OUTSTANDING 4th QUARTER VOLUME CAPS OFF ANOTHER GOOD YEAR FOR SUGAR
RECORD ADJUSTED EBITDA OF $99.9 MIILION FOR FISCAL 2018
HIGHER FREE CASH FLOW FOR THE QUARTER AND YEAR-TO-DATE

As a result of the acquisition of LBMT and Decacer, the Company now has the following two operating segments: Sugar and Maple products.

Sugar

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.

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.

With the mark-to-market of all derivative financial instruments and embedded derivatives in non-financial instruments at the end of each reporting period, our accounting income does not represent a complete understanding of factors and trends affecting the business. Consistent with previous reporting, we prepared adjusted gross margin and adjusted earnings results to reflect the performance of the Company during the period without the impact of the mark-to-market of derivative financial instruments and embedded derivatives in non-financial instruments. Earnings before interest and income taxes ("EBIT") for the Sugar segment included a mark-to-market loss of $4.2 million and a gain of $2.9 million for the fourth quarter of fiscal 2018 and year-to-date, which was added or deducted to calculate the adjusted EBIT and adjusted gross margin results. See "Non-GAAP measures" section in the MD&A.

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

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 ("LBMTC"), 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 or on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") website at 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.
- LBMTC'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 LBMTC's EBITDA, adjusted to include the EBITDA of Highland and Great Northern from April 1, 2016 until their respective acquisition by LBMTC 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 LBMTC 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 LBMTC Integration Gains and the RSI Integration Gains is defined as the adjusted *pro forma* EBITDA assuming the LBMTC 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 LBMTC 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 LBMTC 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 LBMTC 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 LBMTC 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.

Principal Assumptions	Principal Risks and Uncertainties
Expected adjusted EBITDA for LBMTC	
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 LBMTC for fiscal 2018 and RSI integration gains for fiscal 2019. LBMTC integration gains are estimated gains resulting from the three acquisitions completed by LBMTC 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 LBMTC which include business efficiencies and customer gains.	• Historical financial information used to estimate budgeted amounts may not be representative of future results. • Variability in LBMTC's performance. • Unexpected administration, selling or distribution expenditures. • Uncertainty of successful integration and operational gains. • Other risks relating to the business of LBMTC (refer to the "Risk Factors" section).
Expected Adjusted *pro forma* EBITDA for Decacer	
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.	• 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:

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

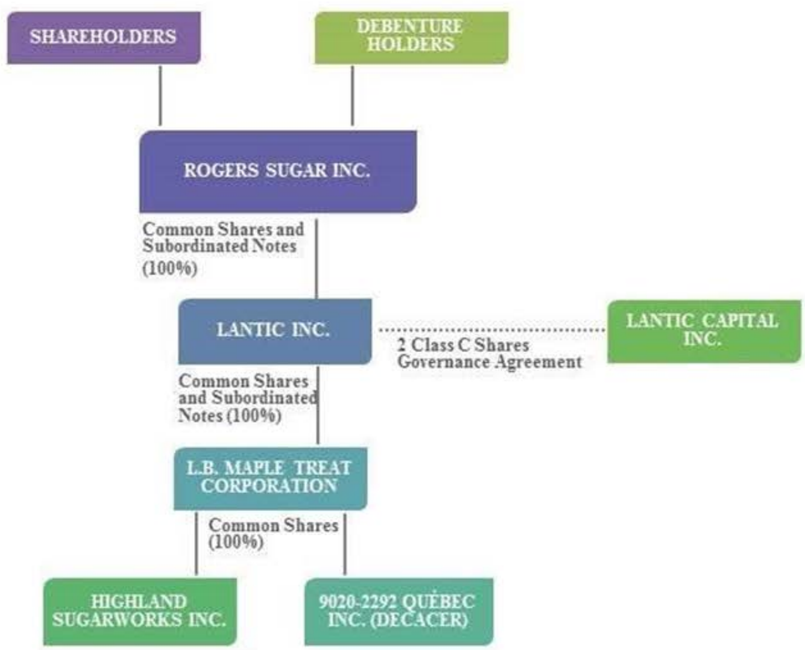
CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

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 LBMTC, 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 – 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"

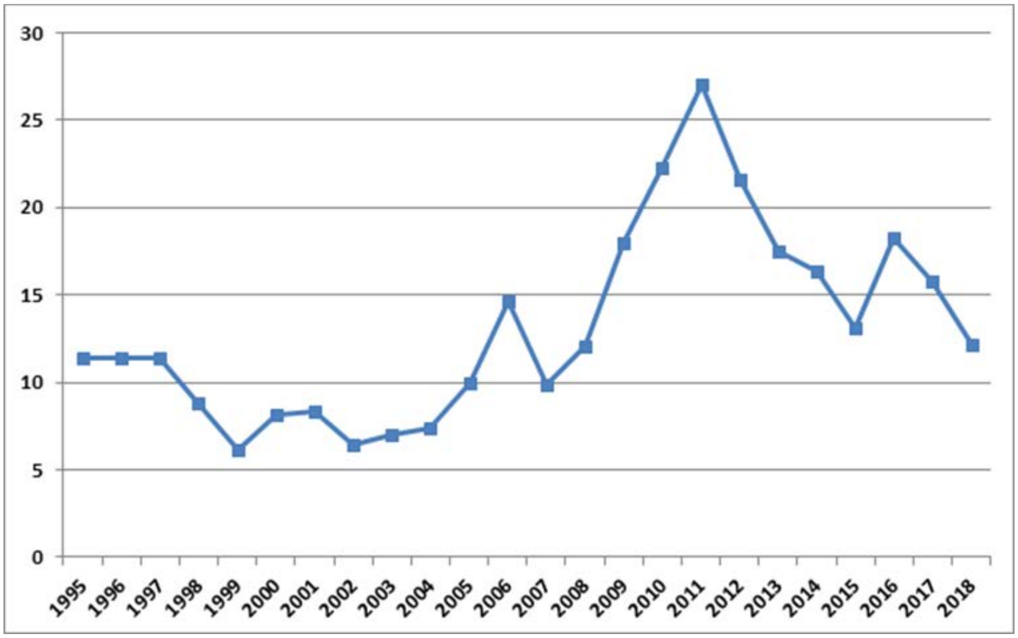
Pricing

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 1995 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 LBMTC from Champlain Financial Corporation Inc., for approximately $166.4 million, after closing adjustments.

The combined acquisition of LBMTC 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

LBMTC 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. LBMTC 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 LBMTC 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 Degelis 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 Degelis 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

<u>Sugar segment</u>

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

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 LBMTC 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, LBMT'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 LBMTC. 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 LBMTC 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 LBMTC 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) (In thousands of dollars)	**Fourth Quarter Fiscal 2018** Sugar	Maple Products	Total	Fourth Quarter Fiscal 2017 Sugar	Maple Products	Total
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 (1) (2)	**$ (4,158)**	**$ 649**	**$ (3,509)**	(5,567)	164	(5,403)

(1) See "Non-GAAP measures" section.

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

Income (loss) (In thousands of dollars)	**Fiscal 2018** Sugar	Maple Products	Total	Fiscal 2017 Sugar	Maple Products	Total
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 (1) (2)	**$ 2,919**	**$ 1,572**	**$ 4,491**	(26,125)	164	(25,961)

(1) See "Non-GAAP measures" section.

(2) 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 (In thousands of dollars)	Fourth Quarter Fiscal 2018 Sugar	Fourth Quarter Fiscal 2018 Maple Products	Fourth Quarter Fiscal 2018 Total	Fourth Quarter Fiscal 2017 Sugar	Fourth Quarter Fiscal 2017 Maple Products	Fourth Quarter Fiscal 2017 Total
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
Non- GAAP results:						
Total adjustment to the cost of sales (1) (2)	$ 4,158	$ (649)	$ 3,509 $	$ 5,567	$ (164)	$ 5,403
Adjusted Gross Margin (1)	25,798	6,966	32,764	24,608	3,426	28,034
Adjusted results from operating activities (1)	$ 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 (1)	-	-	-	1,887	-	1,887
Maple Segment non-recurring costs (1)	-	(4)	(4)	-	1,076	1,076
Adjusted EBITDA(1)	$ 21,570	$ 4,762	$ 26,332	$ 19,942	$ 2,351	$ 22,293
Additional information:						
Addition to property, plant and equipment and intangible assets	10,894	608	11,502	6,660	64	6,724

(1) See "Non-GAAP measures" section.

(2) 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
Non- GAAP results:						
Total adjustment to the cost of sales (1) (2)	**(2,919)**	**(1,572)**	**(4,491)**	26,125	(164)	25,961
Adjusted Gross Margin (1)	**$ 99,659**	**$ 26,703**	**$ 126,362**	$ 99,833	$ 3,426	$ 103,259
Adjusted results from operating activities (1)	**$ 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 (1)	**-**	**-**	**-**	2,517	-	2,517
Maple Segment non-recurring costs (1)	**-**	**1,859**	**1,859**	-	1,076	1,076
Adjusted EBITDA(1)	**$ 81,324**	**$ 18,618**	**$ 99,942**	$ 81,830	$ 2,351	$ 84,181
Additional information:						
Addition to property, plant and equipment and intangible assets	**$ 23,352**	**$ 1,792**	**$ 25,144**	$ 17,306	$ 64	$ 17,370

(1) See "Non-GAAP measures" section.

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

Results from operation by segment

Sugar

Revenues

(In thousands of dollars, except volume)	Fourth Quarter		Fiscal Year	
	2018	2017	**2018**	2017
Volume (MT)	**200,147**	183,397	**719,875**	694,465
Revenues	**$ 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.

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.

Gross Margin

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

(In thousands of dollars, except per metric tonne information)	Fourth Quarter		Fiscal Year	
	2018	2017	**2018**	2017
Gross margin	**$ 21,640**	$ 19,041	**$ 102,578**	$ 73,708
Total adjustment to cost of sales (1) (2)	**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
Included in Gross margin:				
Depreciation of property, plant and equipment	**$ 3,252**	$ 3,129	**$ 12,813**	$ 12,466

(1) See "Non-GAAP measures" section.

(2) 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.

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
Included in Administration and selling expenses:				
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 LBMTC. 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 [1]	**$ 18,139**	$ 14,757	**$ 67,829**	$ 66,208

(1) 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 LBMTC 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:

(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 [1] [2]	**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 [1]	**-**	1,887	**-**	2,517
Adjusted EBITDA [1]	**$ 21,570**	$ 19,942	**$ 81,324**	$ 81,830

(1) See "Non-GAAP measures" section.

(2) 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 LBMTC since its acquisition on August 5, 2017.

Revenues

(In thousands of dollars, except volume)	Fourth Quarter		Fiscal Year	
	2018	2017	**2018**	2017
Volume ('000 pounds)	**10,549**	5,764	**45,119**	5,764
Revenues	**$ 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.

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

(1) See "Non-GAAP measures" section.

(2) 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 LBMTC since its acquisition date on August 5, 2017.

Other expenses

(In thousands of dollars)	Fourth Quarter		Fiscal Year	
	2018	2017	**2018**	2017
Administration and selling expenses	**$ 2,215**	$ 1,948	**$ 11,001**	$ 1,948
Distribution costs	**$ 1,150**	$ 694	**$ 3,922**	$ 694
Included in Administration and selling expenses:				
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

(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 (1)	**$ 3,601**	$ 784	**$ 11,780**	$ 784

(1) 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 LBMTC 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:

(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 [1] [2]	**(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[1] [2]	**$ 4,762**	$ 2,351	**$ 18,618**	$ 2,351

(1) See "Non-GAAP measures" section.

(2) 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 [1] [2]	**4,158**	**(649)**	**3,509**	5,567	(164)	5,403
Adjusted Gross Margin [1]	**$ 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 [1] [2]	**4,158**	**(649)**	**3,509**	5,567	(164)	5,403
Adjusted results from operating activities [1]	**$ 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 [1]	**-**	**-**	**-**	1,887	-	1,887
Maple Segment non-recurring costs [1]	**-**	**(4)**	**(4)**	-	1,076	1,076
Adjusted EBITDA[1]	**$ 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 [1] [2]			**3,509**			5,403
Amortization of transitional balance to net finance costs [1] [2]			**(128)**			(84)
Income taxes on above adjustments			**(892)**			(1,395)
Adjusted net earnings [1]			**$ 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 [1]			**$ 0.12**			$ 0.08

(1) See "Non-GAAP measures" section.

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

Consolidated results (In thousands of dollars)	Fiscal 2018 **Sugar**	**Maple Products**	**Total**	Fiscal 2017 Sugar	Maple Products	Total
Gross margin	**$ 102,578**	**28,275**	**130,853**	73,708	3,590	77,298
Total adjustment to the cost of sales [1] [2]	**(2,919)**	**(1,572)**	**(4,491)**	26,125	(164)	25,961
Adjusted Gross Margin [1]	**$ 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 [1] [2]	**(2,919)**	**(1,572)**	**(4,491)**	26,125	(164)	25,961
Adjusted results from operating activities [1]	**$ 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 [1]	**-**	**-**	**-**	2,517	-	2,517
Maple Segment non-recurring costs [1]	**-**	**1,859**	**1,859**	-	1,076	1,076
Adjusted EBITDA[1]	**$ 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 [1] [2]			**(4,491)**			25,961
Amortization of transitional balance to net finance costs [1] [2]			**(532)**			(371)
Income taxes on above adjustments			**1,326**			(6,782)
Adjusted net earnings [1]			**$ 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 [1]			**$ 0.43**			$ 0.42

(1) See "Non-GAAP measures" section.

(2) 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:

(In thousands of dollars, except for volume and per share information)

	QUARTERS							
	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 (1)	**206.88**	**126.51**	**113.04**	**108.12**	167.34	98.42	56.83	103.82
Gross margin percentage (2)	**14.4%**	**12.1%**	**14.3%**	**15.0%**	-	-	-	13.5%
Per share								
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
Non-GAAP Measures								
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 (1)	**179.19**	**134.66**	**113.37**	**128.90**	172.92	137.90	131.31	134.18
Adjusted gross margin percentage (2)	**12.4%**	**12.5%**	**13.9%**	**13.7%**	-	-	-	12.8%
Adjusted net earnings per share								
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

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

(2) 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	**$ 870,209**	$ 835,474	$ 585,198
Total non-current liabilities	**382,136**	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 LBMTC, 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	**$ 52,912**	$ 52,037
Cash flow (used in) from financing activities	**(1,555)**	147,272
Cash flow used in investing activities	**(66,429)**	(183,485)
Effect of changes in exchange rate on cash	**140**	(37)
Net (decrease) increase in cash and cash equivalents	**$ (14,932)**	$ 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 [(1)]	**$ 10,285**	$ 6,625	**47,802**	$ 40,646	$ 44,825
Declared dividends	**$ 9,450**	$ 9,517	**$ 37,971**	$ 34,896	$ 33,796

(1) 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 LBMTC.

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	–
	$ 281,628	$ 65,198	$ 22,796	$ 185,879	$ 7,755
Purchase obligations (in MT)	1,337,000	479,000	858,000	–	–
Purchase obligations ('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 LBMTC 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, 2021and 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 LBMTC 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 LBMTC 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 LBMTC 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 LBMTC 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 LBMTC. 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 LBMTC. The existence of any undisclosed liabilities and Lantic's inability to claim indemnification from the previous shareholders of LBMTC 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. LBMTC and Decacer are an authorized buyer with the FPAQ. The authorized buyer status is renewed on an annual basis. There is no certainty that LBMTC and Decacer will be able to maintain its status as an authorized buyer with the FPAQ. Failure by LBMTC, 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 distributers, 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.

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 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.

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 LBMT. 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.

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 LBMT 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:

(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 (1) (2)	**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 (1)	**-**	1,887	**-**	2,517
Adjusted EBITDA (1)	**$ 21,570**	$ 19,942	**$ 81,324**	$ 81,830

(1) See "Non-GAAP measures" section of the MD&A.

(2) See "Adjusted results" within the consolidated results of operation section and "Segmented information" section of the MD&A.

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

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.

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 LBMTC since its acquisition date on August 5, 2017.

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.

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 LBMT 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:

(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 (1) (2)	**(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(1) (2)	**$ 4,762**	$ 2,351	**$ 18,618**	$ 2,351

(1) See "Non-GAAP measures" section in the MD&A.

(2) See "Adjusted results" within the consolidated operating results section and "Segmented information" section in the MD&A.

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

Consolidated

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 (1) (2)	**4,158**	**(649)**	**3,509**	5,567	(164)	5,403
Adjusted Gross Margin (1)	**$ 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 (1) (2)	**4,158**	**(649)**	**3,509**	5,567	(164)	5,403
Adjusted results from operating activities (1)	**$ 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 (1)	**-**	**-**	**-**	1,887	-	1,887
Maple Segment non-recurring costs (1)	**-**	**(4)**	**(4)**	-	1,076	1,076
Adjusted EBITDA(1)	**$ 21,570**	**$ 4,762**	**$ 26,332**	$ 19,942	$ 2,351	$ 22,293

Consolidated results (In thousands of dollars)	**Fiscal 2018**			Fiscal 2017		
	Sugar	**Maple Products**	**Total**	Sugar	Maple Products	Total
Gross margin	**$ 102,578**	**28,275**	**130,853**	73,708	3,590	77,298
Total adjustment to the cost of sales (1) (2)	**(2,919)**	**(1,572)**	**(4,491)**	26,125	(164)	25,961
Adjusted Gross Margin (1)	**$ 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 (1) (2)	**(2,919)**	**(1,572)**	**(4,491)**	26,125	(164)	25,961
Adjusted results from operating activities (1)	**$ 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 (1)	**-**	**-**	**-**	2,517	-	2,517
Maple Segment non-recurring costs (1)	**-**	**1,859**	**1,859**	-	1,076	1,076
Adjusted EBITDA(1)	**$ 81,324**	**$ 18,618**	**$ 99,942**	$ 81,830	$ 2,351	$ 84,181

(1) See “Non-GAAP measures” section in the MD&A.

(2) See “Adjusted results” within the consolidated operating results section and “Segmented information” section in the MD&A.

Excluding the amortization of the transitional balance and net change in fair value, net finance costs for the fourth quarter and year-to-date were $1.4 million and $7.1 million higher than the comparable periods of last year, respectively, due to the increase in overall borrowings under the revolving credit facility and the convertible unsecured subordinated debentures, the increase in interest rates on the revolving credit facility, the additional accretion expense on the convertible unsecured subordinated debentures and the additional interest payable by LBMT and Decacer to the Fédération des Producteurs Acéricoles du Québec ("FPAQ") on syrup purchases.

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.

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.

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.

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.

FOR THE BOARD OF DIRECTORS,

Dallas H. Ross, Chairman
Vancouver, British Columbia – November 21, 2018

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