit ratings. Daily cash settlements are mandatory (margin calls) for resulting gains and/or losses from futures trading for each customer's account. Due to the above, the Company does not anticipate a credit risk from the raw sugar futures derivative instruments.

**(b) Natural gas:**

The Company uses natural gas contracts to help manage its costs of natural gas. The Company monitors its positions and the credit ratings of its counterparties and does not anticipate losses due to counterparty's non-performance. The Company's natural gas contracts as well as the fair value of these contracts relating to purchases of natural gas are as follows:

	September 29, 2018			September 30, 2017		
	Original futures contracts value	Current contract value	Fair value gain/(loss)	Original futures contracts value	Current contract value	Fair value gain/(loss)
	(US\$)	(US\$)	(US\$)	(US\$)	(US\$)	(US\$)
<b>Purchases</b>						
Less than 1 year	5,044	3,614	(1,430)	4,955	1,888	(3,067)
1 to 2 years	6,821	6,332	(489)	5,580	4,276	(1,304)
2 to 3 years	6,495	5,814	(681)	5,774	5,610	(164)
3 years and over	11,775	10,944	(831)	11,706	11,296	(410)
	<b>30,135</b>	<b>26,704</b>	<b>(3,431)</b>	<b>28,015</b>	<b>23,070</b>	<b>(4,945)</b>
Foreign exchange rate at the end of the period			<b>1.2918</b>			1.2476
Net liability (CA\$)			<b>(4,432)</b>			(6,170)

The forecasted purchases of natural gas, the hedged items, are used for calculating the hedge ineffectiveness. No ineffectiveness was recognized in net earnings as the change in value of the hedging instrument for calculating ineffectiveness was the same or smaller as the change in value of the hedged items used for calculating the ineffectiveness.

## 11. FINANCIAL INSTRUMENTS (CONTINUED)

### *Derivative financial instruments (continued)*

#### **(c) Foreign exchange contracts:**

The Company's activities, which result in exposure to fluctuations in foreign currency exchange rates, consist of the purchasing of raw sugar, the selling of refined sugar and maple products, the purchase of natural gas and purchases of property, plant and equipment. The Company manages this exposure by creating offsetting positions through the use of financial instruments. These instruments include forward contracts, which are commitments to buy or sell U.S. dollars or euros at a future date, and may be settled in cash.

The credit risk associated with foreign exchange contracts arises from the possibility that a counterparty to a foreign exchange contract, in which the Company has an unrealized gain, fails to perform according to the terms of the contract. The credit risk is much less than the notional principal amount, being limited at any time to the change in foreign exchange rates attributable to the principal amount.

Forward foreign exchange contracts have maturities of less than four years and relate mostly to U.S. currency, and from time to time, euro currency. The counterparties to these contracts are major Canadian financial institutions. The Company does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by the counterparties.

The Company's foreign currency forward contracts relating to the purchase of raw sugar, the sale of refined sugar, the purchase of natural gas and purchases of property, plant and equipment for the sugar segment are detailed below. In addition, for the maple products segment, the Company hedges its exposure to fluctuations in foreign currency related to its anticipated cash flows from sales to specific U.S. customers, using a foreign exchange forward contract.

11. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments (continued)

(c) Foreign exchange contracts (continued):

	September 29, 2018			
	Original contract value	Original contract value	Current contract value	Fair value gain/(loss)
	(US\$/EUR)	(CA\$)	(CA\$)	(CA\$)
<b>SUGAR</b>				
<b>Purchases U.S. dollars</b>				
Less than 1 year	68,896	88,515	87,153	(1,362)
1 to 2 years	6,769	8,696	6,408	(2,288)
2 to 3 years	1,040	1,341	1,355	14
	<b>76,705</b>	<b>98,552</b>	<b>94,916</b>	<b>(3,636)</b>
<b>Sales U.S. dollars</b>				
Less than 1 year	(95,188)	(124,766)	(121,181)	3,585
1 to 2 years	(2,590)	(3,410)	(1,061)	2,349
2 to 3 years	(1,330)	(1,707)	(1,726)	(19)
	<b>(99,108)</b>	<b>(129,883)</b>	<b>(123,968)</b>	<b>5,915</b>
<b>Total U.S. dollars - Sugar</b>	<b>(22,403)</b>	<b>(31,331)</b>	<b>(29,052)</b>	<b>2,279</b>
<b>MAPLE PRODUCTS</b>				
<b>Purchases U.S. dollars</b>				
Less than 1 year	1,606	2,108	2,058	(50)
<b>Sales U.S. dollars</b>				
Less than 1 year	(26,878)	(35,303)	(34,632)	671
<b>Total U.S. dollars - Maple</b>	<b>(25,272)</b>	<b>(33,195)</b>	<b>(32,574)</b>	<b>621</b>
<b>Total U.S. dollars</b>	<b>(47,675)</b>	<b>(64,526)</b>	<b>(61,626)</b>	<b>2,900</b>
<b>MAPLE PRODUCTS</b>				
<b>Purchases Euro dollars</b>				
Less than 1 year	364	554	509	(45)
<b>Sales Euro dollars</b>				
Less than 1 year	(3,631)	(5,827)	(5,439)	388
1 to 2 years	(92)	(144)	(142)	2
	<b>(3,723)</b>	<b>(5,971)</b>	<b>(5,581)</b>	<b>390</b>
<b>Total Euro dollars - Maple</b>	<b>(3,359)</b>	<b>(5,417)</b>	<b>(5,072)</b>	<b>345</b>
<b>Total Foreign Exchange</b>	<b>(51,034)</b>	<b>(69,943)</b>	<b>(66,698)</b>	<b>3,245</b>

**11. FINANCIAL INSTRUMENTS (CONTINUED)***Derivative financial instruments (continued)***(c) Foreign exchange contracts (continued):**

	September 30, 2017			
	Original contract value	Original contract value	Current contract value	Fair value gain/(loss)
	(US\$)	(CA\$)	(CA\$)	(CA\$)
<b>SUGAR</b>				
Purchases U.S. dollars				
Less than 1 year	94,575	122,561	118,010	(4,551)
1 to 2 years	12,320	15,552	15,380	(172)
2 to 3 years	233	294	292	(2)
	107,128	138,407	133,682	(4,725)
Sales U.S. dollars				
Less than 1 year	(119,837)	(151,973)	(149,529)	2,444
1 to 2 years	(13,463)	(18,190)	(16,835)	1,355
2 to 3 years	(783)	(1,080)	(981)	99
	(134,083)	(171,243)	(167,345)	3,898
<b>Total U.S. dollars - Sugar</b>	<b>(26,955)</b>	<b>(32,836)</b>	<b>(33,663)</b>	<b>(827)</b>
<b>MAPLE PRODUCTS</b>				
Sales U.S. dollars				
Less than 1 year	(5,962)	(8,049)	(8,654)	(605)
<b>Total U.S. dollars</b>	<b>(32,917)</b>	<b>(40,885)</b>	<b>(42,317)</b>	<b>(1,432)</b>

**(d) Interest rate swap agreements:**

In order to fix the interest rate on a substantial portion of the expected drawdown of the revolving credit facility, the Company enters into interest rate swap agreements. The outstanding swap agreements by maturity are as follows:

Fiscal year contracted	Date	Total value
		\$
Fiscal 2014	June 30, 2014 to June 28, 2019 – 2.09%	10,000
Fiscal 2015	June 28, 2018 to June 28, 2020 – 1.959%	30,000
Fiscal 2017	May 29, 2017 to June 28, 2022 – 1.454%	20,000
Fiscal 2017	September 1, 2017 to June 28, 2022 – 1.946%	30,000
Fiscal 2017	June 29, 2020 to June 29, 2022 – 1.733%	30,000

The counterparties to these swap agreements are major Canadian financial institutions. The Company does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of swap agreements, nor does it anticipate non-performance by the counterparties. As at September 29, 2018, the fair value of the swap agreements amounted to an asset of \$2.5 million (September 30, 2017 - asset of \$1.0 million).

## 11. FINANCIAL INSTRUMENTS (CONTINUED)

### *Derivative financial instruments (continued)*

#### **(d) Interest rate swap agreements (continued):**

The forecasted interest payments, the hedged items, are used for calculating the hedge ineffectiveness. No ineffectiveness was recognized in net earnings as the change in value of the hedging instrument for calculating ineffectiveness was the same or smaller as the change in value of the hedged items used for calculating the ineffectiveness.

### *Risks*

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks at year-end.

#### **(a) Credit risk:**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company believes it has limited credit risk other than those explained in Note 9, Trade and other receivables and Note 11, Financial instruments.

#### **(b) Currency risk:**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rate. The Company's significant cash flow exposure to foreign currency is due mainly to the following:

- sales in U.S. dollars for both the sugar and maple products segments;
- purchases of natural gas;
- sales of by-products;
- Taber refined sugar and by-products sales;
- ocean freight; and
- purchases of property, plant and equipment for both the sugar and maple products segments.

The Company mitigates its exposure to foreign currency by entering into forward exchange contracts (see Note 11, Financial instruments; Derivative financial instruments, (c) Foreign exchange contracts).

## 11. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

## (b) Currency risk (continued):

The Company had the following significant foreign currency exposures at year-end:

	September 29, 2018	September 30, 2017
	(US\$)	(US\$)
Financial instruments measured at amortized cost:		
Cash	1,672	8,454
Trade and other receivables, including initial margin deposits	21,440	15,851
Trade and other payables	(3,560)	(3,004)
	<b>19,552</b>	21,301
Financial instruments at fair value through profit or loss:		
Raw sugar futures sales contracts	157,035	208,025
Raw sugar futures purchases contracts	(156,754)	(207,520)
Balance of purchase price payable	—	(659)
Natural gas contracts	(30,135)	(28,015)
Fair value loss or (gain) on futures contracts	362	(1,242)
	<b>(29,492)</b>	(29,411)
Total exposure from above	<b>(9,940)</b>	(8,110)
Forward exchange contracts	<b>(47,675)</b>	(32,917)
Gross exposure	<b>(57,615)</b>	(41,027)

As at September 29, 2018, the U.S./Can. exchange rate was \$1.2918 (September 30, 2017 - \$1.2476).

Based on the above gross exposure at year-end, and assuming that all other variables remain constant, in particular the price of raw sugar and natural gas, a 5-cent increase in the Canadian dollar would result in an increase in net earnings of \$2.1 million, (September 30, 2017 - increase of \$1.5 million) while a 5-cent decrease would have an equal but opposite effect on net earnings.

Management believes that the impact on the gross exposure is not representative as it needs to be adjusted for the following transactions, which are not recorded on the consolidated statements of financial position as at year-end but were committed during the fiscal year, and will be accounted for as the physical transactions occur:

	September 29, 2018	September 30, 2017
	(US\$)	(US\$)
Gross exposure as per above	(57,615)	(41,027)
Sugar purchases priced not received	(93,516)	(98,341)
Committed future sales in U.S. dollars	111,698	117,736
Ocean freight	(15)	(142)
Other	(592)	(284)
Net exposure	<b>(40,040)</b>	(22,058)

## 11. FINANCIAL INSTRUMENTS (CONTINUED)

*Risks (continued)*

### (b) Currency risk (continued):

The net exposure is due mainly to the Company's policy not to hedge its foreign exchange exposure on natural gas futures contracts with maturities exceeding 12 months. The impact of a 5-cent increase in the Canadian dollar would result in an increase of net earnings by \$1.5 million in 2018 (September 30, 2017 - increase of \$0.8 million) while a decrease would have an equal but opposite effect on net earnings.

The Company did not have a Euro foreign exchange currency exposure at year-end seeing as the forward exchange contracts were equal to the futures sales and purchases.

Raw sugar futures sales contracts represent, in large part, futures contracts entered into when sugar is priced by a raw sugar supplier. As both the raw sugar futures sales contracts and the sugar purchases priced not received are in U.S. dollars, there is no need to economically hedge the currency, hence the reason for the adjustment for sugar purchases priced not received.

Included in other is the Taber sales formula for refined sugar, which is based on the raw sugar value that trades in U.S. dollars. As all beet sugar is paid in Canadian dollars, the raw sugar value within the Taber sales contracts is in U.S. dollars and therefore needs to be economically hedged for currency exposure.

Some sales are transacted in U.S. dollars. For these sales, the raw sugar value is not hedged, as the corresponding futures contract is also in U.S. dollars. Only the U.S. dollar refined sugar margin and ocean freight contribution are economically hedged for the currency exposure.

Ocean freight for raw sugar is denominated in U.S. dollars and therefore forward exchange contracts are used to cover the foreign exchange exposure.

### (c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As at September 29, 2018, the Company has a short-term cash borrowing of \$12.0 million (September 30, 2017 - \$20.0 million) and a long-term cash borrowing of \$160.0 million (September 30, 2017 - \$150.0 million). The Company normally enters into a 30- or 90-day bankers' acceptance for an amount varying between \$100.0 million to \$175.0 million of the borrowings, and will borrow either under prime rate loans or shorter term bankers' acceptances for any other borrowings.

To mitigate the risk in future cash flows due to interest rate fluctuations, the Company enters into interest rate swap agreements from time to time (see Note 11, Financial Instruments, Derivative financial instruments, (d) interest rate swap agreements). All other borrowings over and above the aggregate notional amount of the swap agreements are therefore exposed to interest rate fluctuations.

For the year ended September 29, 2018, if interest rates had been 50 basis points higher, considering all borrowings not covered by the interest rate swap agreements, net earnings would have been \$0.5 million lower (September 30, 2017 - \$0.3 million lower) while a decrease would have an equal but opposite effect on net earnings.

## 11. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

## (d) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	September 29, 2018	
					12 to 24 months	After 24 months
	\$	\$	\$	\$	\$	\$
<b>Non-derivative financial liabilities:</b>						
Revolving credit facility	172,000	172,000	12,000	—	—	160,000
Trade and other payables	113,777	113,777	113,777	—	—	—
Finance lease obligations	114	121	28	28	56	9
	285,891	285,898	125,805	28	56	160,009
<b>Derivative financial instruments measured at fair value through profit or loss:</b>						
Sugar futures contracts (net) <sup>(i)</sup>	(229)	831	1,426	(13,359)	13,224	(460)
Forward exchange contracts (net) <sup>(i)</sup>	(3,245)	(69,943)	(75,765)	1,046	5,142	(366)
Other long-term liabilities	773	773	773	—	—	—
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>						
Natural gas contracts <sup>(i)</sup>	4,432	38,928	3,070	3,446	8,811	23,601
Interest on swap agreements	(2,474)	5,505	837	783	1,445	2,440
	(743)	(23,906)	(69,659)	(8,084)	28,622	25,215
	285,148	261,992	56,146	(8,056)	28,678	185,224

(i) Based on notional amounts as presented above.

11. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

(d) Liquidity risk (continued):

	September 30, 2017*					
	Carrying amount	Contractual cash flows	0 to 6 months	6 to 12 months	12 to 24 months	After 24 months
	\$	\$	\$	\$	\$	\$
Non-derivative financial liabilities:						
Revolving credit facility	170,000	170,000	20,000	—	50,000	100,000
Trade and other payables	125,294	125,294	125,294	—	—	—
Finance lease obligations	162	178	28	28	56	66
	295,456	295,472	145,322	28	50,056	100,066
Derivative financial instruments measured at fair value through profit or loss:						
Sugar futures contracts (net) <sup>(i)</sup>	(56)	(920)	(769)	(6,098)	5,992	(45)
Forward exchange contracts (net) <sup>(i)</sup>	1,432	(40,885)	(52,869)	15,408	(2,638)	(786)
Other long-term liabilities	5,291	5,291	2,852	1,851	588	—
Derivative financial instruments designated as effective cash flow hedging instruments:						
Natural gas contracts <sup>(i)</sup>	6,170	34,952	3,254	2,928	6,962	21,808
Interest on swap agreements	(990)	7,206	855	846	1,619	3,886
	11,847	5,644	(46,677)	14,935	12,523	24,863
	307,303	301,116	98,645	14,963	62,579	124,929

\* Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill).

(i) Based on notional amounts as presented above.

The convertible unsecured subordinated debentures of \$155.3 million have been excluded from the above due to the Company's option to satisfy the obligations at redemption or maturity in shares.

The Company borrows under its revolving credit facility (see Note 17, Revolving credit facility). It is the Company's intention to keep a debt level under its revolving credit facility between \$100.0 million to \$175.0 million. All other non-derivative financial liabilities are expected to be financed through the collection of trade and other receivables and cash flows generated from operations.

Derivative financial instruments for raw sugar, natural gas and forward exchange contracts are expected to be financed from the working capital of the Company.

As at September 29, 2018, the Company had an unused available line of credit of \$93.0 million (September 30, 2017 - \$105.0 million), a cash balance of \$2.1 million (September 30, 2017 - \$17.0 million) and an overdraft balance of \$5.5 million (September 30, 2017 - nil).

**11. FINANCIAL INSTRUMENTS (CONTINUED)**

*Risks (continued)*

**(e) Commodity price risk:**

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity prices.

There are two types of commodity contracts, which are entered into by the Company:

**(i) Sugar:**

In order to protect itself against fluctuations of the world raw sugar market, the Company follows a rigorous hedging program for all purchases of raw cane sugar and sales of refined sugar. Anytime raw sugar is priced by a sugar supplier, a corresponding sugar futures contract is sold for the same quantity, period and underlying value. Anytime refined sugar is priced by a customer, the corresponding volume of raw sugar is purchased for the same quantity, period and underlying value. The Company's policy is to cover all raw cane purchases and refined sugar sales as they are priced by the Company's suppliers and customers. On a daily basis, the Company monitors all net sugar futures contract positions against the physical priced purchases and sales commitments to ensure that appropriate hedge positions are in place.

For the Company's beet operation, the Board of Directors approved an economic pre-hedge, using sugar futures contracts, of some of the beet sugar sales that will occur in the future, provided there is a contract in place with the Alberta Sugar Beet Growers to grow sugar beets.

The Board of Directors also approved a trading book up to a maximum of 25,000 metric tonnes of sugar derivative contracts. The Board reviews on a quarterly basis the results achieved.

**(ii) Natural gas:**

In order to mitigate the overall price risks in the purchase of natural gas for use in the manufacturing operations, the Board approved the use of natural gas futures contracts. Natural gas futures contracts cannot be entered into for speculative reasons. The Board reviews on a quarterly basis the position of the natural gas contracts.

As at September 29, 2018, the Company had the following commodity contracts:

	Sugar futures contracts			Natural gas contracts		
	Volume	Current average value	Current contract value	Contracts	Current average value	Current contract value
	(M.T.)	(US\$)	(US\$)	(10,000 MM BTU)	(US\$)	(US\$)
Purchases	542,119	252.49	136,880	1,090	24.50	26,704
Sales	(541,154)	254.13	(137,523)	—	—	—
	965	n/a	(643)	1,090	24.50	26,704
Foreign exchange rate at the end of the period			1.2918			1.2918
Net value CA\$			(831)			34,496

## 11. FINANCIAL INSTRUMENTS (CONTINUED)

Risks (continued)

### (e) Commodity price risk (continued):

(ii) Natural gas (continued):

As at September 30, 2017, the Company had the following commodity contracts:

	Sugar futures contracts			Natural gas contracts		
	Volume (M.T.)	Current average value (US\$)	Current contract value (US\$)	Contracts (10,000 MM BTU)	Current average value (US\$)	Current contract value (US\$)
Purchases	614,005	316.02	194,036	912	25.30	23,070
Sales	(609,839)	316.97	(193,299)	—	—	—
	4,166	n/a	737	912	25.30	23,070
Foreign exchange rate at the end of the period			1.2476			1.2476
Net value CA\$			920			28,782

If, on September 29, 2018, the raw sugar value would have increased by US\$0.05 per pound (being approximately US\$110.0 per metric tonne), and all other variables remained constant, the impact on net earnings would have been an increase of approximately \$0.1 million (calculated only on the point-in-time exposure on September 29, 2018) (September 30, 2017 - increase of \$0.4 million for US\$0.05 per pound increase). If the raw sugar value would have decreased by US\$0.02 per pound (being approximately US\$44.00 per metric tonne), and all other variables remained constant, the impact on net earnings would have been a decrease of approximately \$0.1 million (September 30, 2017 - decrease of \$0.3 million for US\$0.03 decrease).

Except for the beet pre-hedge, management believes that the above is not representative, as the Company has physical raw sugar purchases and refined sugar selling contracts that would offset most gains or losses realized from such decrease or increase in the commodity value, when such contracts are liquidated. The Company had no beet pre-hedge contracts as at September 29, 2018 nor September 30, 2017. If, on September 29, 2018, the natural gas market price would have increased by US\$1.00, and all other variables remained constant, net earnings would have increased by \$10.4 million (September 30, 2017 - increase of \$8.4 million) as a result of the change in fair value of our natural gas futures. If the natural gas value would have decreased by US\$1.00, and all other variables remained constant, net earnings would have decreased by \$10.4 million (September 30, 2017 - decrease of \$8.4 million).

Management believes that this impact for natural gas is not representative as this variance will mostly offset when the actual natural gas is purchased and used. At such time, a gain or loss on the liquidation of the natural gas contracts would mostly offset the same increase or decrease in the actual physical transaction.

## 11. FINANCIAL INSTRUMENTS (CONTINUED)

### *Fair values of financial instruments*

The fair values of derivative instruments are the estimated amount that the Company would receive or pay to terminate the instruments at the reporting date. The fair values have been determined by reference to prices available from the markets on which the instruments trade, subject to credit adjustments as applicable. The fair values of all derivative instruments approximate their carrying value and are recorded as separate line items on the consolidated statements of financial position.

The following describes the fair value determinations of financial instruments:

- i) Cash: due to the short-term maturity of these instruments, the carrying amount approximates fair value.
- ii) Restricted cash: the carrying amount approximates fair value.
- iii) Trade and other receivables and trade and other payables: the carrying amount approximates fair value due to the short-term maturity of these instruments.
- iv) Borrowing under the revolving credit facility: the carrying amount approximates fair value as the borrowings bear interest at variable rates.
- v) The fair values for the derivative assets and liabilities are estimated using industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, natural gas prices, foreign exchange rates, and forward and spot prices for currencies.
- vi) The fair value of convertible unsecured subordinated debentures was based upon market quotes for the identical instruments. The fair value of the conversion option has been marked-to-market using a model with various inputs.
- vii) See Note 21, Finance lease obligations.
- viii) The fair value of the contingent consideration was discounted and calculated using a probability-weighted expectation (see Note 8, Restricted cash).

## 11. FINANCIAL INSTRUMENTS (CONTINUED)

*Fair values of financial instruments (continued)*

The following tables provide a comparison of carrying and fair values for each classification of financial instruments at year-end, and show a level within the fair values hierarchy in which they have been classified.

	Fair values hierarchy level	September 29, 2018		September 30, 2017*	
		Carrying values	Fair values	Carrying values	Fair values
		\$	\$	\$	\$
<b>FINANCIAL ASSETS:</b>					
<b>Derivative financial instruments measured at fair value through profit or loss:</b>					
Sugar futures contracts	Level 1	229	229	56	56
Foreign exchange forward contracts	Level 2	3,245	3,245	—	—
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>					
Interest rate swap	Level 2	2,474	2,474	990	990
<b>Financial assets recorded at amortized cost:</b>					
Cash	Level 1	2,101	2,101	17,033	17,033
Restricted cash	Level 1	846	846	4,832	4,832
Trade and other receivables	n/a	81,736	81,736	80,032	80,032
Income taxes recoverable	n/a	—	—	1,174	1,174
<b>Total financial assets</b>		<b>90,631</b>	<b>90,631</b>	<b>104,117</b>	<b>104,117</b>
<b>FINANCIAL LIABILITIES:</b>					
<b>Derivative financial instruments measured at fair value through profit or loss:</b>					
Foreign exchange forward contracts	Level 2	—	—	1,432	1,432
Embedded derivatives	Level 2	—	—	74	74
<b>Derivative financial instruments designated as effective cash flow hedging instruments:</b>					
Natural gas futures contracts	Level 2	4,432	4,432	6,170	6,170
<b>Financial liabilities recorded at amortized cost:</b>					
Bank overdraft	Level 1	5,469	5,469	—	—
Revolving credit facility	n/a	172,000	172,000	170,000	170,000
Trade and other payables	n/a	113,777	113,777	125,294	125,294
Income taxes payable	n/a	3,506	3,506	—	—
Finance lease obligations	n/a	114	114	162	162
Other long-term liabilities	Level 3	773	773	5,291	5,291
Convertible unsecured subordinated debentures	Level 1	142,421	157,464	111,544	121,469
<b>Total financial liabilities</b>		<b>442,492</b>	<b>457,535</b>	<b>419,967</b>	<b>429,892</b>

\* Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill).

## 12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Barrels	Furniture and fixtures	Finance leases	Construction in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost or deemed cost</b>								
Balance at October 1, 2016	17,748	62,722	259,965	—	6,981	440	6,004	353,860
Additions through business combination*	201	2,198	3,046	2,240	139	163	1	7,988
Additions	—	—	55	—	2	1	17,055	17,113
Transfers	—	1,711	6,994	—	408	—	(9,113)	—
Disposals	—	—	—	—	(2)	(184)	—	(186)
Effect of movements in exchange rate	—	—	(16)	(3)	—	(3)	—	(22)
Balance at September 30, 2017	17,949	66,631	270,044	2,237	7,528	417	13,947	378,753
<b>Additions through business combination</b>	<b>140</b>	<b>3,347</b>	<b>4,616</b>	<b>—</b>	<b>29</b>	<b>—</b>	<b>—</b>	<b>8,132</b>
<b>Additions</b>	<b>—</b>	<b>—</b>	<b>1,771</b>	<b>349</b>	<b>110</b>	<b>6</b>	<b>22,524</b>	<b>24,760</b>
<b>Transfers</b>	<b>—</b>	<b>3,490</b>	<b>17,242</b>	<b>—</b>	<b>572</b>	<b>—</b>	<b>(21,304)</b>	<b>—</b>
<b>Effects of movements in exchange rate</b>	<b>—</b>	<b>—</b>	<b>15</b>	<b>3</b>	<b>1</b>	<b>5</b>	<b>—</b>	<b>24</b>
<b>Balance at September 29, 2018</b>	<b>18,089</b>	<b>73,468</b>	<b>293,688</b>	<b>2,589</b>	<b>8,240</b>	<b>428</b>	<b>15,167</b>	<b>411,669</b>
<b>Depreciation</b>								
Balance at October 1, 2016	—	21,130	150,333	—	3,523	243	—	175,229
Depreciation for the year	—	1,429	10,878	59	607	49	—	13,022
Disposals	—	—	—	—	(2)	(183)	—	(185)
Effect of movements in exchange rate	—	—	(10)	(2)	—	(1)	—	(13)
Balance at September 30, 2017	—	22,559	161,201	57	4,128	108	—	188,053
<b>Depreciation for the year</b>	<b>—</b>	<b>1,725</b>	<b>11,807</b>	<b>412</b>	<b>709</b>	<b>63</b>	<b>—</b>	<b>14,716</b>
<b>Effect of movements in exchange rate</b>	<b>—</b>	<b>—</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1</b>
<b>Balance at September 29, 2018</b>	<b>—</b>	<b>24,284</b>	<b>173,009</b>	<b>469</b>	<b>4,837</b>	<b>171</b>	<b>—</b>	<b>202,770</b>
<b>Net carrying amounts</b>								
At September 30, 2017 *	17,949	44,072	108,843	2,180	3,400	309	13,947	190,700
<b>At September 29, 2018</b>	<b>18,089</b>	<b>49,184</b>	<b>120,679</b>	<b>2,120</b>	<b>3,403</b>	<b>257</b>	<b>15,167</b>	<b>208,899</b>

\* Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill).

There were no impairment losses during fiscal 2018 and 2017.

All property, plant and equipment have been pledged as security for the revolving credit facility (see Note 17, Revolving credit facility).

## 13. INTANGIBLE ASSETS

	Software	Customer relationships	Brand names <sup>(1)</sup>	Other	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
Balance at October 1, 2016	3,368	—	—	284	3,652
Additions through business combinations*	255	25,260	3,860	—	29,375
Additions	257	—	—	—	257
Effect of movements in exchange rate	—	(57)	(10)	—	(67)
Balance at September 30, 2017	3,880	25,203	3,850	284	33,217
<b>Additions through business combinations</b>	<b>87</b>	<b>9,220</b>	<b>2,000</b>	<b>—</b>	<b>11,307</b>
<b>Additions</b>	<b>94</b>	<b>—</b>	<b>—</b>	<b>290</b>	<b>384</b>
<b>Effect of movements in exchange rate</b>	<b>—</b>	<b>119</b>	<b>21</b>	<b>—</b>	<b>140</b>
<b>Balance at September 29, 2018</b>	<b>4,061</b>	<b>34,542</b>	<b>5,871</b>	<b>574</b>	<b>45,048</b>
<b>Amortization</b>					
Balance at October 1, 2016	1,648	—	—	121	1,769
Amortization for the year	194	352	—	28	574
Balance at September 30, 2017	1,842	352	—	149	2,343
<b>Amortization for the year</b>	<b>317</b>	<b>3,395</b>	<b>—</b>	<b>46</b>	<b>3,758</b>
<b>Balance at September 29, 2018</b>	<b>2,159</b>	<b>3,747</b>	<b>—</b>	<b>195</b>	<b>6,101</b>
<b>Net carrying amounts</b>					
At September 30, 2017*	2,038	24,851	3,850	135	30,874
<b>At September 29, 2018</b>	<b>1,902</b>	<b>30,795</b>	<b>5,871</b>	<b>379</b>	<b>38,947</b>

\* Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill).

(1) Indefinite life

## 14. OTHER ASSETS

	September 29, 2018	September 30, 2017
	\$	\$
Deferred financing charges, net	975	979
Other	10	3
	<b>985</b>	<b>982</b>

Deferred financing charges represent the fees and costs related to the negotiation of the 5-year credit agreement. Borrowings under the revolving credit facility are short term in nature and can be repaid at any time. Therefore, deferred financing charges are presented separately and not applied against the debt (see Note 17, Revolving credit facility).

On December 20, 2017, the Company paid \$0.1 million in financing fees to amend its existing revolving credit facility by drawing additional funds under the accordion feature (see Note 17, Revolving credit facility). Then, on May 28, 2018, the Company exercised its option to extend the maturity date of its revolving credit facility to June 28, 2023 under the same terms and conditions of the amended credit agreement entered into on December 20, 2017. An amount of \$0.2 million was paid in financing fees, bringing the total paid to \$0.3 million in fiscal 2018 (see Note 17, Revolving credit facility).

**14. OTHER ASSETS (CONTINUED)**

These fees, along with the outstanding balance of the previously deferred financing charges, are amortized over the extended life of the revolving credit facility, which now matures on June 28, 2023.

**15. DEFERRED TAX ASSETS AND LIABILITIES**

The deferred tax assets (liabilities) comprise the following temporary differences:

	September 29, 2018	September 30, 2017*
	\$	\$
Assets:		
Employee benefits	8,330	10,279
Derivative financial instruments	1,299	2,022
Losses carried forward	1,518	110
Provisions	583	585
Intangibles	41	36
Other	1,205	2,016
	<b>12,976</b>	<b>15,048</b>
Liabilities:		
Property, plant and equipment	(29,260)	(27,763)
Derivative financial instruments	(1,517)	(668)
Goodwill	(2,509)	(2,418)
Deferred financing charges	(417)	(337)
Intangibles	(8,694)	(6,497)
Other	(1,841)	(898)
	<b>(44,238)</b>	<b>(38,581)</b>
Net assets (liabilities):		
Property, plant and equipment	(29,260)	(27,763)
Intangibles	(8,653)	(6,461)
Employee benefits	8,330	10,279
Derivative financial instruments	(218)	1,354
Losses carried forward	1,518	110
Goodwill	(2,509)	(2,418)
Provisions	583	585
Deferred financing charges	(417)	(337)
Other	(636)	1,118
	<b>(31,262)</b>	<b>(23,533)</b>

\* Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill).

**15. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)**

The movement in temporary differences during the current years is as follows:

	Balance September 30, 2017*	Recognized in profit (loss)	Recognized in other comprehensive income	Recognized in equity	Acquired in business combination	Balance September 29, 2018
	\$	\$	\$	\$	\$	\$
Property, plant and equipment	(27,763)	76	—	—	(1,573)	(29,260)
Intangibles	(6,461)	779	—	—	(2,971)	(8,653)
Employee benefits	10,279	(186)	(1,763)	—	—	8,330
Derivative financial instruments	1,354	(1,581)	9	—	—	(218)
Losses carried forward	110	1,408	—	—	—	1,518
Goodwill	(2,418)	(91)	—	—	—	(2,509)
Provisions	585	(2)	—	—	—	583
Deferred financing charges	(337)	(80)	—	—	—	(417)
Other	1,118	(595)	—	(1,159)	—	(636)
	(23,533)	(272)	(1,754)	(1,159)	(4,544)	(31,262)

\* Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill).

	Balance October 1, 2016	Recognized in profit (loss)	Recognized in other comprehensive income	Recognized in equity	Acquired in business combination*	Balance September 30, 2017*
	\$	\$	\$	\$	\$	\$
Property, plant and equipment	(27,024)	(74)	—	—	(665)	(27,763)
Intangibles	—	819	—	—	(7,280)	(6,461)
Employee benefits	13,977	484	(4,182)	—	—	10,279
Derivative financial instruments	(2,175)	3,430	(106)	—	205	1,354
Losses carried forward	—	110	—	—	—	110
Goodwill	(2,295)	(36)	—	—	(87)	(2,418)
Provisions	791	(206)	—	—	—	585
Deferred financing charges	(323)	(901)	—	838	49	(337)
Other	761	665	—	(686)	378	1,118
	(16,288)	4,291	(4,288)	152	(7,400)	(23,533)

\* Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill).

**16. GOODWILL**

	September 29, 2018	September 30, 2017
	\$	\$
Balance, beginning of year	316,949	229,952
Adjustment of prior year purchase price allocation	—	(6,279)
Additions through business combination	16,058	93,276
Balance, end of year	<b>333,007</b>	316,949

**Recoverability of cash generating units ("CGU"):**

For the purpose of impairment testing, goodwill and intangibles with indefinite useful life are allocated to the Company's operating segments, which represent the lowest level within the Company at which the goodwill and intangibles are monitored for internal management purposes, as follows:

	September 29, 2018	September 30, 2017
	\$	\$
Sugar:		
Goodwill	229,952	229,952
Maple products:		
Goodwill	103,055	86,997*
Brand names	5,871	3,850*
	<b>338,878</b>	320,799

\* Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations)

In assessing whether goodwill and indefinite life intangible assets are impaired, the carrying amount of the segments (including goodwill and indefinite life intangible assets) are compared to their recoverable amount. The recoverable amounts of segments are based on the higher of the value in use and fair value less costs of disposal.

The Company performed the annual impairment review for goodwill and indefinite life intangible assets as at September 29, 2018, and the estimated recoverable amounts exceeded the carrying amounts of the segments and, as a result, there was no impairment identified.

**16. GOODWILL (CONTINUED)**

SUGAR SEGMENT

The recoverable amount was based on value in use. The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	<b>2018</b>
	%
Pre-tax discount rate	10.6
Terminal growth rate	2.0
Budgeted EBITDA growth rate (average of next 5 years)	0.6

The discount rate was a pre-tax measure estimated based on historical industry weighted-average cost of capital adjusted for impacts on risk and taxes.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was based on management's best estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

Budgeted EBITDA was estimated taking into account past experience, adjusted as follows:

- Revenue growth for the first year was projected taking into account the budgeted sales volumes, and the following years taking into account the average growth levels experienced over the past 5 years and the estimated sales volumes and price growth for the next five years. It was assumed that the sales price would increase in line with forecasted inflation over the next five years.

Management has identified the two key assumptions that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	<b>2018</b>
	%
Pre-tax discount rate	3.9
Budgeted EBITDA growth rate	(2.8)

**16. GOODWILL (CONTINUED)**

## MAPLE PRODUCTS SEGMENT

The recoverable amount was based on value in use. The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	<b>2018</b>
	%
Pre-tax discount rate	13.6
Terminal growth rate	3.0
Budgeted EBITDA growth rate (average of next 5 years)	7.9

The discount rate was a pre-tax measure estimated based on historical industry weighted-average cost of capital adjusted for impacts on risk and taxes.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was based on management's best estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

Budgeted EBITDA was estimated taking into account past experience, adjusted as follows:

- Revenue growth for the first year was projected taking into account the budgeted sales volumes, and the following years taking into account the average growth levels experienced in the past and the estimated sales volumes and price growth for the next five years. It was assumed that the sales price would increase in line with forecasted inflation over the next five years.
- Costs savings related to ongoing return on investment capital projects.

Management has identified the two key assumptions that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	<b>2018</b>
	%
Pre-tax discount rate	0.2
Budgeted EBITDA growth rate	(0.4)

**17. REVOLVING CREDIT FACILITY**

On December 20, 2017, the Company amended its existing revolving credit facility thereby increasing its available credit by \$40.0 million by drawing additional funds under the accordion feature embedded in the revolving credit facility ("Additional Accordion Borrowings"). A total of \$0.1 million was paid in financing fees (see Note 14, Other assets).

On May 18, 2018, the Company reduced and canceled an amount of \$50.0 million that was drawn under the accordion ("Accordion Borrowings") on April 28, 2017. In 2017, the funds from the Accordion borrowings were used to repay the Fourth series convertible unsecured subordinated debentures ("Fourth series debentures") on May 1, 2017.

On May 28, 2018, the Company exercised its option to extend the maturity date of its revolving credit facility to June 28, 2023 under the same terms and conditions of the amended credit agreement entered into on December 20, 2017. An amount of \$0.2 million was paid in financing fees (see Note 14, Other assets).

On August 3, 2017, the Company amended its existing revolving credit facility in line with the acquisition of LBMT. The available credit was increased by \$75.0 million by drawing additional funds under the accordion feature embedded in the revolving credit facility ("Additional LBMT Accordion Borrowings").

As a result of the amended revolving credit facility, the Additional Accordion Borrowings and the Additional LBMT Accordion Borrowings, the Company has a total of \$265.0 million of available working capital from which it can borrow at prime rate, LIBOR rate or under bankers' acceptances, plus 20 to 250 basis points, based on achieving certain financial ratios.

Certain assets of the Company, including trade receivables, inventories and property, plant and equipment, have been pledged as security for the revolving credit facility. As at September 29, 2018, a total of \$407.8 million of assets are pledged as security (September 30, 2017 - \$417.9 million).

The following amounts were outstanding as at:

	September 29, 2018	September 30, 2017
	\$	\$
Outstanding amount on revolving credit facility:		
Current	12,000	20,000
Non-current	160,000	150,000
	<b>172,000</b>	170,000

As at September 29, 2018, an amount of \$160.0 million is shown as non-current as we don't expect it to be repaid within the next 12 months.

The carrying value of the revolving credit facility approximates fair value as the borrowings bear interest at variable rates.

**18. TRADE AND OTHER PAYABLES**

	September 29, 2018	September 30, 2017*
	\$	\$
Trade payables	91,675	101,605
Other non-trade payables	2,754	3,692
Personnel-related liabilities	9,897	10,480
Dividends payable to shareholders	9,451	9,517
	<b>113,777</b>	<b>125,294</b>

\* Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill).

Considering that Maple products syrup is harvested once a year, the *Federation des producteurs acericoles du Quebec* ("FPAQ") offers to authorized purchasers the possibility to pay their purchases over the course of the year (ending in February). Once the syrup is graded, the Company must pay 30% of the cost of the syrup on the 15th of the following month. The outstanding balance bears interest (prime + 1%) and is paid in four monthly installments (November, December, January and February). Included in trade payables is an amount of \$61.8 million as of September 29, 2018 (September 30, 2017 - \$70.9 million).

During the year, more than 85% of the maple syrup purchases were made from the FPAQ.

Personnel-related liabilities represent the Company's obligation to its current and former employees that are expected to be settled within one year from the reporting period as salary and accrued vacation.

The Company's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 11, Financial instruments.

**19. OTHER LONG-TERM LIABILITIES**

	September 29, 2018			September 30, 2017		
	Contingent consideration payable	Balance of purchase price payable	Total	Contingent consideration payable	Balance of purchase price payable	Total
	\$	\$	\$	\$	\$	\$
Opening balance	4,469	822	5,291	—	—	—
Business acquisition (Note 4)	—	—	—	5,573	5,735	11,308
Accretion expense	190	8	198	22	9	31
Foreign exchange adjustment	—	30	30	—	(12)	(12)
Payment made	(3,886)	(860)	(4,746)	(1,126)	(4,910)	(6,036)
Closing balance	773	—	773	4,469	822	5,291
Presented as:						
Current	773	—	773	3,881	822	4,703
Non-current	—	—	—	588	—	588
	<b>773</b>	<b>—</b>	<b>773</b>	<b>4,469</b>	<b>822</b>	<b>5,291</b>

## 20. PROVISIONS

	September 29, 2018	September 30, 2017
	\$	\$
Opening balance	2,231	2,994
Additions	724	—
Provisions used during the period	(750)	(763)
Closing balance	2,205	2,231
Presented as:		
Current	1,006	478
Non-current	1,199	1,753
	2,205	2,231

Provisions are comprised of asset retirement obligations, which represent the future cost the Company estimated to incur for the removal of asbestos in the operating facilities and for oil, chemical and other hazardous materials storage tanks for which the Company has been able to identify the costs.

The estimate of the total liability for future asset retirement obligations is subject to change, based on amendments to laws and regulations and as new information concerning the Company's operations becomes available. Future changes, if any, to the estimated total liability as a result of amended requirements, laws, regulations and operating assumptions would be recognized prospectively as a change in estimate, when applicable.

## 21. FINANCE LEASE OBLIGATIONS

The Company leases moveable equipment. The leases substantially transfer all the usage benefits of such equipment to the Company. These leases have an interest rate of 5.65% with maturity dates in fiscal 2020.

The outstanding liabilities are as follows:

	September 29, 2018		September 30, 2017	
	Carrying values	Fair values	Carrying values	Fair values
	\$	\$	\$	\$
Finance lease obligations	114	114	162	162

The finance lease obligations are payable as follows:

	September 29, 2018			September 30, 2017		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	\$	\$	\$	\$	\$	\$
Less than one year	55	5	50	56	8	48
Between one and five years	66	2	64	122	8	114
	121	7	114	178	16	162

**22. EMPLOYEE BENEFITS**

The Company sponsors defined benefit pension plans for its employees ("Pension benefit plans"), as well as health care benefits, medical plans and life insurance coverage ("Other benefit plans").

The following table presents a reconciliation of the pension obligations, the plan assets and the funded status of the benefit plans:

	<b>September 29, 2018</b>	September 30, 2017
	\$	\$
Fair value of plan assets:		
Pension benefit plans	<b>104,362</b>	100,450
Defined benefit obligation:		
Pension benefit plans	<b>120,650</b>	121,886
Other benefit plans	<b>15,206</b>	17,733
	<b>135,856</b>	139,619
Funded status:		
Pension benefit plans	<b>(16,288)</b>	(21,436)
Other benefit plans	<b>(15,206)</b>	(17,733)
	<b>(31,494)</b>	(39,169)
Experience adjustment arising on plan liabilities	<b>(4,911)</b>	(13,296)
Experience adjustment arising on plan assets	<b>1,732</b>	2,570

The Company has determined that, in accordance with the terms and conditions of the defined benefit pension plans, and in accordance with statutory requirements (such as minimum funding requirements) of the plans of the respective jurisdictions, the present value of refunds or reductions in the future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of the obligations. As such, no decrease in the defined benefit asset is necessary as at September 29, 2018 (September 30, 2017 - no decrease in defined benefit asset).

**22. EMPLOYEE BENEFITS (CONTINUED)**

The Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes at year-end. The most recent actuarial valuations of the pension plans for funding purposes were as of December 31, 2016 and the next required valuations will be as of December 31, 2019.

The asset allocation of the major categories in the plan was as follows:

	September 29, 2018		September 30, 2017	
	%	\$	%	\$
Equity instruments	60.9	63,557	63.6	63,886
Government bonds	36.6	38,196	34.8	34,957
Cash and short-term securities	2.5	2,609	1.6	1,607
	100.0	104,362	100.0	100,450

The pension committee prepares the documentation relating to the management of asset allocation, reviews the investment policy and recommends it to the Board of Directors for approval in the event of material changes to the policy. Semi-annually monitoring of the asset allocation of the pension benefit plans allows the pension committee to ensure that the limits of asset allocation of the pension benefit plans are respected.

Based on historical data, contributions to the defined benefit pension plans in fiscal 2019 are expected to be approximately \$3.7 million.

The pension plan exposes the Company to the following risks:

- (i) Investment risk:  
The defined benefit obligation is calculated using a discount rate. If the fund returns are lower than the discount rate, a deficit is created.
- (ii) Interest rate risk:  
Variation in bond rates will affect the value of the defined benefit obligation.
- (iii) Inflation risk:  
The defined benefit obligation is calculated assuming a certain level of inflation. An actual inflation higher than expected will have the effect of increasing the value of the defined benefit obligation.

**22. EMPLOYEE BENEFITS (CONTINUED)**

Movement in the present value of the defined benefit obligations is as follows:

	September 29, 2018		For the years ended			
	Pension benefit plans	Other benefit plans	Total	Pension benefit plans	Other benefit plans	Total
	\$	\$	\$	\$	\$	\$
Movement in the present value of the defined benefit obligation:						
Defined benefit obligation, beginning of the year	121,886	17,733	139,619	126,972	22,994	149,966
Current service cost	2,388	282	2,670	2,724	468	3,192
Past service costs	(1,478)	—	(1,478)	—	—	—
Re-measurements of other long-term benefits	10	(56)	(46)	17	(62)	(45)
Interest cost	4,528	652	5,180	4,166	740	4,906
Employee contributions	1,003	—	1,003	961	—	961
Benefit payments from plan	(4,512)	—	(4,512)	(4,243)	—	(4,243)
Benefit payments from employer	(1,037)	(632)	(1,669)	(1,073)	(749)	(1,822)
Actuarial (gains) losses arising from changes in demographic assumptions	—	(2,427)	(2,427)	651	(3,744)	(3,093)
Actuarial gains arising from changes in financial assumptions	(814)	(210)	(1,024)	(9,532)	(2,417)	(11,949)
Actuarial (gains) losses arising from member experience	(1,324)	(136)	(1,460)	1,243	503	1,746
Defined benefit obligation, end of year	120,650	15,206	135,856	121,886	17,733	139,619
Movement in the fair value of plan assets:						
Fair value of plan assets, beginning of the year	100,450	—	100,450	97,033	—	97,033
Interest income	3,835	—	3,835	3,212	—	3,212
Return on plan assets (excluding interest income)	1,732	—	1,732	2,570	—	2,570
Employer contributions	3,251	632	3,883	2,583	749	3,332
Employee contributions	1,003	—	1,003	961	—	961
Benefit payments from plan	(4,512)	—	(4,512)	(4,243)	—	(4,243)
Benefit payments from employer	(1,037)	(632)	(1,669)	(1,073)	(749)	(1,822)
Plan expenses	(360)	—	(360)	(593)	—	(593)
Fair value of plan assets, end of year	104,362	—	104,362	100,450	—	100,450

**22. EMPLOYEE BENEFITS (CONTINUED)**

On October 16, 2017, the Alberta Treasury Board and Finance approved an amendment to the Alberta Hourly Plan which led to the elimination of the reserve for future supplements, and investment earnings accumulated thereon, effective January 1, 2017. As a result, during the first quarter of fiscal 2018, a \$1.5 million pension income was recorded.

The net defined benefit obligation can be allocated to the plans' participants as follows:

	September 29, 2018		September 30, 2017	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
Active plan participants	45.8	41.6	44.4	42.3
Retired plan members	49.9	58.4	50.1	57.7
Deferred plan participants	1.3	—	5.5	—
Other	3.0	—	—	—
	<b>100.0</b>	<b>100.0</b>	100.0	100.0

The Company's defined benefit pension expense was as follows:

	For the years ended					
	September 29, 2018			September 30, 2017		
	Pension benefit plans	Other benefit plans	Total	Pension benefit plans	Other benefit plans	Total
	\$	\$	\$	\$	\$	\$
Pension costs recognized in net earnings:						
Current service cost	2,388	282	2,670	2,724	468	3,192
Past service cost	(1,478)	—	(1,478)	—	—	—
Expenses related to the pension benefits plans	360	—	360	593	—	593
Net interest cost	693	652	1,345	954	740	1,694
Re-measurements of other long-term benefits	10	(56)	(46)	17	(62)	(45)
Pension expense	<b>1,973</b>	<b>878</b>	<b>2,851</b>	4,288	1,146	5,434
Recognized in:						
Cost of sales	1,435	555	1,990	3,730	715	4,445
Administration and selling expenses	538	323	861	558	431	989
	<b>1,973</b>	<b>878</b>	<b>2,851</b>	4,288	1,146	5,434

**22. EMPLOYEE BENEFITS (CONTINUED)**

The following table presents the change in the actuarial gains and losses recognized in other comprehensive income:

	For the years ended					
	September 29, 2018			September 30, 2017		
	Pension benefit plans	Other benefit plans	Total	Pension benefit plans	Other benefit plans	Total
	\$	\$	\$	\$	\$	\$
Cumulative amount in income at the beginning of the year	4,040	(6,181)	(2,141)	14,248	(523)	13,725
Recognized during the year	(3,870)	(2,773)	(6,643)	(10,208)	(5,658)	(15,866)
Cumulative amount in income at the end of the year	170	(8,954)	(8,784)	4,040	(6,181)	(2,141)
Recognized during the year, net of tax	(2,843)	(2,037)	(4,880)	(7,518)	(4,166)	(11,684)

Principal actuarial assumptions used were as follows:

	For the years ended			
	September 29, 2018		September 30, 2017	
	Pension benefit plans	Other benefit plans	Pension benefit plans	Other benefit plans
	%	%	%	%
Company's defined benefit obligation:				
Discount rate	3.90	3.90	3.85	3.85
Rate of compensation increase	2.20	3.00	3.00	3.00
Net benefit plan expense:				
Discount rate	3.85	3.85	3.35	3.35
Rate of compensation increase	2.20	3.00	3.00	3.00

**22. EMPLOYEE BENEFITS (CONTINUED)**

Assumptions regarding future mortality are based on published statistics and mortality tables. The current longevity underlying the value of the liabilities in the defined benefit plans are as follows:

	September 29, 2018	September 30, 2017
Longevity at age 65 for current pensioners:		
Males	21.9	21.8
Females	24.6	24.5
Longevity at age 65 for members aged 45:		
Males	23.4	23.3
Females	26.0	25.9

The assumed health care cost trend rate as at September 29, 2018 was 5.73% (September 30, 2017 - 5.6%), decreasing uniformly to 4.00% in 2040 (September 30, 2017 - 4.43% in 2034) and remaining at that level thereafter.

The following table outlines the key assumptions for the year ended September 29, 2018 and the sensitivity of a percentage change in each of these assumptions on the defined benefit plan obligations and the net defined benefit plan costs.

The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

	For the year ended September 29, 2018		
	Pension benefit plans	Other benefit plans	Total
	\$	\$	\$
(Decrease) increase in Company's defined benefit obligation:			
<b>Discount rate</b>			
Impact of increase of 1%	(15,069)	(1,827)	(16,896)
Impact of decrease of 1%	19,005	2,287	21,292
<b>Rate of compensation increase</b>			
Impact of increase of 0.5%	856	4	860
Impact of decrease of 0.5%	(845)	(4)	(849)
<b>Mortality</b>			
99% of expected rate	267	56	323

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percent-age-point change in assumed health care cost trend would have the following effects:

	Increase	Decrease
	\$	\$
Effect on the defined benefit obligations	1,926	(1,572)

As at September 29, 2018, the weighted average duration of the defined benefit obligation amounts to 14.1 years (September 30, 2017 - 14.1 years).

### 23. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

The outstanding convertible debentures are as follows:

	September 29, 2018	September 30, 2017
	\$	\$
<b>Non-current</b>		
Fifth series (i)	—	60,000
Sixth series (ii)	57,500	57,500
Seventh series (iii)	97,750	—
Total face value	155,250	117,500
Less net deferred financing fees	(6,488)	(3,121)
Less equity component (i), (iii), (iii)	(6,930)	(3,826)
Accretion expense on equity component	589	991
Total carrying value - non-current	142,421	111,544

(i) Fifth series:

On December 16, 2011, the Company issued \$60.0 million Fifth series, 5.75% convertible unsecured subordinated debentures ("Fifth series debentures"), maturing on December 31, 2018, with interest payable semi-annually in arrears on June 30 and December 31 of each year, starting June 29, 2012. The debentures may be converted at the option of the holder at a conversion price of \$7.20 per share (representing 8,333,333 common shares) at any time prior to maturity, and cannot be redeemed prior to December 31, 2014.

The Company allocated \$1.2 million of the Fifth series debentures into an equity component. During the year, the Company recorded \$243 (September 30, 2017 - \$187) in finance costs for the accretion of the Fifth series debentures.

The Company incurred issuance costs of \$2.7 million, which are netted against the convertible debenture liability.

On March 28, 2018, a portion of the net proceeds from the issuance of the Seventh series, 4.75% convertible unsecured subordinated debentures ("Seventh series debentures") was used to redeem the Fifth series debentures. The total amount redeemed was \$59,990 as an amount of \$10 was converted to 1,388 common shares by holders of the convertible debentures.

(ii) Sixth series:

On July 28, 2017, the Company issued \$57.5 million Sixth series, 5.00% convertible unsecured subordinated debentures ("Sixth series debentures"), maturing on December 31, 2024, with interest payable semi-annually in arrears on June 30 and December 31 of each year, starting on December 31, 2017. The debentures may be converted at the option of the holder at a conversion price of \$8.26 per share (representing 6,961,259 common shares) at any time prior to maturity, and cannot be redeemed prior to December 31, 2020.

On or after December 31, 2020 and prior to December 31, 2022, the debentures may be redeemed by the Company, at a price equal to the principal amount plus accrued and unpaid interest, only if the current market price on the day preceding the date on which the notice is given is at least 125% of the conversion price of \$8.26. Subsequent to December 31, 2022, the debentures are redeemable at a price equal to the principal amount thereof plus accrued unpaid interest.

### 23. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (CONTINUED)

(ii) Sixth series (continued):

On redemption or at maturity, the Company will repay the indebtedness of the convertible debentures by paying an amount equal to the principal amount of the outstanding convertible debentures, together with accrued and unpaid interest thereon.

The Company may, at its option, elect to satisfy its obligation to repay the principal amount of the convertible debentures, which are to be redeemed or which have matured, by issuing shares to the holders of the convertible debentures. The number of shares to be issued will be determined by dividing \$1,000 (one thousand) of principal amount of the convertible debentures by 95% of the then current market price on the day preceding the date fixed for redemption or the maturity date, as the case may be.

The Company allocated \$2.6 million of the Sixth series debentures into an equity component (net of tax an amount of \$2.0 million). During the year, the Company recorded \$287 (September 30, 2017– \$46) in finance costs for the accretion of the Sixth series debentures.

The Company incurred underwriting fees and issuance costs of \$2.7 million, which are netted against the convertible debenture liability.

The fair value of the Sixth series convertible unsecured subordinated debentures is measured based on Level 1 of the three-tier fair value hierarchy and was based upon market quotes for the identical instruments. The fair value as at September 29, 2018 was approximately \$59.2 million (September 30, 2017 – \$59.4 million).

(iii) Seventh series:

On March 28, 2018, in connection with a bought deal offering filed on March 21, 2018, the Company issued 85,000 Seventh series debentures, maturing on June 30, 2025 and bears interest of 4.75%, with interest payable semi-annually in arrears on June 30 and December 31 of each year, commencing on June 30, 2018 for gross proceeds of \$85.0 million. Then, on April 3, 2018, the Company issued an additional 12,750 Seventh series debentures pursuant to the exercise in full of the over-allotment option granted by the Company for gross proceeds of \$12.8 million. As a result of the over-allotment, the total amount outstanding under the Seventh series is \$97,750. The debentures may be converted at the option of the holder at a conversion price of \$8.85 per share (representing 11,045,197 common shares) at any time prior to maturity, and cannot be redeemed by the Company prior to June 30, 2021.

On or after June 30, 2021 and prior to June 30, 2023, the debentures will be redeemable in whole or in part from time to time at the option of the Company on not more than 60 days and not less than 30 days prior notice at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the weighted average trading price of the common shares, for the 20 consecutive trading days ending on the fifth trading day preceding the day prior to the date upon which the notice of redemption is given is at least 125% of the conversion price of \$8.85 per Debenture Share. On or after June 30, 2023 and prior to the maturity date, the debentures may be redeemed at a price equal to the principal amount thereof plus accrued and unpaid interest.

On redemption or on the maturity date, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the outstanding debentures by issuing and delivering to the holders of the debentures that number of debenture shares obtained by dividing the principal amount of the outstanding debentures which are to be redeemed or which have matured by 95% of the weighted average trading price of the RSI Shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date fixed for redemption or on the maturity date, as the case may be.

On redemption or on the maturity date, the Company will repay the indebtedness of the convertible debentures by paying an amount equal to the principal amount of the outstanding debentures, together with accrued and unpaid interest thereon.

### 23. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (CONTINUED)

(iii) Seventh series (continued):

The Company allocated \$4.3 million (\$3.1 million net of tax) of the Seventh series debentures into an equity component. During the period, the Company recorded \$255 in finance costs for the accretion of the Seventh series debentures.

The Company incurred underwriting fees and issuance costs of \$4.5 million, which are netted against the convertible debenture liability.

The fair value of the Seventh series convertible unsecured subordinated debentures is measured based on Level 1 of the three-tier fair value hierarchy and was based upon market quotes for the identical instruments. The fair value as at September 29, 2018 was approximately \$98.2 million.

### 24. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

During the second quarter of fiscal 2018, a total of \$10 of the Fifth series debentures was converted by holders of the securities for a total of 1,388 common shares. This conversion is a non-cash transaction and therefore not reflected in the audited consolidated financial statement of cash flow. See Note 23, Convertible unsecured subordinated debentures.

On May 22, 2018, the Company received approval from the Toronto Stock Exchange to proceed with a normal course issuer bid ("NCIB"). Under the NCIB, the Company may purchase up to 1,500,000 common shares. The NCIB commenced on May 24, 2018 and may continue to May 23, 2019. During the year, the Company purchased 736,900 common shares having a book value of \$706 for a total cash consideration of \$3,963. The excess of the purchase price over the book value of the shares in the amount of \$3,257 was charged to deficit. All shares purchased were cancelled.

In addition, the Company entered into an automatic share purchase agreement with Scotia Capital Inc. in connection with the NCIB. Under the 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 fiscal 2017, a total of 96,500 common shares were issued pursuant to the exercise of share options under the Share Option Plan. See note 25, Share-based compensation.

During fiscal 2017, further to a special resolution approved at the shareholders' meeting of February 1, 2017, the Company reduced the stated capital by \$100.0 million and the contributed surplus was increased by the same amount of \$100.0 million.

During fiscal 2017, a total of \$435 of the Fourth series debentures was converted by holders of the securities for a total of 66,922 common shares.

On August 5, 2017, the Company acquired all of the issued and outstanding shares of LBMT for a total consideration of \$166.4 million (see Note 4, Business combinations). As part of the financing, a public offering was completed on July 28, 2017 consisting of subscription receipts (converted to 11,730,000 common shares upon closing of the transaction) for gross proceeds of \$69.2 million (\$66.8 million net of underwriting commissions and professional fees of \$3.2 million and deferred tax of \$0.8 million).

As of September 29, 2018, a total of 105,008,070 common shares (September 30, 2017- 105,743,582) were outstanding.

**24. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY (CONTINUED)**

The Company declared a quarterly dividend of \$0.09 per share for fiscal years 2018 and 2017. The following dividends were declared by the Company:

	For the years ended	
	September 29, 2018	September 30, 2017
	\$	\$
Dividends	37,971	34,896

Contributed surplus:

The contributed surplus account is used to record amounts arising on the issue of equity-settled share-based payment awards (see Note 25, Share-based compensation).

Capital management:

The Company's objectives when managing capital are:

- To ensure proper capital investment is done in the manufacturing infrastructure to provide stability and competitiveness of the operations;
- To have stability in the dividends paid to shareholders;
- To have appropriate cash reserves on hand to protect the level of dividends made to shareholders;
- To maintain an appropriate debt level so that there is no financial constraint on the use of capital;
- To have an appropriate line of credit, and;
- To repurchase shares or convertible debentures when trading values do not reflect fair values.

The Company typically invests in its operations between \$15.0 million and \$20.0 million yearly in capital expenditures. Management believes that these investments, combined with approximately \$30.0 million spent on average annually on maintenance expenses, allow for the stability of the manufacturing operations and improve its cost competitiveness through new technology or process procedures.

The Board of Directors aims to ensure proper cash reserves are in place to maintain the current dividend level. Dividends to shareholders will only be raised after the Directors have carefully assessed a variety of factors that include the overall competitive landscape, volume and selling margin sustainability, the operating performance and capital requirements of the manufacturing plants and the sustainability of any increase.

The Company has a \$265.0 million revolving credit facility. The Company estimates to use between \$100.0 million and \$175.0 million of its revolving credit facility to finance its normal operations during the year.

## 24. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY (CONTINUED)

Capital management (continued):

The Company monitors, on a quarterly basis, the ratio of total debt to earnings before interest, income taxes, depreciation and amortization, adjusted for the impact of all derivative financial instruments ("adjusted EBITDA") of the operating company. Through required lenders' covenants, the debt ratio must be kept below 4:1 in order not to have restrictions on interest payments from Lantic to the Company up to a year after an acquisition and below 3.5:1 thereafter. At year-end, the operating company's debt ratio was below 1.60:1 for fiscal 2018 and below 1.50:1 for fiscal 2017.

Having satisfied the above factors, if cash is available, it will be used to repurchase the Company's shares and convertible debentures when the Board of Directors considers that the current trading range does not reflect the fair trading value of the Company's shares. As such, the Company puts in place a NCIB from time to time.

The Company does not use equity ratios to manage its capital requirements.

## 25. SHARE-BASED COMPENSATION

(a) Equity-settled share-based compensation:

The Company has reserved and set aside for issuance an aggregate of 4,000,000 common shares (September 30, 2017 - 4,000,000 common shares) at a price equal to the average market price of transactions during the last five trading days prior to the grant date. Options are exercisable to a maximum of 20% of the optioned shares per year, starting after the first anniversary date of the granting of the options and will expire after a term of ten years. Upon termination, resignation, retirement, death or long-term disability, all share options granted under the Share Option Plan not vested shall be forfeited.

On December 4, 2017, a total of 1,065,322 share options were granted at a price of \$6.23 per common share to certain executives and senior managers. During fiscal 2018, a total of 60,000 share options were forfeited following the departure of a senior manager.

During fiscal 2017, a total of 360,000 share options were granted at a price of \$6.51 per common share to certain executives. In addition, during fiscal 2017, a total of 96,500 common shares were issued pursuant to the exercise of share options under the Share Option Plan for total cash proceeds of \$521, which was recorded to share capital as well as an ascribed value from contributed surplus of \$28.

Compensation expense is amortized over the vesting period of the corresponding optioned shares and is expensed in the administration and selling expenses with an offsetting credit to contributed surplus. An expense of \$189 was incurred for the year ended September 29, 2018 (September 30, 2017 - \$74).

**25. SHARE-BASED COMPENSATION (CONTINUED)**

(a) Equity-settled share-based compensation (continued):

The following table summarizes information about the Share Option Plan as of September 29, 2018:

Exercise price per option	Outstanding number of options at September 30, 2017	Options granted during the period	Options forfeited during the period	Outstanding number of options at September 29, 2018	Weighted average remaining life (in years)	Number of options exercisable
\$4.59	830,000	—	—	830,000	6.65	490,000
\$5.61	80,000	—	—	80,000	3.45	80,000
\$6.23	—	1,065,322	(60,000)	1,005,322	9.35	—
\$6.51	360,000	—	—	360,000	8.17	72,000
	1,270,000	1,065,322	(60,000)	2,275,322	n/a	642,000

The following table summarizes information about the Share Option Plan as of September 30, 2017:

Exercise price per option	Outstanding number of options at October 1, 2016	Options granted during the period	Options exercised during the period	Outstanding number of options at September 30, 2017	Weighted average remaining life (in years)	Number of options exercisable
\$4.59	850,000	—	(20,000)	830,000	7.65	150,000
\$5.61	156,500	—	(76,500)	80,000	4.45	80,000
\$6.51	—	360,000	—	360,000	9.17	—
	1,006,500	360,000	(96,500)	1,270,000	n/a	230,000

Options outstanding held by key management personnel amounted to 1,655,322 options as at September 29, 2018 and 1,270,000 options as at September 30, 2017 (see Note 31, Key management personnel).

The measurement date fair values were measured based on the Black-Scholes option pricing model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values of the share-based payment plans granted in the first quarter of fiscal 2018 are the following:

Total fair value of options at grant date	\$373
Share price at grant date	\$6.31
Exercise price	\$6.23
Expected volatility (weighted average volatility)	16.194% to 17.640%
Option life (expected weighted average life)	4 to 6 years
Expected dividends	5.71%
Weighted average risk-free interest rate (based on government bonds)	1.647% to 1.760%

**25. SHARE-BASED COMPENSATION (CONTINUED)**

(b) Cash-settled share-based compensation:

i) Share Appreciation Rights ("SAR"):

During the first quarter of fiscal 2017, a SAR plan was created under the existing Share Option Plan that entitle the grantee to a cash payment based on the increase in the share price of the Company's common shares from the grant date to the settlement date. During the first quarter of fiscal 2017, a total of 125,000 SARs were granted at a price of \$6.51 to an executive.

Compensation expense is amortized over the vesting period of the corresponding optioned shares and is expensed in the administration and selling expenses with an offsetting debit / credit to liability. A gain on fair value change of \$5 was recorded for the year ended September 29, 2018 (September 30, 2017 – an expense of \$15). The liabilities arising from the SARs as at September 29, 2018 were \$10 (September 30, 2017 - \$15).

The following table summarizes information about the SARs as of September 29, 2018:

Share price per unit	Outstanding number of units at September 30, 2017	Units granted during the period	Units exercised during the period	Units forfeited during the period	Outstanding number of units at September 29, 2018	Number of units exercisable
\$6.51	125,000	—	—	—	125,000	25,000

The following table summarizes information about the Share Option Plan as of September 30, 2017:

Share price per unit	Outstanding number of units at October 1, 2016	Units granted during the period	Units exercised during the period	Units forfeited during the period	Outstanding number of units at September 30, 2017	Number of units exercisable
\$6.51	—	125,000	—	—	125,000	—

**25. SHARE-BASED COMPENSATION (CONTINUED)**

(b) Cash-settled share-based compensation (continued):

i) Share Appreciation Rights ("SAR") (continued):

The fair values at the measurement date were measured based on the Black-Scholes option pricing model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values of the SARs granted are the following:

<b>Options granted December 5, 2016</b>	Grant date	<b>Measurement date as at September 29, 2018</b>
Total fair value of options	\$53	<b>\$15</b>
Share price	\$6.63	<b>\$5.47</b>
Exercise price	\$6.51	<b>\$6.51</b>
Expected volatility (weighted average volatility)	16.520% to 18.670%	<b>15.197% to 17.246%</b>
Option life (expected weighted average life)	2 to 6 years	<b>4 to 8 years</b>
Expected dividends	5.43%	<b>6.58%</b>
Weighted average risk-free interest rate (based on government bonds)	0.740% to 1.160%	<b>2.32% to 2.42%</b>

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the SARs is indicative of future trends, which may not necessarily be the actual outcome.

ii) Performance Share Units ("PSU"):

During the first quarter of fiscal 2018, a PSU plan was created for executives that entitle them to a cash payment, with an aggregate of 224,761 PSUs having been granted by the Company at a share price of \$6.31. In addition, an aggregate of 10,291 PSUs at a weighted-average share price of \$6.01 were allocated as a result of the dividend paid during the last four quarters, as the participants also receive dividend equivalents paid in the form of PSU's. As at September 29, 2018, an aggregate of 235,052 PSUs are outstanding.

These PSUs will vest at the end of the 2017-2020 Performance Cycle based on the achievement of total shareholder returns set by the Human Resources and Compensation Committee ("HRCC") and the Board of Directors of the Company. Following the end of a Performance Cycle, the Board of Directors of the Company will determine, and to the extent only that the Vesting Conditions include financial conditions, concurrently with the release of the Company's financial and/or operational results for the fiscal year ended at the end of the Performance Cycle, whether the Vesting Conditions for the PSUs granted to a participant relating to such Performance Cycle have been achieved. Depending on the achievement of the Vesting Conditions, between 0% and 200% of the PSUs will become vested.

The Board of Directors of the Company has the discretion to determine that all or a portion of the PSUs granted to a participant for which the Vesting Conditions have not been achieved shall vest to such participant.

The value to be paid-out to each participant will be equal to the result of: the number of PSUs granted to the participant which have vested, multiplied by the volume weighted average closing price of the Common Shares on the Toronto Stock Exchange (the "TSX") for the five trading days immediately preceding the day on which the Company shall pay the value to the participant under the PSU Plan, and such date will in no event occur after December 31 of the third calendar year following the calendar year in which the PSUs are granted.

An expense of nil was recorded for the period ending September 29, 2018 (September 30, 2017 – not applicable) in administration and selling expenses. The liabilities arising from the PSUs as at September 29, 2018 was nil.

## 26. OPERATING LEASES

The Company has financial commitments for minimum lease payments under operating leases for various mobile equipment and the premises for the sugar and maple product segments. Non-cancellable operating lease rentals are payable as follows:

	September 29, 2018	September 30, 2017
	\$	\$
Less than 1 year	2,581	1,988
Between 1 and 5 years	5,128	3,770
More than 5 years	956	188
	<b>8,665</b>	<b>5,946</b>

For the year ended September 29, 2018, an amount of \$3.9 million was recognized as an expense in net earnings with respect to operating leases (September 30, 2017 - \$2.9 million).

## 27. COMMITMENTS

As at September 29, 2018, the Company had commitments to purchase a total of 1,337,000 metric tonnes of raw cane sugar (September 30, 2017 - 1,708,000), of which 316,128 metric tonnes had been priced (September 30, 2017 - 286,000), for a total dollar commitment of \$120.8 million (September 30, 2017 - \$122.7 million). In addition, the Company has a commitment of approximately \$43.5 million (September 30, 2017 - \$43.1 million) for sugar beets to be harvested and processed in fiscal 2019.

A subsidiary of the Company has \$19.3 million (September 30, 2017 - \$2.5 million) remaining to pay related to an agreement to purchase approximately \$38.2 million (12.8 million pounds) (September 30, 2017 - \$4.0 million; 1.5 million pounds) of maple syrup from the FPAQ. In order to secure bulk syrup purchases, the Company issued letters of guarantee for a total amount of \$16.0 million in favor of the FPAQ (September 30, 2017 - \$12.5 million). The letters of guarantee expire on March 31, 2019.

During the year ended September 29, 2018, the Company entered into capital commitments to complete its capital projects for a total value of \$19.6 million (September 30, 2017 - \$6.3 million).

The Taber beet sugar processing facility was established in 1950. Over the past few years, the Company has been actively working on solutions to reduce the air emissions footprint of the facility. The Taber facility obtained from Alberta Environment and Parks a variance for non-compliance of air emission standards valid until May 2019. As at the third quarter of fiscal 2018, the Company completed the engineering and project design to upgrade the Taber beet factory to be fully compliant with the new air emissions regulations. This solution is expected to require between \$8.0 million to \$10.0 million in capital expenditures of which, approximately \$7.0 million to \$9.0 million will be spent in fiscal 2019.

## 28. CONTINGENCIES

The Company is subject to laws and regulations concerning the environment and to the risk of environmental liability inherent to its activities relating to its past and present operations.

The Company, in the normal course of business, becomes involved from time to time in litigation and claims. While the final outcome with respect to claims and legal proceedings pending as at September 29, 2018 cannot be predicted with certainty, management believes that no provision was required and that the financial impact, if any, from claims related to normal business activities will not be material.

**29. EARNINGS PER SHARE**

Reconciliation between basic and diluted earnings per share is as follows:

	<b>September 29, 2018</b>	<b>For the years ended September 30, 2017</b>
	\$	\$
Basic earnings per share:		
Net earnings	<b>48,729</b>	21,906
Weighted average number of shares outstanding	<b>105,600,860</b>	96,027,566
Basic earnings per share	<b>0.46</b>	0.23
Diluted earnings per share:		
Net earnings	<b>48,729</b>	21,906
Plus impact of convertible unsecured subordinated debentures and share options	<b>5,694</b>	467
	<b>54,423</b>	22,373
Weighted average number of shares outstanding:		
Basic weighted average number of shares outstanding	<b>105,600,860</b>	96,027,566
Plus impact of convertible unsecured subordinated debentures and share options	<b>22,173,123</b>	7,197,978
	<b>127,773,983</b>	103,225,544
Diluted earnings per share	<b>0.43</b>	0.22

As at September 29, 2018, the 862,661 share options were excluded from the calculation of diluted earnings per share as they were deemed anti-dilutive. As at September 30, 2017, the Fifth series debentures, representing 8,333,333 common shares were excluded from the calculation of diluted earnings per share as they were deemed anti-dilutive.

**30. SUPPLEMENTARY CASH FLOW INFORMATION**

	September 29, 2018	September 30 2017	October 1, 2016
	\$	\$	\$
Non-cash transactions:			
Additions of property, plant and equipment and intangible assets included in trade and other payables	1,041	247	135
Investment tax credit included in income taxes payable	—	—	220

**31. KEY MANAGEMENT PERSONNEL**

The Board of Directors as well as the executive team, which include the President and all the Vice-Presidents, are deemed to be key management personnel of the Company. The following is the compensation expense for key management personnel:

	For the years ended	
	September 29, 2018	September 30, 2017
	\$	\$
Salaries and short-term benefits	2,763	3,603
Attendance fees for members of the Board of Directors	907	627
Post-employment benefits	120	164
Share-based compensation (note 25)	184	89
	<b>3,974</b>	<b>4,483</b>

**32. PERSONNEL EXPENSES**

	For the years ended	
	September 29, 2018	September 30, 2017
	\$	\$
Wages, salaries and employee benefits	83,688	72,674
Expenses related to defined benefit plans <sup>(1)</sup> (note 22)	2,851	5,434
Expenses related to defined contributions plans	4,552	3,992
Share-based compensation (note 25)	184	89
	<b>91,275</b>	<b>82,189</b>

(1) On October 16, 2017, the Alberta Treasury Board and Finance approved an amendment to the Alberta Hourly Plan which led to the elimination of the reserve for future supplements, and investment earnings accumulated thereon, effective January 1, 2017. As a result, during fiscal 2018, a \$1.5 million pension income was recorded.

**32. PERSONNEL EXPENSES (CONTINUED)**

The personnel expenses were charged to the consolidated statements of earnings and comprehensive income or capitalized in the consolidated statements of financial position as follows:

	For the years ended	
	September 29, 2018	September 30, 2017
	\$	\$
Cost of sales	72,173	66,941
Administration and selling expenses	17,234	13,255
Distribution expenses	1,434	1,564
	90,841	81,760
Property, plant and equipment	434	429
	91,275	82,189

**33. RELATED PARTIES**

Lantic has outstanding redeemable Class B shares of \$44.5 million that are retractable and can be settled at Lantic's option by delivery of a note receivable from Belkorp Industries Inc., having the same value. The note receivable bears no interest and has no fixed terms of repayment. The Class B shares are entitled to vote, but on a pro rata basis at a meeting of shareholders of Lantic. Under the terms of a voting trust agreement between Belkorp Industries Inc. and Rogers, Rogers is entitled to vote the Class B shares so long as they remain outstanding. Due to the fact that Lantic has the intent and the legal right to settle the note receivable with the redeemable preferred shares, these amounts have been offset and, therefore, are not presented on the consolidated statements of financial position.

Belkorp Industries Inc. also controls, through Lantic Capital, the two Lantic Class C shares issued and outstanding. The Class C shares entitle Lantic Capital to elect five of the seven directors of Lantic, but have no other voting rights at any meetings of shareholders of Lantic, except as may be required by law.

**34. SEGMENTED INFORMATION**

The Company has two operating and reportable segments, sugar and maple products. The principal business activity of the sugar segment is the refining, packaging and marketing of sugar products. The Maple products segment processes pure maple syrup and related maple products. The reportable segments are managed independently as they require different technology and capital resources. Performance is measured based on the segments' gross margins and results from operating activities. These measures are included in the internal management reports that are reviewed by the Company's President and CEO, and management believes that such information is the most relevant in the evaluation of the results of the segments.

Transactions between reportable segments are interest receivable (payable), which are eliminated upon consolidation.

	For the year ended September 29, 2018			
	Sugar	Maple products	Corporate and eliminations	Total
	\$	\$	\$	\$
Revenues	601,958	203,243	—	805,201
Cost of sales	499,380	174,968	—	674,348
Gross margin	102,578	28,275	—	130,853
Depreciation and amortization	13,495	4,979	—	18,474
Results from operating activities	72,102	13,352	(1,354)	84,100
Additions to property, plant and equipment and intangible assets	23,352	1,792	—	25,144

	For the year ended September 29, 2018			
	Sugar	Maple products	Corporate and eliminations	Total
	\$	\$	\$	\$
Total assets	742,993	292,232	(165,016)	870,209
Total liabilities	(899,026)	(248,871)	627,333	(520,564)

34. SEGMENTED INFORMATION (CONTINUED)

	For the year ended September 30, 2017			
	Sugar	Maple products	Corporate and eliminations	Total
	\$	\$	\$	\$
Revenues	655,851	26,666	—	682,517
Cost of sales	582,143	23,076	—	605,219
Gross margin	73,708	3,590	—	77,298
Depreciation and amortization	13,105	491	—	13,596
Results from operating activities	41,247	948	(1,164)	41,031
Additions to property, plant and equipment and intangible assets	17,306	64	—	17,370

	For the year ended September 30, 2017*			
	Sugar	Maple products	Corporate and eliminations	Total
	\$	\$	\$	\$
Total assets	744,311	255,538	(164,375)	835,474
Total liabilities	(918,313)	(212,129)	629,124	(501,318)

\* Includes adjustment of prior year purchase price allocation (see Note 4, Business combinations and Note 16, Goodwill).

Revenues were derived from customers in the following geographic areas:

	For the years ended	
	September 29, 2018	September 30, 2017
	\$	\$
Canada	613,213	624,992
United States	112,642	50,055
Other	79,346	7,470
	805,201	682,517

# ROGERS SUGAR INC.

## Corporate Information

### DIRECTORS

M. Dallas H. Ross, <sup>(1)</sup> <sup>(3)</sup>  
Chairman and CEO  
Kinetic Capital Limited Partnership

Dean Bergmame, <sup>(2)</sup> <sup>(3)</sup>  
Director

William S. Maslechko, <sup>(3)</sup>  
Partner  
Burnet, Duckworth & Palmer LLP

Daniel Lafrance, <sup>(1)</sup> <sup>(2)</sup>  
Director

Gary Collins, <sup>(2)</sup>  
Senior Advisor  
Lazard Group

(1) Nominees to Board of Directors of Lantic Inc.

(2) Audit Committee Members

(3) Nominating and Governance Committee Members

### LEGAL COUNSEL

Davies, Ward, Phillips & Vineberg  
Montreal, Quebec

### TRADING SYMBOL

RSI

### STOCK EXCHANGE LISTING

The Toronto Stock Exchange

### ANNUAL MEETING

The annual meeting of Shareholders to be held at 9:00 AM (Pacific Time) January 31, 2019 at the Vancouver Marriott Pinnacle Downtown 1128 West Hastings St. Vancouver, British Columbia V6E 4R5  
Tel: (604) 684-1128

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### WEBSITE

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# LANTIC INC.

## Corporate Information — Management

### DIRECTORS OF LANTIC INC.

M. Dallas H. Ross, <sup>(1)</sup>  
Chairman & CEO  
Kinetic Capital Limited Partnership

Gary Collins, <sup>(2)</sup>  
Senior Advisor  
Lazard Group

Michael Heskin, <sup>(2)</sup>  
Vice President Finance and CFO  
Belcorp Industries Inc.

Donald G. Jewell,  
Managing Partner  
RIO Industrial

Daniel Lafrance, <sup>(1)(2)</sup>  
Director

John Holliday,  
President and Chief Executive Officer  
Lantic Inc.

(1) Rogers Sugar Inc. Nominees  
(2) Audit Committee Members

### OFFICERS

John Holliday,  
President and Chief Executive Officer

Patrick Dionne,  
Vice President, Operations and  
Supply Chain

Diana R. Discepola,  
Director of Finance

Jean-François Khalil,  
Vice President,  
Human Resources

Manon Lacroix,  
Vice President Finance,  
Chief Financial Officer  
and Secretary

Michael Walton,  
Vice President, Sales and Marketing

### AUDITORS

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Western Operations  
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**ROGERS**

Lantic

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